

Covid-19 pandemic and gender inequality in the labour market in the UK

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COVID-19 Pandemic and Gender Inequality in the Labour Market in the UK

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Abstract Although the movement towards gender equality in the labour market has slowed in recent decades, a long-term view over the 20th century shows the significant narrowing of the gender employment gap in the UK, a result of the increases in women's labour force participation and employment combined with falling attachment to the labour force among men. It is too early to assess with precision the extent to which these patterns will be affected by the COVID-19 pandemic but emerging evidence and informed speculation do suggest that there will be important distributional consequences. Various studies, produced at an unprecedented rate, are pointing out that the effects of COVID-19 are not felt equally across the population; on the contrary labour market inequalities appear to be growing in some dimensions and there are reasons to believe that they will grow more substantially in the medium term.

Keywords Gender. Labour market. COVID-19. Home production. Childcare. Employment. Pay.

Summary 1 Introduction. – 2 Context and Policy Background. – 3 The Economic Shocks. – 4 Labour Market Impacts. – 5 Home Production Impacts. – 6 Concluding Remarks.

1 Introduction

This chapter aims to assess the existing evidence on the extent to which the COVID-19 pandemic has affected the relative labour market prospects and outcomes of women and men in the UK. We will first introduce the most relevant aspects of the pandemic, underlying the nature and extent of the economic



shock. This will help us to focus on the impact of the shocks on labour market outcomes, particularly jobs and pay. Given the well-established relationship between the labour market and the division of domestic and unpaid labour, and the clear connection between the latter and the nature of the shock produced by the pandemic, we will also assess the emerging evidence on the gender gaps in household production.

Before proceeding, however, a brief note on the evidence we are able to rely on is needed. Official labour market statistics are derived from the Labour Force Survey (LFS), the largest household survey in the UK. Unfortunately, the LFS is not as timely as we would need in these circumstances to assess the impact of the COVID-19 pandemic on the labour market; the Office for National Statistics (ONS) is therefore making great strides into producing real time labour market data, which is still experimental and, more often than not, does not report the information by gender. For this reason, we complement the data from the ONS with studies that have a specific gender focus, carried out by other organisations and academics, often relying on surveys with much smaller sample sizes and not always representative of the UK population. However, these are fundamental to our understanding of the current impact of the pandemic and, although not rich and comprehensive, they are nevertheless sufficient to establish the key emerging patterns if not orders of magnitude.

2 Context and Policy Background

It was January 29, 2020 when the UK's first two patients tested positive for COVID-19, after two Chinese nationals from the same family staying at a hotel in York fell ill. More than a month later, on 5 March, the first victim in the UK was a woman in her 70s, at the Royal Berkshire Hospital in Reading. It is on the 11th of March that the World Health Organisation officially declares a pandemic and the UK Government announces a £12 billion package of emergency support, while, on March 17, the Chancellor announced a £330 billion package to help businesses furlough staff, saying that "the UK has never in peacetime faced an emergency like this" and that he would abandon "orthodoxy" and "ideology" in response. It is on March 20 that the Government ordered schools, nurseries and pubs to close and on March 23 that the Prime Minister announces a national lockdown, telling people that they may only leave home to exercise once a day, to travel to and from work where absolutely necessary, to shop for essential items and to fulfil any medical or care needs. These were unprecedented measures that the Government introduced to contain the spread of the coronavirus across the country. They have led to businesses being shut down temporarily and extensive restrictions on travel and mobility.

The two major fiscal measures adopted by the Government to protect employment have been the Coronavirus Job Retention Scheme and the UK Self-employment Income Support Scheme. The former originally allowed firms to furlough workers for up to three months with the Government replacing 80% of employees' wages, up to a maximum of £2,500 per month plus the associated Employer National Insurance contributions and pension contributions. This scheme has now been extended until the end of October 2020 but the extent of the wage replacement paid by the Government has been scaled back. The UK Self-employment Income Support Scheme originally allowed self-employed individuals to claim a taxable grant worth 80% of their trading profits up to a cap of £7,500 in total for three months. This has also been extended until the end of August but with a reduction in the extent of the Government's contribution to 70% and a cap of £6,570 in total.

