

A series of background briefings on the policy
issues in the May 2015 UK General Election

Gender Gaps in the UK Labour Market: jobs, pay and family-friendly policies

Ghazala Azmat



CEP ELECTION ANALYSIS

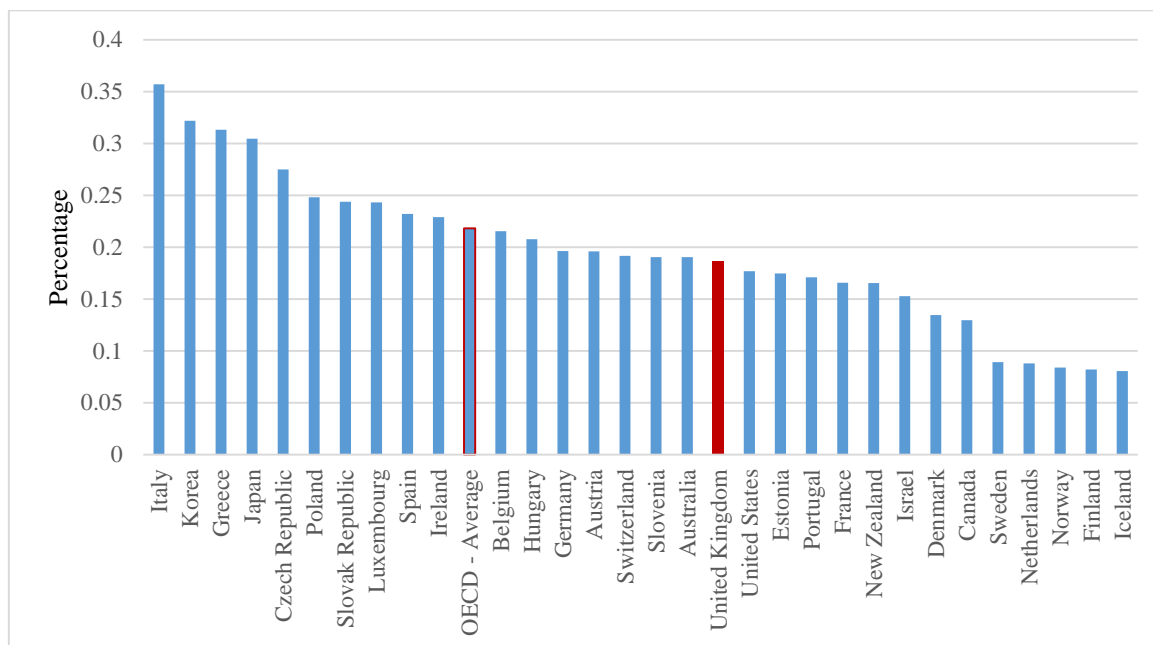
Gender Gaps in the UK Labour Market: jobs, pay and family-friendly policies

- The proportion of prime age (25-65) women in the UK who work has increased from 62% in 1994 to 69% in 2014. Among men in the age group, 82% work, so even today there remains a large ‘gender gap’ in jobs of 13 percentage points.
- The difference between women and men’s pay – the gender wage gap – for full-time workers is 19%. This is down from 27% in 1994, which is a big improvement.
- In the UK, the gender gap in jobs is better than average for rich countries, but the gender gap in pay is worse.
- Male employment rates fell relatively more than female employment during the UK’s Great Recession.
- The presence of young children has a major effect in reducing female participation in work. Women with children are also more likely to work in part-time jobs, which suffer a pay penalty.
- The main political parties have promised improvements in childcare provision. Labour and the Liberal Democrats would extend free childcare for pre-school aged children. The Conservatives pledge to introduce a new scheme for tax-free childcare. This will help, but not radically change gender disparities.
- A recent reform of the 2010 Equality Act enables the government to make regulations requiring companies employing 250 or more people to publish information about differences in the pay of male and female employees.

