



Women in the labour market

Why childcare can drive economic recovery

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centre for
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Introduction

The Covid-19 pandemic has touched the entire UK economy. But no activity has come under a harsher spotlight than the world of work.

There are good reasons for this. The need for workers to keep their distance from each other has forced many to convert their own homes into a workplace. At the same time, the closure of schools and nurseries turned those same homes into childcare facilities. Both hard data from research as well as anecdotes of harried parents juggling work and childcare have dominated news pages. Polling from the Women's Budget Group, for example, found that 46% of mothers who had been made redundant cited the lack of adequate childcare provision as the reason.¹

As part of CPP's new programme of research into women in the labour market, this paper will sketch out the areas where access to affordable childcare makes substantial contributions to the economics of individual households and to the wider UK economy. While the role childcare plays in children's development is a critical issue, this paper focuses on the benefits of childcare for maternal employment. It argues:

- Despite substantial employment gains made by women in recent decades, there remains a persistent employment and pay gap with men which is primarily driven by women leaving the workforce or reducing their hours worked to look after children.
- This gap is present at all levels of education – women now form the majority of those completing university education and yet a significant pay gap remains, and this grows over women's lifetimes.
- Lack of access to affordable childcare keeps women out of the workforce for longer than they might choose otherwise, limiting women's ability to progress up the career ladder and earn wages in line with their male counterparts.
- The pandemic significantly reduced the accessibility of childcare and threatened the financial viability of the sector. In response, mothers have done the bulk of additional childcare and home-schooling in the wake of the pandemic.
- As we rebuild, reversing these trends and boosting the affordability of childcare will be critical to raising women's employment and earnings. There is a substantial economic windfall to be banked by closing the gender participation and pay gap which can help the Treasury recoup the costs of the pandemic.

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What the pandemic has done, inadvertently, is to offer a glimpse into an alternative universe, one in which childcare is not available to working parents, and mothers particularly. The simple point is that without access to affordable childcare, workplaces hold far fewer women.

The OECD looked at drivers of female workforce participation before Covid-19 and concluded that while rising rates of educational attainment among women and expansion of the services sector were factors that had bolstered the incidence of female employment, the availability of childcare was the most important factor.²

The Centre for Progressive Policy (CPP) views the availability of childcare as chiefly an economic challenge; it affects the economics of individual households as well as the wider economy of the UK in general. Over the coming months, CPP intends to launch a series of research reports examining the policies required to close the workforce gap between women and men with childcare a core focus on this programme of work.

The simple point is that without access to affordable childcare, workplaces hold far fewer women

1 Women's Budget Group (2021). Spring Budget 2021 Pre-Budget Briefings: Women and employment during Covid-19. Available at: <https://wbg.org.uk/analysis/uk-policy-briefings/spring-budget-2021-women-and-employment-during-covid-19/>

2 Olivier, T. (2013) *Drivers of female labour force participation in the OECD*. Available at: https://www.researchgate.net/publication/241685091_Drivers_of_female_labour_force_participation_in_the_OECD

Education has helped reduce the gender workforce gap but not close it

Official data underscore the extent to which women have become central to the modern workforce in the UK and support the OECD's conclusion that completion of tertiary education has indeed been a factor.

In 2018/19, women comprised 57% of UK university graduates.³ That is up from 54% in 2000, 44% in 1990 and 37% in 1980.^{4,5} As in most of the industrialised world, the rise in female university participation in the UK has been accompanied by a rise in mothers' average age at first birth. In 2019, that age rose to 30.7 years, the highest ever. That is up from 28.2 in 1996 and from 26.6 years in 1971.⁶

These trends have coincided with higher female workforce participation rates. Among all women aged 16–64, 72.6% were at work by February 2020, a record high, just before the pandemic struck. That is up from only 56.7% of women in 1980.⁷ The latest data show that women with dependent children are also increasingly likely to work. From April to June 2019 three quarters of women with dependent-age children were at work, up from two-thirds in 2000.⁸

Despite the educational attainment of women overtaking that of men in the UK, the gender pay gap remains. In 2020, the gap between the median gross earnings of men and women was 15.5% for all employees (7.4% among full-time employees).⁹ Among graduates, evidence shows that men earn more in the immediate years after graduation and this substantially increases over time (8% after 1 year, rising to 31% after 10 years).¹⁰

