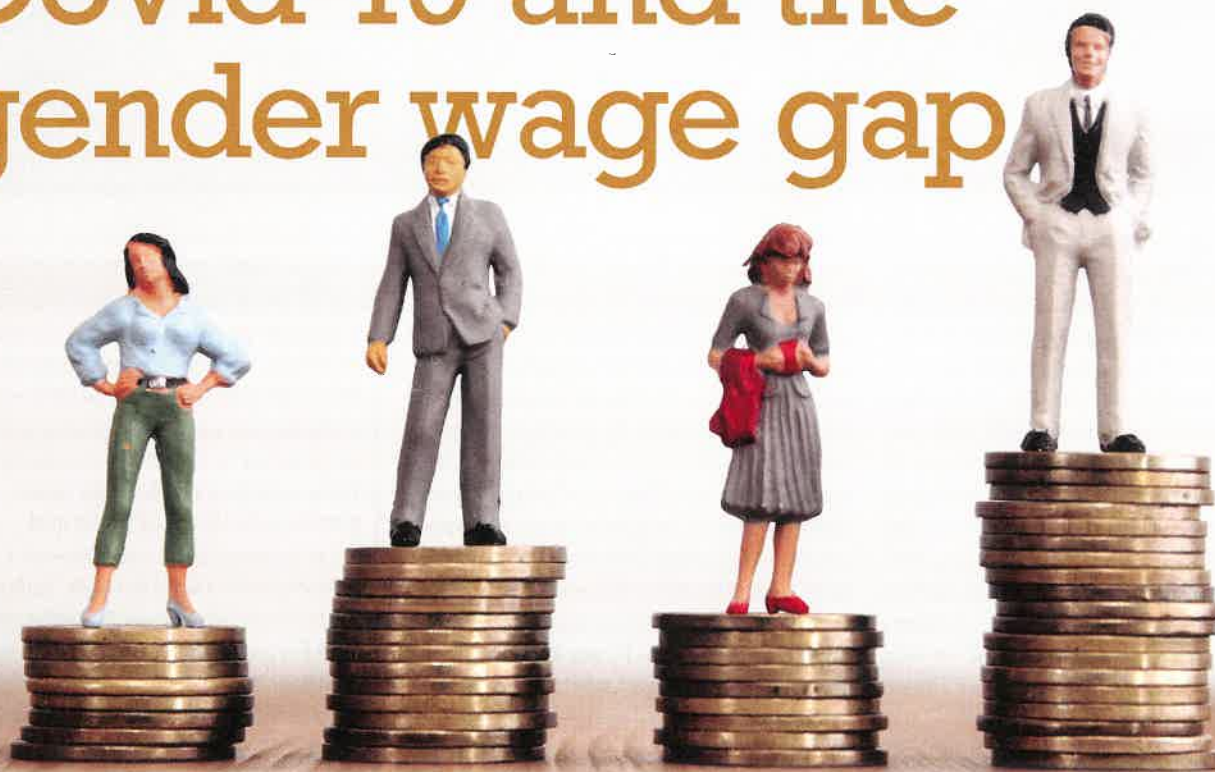




Covid-19 and the gender wage gap



The Covid-19 pandemic and associated recession are likely to have profound effects on the UK economy. One such impact concerns the implications for gender equality and the gender wage gap. **Debbie Blair** of the Institute for Fiscal Studies investigates

Everyone had a tumultuous year in 2020. Covid-19 and its knock-on effects have changed drastically the everyday lives of people. It has caused many individuals to be furloughed, to lose their jobs, and sadly their lives.

The UK officially entered a recession in 2020, with a substantial drop of GDP of 20.4% between April and June. Growth figures by the Bank of England predicted a 9.5% decrease over the entire year.

What is the gender wage gap?

One measure of gender equality is the gender pay gap — the difference in pay between men and women. Since 2018, companies with a workforce larger than 250 people were required to publish their gender pay gaps, with a further push currently in Parliament to extend this to any company employing over 100 people.

The gender wage gap is calculated as the difference between average hourly earnings of men and women as a proportion of average hourly earnings of men. The ONS estimated that among full-time employees the gender pay gap was 8.9% in 2019 and for all workers it was 17.3%. It is not a measure of the difference in pay between men and women doing the same job, but instead reflects the differences across all jobs. This can be considered a metric of inequality but does not necessarily imply discrimination — many other reasons can explain why a gender pay gap might exist.

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Causes of the wage gap

First, men and women could have different levels of education or labour market experience — this can result in wage differences. For example, if men are more likely to have studied higher-paying subjects at university or spend more of their adult life in work, then one might expect that on average they would have higher wages.