Introduction

Over the last 20 years, there have been a number of reforms in the UK that aim to encourage women to participate in the labour market and to ‘make work pay’. Yet gender differences persist. Compared with other countries, gender differences in workforce participation in the UK are better than the OECD average (see Figure 1), but gender gaps in wages are among the worst (see Figure 2).

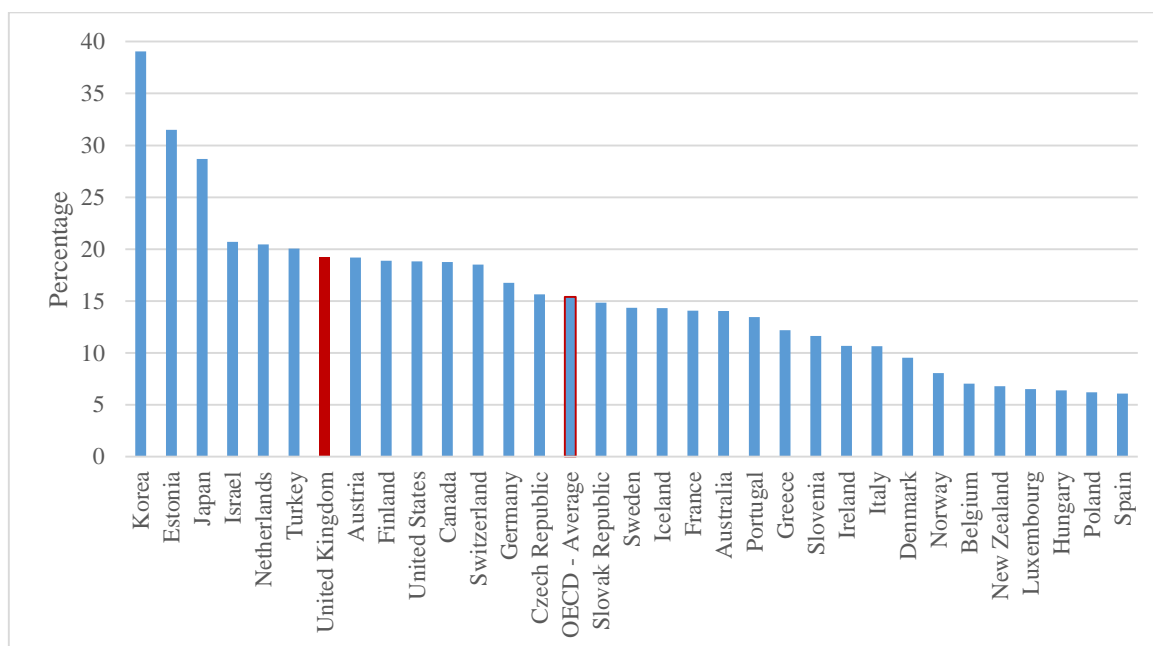
Figure 1: Gender gap in participation



Notes: Full-time employees aged 15-64. The gender gap in participation is defined as the difference between male and female participation divided by male participation.

Source: OECD, 2010.

Figure 2: Gender wage gap for full-time workers



Notes: Full-time employees aged 15-64. The gender wage gap is unadjusted and defined as the difference between male and female median wages divided by the male median wages.

Source: OECD, 2010.

Gender gaps in wages and employment tend to be most pronounced among women with young children. To try to address this, the main political parties have promised improvements in the provision of childcare in their election campaigns.

Labour have promised more support for older children – the extension of free childcare from 15 to 25 hours for working parents with 3 and 4 year olds and the introduction of a primary childcare guarantee that primary school aged children can access childcare from 8am to 6pm through their local school.

In contrast, the Conservatives and the Liberal Democrats have focused on younger children. The Conservatives plan to introduce a new scheme for tax-free childcare from the autumn of 2015 and say that they will focus on offering a ‘choice’ for parents about whether to return to work or stay at home. The Liberal Democrats have pledged 20 hours of free childcare to all parents with children aged 2-4.

