

The Women's Business Council:

Maximising women's contribution to economic growth - evidence paper

Summary

Despite great progress in recent decades, women are still more likely than men to be in low-paying jobs and are underrepresented in senior positions. The evidence shows that there is untapped potential among women and that the economy is missing out because women have a lower rate of economic activity than men.

If we fully used the skills and qualifications of women who are currently out of work, it could deliver economic benefits £15 to £21 billion per year. And if women set up businesses at the same rate as men, there would be an extra 150,000 start-ups in the UK each year.

What is the current position of women in the economy?

Since the 1970s, there has been a substantial increase in women's economic participation and a reduction in the gender pay gap. However, a gender pay gap remains, with women earning 20.2% less than men (based on median earnings of all employees)¹. Women are **underrepresented in senior positions**; women make up only 33% of managers, directors and senior officials² and only 9.8% of FTSE 250 board members³.

The recovery from recession has been slow, and **women's unemployment, at over 1.2 million, is currently at a 24-year high**⁴. The aggregate economic impact of helping all women who want a job, either full time or part time, into a job which reflects their qualifications, could be as great as £15 to 21 billion⁵.

Women are also much **less likely to engage in entrepreneurial activity** than men – 4% of women are engaged in entrepreneurial activity compare to 9% of men⁶. If women set up businesses at the same rate as men, there would be an extra 150,000 start-ups in the UK each year⁷.

The effect of the recession on employment

Men's employment fared worse during the recession. However, during the recovery, men's employment is recovering faster than women's and women's unemployment has continued to rise⁸. This is linked to sectors of the economy: those sectors hardest hit during the recession were typically male-dominated, in particular, construction and manufacturing, employing 84% and 77% men respectively⁹. More recently, reduced employment in the public sector has had a larger impact on women and public sector employment is expected to continue to fall in coming years¹⁰.

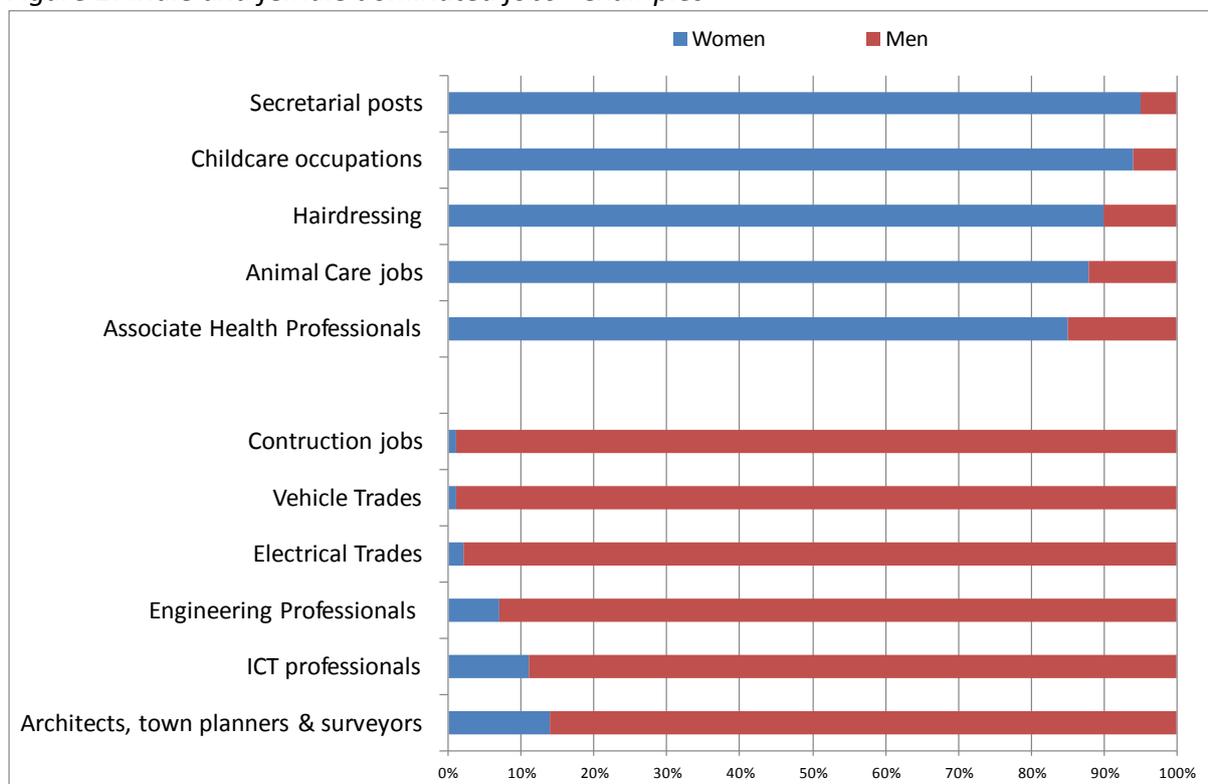
What are the barriers to increasing women’s contribution?

Entering the labour market and occupational segmentation

Girls now out-perform boys in GCSE’s and A-Levels¹¹, and there are now more women graduating from university than men¹². However, women are more likely to choose subjects that lead to lower earnings in work (for example, although women now make up over half of undergraduates in medicine and law, only 12% of engineering and technology and only 21% of maths and computer science undergraduates are women¹³).