Part of the explanation for the persistent gap is that women are more likely than men to be working part-time and the majority of those are involuntarily working part-time.¹¹ Moreover, women often take time out of work having had children, a decision that may knock them down a few rungs on the career ladder. Academic studies have concluded that even when women are employed in high-skills jobs and move to part-time employment – as they might following the birth of a child – it leads to a significant decline in pay followed by a permanently lower earnings trajectory.¹² Recent research concluded that differences between full- and part-time employment in the UK explain roughly two-thirds of the gender pay gap for as long as 20 years after the birth of a first child.¹³

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Further explanation of the persistence of the gender pay gap is found in the distribution of employment by sector. While women are slightly more prevalent in jobs categorised as professional – 24% are in roles such as doctors, teachers, nurses and engineers compared with 21% of men in those jobs – more men are found in jobs classed as 'managerial' – managers, directors or senior officials which often command the highest rates of pay. In the latter category, 14% of men hold those titles compared with 9% of women. And while men were more likely to be working in 'skilled trades', women were more likely to be employed in administrative and secretarial occupations, or in caring, sales, leisure or customer-service roles.¹⁴ But even at occupation level, significant pay gaps remain, and they are prevalent for both high and low paid jobs. For instance, there is a 23% pay gap for painters and decorators, while there is a 36% gap for IT engineers.¹⁵

- 3 Higher Education Statistics Agency (2020). HE students' progression rates and qualifications. Available at: <https://www.hesa.ac.uk/data-and-analysis/students/outcomes/breakdown>
- 4 Higher Education Statistics Agency (2000). Students in Higher Education 1999/00. Available at: <https://www.hesa.ac.uk/data-and-analysis/publications/students-1999-00>
- 5 Available at: <https://researchbriefings.files.parliament.uk/documents/SN04252/SN04252.pdf>
- 6 Office for National Statistics [ONS] (2020). Births in England and Wales: Summary Tables. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/datasets/birthsummarytables>
- 7 Office for National Statistics [ONS] (2020) Female employment rate (aged 16 to 64, seasonally adjusted). Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/lf25/lms>
- 8 Office for National Statistics [ONS] (2019) Families and the labour market, UK: 2019. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/familiesandthelabourmarketengland/2019#employment-rates-for-parents-in-the-uk>
- 9 Office for National Statistics [ONS] (2020) Gender pay gap in the UK: 2020. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2020>
- 10 Monica Costa Dias, Robert Joyce, Francesca Parodi. 'The Gender Pay Gap in the UK: children and experience at work'. *Oxford Review of Economic Policy*. Oxford, Vol. 36 (4), 2020, pp.855–881.
- 11 Women and Equalities Committee (2021) Unequal impact? Coronavirus and the gendered economic impact, UK Parliament. Available at: <https://publications.parliament.uk/pa/cm5801/cmselect/cmwomeq/385/38502.htm>
- 12 Sara Connolly, Mary Gregory. The part-time pay penalty: Earnings trajectories of British women. *Oxford Economic Papers* 61, (2009). (Accessed 30 March 2021). Available at: https://academic.oup.com/oep/article-abstract/61/suppl_1/i76/2568560
- 13 Ibid. 10.
- 14 Women and the Economy, House of Commons Library, Briefing Paper, CBP06838, (2 March 2020), p.11. Available at: <https://researchbriefings.files.parliament.uk/documents/SN06838/SN06838.pdf>
- 15 For a full breakdown of difference in pay by gender and occupation see Figure 5 here: Office for National Statistics [ONS] (2020) Gender pay gap in the UK: 2020. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2020>

Affordability of childcare drives the gap

In 2019, there were 6.2 million two-parent families with dependent children in the UK. Although nearly three-quarters of these had both parents at work, overwhelmingly, the younger the child, the more likely it was that the mother worked part-time. Among parents of children aged under two years, half of all employed mothers are working part-time, while the father worked full-time. The percentage of mothers at work part-time falls progressively to 37.6% by the time the youngest child is between 16 and 18 years old.¹⁶

In what reflects how childcare duties are shared at home, parenthood does not appear to affect the workforce participation rates of fathers of dependent children; of this group, 92% were at work in the most recent quarter which is significantly higher than the proportion of men working without children (73.5%).¹⁷

The availability of childcare in enabling female employment is underscored when looking at the reasons why women aged 16 to 64 are neither in paid employment nor seeking paid employment. While the percentage of women who do not work because of looking after the family or home nearly halved between 1993 and 2019, it remains the single biggest reason why women are economically inactive (26.2%) and is significantly higher than the equivalent proportion of inactive men who look after the family or home (6.2%).¹⁸

