

Spring Budget 2023 Pre-Budget Briefings

Women and employment

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A pre-budget briefing from the UK Women's Budget Group – Spring 2023

Key points:

- While there has been an employment recovery since the pandemic, **wages are failing to keep pace with inflation** and this is having significant impacts on the lowest paid, the majority of whom are women. This is expected to see **the sharpest annual decline in living standards since records began in the 1940s**.
- This is compounded by the fact that **women make up the majority of those in insecure and precarious forms of work**, including on zero-hours contracts and in self-employment. Such workers may find themselves in low weekly pay, even as the National Living Wage rises, due to low hours of work.
- The headline figures pointing to increased employment mask several groups that are being left behind in the recovery, including **older women who have seen significant increases in rates of economic inactivity**.
- Black, Asian and Minority Ethnic (BAME) were disproportionately impacted by the pandemic and, in 2022, the **unemployment rate of minority ethnic women remains more than double** the rate of women from a White ethnic background.
- Disabled people were also disproportionately impacted by Covid, with disabled people are at one point being 2.5 times more likely to be out of work than non-disabled people. The **employment rate of disabled people** has recovered somewhat but **remains below pre-pandemic levels**.

Women and employment

The Covid-19 pandemic led to an exacerbation of pre-existing inequalities, with women, young people, Black, Asian and Minority Ethnic communities, disabled people and those on low incomes disproportionately impacted.

While employment levels have started to recover, households in the UK are experiencing their sharpest decline in living standards since records began in the 1940s. Inflationary pressures are eroding earnings growth and those on the lowest incomes – the majority of whom are women – are hardest hit by this cost of living squeeze.

This briefing sets out recent trends in women's employment and earnings.

Employment, unemployment and economic inactivity

Prior to the Covid-19 pandemic, there were more women in paid employment than at any time, with the female employment rate reaching 72.7% in the December 2019-February 2020 quarter (the male employment rate was 78.8% for the same quarter). During the pandemic, the female employment rate fell back to 71.4% but it has now largely recovered to reach 72.3% in the fourth quarter of 2022. By contrast, the male employment rate exceeds the pre-pandemic rate, sitting at 79% in Q4 2022.

The employment rate for women living with dependent children was 75% in July to September 2022, which is an increase from 66.2% in 2000.¹ For the last decade, the employment rate for women with children has been higher than the employment rate for women with no dependents (the reverse was true prior to 2010). This may partially be attributed to women having children later in life, having spent more years in work with greater labour market attachment. However, there is still a

¹ ONS (2022) Employment rates for men and women living with and without dependent children in the UK: Table Q (<https://bit.ly/3YU82Z>)

significant pay penalty for mothers.² According to IFS research from 2018, the pay gap between mothers and fathers increases by approximately 21% between the birth of the first child, and the child's twentieth birthday.³

Women are the vast majority of those employed part-time (72% of all part-time workers, Q4 2022). They are also more likely than men to be involuntarily part-time⁴ (53% of involuntarily part-time workers), in part-time self-employment (60% of part-time self-employed) or in temporary employment (52% of temporary workers).⁵ One of the features of the post-Covid recovery has been an increase in the number of women working full-time and a reduction in the number working part-time.⁶

The sectors where women tend to work are still some of the lowest paid, with women predominating in health and social care, retail and education.⁷

Effects of Covid-19 on women's position in the labour market

While ONS official data record working-age women's employment and economic activity having largely recovered to pre-pandemic levels, these statistics mask concerning trends in economic activity for some women. Older women (aged 50-64) have seen the largest increase in economic inactivity compared to pre-pandemic, with an estimated further 250,000 economically inactive.⁸ This is driven by long-term sickness and early retirement.

During the pandemic, there were continued increases in public sector employment, including health and social care.⁹ The surge in public services

employment, a traditionally big employer of women, explains the gains in overall employment for women in the pandemic despite women also predominating in some of the sectors, such as retail and hospitality, that were hardest hit by the pandemic.