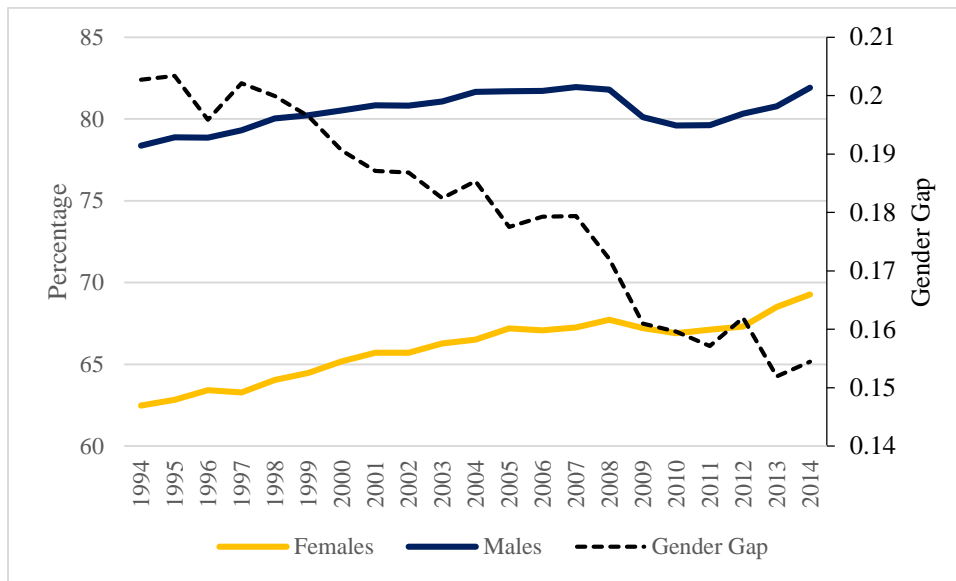
This Election Analysis describes recent changes in UK gender gaps in labour market outcomes and focuses on workforce participation and wage changes over the last decade. It also considers some possible explanations for the gaps.

The gender gaps in employment and hours

In recent decades, there have been a number of initiatives that have sought to reduce the gender gaps in employment and hours. For example, in 1997, the government introduced several ‘active’ labour market policies that were designed to target low-income families and, in particular, groups such as women with young children that had low attachment to the labour market.

Figure 3 plots the employment rate over the last 20 years for men and women aged 25 to 65. The female employment rate increased from 62% to 69% between 1994 and 2014. But the gap between male and female employment persisted over the period. Part of the closure in the gap seems to result from a decline in male employment rate during the crisis, which was larger than for women. Between 2008 and 2009, male employment rates fell by 1%, while female employment remained constant.

Figure 3: Prime age employment rate (%)



Notes: Employment rates defined as percentage of working age adults aged 25-65 years in work; excludes full-time students. Gender gap is defined as the difference between (average) male and female employment rate divided by male employment rate.

Source: Labour Force Survey, 1994-2014.

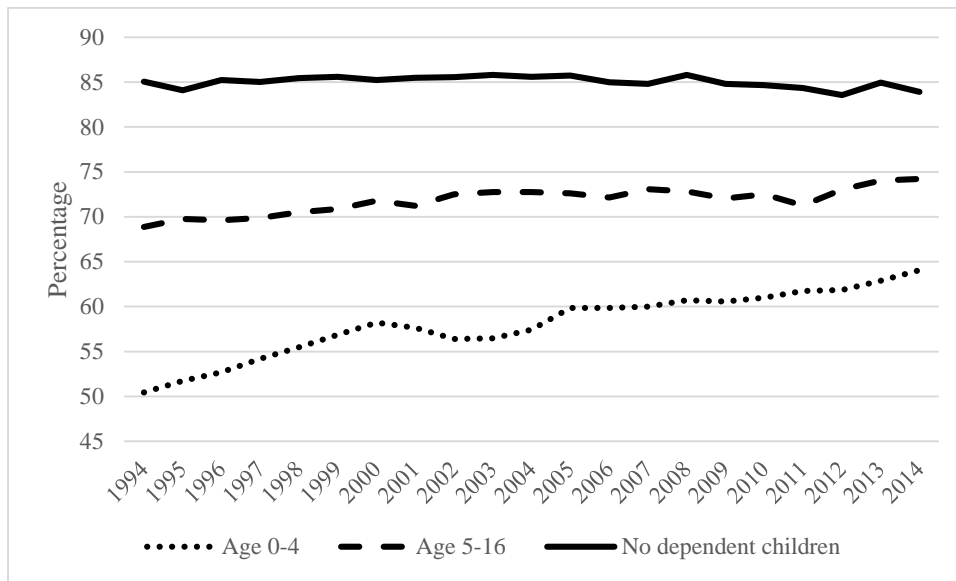
Pre-school age children form a large part of the explanation for the gender gap in employment. In the late 1990s, in-work benefits (the Working Families Tax Credit) was both extended and made more generous than its predecessor (Family Credit) – and twice as many families became eligible. As a direct result of the policy, employment and hours worked increased, especially for single mothers (Azmat, 2014).