Second, men and women could be in different types of jobs. For example, women are more likely to do part-time rather than full-time work. This could reflect different preferences between men and women, with women preferring jobs with attributes like flexible working hours compared to jobs with longer hours. If these different jobs paid different wages, these choices could generate a wage gap. This might, however, reflect a lack of affordable childcare options or because of traditional gender norms, rather than an inherent preference for certain types of work.

Senior management discrepancies

Women are also underrepresented in senior management positions. For example, only eight women (3.2% of all firms) held CEO roles in the FTSE 250 as of October 2019. If women on average are less likely to hold positions of increased responsibility in the workplace then this will affect the gender pay gap.

Research has shown that one of the main causes of lack of female progression within companies is due to breaks from the labour market. If a woman takes maternity leave, it becomes harder to achieve promotion upon their return.

Best estimates of an adjusted gender wage gap have considered all the possible non-discriminatory reasons — such as differences in education or experience of candidates, and differences in the responsibilities of a job. This results in an estimated gap of about 5%. This is still a large disparity between the genders for equivalent work and warrants action.

The impact of Covid-19 on women

There is reason to believe that the recession linked to Covid-19 is likely to affect women more than men. Past recessions have hit men harder, with large unemployment shocks being concentrated in industries that were male dominated, such as manufacturing and construction. This time, the Covid-19 recession has largely affected industries and sectors in which female employment is concentrated — such as restaurants, retail and hospitality. Estimates suggest that 19% of women (compared to 13% of men) work in sectors of the economy that were shut down between March and June 2020.

Women and workers without a college degree have been significantly more likely to have lost their jobs in the first few months of lockdown, with the gender gap remaining even after controlling for occupation and home-working ability. As of July 2020, official figures show that 2.26 million women were furloughed compared to 2.15 million men. A survey by IFS researchers found that mothers are 23% more likely than fathers to have lost their jobs (temporarily or permanently) during the current crisis. Of those who were in paid work prior to the lockdown, mothers are 47% more likely than fathers to have permanently lost their job or quit, and they are 14% more likely to have been furloughed. In all, among those working in February 2020, mothers are now 9 percentage points less likely to still be in paid work than fathers.

Questions

- 1 Explain the difference between equal pay and the gender wage gap.
- 2 Provide at least three possible reasons for the gender pay gap.

The impact of school closures

In addition to the direct employment effects, a unique impact of the Covid-19 crisis and subsequent shutdown is that schools, crèches and daycare centres were closed. Parents with school-age children had to act as teacher and childminder while trying to manage their work commitments.

Research has shown that women took on more of the burden of the childcare duties within the home, and were more likely to be balancing work and childcare during the day. Men were doing, on average, less than 2.5 hours of childcare and 2 hours of home-schooling under lockdown, while women were doing around 3.5 and 2 hours respectively. Some parents may have had to reduce their working hours or take a career break in order to ensure their children are looked after.

IFS researchers found that mothers who were doing paid work reduced their working hours substantially (from 6.3 hours to 4.9 hours) and by proportionally more than fathers (from 8.6 hours to 7.2 hours) during the lockdown. Mothers were also more likely to be interrupted during paid working hours than fathers. Almost half (47%) of mothers' hours spent doing paid work are split between that and other activities such as childcare, compared with under one-third (30%) of fathers' paid working hours.

Net result of Covid-19 on the gender wage gap

The net result of lockdown and the Covid-19 recession in the medium to longer term for female employment and the gender wage gap is unknown, but we can speculate as to some of the potential repercussions.

First, we know that career breaks due to maternity leave impact a woman's likelihood to progress to senior management positions and as a result their potential earnings. Gaps in employment either due to taking time off for childcare duties or losing one's job due to Covid-19 may have a similar effect, reducing employment prospects for women. This could lead to an increased gender wage gap.

Second, women have primarily lost their jobs in industries whose futures are uncertain. This loss of employment will reduce the average female wage in the economy, which will increase the gender wage gap.

What can be done to help?

If the Covid-19 pandemic and recession increase gender inequality, what can be done about it? Of paramount importance is keeping schools open to alleviate the demands that having to provide additional childcare and home-schooling has on parents' time.

Likewise, employers could be obliged to be more flexible and understanding towards staff, to enable them to fulfil roles of parents and workers simultaneously. This could involve allowing people to work non-standard hours, especially when they have childcare commitments. Further support could be given to shut down sectors of the economy where women are disproportionately likely to lose their job, to prevent an immediate fall in living standards for those families.

The gender pay gap is one measure of gender inequality, and while much work has been done in the past to improve women's position in the labour market there remains a persistent gap in earnings between men and women. The Covid-19 crisis and recession are likely to have a disproportionate effect on women, and without action may lead to further gender inequality.



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