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Women Leading UK Employment Boom

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Women Leading UK Employment Boom Summary

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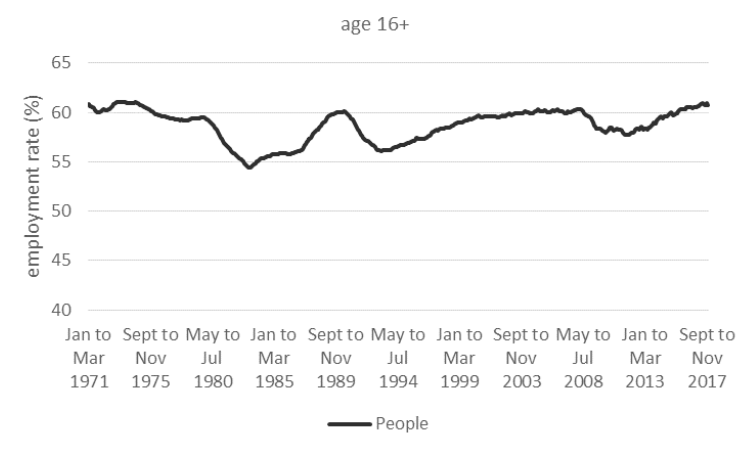
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The 2008 Financial Crisis and subsequent recession impacted severely on employment in the UK, but the numbers in employment have now soared to new heights. Over the 10 years from late 2007 to late 2017, total employment has grown by over 2.5 million, making the UK an outstanding performer internationally in those terms. Female employment accounted for 58% of this employment growth, and three-quarters of the additional hours of work are being worked by women. This little remarked-on aspect of Britain's strong jobs performance has major implications for the future. Male employment was harder hit by the onset of the crisis, as it has been in previous recessions, with the employment rate for men falling rapidly from 79% to 75%, whereas the female employment rate fell only from 67% to 65%. The overall employment rate for men has now recovered to its pre-Crisis level, but the rate for women has reached 71%, an all-time high. This narrowing gender gap in employment rates reflects the combined effect of legislative changes, the impact of the Crisis, and longer-term economic social and cultural dynamics. The current 16-24 age cohort is the first one in British history where employment differences between genders are no longer visible. Looking ahead, it is reasonable to expect that the gender gap for that age range will not reappear. How the gap evolves as this cohort ages and reaches the family formation and child-rearing stage will be key to labour supply in the future.

On September 15, 2008, Lehman Brothers filed for bankruptcy, marking the beginning of the Great Financial Crisis which impacted severely on employment. Now, though, the numbers in employment in the UK have soared to new heights. Over the 10 years from late 2007 to late 2017, total employment has grown by over 2.5 million, making the UK an outstanding performer internationally in terms of employment growth. (Wages are of course a very different matter.) In February 2016 the overall employment rate returned to the pre-crisis level of just above 60%, and is now at 60.8%, a level not seen since December 1974 (Figure 1). The unemployment rate, at 4.4%, is also at a level not seen since December 1971.

Figure 1: Employment rate (population aged 16+), 1971-2017



Source: ONS (LFS)

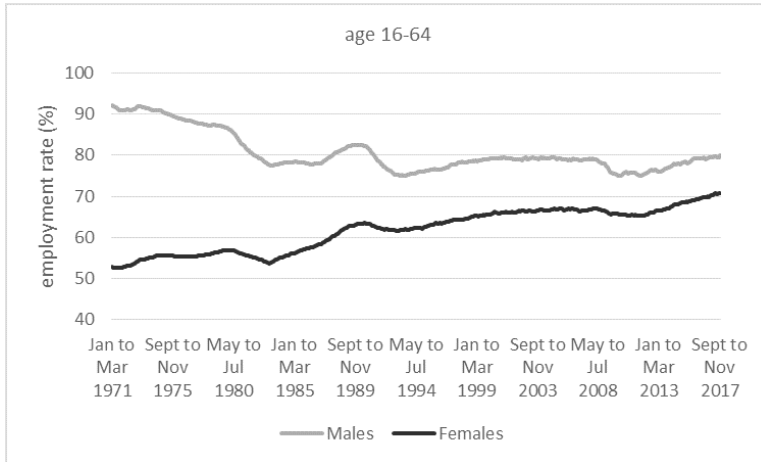
Of the 2.5 million additional persons now at work, almost 1.5 million are women: female employment accounted for 57.5% of employment growth in the past decade. The gender difference for hours worked is even more striking: of the 29 million additional hours being worked every week, almost 22 million, or 76%, are being worked by women¹. This is a little remarked-on aspect of Britain's strong jobs performance which has major implications for the future.