This will be replaced by the new Universal Credit in 2017.¹ Estimates suggest that the new system will lead to both winners and losers in the long run. While the poorest are likely to do better, especially couples with children, some single parents and the secondary earner in a family are likely to lose out in the longer term (Brewer et al, 2011).

There has been a plethora of other policies as part of the in-work benefit schemes. For example, workers are given up to £55 a week in childcare vouchers after taking a ‘salary sacrifice’ of the same amount from pre-tax salary (made less generous for high earners after April 2011). Figure 4 shows that compared with women with older children or no children, the employment rate of women with children of pre-school age has been increasing more rapidly over the last two decades.

¹ The Universal Credit is set to replace six means-tested benefits and tax credits (Jobseeker’s Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, Employment and Support Allowance and Income Support).

Figure 4: Female employment rate by age of youngest child (%)



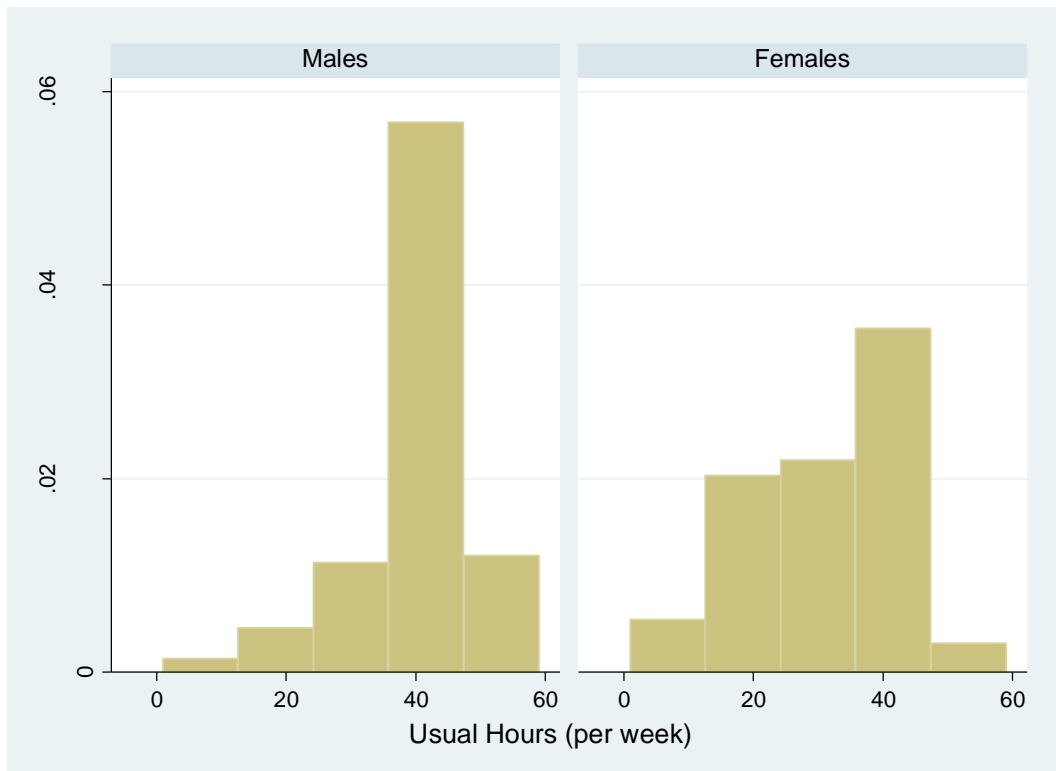
Notes: Employment rates defined as percentage of women aged 25-45 years in work; excludes full-time students. No dependent children is defined as having either no children or no dependent children under the age of 16 years old.