Employment for disabled people fell more rapidly during the crisis than for non-disabled people (1.9% compared with 1.1%) and at the end of 2020 disabled people were 2.5 times more likely to be out of work than non-disabled people.¹⁰ The economic activity rate of disabled people has recovered somewhat to 57.4% (Q4, 2022) but is still below the pre-pandemic rate of 58.1%.¹¹

Gender inequalities intersect with race inequalities. Black, Asian and Minority Ethnic (BAME) women began the pandemic from a place of disadvantage with one of the lowest rates of employment. In 2020 this was still the case, with BAME women's employment at 62.5%¹² and the highest rate of unemployment at 8.8% (compared with 4.5% for White people and 8.5% for BAME people overall).¹³ BAME women in certain industries have been particularly hit, for example, in the 'arts and entertainment' sector their employment fell by 44% in the year from autumn 2019 to 2020.¹⁴ At the end of 2021, women from a minority ethnic background still had an employment rate of 8.1%, more than double the rate of women from a White ethnic group (3.3%).¹⁵

The impact of Covid-19 has also compounded previous shifting employment trends such as an increase in automation and changes in demand and consumption behaviours.¹⁶ In retail for example, the largest source of private sector employment in the UK (2.8 million workers in 2020)¹⁷ the sector

² TUC/IPPR (2016) The motherhood pay penalty (<https://bit.ly/3G6sAJo>)

³ IFS (2018) Wage progression and the gender wage gap: the causal impact of hours of work (<http://bit.ly/36fc7kb>)

⁴ The ONS defines involuntary part-time employment as 'workers who fail to find full-time jobs. Involuntary part-time employment ensures that people remain attached to the labour market and do not become unemployed or economically inactive'.

⁵ ONS (Feb 2023) EMP01 SA: Full-time, part-time and temporary workers (seasonally adjusted) (<http://bit.ly/2p2wHnW>)

⁶ House of Commons Library (2022) Women and the Economy: Research Briefing (<https://bit.ly/3Kp0pKg>)

⁷ Ibid.

⁸ Institute for Employment Studies (2022) Labour market statistics, January 2022 (<https://bit.ly/3oSAeji>)

⁹ ONS (Sep 2021) Public sector employment, UK: June 2021

(<https://bit.ly/3i6ZnnP>)

¹⁰ Institute for Employment Studies (Nov 2020) Labour market statistics, November 2020 (<https://bit.ly/3fhYlCk>)

¹¹ ONS (2023) A08: Labour market status of disabled people (<https://bit.ly/3KoBdnb>)

¹² TUC (Jan 2021) Jobs and recovery monitor (<https://bit.ly/3dM7JPP>)

¹³ Ibid.

¹⁴ Ibid.

¹⁵ House of Commons Library (2022) Women and the Economy: Research Briefing (<https://bit.ly/3Kp0pKg>)

¹⁶ Work Foundation (2020) No returns: a new direction to tackle insecurity in retail following Covid-19 (<https://bit.ly/37TnwBE>)

¹⁷ Ibid.

was already contracting prior to Covid-19, with 57,000 retail jobs disappearing in 2019 alone. Additionally, the changing shape of the retail industry which is moving towards fewer shop-front jobs, and more warehouse and distribution centre roles means most of job losses over the past decade were occupied by women, with newer roles more likely to go to men.¹⁸

Whilst decreasing unemployment rates are an important indicator of economic recovery, a focus on job quality as well as numbers is just as important, as women's employment is increasingly precarious and concentrated in low-paid work. IFS research found that the recent surge in job vacancies is driven by low-paying occupations, where job openings are 20% higher than pre-pandemic levels.¹⁹ The IFS also concluded that job competition in June 2021 is higher for women than for men.²⁰

Self-employment

In 2019, there were almost 5 million people registered as self-employed,²¹ rising from close to 13% of all employees in 2008 to 15.1% in 2019.²² Women were the majority (61%) of the newly self-employed and the increase in the number of women in the UK becoming self-employed was unprecedented. Historically, women have made up just over a quarter of the self-employed, but now account for 37% of all self-employed.²³ Some have argued that the rise in women's self-employment is part of the trend towards increased precarity and lower pay.²⁴

Job security

During the pandemic, the number of people on zero-hours contracts increased, with the percentage of employees on zero hours contracts

rising from 3% of all employees (Q4, 2019) to 3.4% (Q4, 2022). There are more women (618,000) than men (515,000) on such contracts.²⁵ This may in part reflect the fact that health and social care accounted for 35% of the increase in the number of workers on zero-hours contracts since the pandemic started²⁶ and women made up 83% of the 840,000 care workers and home carers,²⁷ 77% of nonmedical healthcare staff,²⁸ 85% of NHS General Practice workers,²⁹ and 77% of NHS Hospital and Community Service workers in 2020..

