

ESG

Women, work and a woeful recovery

08 March 2023

Key takeaways

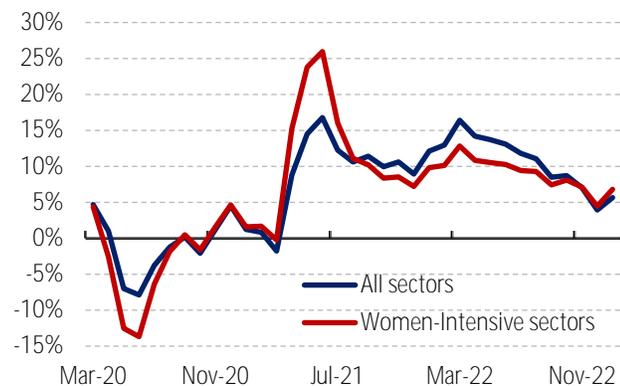
- To mark International Women's Day, we look at how women are faring in the labor market recovery. Bank of America internal data on small business accounts shows that sectors with the highest share of female workers saw a bigger contraction in payroll payments at the start of the pandemic and a slower recovery over the last year.
- What could explain the weaker recovery? Women are over-represented in services, retail and other low-paid sectors that not only fared worse during Covid, but also whose wages have risen more slowly over the past 12 months. In addition, there are fewer women available for work. Specifically, not only is the women's labor force participation rate (LFPR) 10 percentage points below that of men, but those already in the labor force are more likely to work part-time.
- A lack of affordable childcare has long held back women's labor market participation, but the pandemic made things worse and inflation is pushing daycare prices up by double digits. According to the Bureau of Labor Statistics, the number of part-time workers citing "childcare responsibilities" as the reason for not working full-time reached a record high in the last year.

Labor market recovery confirms gender gap

We have written extensively about labor market developments in recent weeks (see [Consumer Morsel](#) and [Small Business Checkpoint](#)). To mark International Women's Day, we take a closer look at how women, specifically, are faring in the latest labor market recovery.

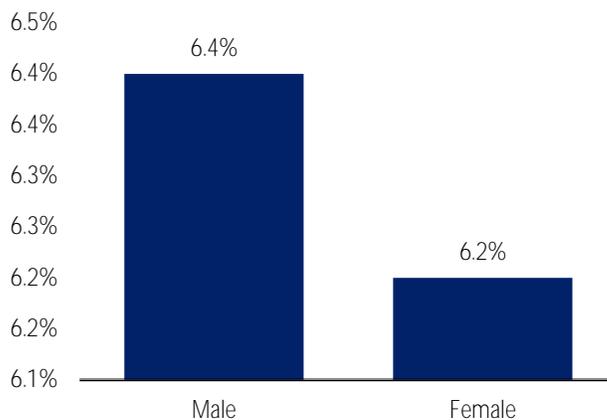
To do this, we identify sectors that have the highest share of female employment, based on data from the Bureau of Labor Statistics (BLS). We define these as "women-intensive" sectors, which include social services, personal services, health services, educational services, and apparel stores.

Exhibit 1: Growth in small business payroll payments for women-intensive sectors vs. all sectors (% YoY, 3-month moving average as of January)
Small business payroll payments growth in women-intensive sectors lagged other sectors during the pandemic



Source: Bank of America internal data

Exhibit 2: Wage growth has been higher for men than women (%)
Average YoY median wage growth for men and women in the US, last 12 months as of 1/2023



Source: Current Population Survey, Bureau of Labor Statistics, Federal Reserve Bank of Atlanta

Using Bank of America internal data on small business accounts, we compare growth in payroll payments in these women-intensive sectors to growth in all sectors (Exhibit 1). At the start of the pandemic, women-intensive sectors showed a bigger pullback in payroll spending. In our view, this reflects that these sectors typically have higher exposure to in-person interactions

and limited possibilities for remote work. As the economy recovers from the pandemic, payroll payments growth for these women-intensive sectors has consistently lagged other sectors except for a short-lived surge in the middle of 2021, which was likely due to “base effects” given the depressed level of payments a year prior. Note that we did see a relative improvement in payroll spending for women-intensive sectors in January although we would need more data to see whether this is noise or trend.

Why the discrepancy? Differences in wage growth are part of the story. Though we have seen strong overall wage growth in the last year, women have experienced relatively lower year-over-year median wage growth compared to men (Exhibit 2).

Slower job growth is also a factor. Based on Bank of America data, we estimate small businesses payroll payments in women-intensive sectors, were two percentage points (pp) lower in 2022 than the overall sample on a year-over-year (YoY) basis. Of this, 0.7pp was attributable to lower wage growth and 1.3pp to lower job growth, according to our rough calculation.

Childcare responsibilities keeping some women workers away

What explains the slower job growth in women-intensive industries? One reason is limited labor supply. While the prime age (25-54 years old) women labor force participation rate (LFPR) has already recovered to pre-pandemic levels, the absolute level remains well below that for prime-age men: as of January 2023, the prime-age women LFPR was 76.9%, more than 10pp lower than the 88.5% for prime-age men.

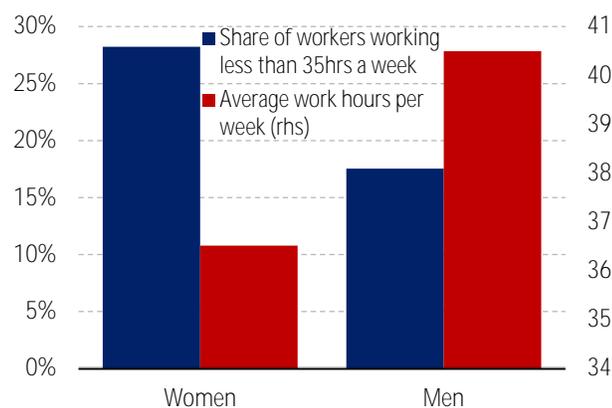
Moreover, women already in the labor force are more likely than men to work part-time. As Exhibit 3 shows, 28% of female workers worked less than 35 hours a week in 2022, compared with just 18% for male workers, according to data from the BLS.

