

WOMEN ON THE EUROPEAN LABOUR MARKET

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This policy brief looks at the major developments in women's position on the European labour market over the past two decades, identifying several pathways to increased female labour market activity and obstacles to overcome.

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Introduction

According to Eurostat forecasts, the European Union's working age population will shrink by a considerable 8 million people by 2025. As a consequence the labour force is to decrease, adversely affecting future GDP growth rates. However, there are groups of people whose labour potential is not yet fully utilised, meaning that the decrease in size of the future workforce can be avoided. Employment gains due to their entry into the labour market can rebalance total employment. An increase in labour force participation rates among women is one of the most important potential improvements. In this policy brief, we summarise the results of six NEUJOBS working papers. These address the most important issues related to women's employment decisions, such as education, maternity, retirement, life-long learning, care choices, flexible employment contracts and salaries. We identify several pathways to increased labour market activity among women and obstacles to overcome, which we summarise below. Relevant policy recommendations are made for each issue.

Women on European labour markets - changes and their drivers

Over the last two decades, the European Union has experienced a significant improvement in women's labour market participation. This results both from long-term trends evident across developed countries, and from changes made to institutional frameworks in specific countries. Recent evidence from the global economic downturn has shown that the employment of women is more resilient to recessions than the employment of men, partially because of gender sectoral segregation (i.e. the masculinisation of the crisis-hit construction and manufacturing sectors, and the feminisation of the services sector, which was spared the worst effects of the crisis). The fact that since the 1990s the lion's share of employment improvements have been contributed to by women highlights the growing role of women in labour markets. However, there is still significant potential for further action since the gender employment gap, i.e. the difference between the employment rate of men and the employment rate of women, is greater than 10 p.p. in half of EU member states.

Main results

- During last two decades, women's employment rates have improved significantly in virtually all EU member states. At the same time employment rates among men fell. As a consequence, the gender employment gap in the EU has shrunk significantly from 27 p.p. in the early 1990s to 12 p.p. in 2010. Interestingly, the countries worst-hit by the financial crisis, Ireland and Spain, experienced the greatest decrease in the gender employment gap.
- Increases in women's employment were strong enough to alleviate the negative developments in male employment, leading to growth in employment rates for the population as a whole. However, these changes were heterogeneous across countries and age groups.
- Women of older age groups (45-64 years) experienced the most notable employment improvements, especially in the 2000s. Germany clearly outperformed other countries here. Significant positive employment changes were also observed among prime-aged women.

- On the other hand, employment rates among younger women (under 25 years of age) decreased in most EU countries, mainly due to increasing female enrolment in tertiary education.
- Most female employment improvements were driven by changes in the intensity of their employment. This means that women of different socio-demographic groups increased their involvement in the labour market.
- A positive contribution was also made by a shift in educational composition among the female population. Well-educated women have higher employment rates, thus the increasing share of women graduating from tertiary education positively stimulates total employment rates. This educational shift played a relatively greater role in the New Member States than in western European countries.
- The key policies driving employment intensity improvements concern retirement provisions and flexible employment arrangements. Limiting early retirement and increasing the statutory retirement age for women have prolonged the period of their labour market activity, which has a positive impact on their employment rates. Legal changes introducing more flexibility into employment contracts support employment expansion as working conditions become more suited to women's needs.

Policy implications

- Falling employment rates among young women indicate that those who decide to pursue tertiary education postpone the beginning of their careers. This suggests that there are significant obstacles to balancing work and education.
- Although older women experienced the greatest improvement, employment rates in this age group are still significantly lower than in the case of prime-aged women. There is noticeable room for future action here, especially in southern Europe and CEE, where differences are the greatest. There is also a need for additional national-level analyses to identify country-specific potential impediments to further employment growth among women aged 50+.
- Flexible forms of employment are a key tool for increasing women's involvement in the labour market, although, as discussed in detail below, these may lead to a reduction in women's salaries.