Together with the rise in women's self-employment, the increase in zero-hours work points to concerning patterns of employment for women in the labour market post-Covid.

Earnings: what is happening to pay?

Gender pay gap

In April 2017 new gender pay gap reporting regulations came into force, placing a duty on all companies with 250 or more employees to report on their mean and median gender pay gaps. The regulations require employers to report on an annual basis and to publish data on their own company website as well as a government website. This was paused during the pandemic, justified by the uncertainty posed by Covid-19,³⁰ and restarted in October 2021.

The most recent official ONS data from April 2022 estimates the gender pay gap for full-time employees to be 8.3%, down from 9.0% in 2019. Among all employees the estimate is 15.4%, down from 17.4% in 2019.³¹ The higher gap among all employees reflects the greater proportion of

¹⁸ Ibid.

¹⁹ Institute for Fiscal Studies (Sep 2021) Job opportunities during the pandemic (<https://bit.ly/3BNQlxL>)

²⁰ Ibid.

²¹ ONS (2019) EMP14 Employees and self employed by industry (<http://bit.ly/2PvsCSE>)

²² WBG calculations using total number of people in employment (Labour Force Survey, Apr-Jun 2019) and ONS EMP14 Employees and self employed by industry (Apr-Jun 2019)

²³ ONS (Feb 2023) EMP14: Employees and self-employed by industry (<https://bit.ly/2zYSgYp>)

²⁴ TUC (2012) Part-time work and self-employment are replacing full-time jobs women (<https://bit.ly/3kmaRYs>)

²⁵ ONS (2023) EMP17: People in employment on zero hours contracts (<https://bit.ly/3xFvz8y>)

³⁰ Gov.uk (Mar 2020) Employers do not have to report gender pay gap (<https://bit.ly/3q4aw9j>)

³¹ ONS (Oct 2022) Gender pay gap in the UK: 2022 (<https://bit.ly/3KudPEM>)

women in in part-time work, which typically pays less per hour.

It is worth noting that there is a big difference between the gender pay gap among employees below the age of 40 and those aged over 40. For employees below 40, the gender pay gap is estimated to be below 3.2%. For those aged over 40, the gender pay gap is much higher, at over 10.9%. Analysis by the ONS suggests that this is driven by a lower incidence of women over the age of 39 moving into higher managerial roles, which are associated with significant pay increases.³² This is, of course, associated with a life stage where many have dependent children and so may constitute a ‘motherhood penalty’.

As well as a distinct gender pay gap, there is also a gap between Black, Asian and minority ethnic (BAME) and White British workers. Across all industries, BAME workers are paid an average of 5.7% less than White British workers (£0.90 less per hour).³³ There is currently no mandatory ethnicity pay gap reporting in the UK to match the gender pay gap requirement. While the number of employers doing so voluntarily has increased from 11% in 2018 to 19% in 2019, the Women and Equalities Committee recently reaffirmed the need for mandatory reporting and called for this to be implemented by April 2023 for all organisations that are currently required to report on gender.³⁴

Public sector pay

Women are more likely than men to be working in the public sector. Prior to the pandemic, women made up just over two-thirds of all public sector employees and 9 out of 10 part-time public sector employees. This made them particularly vulnerable to public sector pay freezes, as well as spending cuts on public services, which saw public sector employment fall from 21.8% to 16.5% since June

2010 and pay frozen for long periods for many in the public sector.³⁵

In the November 2020 Spending Review, Chancellor Rishi Sunak announced that there would be a public sector pay rise for some key workers, such as NHS workers, and those earning less than £24,000 per year. However, aside from these limited groups, the public sector pay freeze continued for 2.6 million workers.³⁶ In October 2021, the Chancellor announced that public sector workers would receive “fair and affordable” pay rises across 2022/23 and 2023/24.³⁷ However, many pay settlements have not yet been agreed and the Government must ensure increased funding for public services to meet higher pay costs. This includes not only workers employed in the public sector, but workers employed in the private sector who are delivering contracted out services who may be affected by the rise in the National Living Wage.