3 The Economic Shocks

The economic effects of these measures combine aspects of so-called supply and demand side shocks. The former are associated with reduction in the economy's ability to produce goods and services and, therefore, with shocks to the supply of labour. For instance, these arise from mortality and morbidity due to the infection and, above all, from the withdrawal of labour due to the social distancing measures put in place. The latter are associated with reduction in consumers' ability to purchase goods and services. For instance, consumers are likely to both increase their demand for health services and, seeking to reduce their risk of exposure to the virus, decrease the demand for products and services that involve close contact with others.¹ The extent of the initial economic impact arising from the combination of these shocks of course depends on the duration of the outbreak, the public health restrictions imposed to contain the spread of the virus as well as other voluntary social distancing measures that people take to reduce their chances of catching it. At the outset of the lockdown policies in the UK, various estimates of the possible impact ranged from a low of 15% to a maximum of 35% reduction in Gross Domestic Product (GDP).² The latest available official figures

1 In the early days of the outbreak, stockpiling behaviour also resulted in a direct demand increase in the retail sector.

2 The Office for Budget Responsibility (OBR) estimated that GDP may fall by as much as 35% in its "reference" scenario. The National Institute of Economic and Social Research (NIESR) estimated that the fall could be between 15% and 25%, and the Organisation for Economic Co-operation and Development (OECD) estimates were at the top end of this range.

by the ONS report that monthly GDP fell by 20.4% in April, the biggest monthly fall since the series began in 1997, more than three times larger than the fall of the previous month and almost ten times larger than the steepest pre-COVID-19 fall. In April the economy was around 25% smaller than in February. Importantly, this affected the whole of the economy, with particularly severe impact on manufacturing and construction. Other notable impacts have been on education, which fell by 18.8% as a result of school closures; on food and beverage service activities, which fell by 38.8% as a result of the closure of bars and restaurants and even on health, which fell by 11.4% as a result of reduced activity in elective operations and fewer accident and emergency visits (ONS 2020a). The extent of this contraction in economic activity is really abnormal, thinking that, in April 2020, the decline in GDP has been three times greater than the fall experienced during the Great Recession of 2008-09.³

The virus and the subsequent economic shocks we have outlined above will have an impact on the world of work across key dimensions: the quantity and quality of jobs and work, including employment and earnings. Importantly, emerging studies have shown that this impact will not be homogeneously felt across the population but will be more pronounced for specific groups who are more vulnerable to adverse labour market outcomes than others. In the following section, we assess this emerging evidence, starting with the employment outcomes.

4 Labour Market Impacts

Employment adjustment typically follows economic contraction with some delay. In fact, the latest LFS estimates for the period February to April 2020 show that employment, unemployment and inactivity remained mostly unaffected by the impact of the pandemic at that point in time. In order to capture the extent of the impact of the pandemic on the labour market, these more 'traditional' sources of information have limitations. We would also need to look at other information, such as real time information and the intensive margin and the number of hours of work. Indeed, Real time information data from HM Revenue and Customs (HMRC) shows that the number of paid employees fell by 612,000 between March 2020 and May 2020 (ONS 2020b).

3 During the global financial crisis, from the peak in February 2008 to the lowest point of March 2009, a total of 13 months, GDP contracted by 6.9%. Between March 2020 and April 2020, GDP has fallen by 20.4%, equivalent to a fall of approximately £30 billion in Gross Value Added.

The Institute for Fiscal Studies (IFS) have assessed the distributional impact of the recession caused by COVID-19. They report that, on the eve of the crisis, around 15% of employees in the UK worked in a sector that has largely or entirely shut down during the lockdown. These include non-food retail, restaurants and hotels, passenger transport, personal services and arts and leisure services. Women were about one third more likely to work in a sector that was shut down than men: 17% of female employees were in such sectors, compared to 13% of male employees (Joyce, Xu 2020). Claudia Hupkau and Barbara Petrongolo (2020) assessed the proportion of working men and women who work in critical sectors, defined according to the UK Government's guidelines on "critical workers" and "businesses that must remain closed", and in sectors that have been explicitly locked down. They report that about 39% and 46% of working men and women, respectively, are employed in critical sectors, while 13% and 19%, respectively, are in locked-down sectors. This leaves 35% of women and 48% of men relatively less affected in terms of employment and, therefore, earnings. However, an important characteristic of a job is the percentage of tasks individuals can do from home, so the likelihood of these men and women to avoid loss of employment and earnings is linked to their ability to work from home. Adams-Prassl et al. (2020) show that there is a clear relationship between the percentage of tasks one can do from home and job loss and, in the UK, this relationship has become even steeper as the crisis has unfolded. They also confirm that the percentage of people having lost their jobs varies substantially across the different occupations and industries. We see that both in the US and the UK people working in 'food preparation and serving' and 'personal care and service' are very likely to have lost their job due to the pandemic. On the other side of the spectrum, people working in 'computer and mathematical' occupations or 'architecture and engineering' have been most likely to keep their job. Hupkau and Petrongolo show that women are more likely than men to be in jobs that can be done from home, such as in education as opposed, for instance, to construction. Despite this possibly mitigating factor, in terms of gender equality, the key point remains that because women disproportionately work in retail and hospitality, COVID-19 is likely to have a bigger effect on their employment and earnings. The study from Adams-Prassl et al (2020), which collected two waves of data in the UK and the US from almost 15,000 people, found that a total of 15% of the UK population have lost their jobs due to the economic impact of coronavirus by mid-April. Moreover, women are four percentage points more likely to have lost their job than men in the UK, with 17% of women newly unemployed compared to 13% of men.