Young women and school-to-work transitions

Most EU countries have experienced a significant reduction in employment among young women, caused mainly by the growing popularity of tertiary education. Rising human capital levels among women benefit both their own career prospects and macro-level growth rates. However, female students tend not to combine education with work, leading to an increase in the average age on entering the labour market. Moreover, the recession has aggravated the problem of joblessness among young people. Weak economic conditions result in fewer job opportunities, making the education-to-employment transition much harder. Young people find it more difficult to find a job as they lack work experience.

Main results

- Between 1995 and 2010, youth enrolment in tertiary education increased considerably. Today 2/3 of young women enter university, compared to the 52% of young men who continue their education at tertiary level. Young women entering the

labour market are now much better educated than both their male counterparts and older women.

- The evidence presented in human capital literature shows that achievements in higher education improve women's future employment prospects and earning potential. Better human capital increases GDP growth rates and bolsters the competitiveness of the economy as a whole.
- OECD countries differ significantly in their models of tertiary education choices. On the one hand is a group of elitist systems (e.g. South Korea) where employers seek degrees from the best universities and students have little incentive to combine study and work, which delays graduation and adversely affects employment. On the other hand, in the Nordic countries young people demonstrate high levels of mobility between employment and education, moving between the two many times before completing tertiary education. However, in this instance the age at which tertiary education is commenced and completed is considerably postponed compared to the first model.
- Nevertheless, school-to-work transition is easier in countries where study is frequently combined with work. On average, one in three students combine study with a job or other form of work experience.
- There is evidence that programmes such as summer jobs, internships and apprenticeships have a positive impact on future labour market activity, skill development, and earnings.
- Although young women have higher aspirations than men, they are more likely than men to be outside of employment and education (termed NEETs). The problem of NEETs is a core policy challenge, since long periods spent outside employment and education have an adverse effect on young peoples' future career paths.

Policy implications

- Work experience gained during studies is a key factor in helping to smooth the transition between education and employment. This can be achieved in two complementary ways. The first solution is apprenticeship programmes. Universities should ensure that these programmes provide students with the further knowledge and skills valued by employers. For some students, apprenticeships provide a real job opportunity as employers offer positions to the best apprentices.
- Albeit more demanding, the second solution to gain work experience is to combine tertiary education with employment. Labour market institutions are essential in ensuring a work-education balance. Most students are unable to work full-time jobs, and so would benefit from the possibility of part-time employment and flexible working hours.
- Access to public employment services should be extended to all young people. Unemployment assistance measures such as job counselling might also be beneficial for those who are not currently seeking employment.
- Policies targeting NEETs must be more diversified as there are many heterogeneous reasons behind this group's joblessness (e.g. lack of skills or decisions to take a 'gap year'). Policies increasing their skills (training programmes) and subsidising employment to provide them with work experience may be preferable. However, any considerable decrease in NEET rates will be caused by more vigorous economic growth fuelling labour demand.

Maternity and labour market participation

Maternity is often associated with woman's withdrawal from employment for a significant period of time. Mothers therefore demonstrate lower employment rates than other prime-age women. Better design of maternity-related policies can decrease the time spent out of employment. These policies must not however discourage maternity, as low fertility rates in the European Union aggravate demographic problems.

Main results

- Maternity and childcare often require women to take a break from professional life, hence employment rates among mothers are lower than those among other women. Young mothers often withdraw from the labour market as they are unable to combine employment with family responsibilities.
- The proportion of mothers leaving the labour market due to maternity varies across the EU. The figure is lowest in the Nordic countries, where the employment rate among mothers almost equals the employment rate among childless women.
- The development of public childcare services is a crucial factor shaping mothers' behaviour in the labour market. Countries that spend the most on pre-school child services (e.g. the Nordic countries) tend to have higher employment rates among young mothers.
- Flexible workplace arrangements, such as flexible working hours, are another means of helping parents cope with childcare. These seem to play a particularly important role when other policies ensuring family-work balance are not sufficiently developed.