Source: Labour Force Survey, 1994-2014.

Other initiatives, such as the ‘right to request flexible working’ law, which was introduced in 2003, gives parents of children aged under 6 the right to request more flexible working arrangements. This could include requesting flexi-hours, working from home, term-time work, etc. The introduction of the part-time workers regulation in 2000 strengthened the employment rights of part-time workers, a majority of which are female. Research on the impact of these policies is limited.

Figure 5 shows the distribution of hours in 2014. Most men work around 40 hours (full-time), but the distribution of hours worked by women is more dispersed and part-time work is much more common.

Figure 5: Distribution of hours worked



Notes: Hours worked defined as usual hours worked per week for working age adults aged 25-65 years.

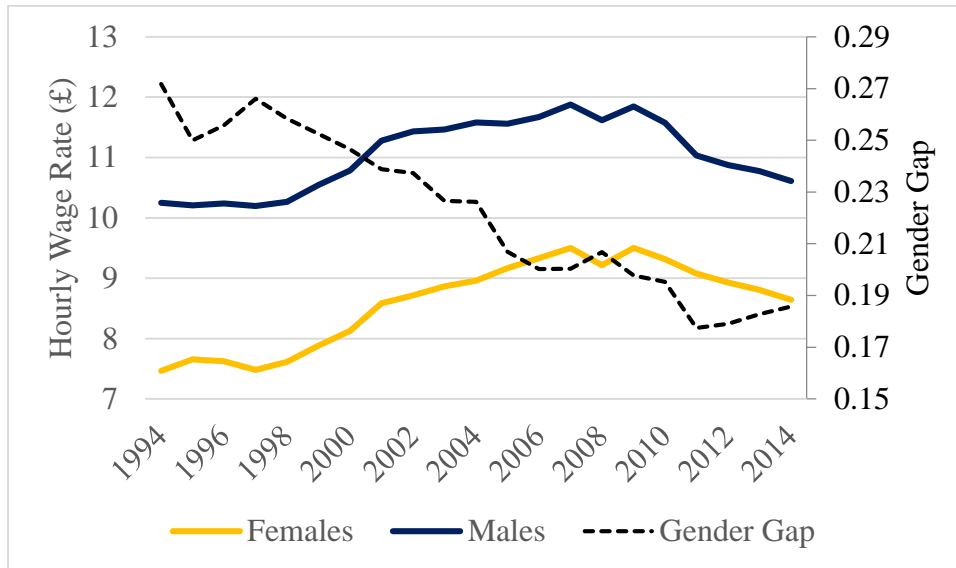
Source: Labour Force Survey, 2014 (Quarter 2).

The gender gap in wages

The National Minimum Wage, introduced in 1999, helped to make work more attractive and contributed to reducing the gender gap in earnings. Minimum wages benefit low wage workers, who are disproportionately women. The Low Pay Commission report in 2009 estimated that around two thirds of minimum wage jobs were held by women.

Figure 6 compares the hourly wage rate of men and women. Although the gap has been closing – 27% in 1994 compared with 19% in 2014 – it remains sizeable and above the OECD average, which is around 15% (Figure 1).