Figure 2, showing the employment rate among those aged 16-64 by gender, brings out that male employment was harder hit by the onset of the crisis, with the employment rate for men falling rapidly from 79% to 75%, whereas the female employment rate also fell, but only from 67% to 65%. The overall employment rate for men has now recovered to its pre-Crisis level, while the rate for women has reached 71%, an all-time high. The gender gap in the employment rate was 12 percentage points before the Crisis and is now down to 9 percentage points.

¹ The average number of hours worked per week decreased from 37.1 to 35.1 for men, and from 27.2 to 26.0 for women.

Moreover, pointing to a positive shift in the aggregate supply of labour, the inactivity rate (the share of people neither in work nor looking for a job) of the working age population—for males and females combined—has fallen to an all-time low of 21.3% from 23.1% in Q4 2007.

Figure 2: Employment rate by gender (population aged 16-64), 1971-2017



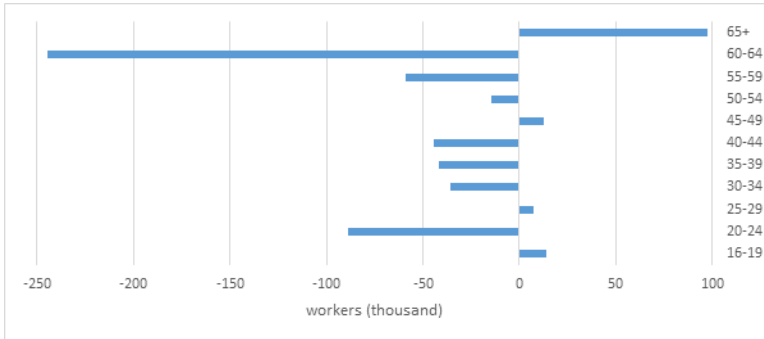
Source: ONS (LFS)

To put this in context, Figure 2 reveals that the gender employment gap saw little change in the 15 years before the Crisis, when employment rates rose steadily for both men and women. That was in sharp contrast to the preceding decades. That gap declined from almost 40 percentage points in the early 1970s to only 13 percentage points in 1993, reflecting the pronounced fall in male employment in the decade to 1983, from over 90% to below 80%, and the marked increase in female employment from then to the early 1990s.

To understand what has happened through the Crisis and subsequently, it helps to distinguish between age groups.² Figure 3 shows that in the 10 years from late 2007 to late 2017, the increase in female employment in the 60-64 age group was much greater than the corresponding increase for men. Women also outperformed men considerably in the 20-24 age group, and to a lesser extent in the 30-44 and 55-59 age ranges. There was little difference between women and men in the 25-29 and 45-54 age groups. Only in the oldest, 65 or older, age group did the increase in male employment exceed that for women by a significant margin.

²Detailed microdata allowing for a flexible disaggregation by age group are available only until 2017Q3.

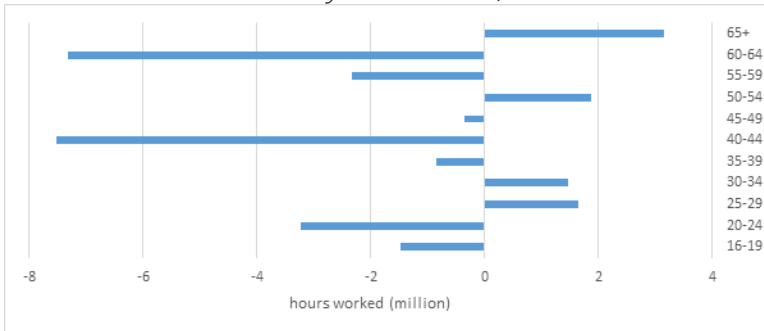
Figure 3: Gender difference in increase in employment (additional male workers minus additional female workers) between late 2007- late 2017.



Source: Elaboration on LFS data.

Figure 4 shows that the picture with respect to the number of hours worked is quite similar, except that there is also now a marked gap for the 40-44 age group, with hours worked by women growing much faster than by men. During peak childbearing years from 25-34, on the other hand, hours worked by women increased less rapidly than for men.

Figure 4: Gender difference in increase in hours worked per week (additional hours by male workers minus additional hours by female workers) between 2017 and 2007.