Policy implications

- The set of policies helping to combine maternity with work is similar to the policies previously mentioned under educational challenges for working women. Flexible working hours, part-time employment and home working help women to balance work and family life, as these are better adapted to care commitments and school hours. In many OECD countries, parents have a statutory right to request part-time work. However, policymakers should ensure that the flexible contracts offered to mothers are non-discriminatory, i.e. provide the same hourly wages and a similar level of employment protection as ordinary contracts. Otherwise, efforts to implement flexible contracts will put mothers in a worse position.
- Another crucial policy challenge is to provide easy access to good quality childcare and pre-school services for all mothers. As these services should be widely accessible, their affordability, especially for low-skilled and low-income women, plays an important role.
- The duration of parental leave should be assessed carefully. If it is too short and if the child still needs special care, women might not be able to return to full-time employment, instead choosing inactivity. On the other hand, if parental leave is too long this will lead to skill deterioration and a decrease in women's chances to return to the labour market. A transitory period of reduced working hours and the retention of some maternity benefit may be a good way for parents to return gradually to regular employment.
- A more gender-equal distribution of childcare and home responsibilities is equally important for women's employment prospects. Policies should encourage fathers to

take an increased role in childcare duties, lifting the burden from mothers. Making paternity leave obligatory is an example of policy practice in this area.

- Other maternity-related policies include old-age pension system arrangements rewarding periods of inactivity due to childcare. However, those provisions should not discourage women from longer activity in the labour market. An example of bad policy is the provision of early retirement for mothers.

Women and retirement

The increase in employment among older women is responsible for most of the employment progress in Europe over the last two decades. However, employment rates among women aged 55 or above are still significantly lower than employment rates for prime-age women. There is a room for further improvement, and with consideration to Europe's ageing population and solvency issues surrounding public pension systems, this poses a major policy challenge.

Main results

- Women in Sweden and Denmark are active on the labour market for more than 35 years (on average), whereas in southern European countries such as Italy and Greece, the number of expected years in employment for women is lower than 25. Southern Europe's poor performance in this respect is mainly due to women's withdrawal from the labour force, but also to the various approaches aimed at combining work with study or maternity.
- Many European countries have made attempts to harmonise their statutory retirement ages for men and women. By 2040, the number of countries with different pensionable ages for men and women is expected to decrease from 12 to three. At the same time, the legal retirement age for women will increase in 19 EU member states. Evidence from countries that have already increased the retirement age for women suggests that this has a crucial impact on retirement decisions, and postpones women's withdrawal from the labour market.
- The replacement rates provided by pension systems are important factors determining retirement decisions. Higher replacement rates discourage continued employment, especially for people on low incomes. Current pension system reforms, introducing a closer link between lifetime contributions and pension benefits, will negatively impact women since they accumulate less contributions and experience longer periods out of employment than men. However, this change will postpone women's decisions to withdraw from the labour market, increasing employment rates among older women.

Policy implications

- Public pensions systems need to be redesigned to eliminate incentives to women's early withdrawal from the labour market. The first step is to fully equalise statutory pensionable ages for men and women. Increasing life expectancy and improving health among older people give rise to the issue of further increases in retirement age for both sexes in the future.

- Linking pension benefits to accumulation of previous contributions might have a negative impact on replacement rates, but prevents more women from taking early retirement, especially those on low incomes. Although some maternity reward might be in-built into pension systems for social reasons, it should not encourage women to take early retirement.
- Life-long learning prevents the deterioration of human capital among older people. Learning activities might therefore play a significant role in increasing older women's employability. It must be easy to combine job-related training with family obligations.
- Last but not least, there is a need to develop childcare and the elderly care services offered to women approaching retirement age. This will help them with the burden of caring for their grandchildren and older family members.

LLL and female labour market participation

Development of workers' skills through life-long learning (LLL) is essential in the context of extending the periods of time spent in employment. Better-qualified workers stay longer in employment as their skills, knowledge and experience are more highly valued by employers. From a macroeconomic perspective, better human capital positively affects a country's competitiveness and growth rates. LLL participation rates vary significantly among EU countries, and challenges relating to improvement in this area are different for men and women.