Figure 6: Gender wage gap

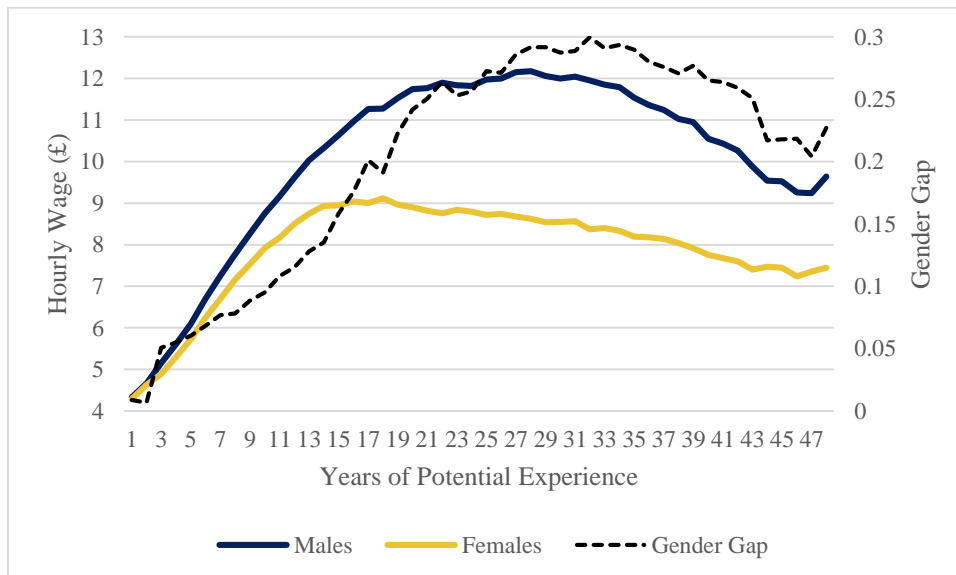


Notes: Wages defined as average hourly pay for working age adults aged 25-65 years. Wages are defined as gross and excluding overtime. Gender gap is defined as the difference between (average) male and female hourly wage divided by male hourly wage.

Source: Labour Force Survey, 1994-2014.

Figure 7 shows that the gender wage gap increases with the time since schooling finished ('potential labour market experience'). For people just starting to work after finishing school, there is essentially no difference in pay. But over time, gender pay differences emerge with the biggest gaps after 25-30 years when workers are in their forties. This reflects gender gaps in career breaks taken to care for young children.

Figure 7: Gender wage gap and potential experience



Notes: Wages defined as average (gross) hourly pay for working age adults aged 18-65 years, excluding overtime. Years of potential experience is defined as (age-18 years). Gender gap is defined as the difference between (average) male and female hourly wage divided by male hourly wage.

Source: Labour Force Survey, 1994-2014.

To help reduce gender gaps due to these career breaks, recent legislation offers generous paternity leave rights to fathers. Since 2011, as well as the standard two-week paid paternity leave, fathers are entitled to up to 26 weeks of paid additional paternity leave if the mother (or co-adopter) returns to work. From this year, employers must offer shared parental leave of up to 50 weeks for children born after 1 April 2015. But since the take-up rates of paternity leave are low, there is some concern that the policy will be largely ineffective. It has been reported that fewer than 1% of men take the current paternity leave of 26 weeks.²