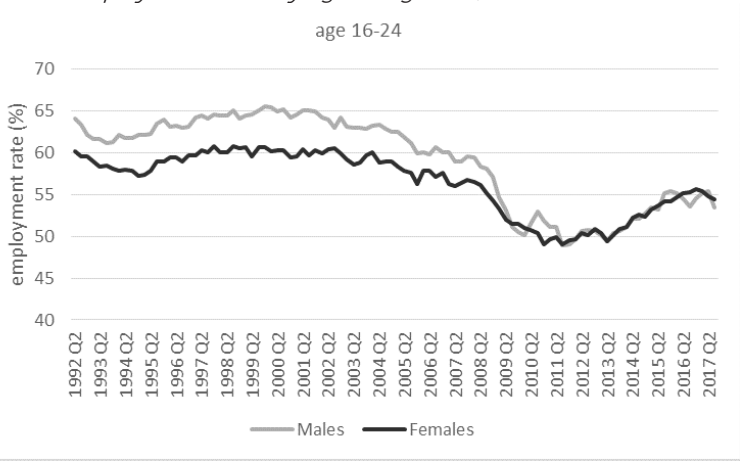


Source: Elaboration on LFS data.

These differences in the growth of employment for women versus men underpin the trends in employment rates by gender and age illustrated in Figure 5. This shows that the gender gap in employment rates narrowed for the 25-34 and 35-49 age groups especially during the Crisis. For those between 16 and 24, the long-standing gap between men and women disappeared entirely in the Crisis and has not reappeared as employment has grown from 2013. For the oldest working-age

group, between 50 and 64, the gender gap also fell at the onset of the crisis as employment of older men was particularly hard hit; it has continued to decline as the employment of women in this age range has grown particularly strongly.

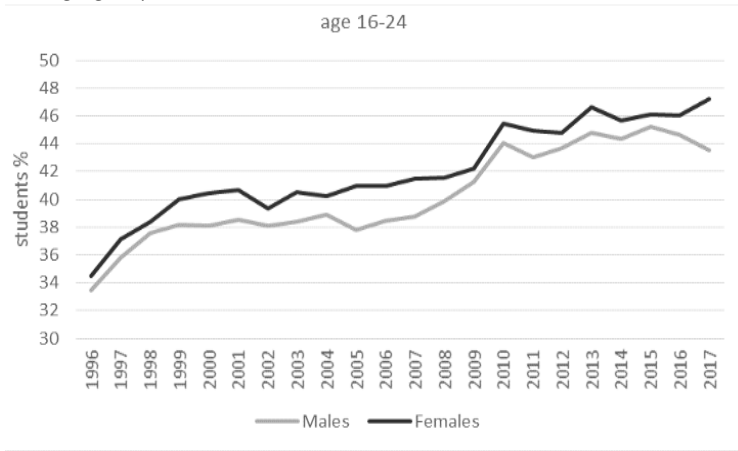
Figure 5: Employment rates by age and gender, 1992-2017



Source: ONS (LFS)

Focusing on the young, it is striking that the difference in employment rates has disappeared. The current 16-24 age cohort is the first one in British history where employment differences between genders are no longer to be seen. Figure 6 shows that this convergence mostly reflects the fact that the share of “NEETs” (not in employment, education, or training) among females has dropped sharply and almost converged to the lower NEET male rate, which in turn has itself fallen back down to the levels prevailing before the Crisis. At the same time, for both males and females the share of students increased sharply in the 2008-10 period, when employment prospects were poor, but this has not come back down as those prospects improved, despite the increase in university tuition fees. In the years ahead, it will be very interesting to follow how the gender gap in employment for this age cohort evolves as they age and form families.

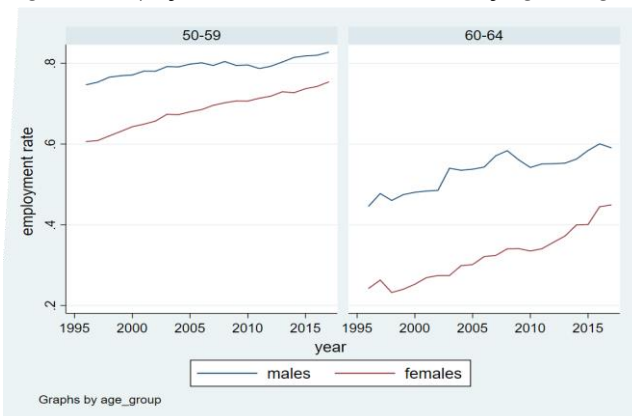
Figure 6: Share of students and “NEETs” (not in employment, education or training), 16-24 age group, 1996-2017



Source: Elaboration on LFS data

As far as the oldest age group is concerned, the sustained reduction in the gender employment gap is likely to reflect first of all what one might think of as “mechanical” factors. Employment patterns display a strong persistence, so we should expect the reduction in the gender gap to be slower for older cohorts: this implies that the process will still be ongoing for older cohorts when most of the convergence has already been achieved for younger ones. On top of that, the reduction in the gender employment gap for older cohorts is also influenced by an increase in the state pension age for women from age 60 to age 65, which is being phased in during the period 2010-2020. As Figure 7 shows, the increase in the employment rate for older women has been particularly marked for those between 60 and 64, affected by this change.