Going into the pandemic, childcare costs were more expensive for UK parents than in any other developed country. As a result, a quarter of middle income households and 1 in 5 low-income households reported that they would like to access more childcare but could not afford it.¹⁹ A paper by researchers at the Open University concludes that the UK's 'expensive and inadequate' system of childcare fails to address not only labour market needs but also the needs of children from lower income families who gain from early exposure to education. Because of increased workforce participation and the earnings of working women, the paper finds that the costs to taxpayers of a comprehensive childcare offer would be recouped after 7–13 years' worth of work.²⁰

Box 1: How the pandemic impacted women's work

The onset of the pandemic triggered, as a Parliamentary report notes, 'an unprecedented labour market shock'.²¹ Workers able to perform their tasks from home were ordered to do so and schools were closed. The lockdown effectively shut entire sectors of British business. Restaurants, leisure facilities, and shops were ordered shut. Air travel was nearly halted, and the use of public transport dwindled. However, the sectors most affected by job losses from the pandemic disproportionately employ women. Of total employment in 2019, 57% of jobs in these sectors were held by women.²²

For most of 2020, it was the case that more female employees were furloughed than men

The government's primary pillar supporting the jobs market has been the Coronavirus Job Retention Scheme (CJRS) which has since been extended. The initial rollout pointed to some government 'blind spots' which disproportionately affected women. For example, those with two jobs, each below the minimum earnings threshold, would not be eligible for support. Workers in this group were disproportionately women.

For most of 2020, it was the case that more female employees were furloughed than men. By 30 November, 1.92 million women were furloughed in comparison to 1.79 million men and although the numbers by gender were almost equal through December, by February the gender gap widened again, with 200,000 more women furloughed on average compared to men.²³ According to the Institute for Fiscal Studies, business closures were more likely to have occurred in sectors where women are more heavily employed such as non-food, accommodation, arts and leisure and personal care.²⁴

16 Ibid. 8.

17 Ibid.

18 Office for National Statistics [ONS] (2021) Table INAC01: Economic inactivity: Women aged 16 to 64 by reasons for inactivity (seasonally adjusted). Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/datasets/economicinactivitybyreasonseasonallyadjusted/inac01sa>

19 OECD (2020) Is Childcare Affordable? Policy brief on employment, labour and social affairs. Available at: <https://www.oecd.org/els/family/OECD-Is-Childcare-Affordable.pdf>

20 De Henau, J. (2019) Employment and fiscal effects of investing in universal childcare: a macro-micro simulation analysis for the UK, IKD working paper no. 83, The Open University. Available at: https://www.open.ac.uk/ikd/sites/www.open.ac.uk.ikd/files/files/working-papers/DeHenau_costingchildcareUK.pdf

21 Women and Equalities Committee (2021) Unequal impact? Coronavirus and the gendered economic impact, UK Parliament. Available at: <https://publications.parliament.uk/pa/cm5801/cmselect/cmwomeq/385/38502.htm>

22 Ibid.

23 HM Revenue and Customs (2021) Coronavirus Job Retention Scheme statistics: March 2021. Available at: <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-march-2021/coronavirus-job-retention-scheme-statistics-march-2021>

24 Joyce, R. and Xu, X. (2020) Sector shutdowns during the coronavirus crisis: which workers are most exposed? Institute for Fiscal Studies. Available at: <https://ifs.org.uk/publications/14791>

As the pandemic took hold, childcare arrangements immediately went from a personal responsibility to the level of a national crisis. In announcing lockdown measures intended to slow the spread of the disease, it became obvious some categories of worker – and certain types of labour – were essential to combat the spread of the disease and keep key services afloat. Thus, the government announced that there would be school places available for children of ‘Key Workers’.

The first lockdown hit many families hard. Less than 250,000 children aged 0 to 4 attended childcare on a given day, compared to around 1.4 million before the pandemic.