The pandemic has also impacted on actual hours worked. Reasons for changes to the intensive margin of employment are similar to those

mentioned above and include the level and distribution of aggregate economic activity, changes in labour supply arising from health restrictions or other responsibilities such as child care. The survey from Adams-Prassl et al (2020) reports a stark decline in the number of hours worked, with the average change in hours worked (compared to a typical week in February) being 7 hours in the UK. This is confirmed by official statistics from the ONS, which shows that, in the period February to April 2020, the total actual weekly hours worked in the UK decreased by 94.2 million compared to the same period in 2019, or 8.9%. The ‘accommodation and food service activities’ sector saw the biggest fall in average actual hours: a decrease of 6.9 hours to 21.2 hours per week (ONS 2020b). We have seen that women are more likely than men to be employed in those activities.

The evidence on the impact of the recessions on the gender gap in earnings is even more limited. The IFS estimates that the largest distributional impact of the recessions associated with the pandemic is by earnings level: those with the lowest earnings are about seven times as likely to work in shut-down sectors as those with the highest earnings. 34% of employees in the bottom tenth of the earnings distribution work in sectors directly affected by the lockdown, compared to just 5% of those in the top tenth (Joyce, Xu 2020). Women are substantially overrepresented in the bottom of the earnings distribution. A survey of more than 2,000 working age adults by the national poverty charity Turn2us reports that women’s earnings are expected to fall by £309 (26%) compared to an 18% drop (£247) in earnings for men, resulting in a widening of the mean gender pay gap of £62 a month (Turn2us 2020). A nationally representative survey found that 48% of mothers and 38% of fathers, compared with 27% of non-parents, are worried about making ends meet in the next three months (WBG 2020)

One potential reason for these differences is given by the gender gap in home production and women being more likely than men to spend more time in unpaid activities, such as taking care of children and homeschooling, the latter having been a direct consequence of the school closures imposed by the Government to control the spread of the virus.

5 Home Production Impacts

The impact of home production represents possibly the most significant difference between the economic recessions caused by the COVID-19 pandemic and previous recessions, including the most severe ones. This is because of the lockdown measures imposed by the Government, which included the closures of schools from March 23, 2020. This difference is also likely to be the main reason as to why

the immediate, short-term gender impact of this recession is likely to be different from those of previous recessions, which have typically affected men more than women.⁴

Despite the long-term trends towards increased marketization of household production, whereby some of the unpaid activities usually undertaken by women at home have been acquired in the marketplace, gender gaps in the amount of time spent on unpaid tasks at home have remained stubbornly high even before the lockdown put in place at the end of March 2020. One study by the ONS estimated that women carried out 60% more unpaid work than men (ONS 2016). The gender division of household work depends on a series of factors, including household composition and number of children. In the UK, almost one-fifth of households with dependent children are single mother households. Some studies have assessed the impact of the lockdown measures on the gender division of household work. One such study by Sevilla and Smith (2020) reports that women have borne the majority of the additional burden of childcare associated with the lockdown measures. More specifically, they report a substantial burden of childcare for families with young children, who are doing the equivalent of a working week of additional childcare, often on top of paid work. The fact that women are less likely to be working than men cannot fully account for their greater burden of childcare. The amount of time women spend on childcare is much less sensitive to their employment than it is for men. Women do a lot of childcare irrespective of whether they are working or not, while men put in a lot more childcare when they are not working compared to when they are. The longer term impact of this, for instance on career progression, cannot be underestimated: mothers' childcare comes more at the expense of their productivity and future career prospects than it does for fathers'. However, the substantial increase in the need to take care of children and home schooling when schools have been closed has resulted in a sizeable increase in childcare done by fathers. Sevilla and Smith (2020) report that fathers who are not working and, to a lesser extent, those who were working from home, have substantially increased the number of hours that they do and assumed an equal (or in some cases greater than equal) share of childcare. This has resulted in a slight reduction in the within-household gender gap from 30.6 percentage points to 27.2 percentage points. The survey from Adams-Prassl et al (2020) also reports that women spend a lot more time on childcare than men.