There is substantial segmentation in the **types of jobs that men and women do** – women are more likely to be in lower-paying occupations. See Figure 1 below.

Figure 1: Male and female dominated jobs - examples¹⁴



Maternity and returning to work

A study in 2010 found that **time out of the labour market and a history of part-time working** explained 37% of the gender pay gap¹⁵, and the effect of this time taken out of the labour market continues to have implications for earnings for the rest of a woman’s career. On average, women’s wages fall relative to men’s for about 10 years following the birth of the first child¹⁶.

The **availability of flexible working** (particularly part-time working) has a clear influence on whether mothers return to the same company after maternity¹⁷. Maternity leave and pay is less common in smaller firms (24% of mothers employed by small private firms receive no maternity pay, compared to 11% overall)¹⁸.

Childcare

Between 2010 and 2011, the price of nursery care increased by 5.8% for a child aged under two and by 3.9% for a child over two¹⁹ - whilst median weekly wages for all employees remained unchanged²⁰. There is also **evidence of gaps in provision** in certain areas, particularly for secondary school-aged children, disabled children and parents working atypical hours²¹.

Progression to senior positions

Women's representation is relatively low in senior positions compared to overall participation in employment. For example, women are 49% of employees²², but their representation falls in more senior positions: women make up only 33% of managers, directors and senior officials²³ and only 9.6% of FTSE250 board members²⁴.

There is a growing literature on the benefits of diversity in senior management, and many companies recognise the cost of losing talent when women leave. However, the situation varies by sector and is different in each company. Barriers to greater diversity often centre on corporate culture (e.g. long-hours culture, "anytime, anywhere" model and masculine culture²⁵) and family-friendly working practices (e.g. availability of part-time working in senior positions). These factors also interact with aspirations, choices and constraints.

Conclusion

The evidence suggests that there is untapped potential in the economy due to the gaps that persist in women's economic activity. There is a gender pay gap: women are more likely to be in low-paid jobs. There is an entrepreneurship gap: women are much less likely than men to start a business. And there is a progression gap: women are underrepresented in senior positions in business. Closing these gaps and helping to maximise women's contribution to the economy could reap substantial economic benefits.

Contact:

Women's Business Council: wbc@homeoffice.gsi.gov.uk

References

¹ Annual Survey of Hours and Earnings 2011, Office for National Statistics

² Annual Survey of Hours and Earnings 2011, Office for National Statistics

³ March 2012. Boardwatch, Professional Boards Forum.

⁴ Labour Market Statistics, March 2012, Office for National Statistics.

⁵ Internal GEO analysis based on the Annual Population Survey. Based on the total number of women who are out of work but report that they want a job, with an assumed 'displacement effect'. The displacement effect reflects the possibility that targeted labour market policy may lead to displacement of existing workers, everything else being equal. We assume a displacement effect here of 0- 30%. Economic benefit refers to the wages that they could earn, assuming the job full-time or part-time based on their reported preferences and that they were paid the average wage for someone with their qualification level.

⁶ The Total Entrepreneurial Activity (TEA) rate in the UK is 9% for men and 4% for women. TEA is defined as people who are either in the process of setting up a business or running a business that is less than 3 years old. Global Entrepreneurship Monitor 2010.

⁷ BIS (2011) 'Bigger, Better Business', Department for Business Innovation and Skills

⁸ Labour Market Statistics, March 2012, Office for National Statistics.

⁹ Labour Market Statistics, March 2012, Office for National Statistics. The wholesale and retail sector was also hard hit – this sector employs an even split of men and women,

¹⁰ The Office for Budget Responsibility forecast a 730,000 fall in general Government employment between 2011 and 2017. OBR (2012) 'Economic and Fiscal Outlook'

¹¹ In 2009/10, girls achieved A*-C in 87% of all GCSEs taken, compared to 81% for boys. At A-level, 58.5% of women achieved 2 A-level passes compared to 47.3% of men. Figures from Department for Education, www.education.gov.uk.

¹² 57% of first degree graduates in 2009/10 were women. Department for education, www.education.gov.uk

¹³ UCAS, total number of applications. 2010

¹⁴ Annual Population Survey 2010.

¹⁵ Olsen et al (2010) 'The Gender Pay Gap in the UK 1997-2007', Government Equalities Office

¹⁶ Brewer & Paull (2006) 'Newborns and New Schools: Critical Times in Women's Employment' DWP Research Report No. 308

¹⁷ Metcalf & Rolfe (2010) 'Women's Choices in the Labour Market', Niesr

¹⁸ DWP (2011) 'Maternity and Paternity Rights and Women Returners Survey 2010/11'

¹⁹ Daycare Trust, Childcare Costs Survey 2011

²⁰ Annual Survey of Hours and Earnings 2011.

²¹ Daycare Trust, Childcare Costs Survey 2011

²² Annual Survey of Hours and Earnings 2011, Office for National Statistics

²³ Annual Survey of Hours and Earnings 2011, Office for National Statistics

²⁴ Professional Boards Forum: Boardwatch

²⁵ World Economic Forum (2010) 'The Corporate Gender Gap Report 2010'; McKinsey (2010) 'Women Matter 2010'