Main results

- The key factors determining adults' participation in life-long learning activities are: age (higher age triggers lower participation), educational attainment (well-educated individuals tend to participate much more frequently in LLL activities), economic sector (people working in agriculture and industry invest little in gaining new qualifications), and labour market status (being employed increases the chances of participating in LLL activities).
- Gender differences play a minor role in determining overall LLL participation rates. Men and women take part in job-related training at similar rates in the majority of EU countries, with the exceptions being Denmark and Sweden.
- Women are less likely to participate in formal education than men, while they outnumber men in non-formal training. Moreover, training participation is higher in more feminised sectors. That said, due to less continuous employment and career breaks related to maternity, women experience a shorter average time spent in education.
- Women and men differ in their reasons for non-participation in training. Women are much more likely to opt out of further education due to family reasons.
- Women's skills may be better suited to labour market needs than those of men, while at the same time female qualifications are more mismatched (OECD, 2011c and Quintini, 2011).

Policy implications

- As family obligations prevent women from increasing their qualifications, an improvement in women's LLL participation can be achieved by policies which

remove obstacles to the balance between education and family life. Such policies (again) include greater access to affordable childcare and flexible working hours. More equal distribution of family obligations between partners would also play a positive role.

- Well-educated individuals are more likely to engage in LLL compared to those with lower educational attainment. This means that the differences in human capital level among socio-economic groups increase further with age. To prevent rising human capital inequalities, it is crucial to pay particular attention to low-skilled women with low labour market attachment, as they are least likely to invest in raising their qualifications. Moreover, the design of sector-level policies should be differentiated to reflect variation in sectoral characteristics.
- Women might benefit from the recognition of informal learning. For instance, they are much more likely to adopt skills related to caring for their children or elderly parents. Their care competences could be formally recognised (with some additional training if needed). Increasing demand for people with care skills is expected due to population ageing, and formal qualifications could be successfully put to use in the labour market.
- The policy solutions should involve counselling by public employment services, and helping women to plan their educational choices to reduce the mismatch between skills learnt and skills demanded by the labour market.

Women in flexible employment - does it pay?

Gender pay gaps exist in all EU countries, and on average women earn less than men with similar endowments employed in similar workplaces. Average pay gaps hide a large degree of heterogeneity in female wage penalties¹ - across their age and at different points in the wage distribution. Similar observations relate to the economic returns to flexible employment forms, i.e. fixed-term contracts and part-time jobs, which offer significant variation in wage premia and penalties depending on women's age and earning levels.

Main results

- The size of gender pay gaps varies significantly across countries. The premium earned by men is fairly low in the Netherlands and Norway, whereas it is higher by a factor of more than three in the Czech Republic, Poland, Portugal and Slovakia, where *ceteris paribus* female prime-age workers earn approximately 25-30% less than their male colleagues.
- The size of the gender wage gap differs with age, but there is no uniform pattern for all EU countries. In the majority of member states the wage gap grows with age, with the peak at around 40-49 years, and tends to slow down / decrease at the age when female labour market participation declines. However, the evidence from literature on low pay gaps between labour market entrants does not hold for all European countries: particularly in parts of CEE, early in their careers women already earn less than "comparable" men. This is mostly due to relatively higher pay gaps among top earners compared to low-paid young women. It suggests that better-educated women in these countries experience more difficulties with effective education-to-employment transition and are more likely to face a glass ceiling.

¹ Wage premia or penalties are the coefficients related to the gender variable in an OLS model, where individual and workplace characteristics are controlled for. In other words, they reflect an adjusted gender pay gap, which accounts for differences in individual endowments and types of jobs held between men and women (e.g. length of work experience, occupations, educational attainments, etc.).

- Women working on fixed-term contracts earn less than women working on a regular basis, all else being equal. The notable exceptions in the EU are Latvia, France and Greece, where fixed-term contracts are associated with higher earnings. In Poland and Hungary there is a clear rise in temporary contract wage penalties along with age, contrary to the patterns observed in western Europe.
- In all EU countries except Portugal and Hungary, the wage penalty holds for women working on a part-time basis, as (per hour) they tend to earn less than women working full-time. Simultaneously, part-time work is relatively more beneficial for well-educated women with higher incomes, i.e. the hourly wage of top female earners is higher in the case of part-time than full-time workers.