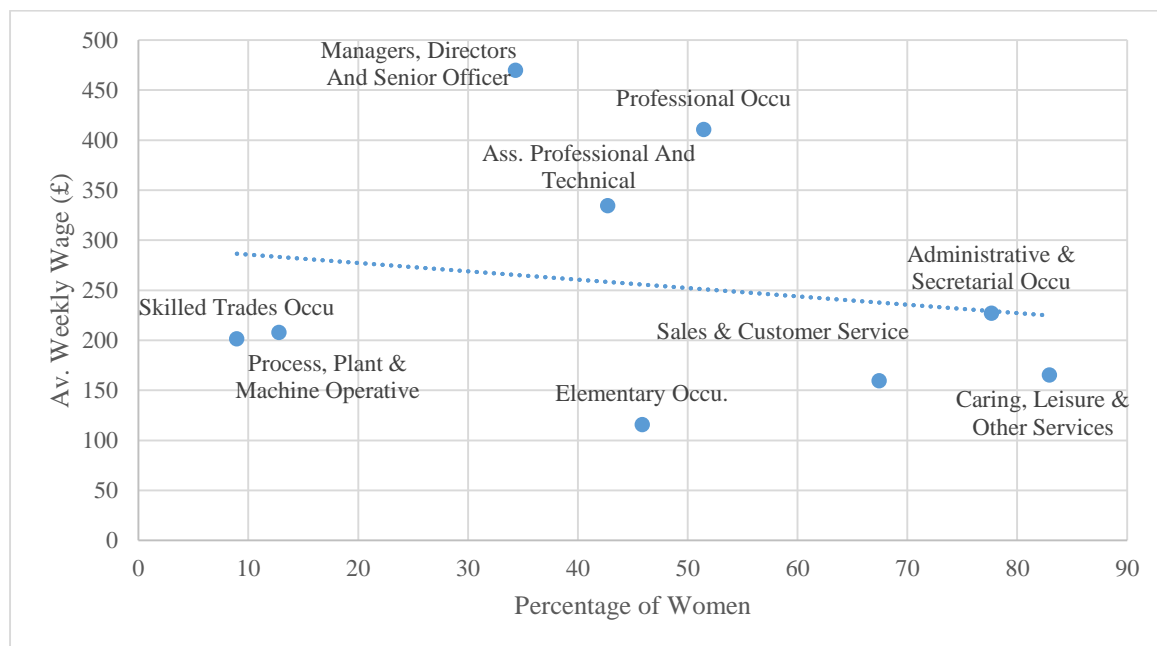
In March this year, a change in the law pushed by the Liberal Democrats called for greater transparency on wage gaps within firms. The regulation, which is likely to come into force within the next 12 months, would fine large firms up to £5,000 for not disclosing the average pay for male and female workers. It is unknown what effect this policy will have on helping to close the gender pay gap. But some caution is likely to be needed to ensure that greater transparency does not come at the cost of firms making compositional changes to their workforce or shedding discretionary flexible work policies, such as part-time work or generous maternity leave pay/leave.

What explains the gender gaps in employment and wages?

One factor that might be important in explaining gender differences in earnings is the types of occupations that men and women choose ('occupational segregation'). Figure 8 plots the relationship between the average pay in each of the nine major occupation groups and the proportion of women in those occupations.

With the exception of heavy manual work, such as skilled trade occupations and operatives, there is a negative relationship between average occupation wages and the proportion of women in those occupations. For example, fewer than 35% of women report being in the highest paid occupation of a manager or director, compared with over 80% working in catering and leisure services, which is one of the low paid occupations.

Figure 8: Percentage of women and wages by occupation



Notes: Wages defined as average (gross) weekly pay for all adults aged 25-65 years working in each of the nine major occupational groups. The Figure also shows the percentage of women aged 25-65 years working in each of these occupational groups.

Source: Labour Force Survey, 2014 (Quarter 2).

² Figures published by TUC (13th June 2013).

This relates more broadly to the disparities in the types of jobs that men and women choose. The share of male and female employees working part-time from 1988 to 2009 is in Table 1. In 2009, almost two thirds of women with children aged 2-4 worked part-time, compared with about a quarter of women with no dependent children and 7% of (all) men.

Manning and Petrongolo (2008) show that part-time work is associated with a significant pay penalty. They find a significant hourly pay difference of around 25% between full- and part-time workers. On closer inspection, they find that compared with women working in full-time jobs, women working in part-time jobs tend to have lower levels of education and more (and younger) children. Taking this into account, they can explain around half of the pay gap between full- and part-time jobs. But the remaining part is largely explained by occupational segregation or the types of jobs that are available on a part-time basis.