⁴ It is important here to emphasise that the finding on men being more affected by recessions than women refer to the short-term, immediate impact of recessions, typically associated with gender industry segregation. When a fuller account of industry and occupational segregation is taken, as well as other factors, such as fiscal austerity measures in the last great recession, women's employment is not less affected than men's (see Razzu, Singleton 2018).

6 Concluding Remarks

COVID-19 is a public health crisis with huge economic and social consequences. Emerging evidence shows that the economic and social impacts are not felt evenly across the population.

Two aspects of the crisis have contributed to making its economic impact peculiar and possibly more severe than previous crisis: the combination of demand and supply side shocks and the nature of the government intervention in terms of lockdown measures and direct closure of economic activities to control the spread of the virus. The latest available data on output shows that GDP contracted by more than 20% in the month of April. Although this will show later on in statistics on employment and participation, real time experimental data indicate a substantial reduction in the number of paid employees between March and May 2020 and in the hours of work. This impact has been felt across the economy but, given the nature of the lockdown measures, it has affected some sectors more than others, particularly retail, accommodation and food services sectors. Distributional analysis also shows that the impact is most salient at the bottom of the earnings distribution than for high paid jobs. The fact that women are more likely than men to be employed in those sectors, and more likely than men to be at the bottom of the earning distribution, means that their labour market outcomes are more likely to be negatively affected than men's.

The nature of the lockdown measures, including the schools closure, has resulted in a substantial additional burden on child-caring. The impact of this additional burden on gender equality depends on various factors, including household composition, number of children and employment status. The emerging evidence presents two findings. On the one hand, in absolute terms, women have seen a substantial increase in the number of works devoted to household production and childcare. They are also doing a lot more juggling of childcare and work than men are. The impact this is likely to have on women's productivity and therefore their career progression could be very substantial.

On the other hand, given that many men have had their working hours reduced, being furloughed or having lost their jobs since lockdown at the end of March, they have also substantially increased the hours of childcare.

In order to address some of the more pronounced labour market consequences of the crisis, the Government has intervened with two main schemes, supporting the wages of employees and self-employed who have been furloughed. To the extent to which women's labour market outcomes have been affected by the crisis more than men's, these schemes will benefit them relatively more. However, important aspects of the crisis that possibly have significant impact on gender

equality in the medium term in the labour market have not received necessary government attention. Women are over represented in sectors that have been mostly affected by the lockdown, such as retail, accommodation and food services sectors and it is not clear what long-term impact the lockdown measures will have on the sustainability of many businesses active in those sectors. The UK Government has not yet announced a comprehensive post-COVID economic recovery plan in this respect.

Regarding pay, the Government suspended the legal requirement for all UK firms with more than 250 employees to publish measures of the gender pay gap within their own organisations, which was due annually at the beginning of April. This is unfortunate not just because the emerging evidence suggests the gender pay gap may have increased as a result of the crisis but also because it gives a strong message that gender equality in the labour market is not a priority and can be sacrificed in certain circumstances. The crisis has also started a new dialogue on health, key workers, social care and pay, also epitomised by the Thursday night clapping across the nation. We know these are areas where women's contribution is overwhelming. It would be another missed opportunity if concrete actions on pay and support to these sectors did not follow.

Gender inequality in the labour market is the product of many factors: the issues are complex, manifold and interrelated. Most notably, they are often the result of a structured system of institutions and norms in which gender plays a very important part. This is evident when looking at the role of social attitudes towards gender and employment and the associated impact of motherhood on women's labour market prospects. The pandemic has clearly resulted in an additional burden on childcare; its possible long-term consequences on women's work prospects would need to be addressed. Increasing the amount of child benefit, as proposed by various organisations and academics earlier on in the crisis, is one possible intervention but more can be done to raise awareness and provide practical tools to families on how the distribution of work within the household could be more gender equal, now that many fathers are likely to be at home and are sharing more of the burden than they used to do. Building on this to ensure it becomes engrained would be important. Any discussion, analysis and intervention related to new ways of working represent a great opportunity to address the systemic issue of the relationship between paid and unpaid work in the household.

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