Low pay

Low pay is defined by the ONS to be below two-thirds (66%) of hourly median wages. In 2022, 10.5% of all employees jobs were low paid based on this definition.³⁸ This represented the lowest figure on record, with steady falls since the introduction (and the subsequent more ambitious uprating) of the National Living Wage in 2016.³⁹ Women, however, are still more likely to be low earners than men, with 1.7 million women classified as such compared to 1.16 million men. Low paid employees are also most likely to be young (aged 16-21), working in elementary occupations, and working in hospitality.⁴⁰

Low-paid workers have been particularly impacted by the cost of living crisis (see ‘Pay Growth’ below). This has, therefore, affected women disproportionately as they make up the majority of those on low pay.⁴¹ Against this backdrop, the rise in the National Living Wage (NLW) announced in

³² Ibid.

³³ Resolution Foundation (Dec 2020) Ethnic minorities in the hospitality sector (<https://bit.ly/2MtFREL>)

³⁴ Women and Equalities Committee (2022) Ethnicity pay gap reporting (<https://bit.ly/3Ewozyz>)

³⁵ ONS (2019) Labour Market Statistics - Oct 2019, Table 4 (<http://bit.ly/31UiqGh>)

³⁶ Resolution Foundation (Dec 2020) The Resolution Foundation earnings outlook (<https://bit.ly/3uFqL07>)

³⁷ House of Commons Library (Dec 2021) Public sector pay (<https://bit.ly/3Bxq8JZ>)

³⁸ ONS (2022) Low and high pay in the UK: 2022 (<https://bit.ly/3XWlvOt>)

³⁹ Resolution Foundation (2022) Low Pay Britain 2022 (<https://bit.ly/3ErXahi>)

⁴⁰ ONS (2019) Jobs paid below minimum wage by category (<http://bit.ly/2PE3wBR>)

⁴¹ ONS (Nov 2020) Low and high pay in the UK: 2020 (<https://bit.ly/3uKZh9J>)

the 2022 Autumn Budget was welcome, as is the continued ambition for the National Living Wage to reach two-thirds of the median wage by 2024. The NLW is set to rise to £10.42 from April 2023, an increase of 10.1% in line with September's 2022 inflation.

While the improvements in hourly low pay are welcome, the Resolution Foundation rightly cautions that this does not necessarily lead to a corresponding reduction in weekly low pay.⁴² This is because, with the rise of zero-hours contracts and self-employment, weekly low pay is increasingly the result of low hours. Given that women are overrepresented among those in insecure forms of work, it is not surprising that they also make up the vast majority (77%) of those on low weekly pay.

Pay growth

The latest figures show that in October to December 2022, the rate of annual pay growth for regular pay was 6.7%.⁴³

However, this pay growth occurs against significant inflationary pressures, with inflation reaching its highest level in 30 years. In January 2023, the CPI reached 8.8%. This means that living standards will see a significant decline. In 2022, the Bank of England itself forecast that real household disposable incomes (RHDI) would fall by 2%, representing the sharpest annual fall since records began in the late 1940s.⁴⁴ ONS data shows that in real terms in the year to December 2022, growth in regular pay fell by 2.5%.⁴⁵ Pay growth in the public sector is falling at a faster rate than in the private sector, exacerbating issues of recruitment and retention and potentially contributing to widening of the gender pay gap.

Conclusion

The Covid-19 pandemic created unprecedented volatility in the labour market and impacted women in very particular ways. While there are signs of an emerging employment recovery, wages are failing to keep pace with inflation and this is likely to have

significant impacts on the lowest paid, the majority of whom are women. There are also indications that the headline employment figures mask groups that have been lost to the labour market over the course of the pandemic, with older women particularly impacted, and many of those returning finding themselves in increasingly precarious forms of work.

Recommendations

- **Public sector pay should keep pace with inflation** to reduce the impact of the cost-of-living crisis.
- **The government should require companies to produce plans to tackle their reported gender pay gaps** to ensure meaningful progress in narrowing the pay. Reporting on pay gaps by other protected characteristics like ethnicity and disability should be introduced.
- **Use the Employment Bill, currently before the House of Commons, to reduce insecurity for low-paid workers** by extending employment rights and investing in strong and effective enforcement.

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⁴² Resolution Foundation (2022) Low Pay Britain 2022 (<https://bit.ly/3ErXahj>)

⁴³ ONS (Feb 2023) Average weekly earnings in Great Britain: February 2023 (<https://bit.ly/3XUWnwI>)

⁴⁴ Bank of England (2022) Monetary Policy Report – February 2022 (<https://bit.ly/3sHpGoB>)

⁴⁵ ONS (Feb 2023) Average weekly earnings in Great Britain: February 2023 (<https://bit.ly/3XUWnwI>)