But the nature of the childcare crisis went far beyond finding places for key worker children. There were 3.6 million households with at least one child in primary school in England alone in the period from April to June 2020, and a further 2.6 million households with at least one child in secondary school.²⁵ For children aged five and above, schools are the primary source of childcare. Official data show there were 8.8 million children in Britain’s schools in the 2019/20 academic year. This includes 4.7 million children in state-funded nursery or primary schools.²⁶ In the last quarter of 2019, just before the pandemic struck, there were 681,000 households in England alone with at least one child in early years or primary education. Of these, 69% were households with two working parents.²⁷ Given this backdrop, the first lockdown hit many families hard. Looking just at early years, less than 250,000 children aged 0 to 4 attended childcare on a given day, compared to around 1.4 million before the pandemic.²⁸

The sudden lack of childcare put unprecedented pressure on families which was further exacerbated because parents were more likely to be furloughed than non-parents.^{29,30} The result was women doing substantially more childcare than men as the crisis unfolded. In households with a child aged under 5 years, women did on average 78% more childcare than men.³¹ Among all parents in employment who said that Covid-19 had affected their work, 31.7% of women cited having to work around home-schooling responsibilities as a key reason in comparison to 24.5% of men.³²

Ultimately, even for those workers with a school or nursery place for their child there are likely to be gaps in care. Hours covered might only be those of a regular school day. Informal care arrangements which may have been undertaken by a grandparent, for example, have been disrupted due to the need to maintain social distance to avoid spreading the disease. Never has childcare or lack of it been put under such a spotlight and it has disproportionately resulted in mothers picking up the pieces even if it is to the detriment of their working lives.

78%

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- 25 Office for National Statistics [ONS] (2021) Estimated number of people in households with children in primary and secondary education and average size of households, England and regions of England, April–June 2020. Available at: <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/birthsdeathsandmarriages/families/adhocs/13030estimatesofthenumberofpeoplelivinginhouseholdscontainingprimaryschoolagechildrenenglandapriltojune2020/estimatesofhouseholdswithschoolagechildren.xlsx>
- 26 Schools, pupils and their characteristics: academic year 2019/2020. Available at: <https://explore-education-statistics.service.gov.uk/find-statistics/school-pupils-and-their-characteristics>
- 27 Office for National Statistics [ONS] (2020) Estimates of the number of families and households with children in early years and primary education: England, Oct–Dec 2019. Available at: <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/educationandchildcare/adhocs/11788estimatesofthenumberoffamiliesandhouseholdswithchildreninearlyyearsandprimaryeducationenglandocttodec2019/dataforpublication.xlsx>
- 28 Blanden, J., Crawford, C., Drayton, E., Farquharson, C., Jarvie, M. and Paull, G. (2020) Challenges for the childcare market: the implications of Covid-19 for childcare providers in England. Institute for Fiscal Studies. Available at: <https://ifs.org.uk/publications/14990>
- 29 Office for National Statistics [ONS] (2020) Personal and economic well-being in Great Britain: June 2020. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/june2020>
- 30 A recent release by the Office for National Statistics suggests parents were more likely to experience a fall in income compared to non-parents, although that likelihood has diminished in recent times: Personal and economic well-being in Great Britain. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/january2021>
- 31 Office for National Statistics [ONS] Parenting in lockdown: Coronavirus and the effects on work-life balance. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/parentinginlockdowncoronavirusandtheeffectsonworklifebalance/2020-07-22>
- 32 Office for National Statistics [ONS] (2020) Coronavirus and homeschooling in Great Britain: April to June 2020. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/parentinginlockdowncoronavirusandtheeffectsonworklifebalance/2020-07-22>

The long-term viability of the childcare sector

There are signs that the childcare sector (of which 97% of the workforce is women) has been undermined financially by the pandemic and ensuing lockdowns and that even when the illness is banished, may not be able to deliver the amount and quality of care it did before 2020.

The IFS, which looked at the finances of the childcare sector, warned that as many as a quarter of private sector nurseries ran a significant deficit during the first lockdown. Even before the pandemic, many nurseries were struggling, with over one in ten running significant deficits.³³ There has been some relief from the state as licensed nurseries were granted a business rates holiday for the 2020–21 calendar year. However, a survey of over 3,000 early years providers found that 74% did not feel the government had provided enough support during the pandemic, bringing the viability of the sector increasingly under question.³⁴

In its 2021 Childcare Survey, The Coram Childcare and Family Trust reported that 35% of local authorities saw an increase in the number of providers permanently closing. The closures did not lead to an immediate shortage of childcare places because of “decreased demand from families during the pandemic, rather than increases in the supply of childcare, and it is yet to be seen whether there will still be enough childcare places if and when demand falls to pre-pandemic levels”. As childcare providers struggled to remain sustainable, fees rose on average by 4%, faster than the rate of inflation.³⁵ Early evidence from Ofsted suggests the pandemic saw a continuation of a longer-term trend with the number of childminders in decline and nurseries and other non-domestic childcare settings accounting for an increasing share of overall places.³⁶