Policy implications

- Equalising employment protection levels under different employment contracts types reduces employment segmentation.
- Policies helping women to combine work and family life (e.g. childcare services) are also recommended since they decrease the so-called 'motherhood penalty'. Countries with well-developed policies supporting mothers tend to have lower gender pay gaps. Another crucial factor is the father's increased involvement in caring obligations and household duties, which needs to be supported both by legal changes (e.g. more father-targeted parental leave) and promotional campaigns.
- Collective wage bargaining may play an important role in determining the position of low and high-paid individuals. Decentralised bargaining schemes support lower wage differences.

Gender equality and care choices

The increase in female employment and the expansion of dual-income households is a general trend in the EU, but this does not automatically imply a more balanced division of paid and unpaid labour between women and men. Alongside gender equality policies, particular welfare and care regimes affect female employment differently and shape the gender division of paid work and care by households. In addition, gender equality and care policy choices may have significant demographic consequences through their impact on intentions to have children.

Main results

- Care policies in EU member states represent four different models that broadly (though not neatly) reflect the classification of EU27 countries by extended welfare regime typology. The two major policy components in the field of care are (and will probably continue to be) formal, institutional, publicly-provided care on the one hand; and market-oriented, publicly funded but privately provided cash-for-care on the other.
- The gender gaps in labour market participation and fertility rates correlate significantly and positively with the application of formal care, whereas they correlate significantly and negatively with the application of informal care.
- There is an almost linear relation between the relative political empowerment of women and the expansion of formal care provisions. We might interpret this finding as evidence that comprehensive gender equality policies include both a higher level of female

representation in the political arena and, at the same time, a predominance of formal childcare policies in the early childhood period.

- Transformative gender equality policy could modify (either enhance or offset) the impacts of care policies on both female labour market participation and fertility. A lower gender gap in political power and more equal time spent between women and men on care correlate significantly with both the gender gap in labour market participation and total fertility rates.
- Higher fertility rates can be expected when a dual-earner policy focus is coupled with dual-carer-oriented policies. Thus to some extent, a more equal gender division of care activities can also mitigate the impacts of ageing.
- The opposition between the Nordic countries vs. southern and central-eastern EU member states is remarkable in practically each of the analysed dimensions, and our findings reflect a strong path dependency among individual countries. However, we also identified some positive policy shifts among both southern European and the post-socialist countries (e.g. Spain and Estonia).

Policy implications

- As short-term cash-for-care schemes seem to provide a cheaper and more flexible alternative to formal and institutional care, we can count on the expansion of these schemes. However, this market-oriented policy can only ensure the desired positive aspects (freedom of choice, good quality of care and decent employment for care workers) together with decreasing gender inequalities if it ensures quality control, standard basic employment guarantees and a well-established legal and institutional framework to prevent discrimination.
- In those countries where gender equality policies are weakly developed and/or informality plays a dominant role in social relations, the expansion of dual-earner households without the dual-carer family model may reinforce existing gender inequalities within households by imposing uneven care responsibilities and multitasking on women. The importance of comprehensive gender equality policies (the political empowerment of women and work-life balance issues, including the transfer of care and domestic duties to men) is therefore obvious in shaping public perception and ensuring a supportive environment for dual-carer policy measures.
- Although the massive influx of migrant female care workers (employed in the informal economy on substandard employment conditions) may apparently “solve” this dilemma, this obviously generates new forms of gender inequalities. In this case, the paid employment opportunities for women who are supported by cheap and flexible care workers may improve; however, mainly migrant (and mostly female) care workers are at particular risk from the negative consequences of inequality. Thus specific policies have to be developed not only to guarantee the quality of privately provided services, but also the employment standards of the care providers themselves. A legal and institutional framework to prevent discrimination against and unfair treatment of care workers is one of the fundamental conditions of a fair market environment in the field of care.

Conclusions

Several specific issues drive women's employment decisions - education, maternity, retirement, life-long learning, care choices and earning potential. Each requires its own set of policies, yet several of these overlap. In particular, the key recommendation relates to the institutional framework helping to reconcile careers with family life. Flexible employment arrangements and better access to formal care facilities (in particular childcare) play an essential role here. In addition, the increased involvement of men in family life is of considerable importance and needs to be supported by legal changes offering incentives, and by attitude-changing campaigns.

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