Table 1: Part-time employment rates by gender

Year	All Male	All Female	Females by age of youngest child					No dependent children under 19
			Age 0-1	Age 2-4	Age 5-10	Age 11-15	Age 16-18	
1988	3.19	41.16	61.86	70.48	70.40	59.62	52.73	32.76
1997	5.21	41.64	60.93	67.92	65.09	54.15	49.27	29.82
1998	5.20	41.52	61.54	66.73	64.07	53.51	47.78	30.31
2000	5.40	41.14	61.72	66.71	64.56	51.82	44.15	29.12
2002	5.81	40.98	64.06	69.94	63.15	52.31	44.29	28.81
2004	6.50	40.53	60.63	68.11	64.25	51.56	41.48	28.39
2006	6.54	39.07	60.49	66.89	62.30	49.00	39.57	26.58
2008	7.21	38.36	57.89	64.44	60.15	50.37	39.68	25.68
2009	8.35	38.64	54.56	64.96	58.52	51.12	43.38	25.78

Notes: Table taken from Swaffield (2011). Part-time employment is self-assessed. Percentages are of working age adults in employment, excludes full-time students.

Source: Labour Force Survey (Quarter 2) 1988, 1997-2009.

Conclusions

Gender gaps in employment and wages have fallen over the last 20 years, but there are still sizeable gaps. Certain factors, such as caring for young children, part-time work and occupational choice, help to explain a good part of these gaps. Recent and proposed policy changes have focused on supporting family-friendly employment. There is also evidence (for examples, from pharmacies) to suggest that changes in technology and the increased prevalence of larger companies have helped to close the gender gap in hourly wages and make these jobs more family-friendly (Goldin and Katz, 2013).

Remaining gender differences in the labour market could be due to pure discrimination by employers who treat otherwise identical workers differently depending on whether they are a man or woman. But some of these inequalities could also be related to differences in

productivity or preferences between men and women. Analysing which of these three explanation is most important is very hard because of unmeasured confounding factors.

Moreover, there are often interactions between the different factors (Azmat and Petrongolo, 2014). For example, Azmat and Ferrer (2014) show that there are gender differences in performance among young lawyers that are partly driven by differences in career aspirations and not the result of discrimination. But there may be feedback effects from social norms or some other type of social pressures that help to form aspirations, so that fully disentangling these factors is not feasible.

March 2015

For further information, contact:

Ghazala Azmat: G.Y.Azmat@lse.ac.uk

Or Romesh Vaitilingam on 07768-661095 (romesh@vaitilingam.com)

Further reading

Altonji, J and R Blank (1999) 'Race and Gender in the Labor Market', in O Ashenfelter and D Card (eds) *Handbook of Labor Economics* Vol. 3C: 3143-3259, Elsevier.

Azmat, G (2014) 'Evaluating the Effectiveness of In-Work Tax Credits', *Empirical Economics* 46 (2): 397-425.

Azmat, G and B Petrongolo (2014) 'Gender and the Labor Market: What Have We Learned from Field and Lab Experiments?', *Labour Economics* 30: 32-40.

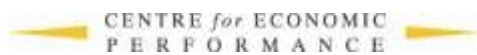
Azmat, G and R Ferrer (2014) 'Gender Gaps in Performance: Evidence from Young Lawyers', Barcelona GSE Working Paper No. 604.

Brewer, M, J Browne and W Jin (2011) 'Universal Credit: A Preliminary Analysis', Institute for Fiscal Studies Briefing Note No. 116.

Goldin, C and L Katz (2013) 'The Most Egalitarian of All Professions: Pharmacy and the Evolution of a Family-Friendly Occupation', NBER Working Paper No. 18410.

Manning, A and B Petrongolo (2008) 'The Part-time Pay Penalty for Women in Britain,' *Economic Journal* 118 (526): F28-51.

Swaffield, J (2011) 'Gender and the Labour Market', in P Gregg and J Wadsworth (eds) *The Labour Market in Winter*, Oxford University Press.



Centre for Economic Performance
London School of Economics and Political Science
Houghton Street London WC2A 2AE UK
Tel: +44(0)20 7955 7673 Email: cep.info@lse.ac.uk Twitter: @CEP_LSE
Facebook: <https://www.facebook.com/centre4economicperformance>