After years of progress in reducing the [pay] gap the pandemic and its effects on the childcare sector risk turning back the clock

The entire childcare system which supports people at work has been shaken to its foundations and without reform risks creating a legacy of increased economic inactivity among women

With demand for places set to increase as the economy opens over the summer and furlough ends in the autumn, there is uncertainty about the ability of the sector to cope. A big part of the problem is that many childcare providers were already struggling financially going into the pandemic. A government commissioned evaluation of the 30-hours childcare offer which was first introduced in 2017, revealed just under two-fifths of providers had seen a reduction in their profit or surplus while a quarter either moved from making a profit to breaking even, or from breakeven or profit into making a loss.³⁷ The National Day Nurseries Association found that the deficit between the cost of delivering childcare and funding paid via local authorities grew to an average of £2,166 per year per child since the 30 hours was introduced.³⁸

In this context, even with the increasingly successful rollout of a mass vaccination programme and hopeful signs that lockdown restrictions will be further loosened, affordability and accessibility of childcare will remain a critical issue as we seek to build back better from the pandemic. The entire childcare system which supports people at work has been shaken to its foundations and without reform risks creating a legacy of increased economic inactivity among women. This would be bad news for all of us; closing the labour force participation gap between men and women by just a quarter could boost UK GDP by £38.5bn.³⁹ This is a huge windfall that the Treasury must tap into as it looks to recoup the fiscal costs of the pandemic and support the economic recovery.

Childcare is the single most important driver of the participation and pay gap between women and men and the pandemic has brought this issue to the fore. After years of progress in reducing the gap, with women making an increasingly sizeable contribution to economic output, the pandemic and its effects on the childcare sector risk turning back the clock. The UK was no great bastion of affordable childcare before the pandemic, but without reform and investment, it risks becoming a true pariah afterwards which would be to the severe detriment of everyone.

33 Ibid. 28.

34 Early Years Alliance [EYA] (2020) The Forgotten Sector, the financial impact of coronavirus on early years providers in England.

35 Parlett, H. (2021) Childcare costs rise by 4% over the last year as providers struggle to remain sustainable during the pandemic, Coram Family and Childcare, press release. Available at: <https://www.familyandchildcaretrust.org/childcare-2021-press-release>

36 Ofsted (2020) Main findings: childcare providers and inspections as at 31 August 2020. Available at: [https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-august-2020#:~:text=On%2031%20August%202020%2C%2043%2C700,had%20received%20a%20full%20inspection.&text=At%20their%20most%20recent%20inspection%2C%2096%25%20of%20all%20childcare%20providers,judged%20either%20good%20or%20outstanding](https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-august-2020/main-findings-childcare-providers-and-inspections-as-at-31-august-2020#:~:text=On%2031%20August%202020%2C%2043%2C700,had%20received%20a%20full%20inspection.&text=At%20their%20most%20recent%20inspection%2C%2096%25%20of%20all%20childcare%20providers,judged%20either%20good%20or%20outstanding)

37 Department for Education (2018) Evaluation of the first year of the national rollout of 30 hours free childcare. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740168/Evaluation_of_national_rollout_of_30_hours_free_childcare.pdf

38 NDNA (2018) NDNA Annual Nursery Survey 2018. Available at: https://www.ndna.org.uk/NDNA/News/Reports_and_surveys/Annual_Nursery_Survey/2018.aspx

39 International Labour Organization [ILO] (2021) How much would the economy grow by closing the gender gap? The ILO calculates this in PPP dollar terms (\$54bn) so we have just converted this to £s at today's exchange rate. Available at: https://www.ilo.org/global/about-the-ilo/multimedia/maps-and-charts/enhanced/WCMS_556526/lang--en/index.htm

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About the Women in the Labour Market project

This is a new CPP programme of work exploring the policy measures necessary to close the labour force participation and pay gap between men and women. Over the coming months we will explore issues from childcare to adult social care, maternity and paternity pay and adult education to identify what needs to be done to address longstanding barriers and boost economic activity in the process.

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About the Centre for Progressive Policy

The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national, local and international partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK.

Inclusive growth is one of the most urgent questions facing advanced economies where stagnant real wages are squeezing living standards and wealth is increasingly concentrated. CPP believes that a new approach to growth is needed, harnessing the best of central and local government to shape the national economic environment and build on the assets and opportunities of place. The Centre for Progressive Policy is funded by Lord Sainsbury and host of the Inclusive Growth Network.

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