Childcare is among the many factors holding back women’s labor force participation. A lack of affordable childcare has long driven a workforce gender gap, but the pandemic has made it undeniably worse, and inflationary pressures are only adding fuel to the fire. The Consumer Price Index (CPI) from the BLS showed that prices for daycare and preschool have increased by 11% since January 2020, on a seasonally adjusted basis. According to a survey by Care.com, more than 50% of parents now spend over 20% of their income on childcare in the US.¹

Many families are therefore torn between spending a large portion of their paycheck on childcare, substituting care with lower-quality care options, reducing work hours, or leaving the workforce altogether to become full-time caregivers. According to the BLS, in January 2023 nearly 4% of part-time workers cited “childcare responsibilities” as the reason for not working full-time, up noticeably from 3.2% in 2019 (Exhibit 4).

This reflects that caregiving responsibilities still disproportionately fall on women and are ultimately keeping them from getting into, remaining, and progressing in the labor force. For example, in 2020, 76% of mothers with children under the age of 6 in the US reported that they took on most, or all, of any additional care work resulting from school or childcare facility closures, compared with just 30% of fathers with children the same age, according to the Organisation for Economic Co-operation and Development (OECD) (Exhibit 5).

Exhibit 3: Average weekly work hours and share of part-time workers for women and men
Women are more likely to work part-time than men



Source: Bureau of Labor Statistics

Exhibit 4: Share of part-time workers reporting “childcare responsibilities” as the reason for not working full-time
The share of part-time workers citing “childcare responsibilities” as the reason for not working full-time has increased



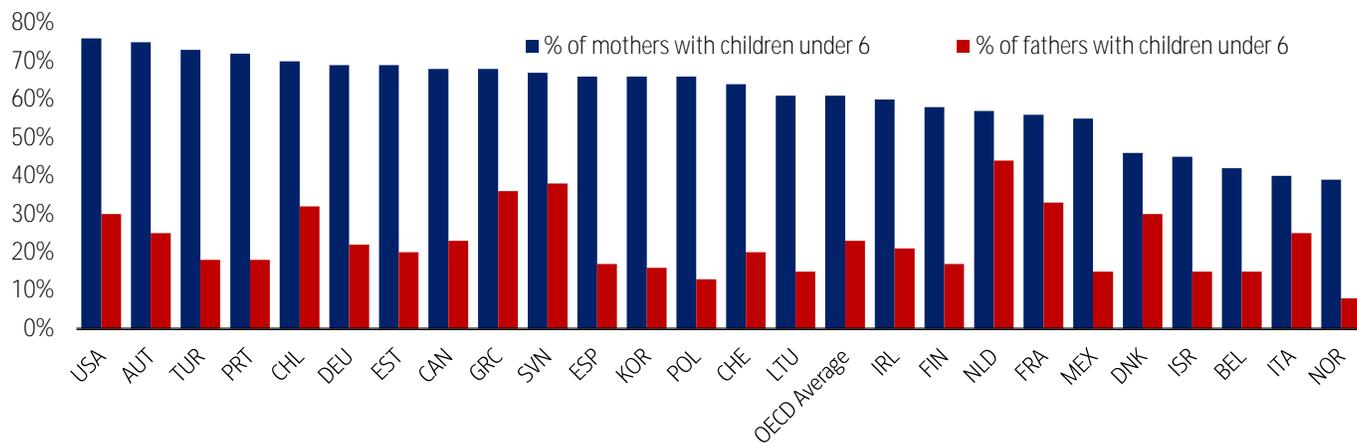
Source: Bureau of Labor Statistics

International Women’s Day exists partly as a call to action on issues around gender parity. Whichever way you slice and dice the data, there is still a workforce gap, in terms of both participation and pay. The slower wage recovery for women as we emerge

¹ www.care.com/about/press/majority-of-families-spend-at-least-20-of-household-income-on-childcare-according-to-new-care-com-survey

from the pandemic to some extent reflects more sluggish growth in sectors where they are disproportionately represented. Factors that have long held women back in the workplace – like greater caregiving responsibilities – have again been laid bare by the pandemic.

Exhibit 5: Percentage of respondents who self-report that they took on most or all of any additional care work resulting from school or childcare facility closures (by gender, data as of 2020)
 Mothers take on a greater share of unpaid child labor worldwide



Source: OECD Caregiving in Crisis, 2021. For detailed methodology please see the end of the report.

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on aggregated and anonymized selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any Small Business payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and are generally defined as under \$5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

For the OECD survey data in Exhibit 5, respondents were asked who in their household took on any additional care work because of school or childcare facility closures. The response options were “Entirely you”, “Mostly you”, “Equally shared between you and your spouse/partner”, “Mostly your spouse/partner”, “Entirely your spouse/partner”, “Mostly someone else (another member of your household or someone from outside your household)”, and “A mixture of you (and/or your spouse/partner) and someone else”. Respondents could also choose “Can’t choose / difficult to say” or “Not applicable” as options. The results here present the aggregated results for individuals who answered, “Entirely you” or “Mostly you”.

Additional information about the methodology used to aggregate the data is available upon request.

Disclosures

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