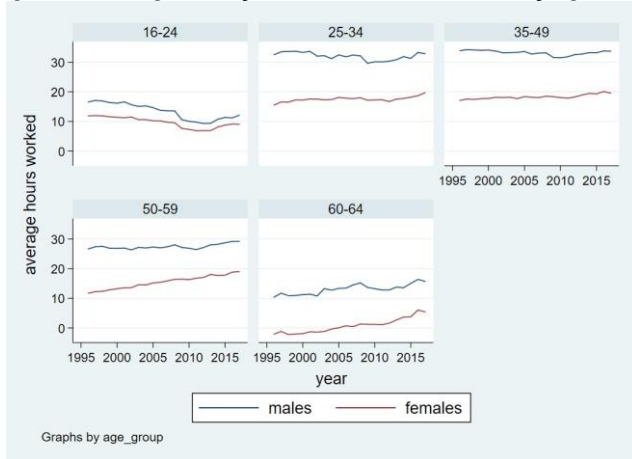
Figure 7: Employment rates between 50-64 by age and gender, 1996-2017



Source: Elaboration of LFS data

Looking briefly beyond employment to hours worked, Figure 8 shows that there were only minor changes to the gender gap in the average number of hours worked, with again some evidence that men were affected more badly than women in the immediate aftermath of the crisis, on top of a reduction in the gender gap for the youngest cohorts that took place before the crisis. Consistently with the evidence reported in Figure 4, the gender gap in the average number of hours worked per week is higher for women in childbearing years, associated with family policies that create an incentive for women to work part-time, such as the limited number of hours of public childcare.

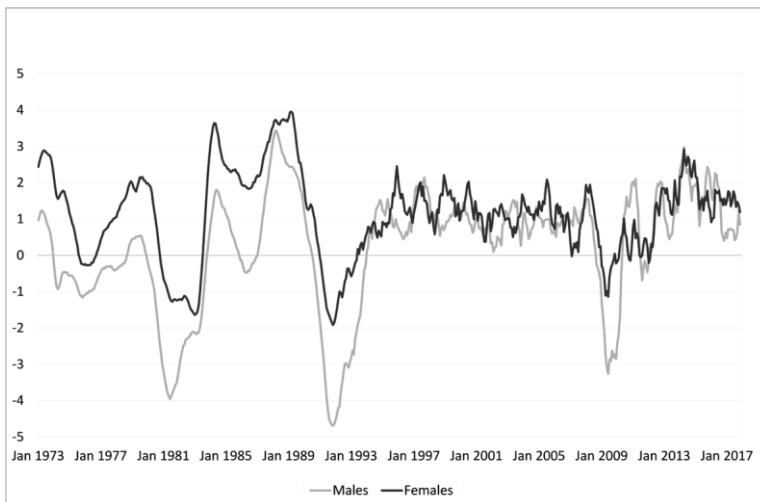
Figure 8: Average weekly number of hours worked by age and gender, 1996-2017



Source: Elaboration on LFS data

We noted above that male employment was hit harder at the onset of the Crisis in 2008-10. In fact, as Figure 9 illustrates, a striking feature of the British labour market is that the gender employment gap shrinks particularly in discrete “episodes”: during recessions men suffer more than women, and then they do not fully recover their advantage. This happened in the early 1970s, early 1980s, in the early 1990s, and then during the Great Financial Crisis of the late 2000s. Further research is needed to explain what lies behind this clear stylized fact, but two non-mutually exclusive mechanisms may be at work. First, some sectors in long-term decline, like mining and manufacturing, consist typically of male jobs and these may be ‘cleaned out’ during recessions. Second, as within sectors men are paid more than women, during recessions, faced with shrinking profits and rising bankruptcy risks, employers may prefer to lay off more costly employees. Underlying tendencies towards lower costs and more service production become apparent in discontinuous fashion during recessions.

Figure 9: UK Employment annual percentage variation by gender, 1973–2017



Source: Elaboration on LFS data

To summarise and conclude, the narrowing gap in employment rates between British men and women reflects the combined effect of legislative changes, the impact of the Crisis, and structural longer-term cultural and social dynamics. Whereas the employment rate for men is no higher than it was in the decades preceding the Crisis, the employment rate for women is now at an all-time high. It is also noteworthy that for the current 16–24 age cohort there is no longer a gender difference in employment rates. Looking ahead, we believe it is reasonable to expect that the gender gap there will not reappear in the young generations. At the same time, how the gap evolves as this cohort reaches the family formation and child-rearing stage will be key to labour supply in the future.