

March 2023



# Women in Work 2023

Closing the Gender Pay Gap for good:  
A focus on the motherhood penalty



# Executive summary

International Women's Day 2023 is a time for us to pause and reflect on our journey towards gender equality: where we've come from, what we've learned – particularly from the pandemic – where we are today, and most importantly – what lies on the road ahead.

**This year, despite a rebound following the COVID-19 pandemic, PwC's Women in Work Index did not catch up to its pre-pandemic path of progress towards equality.** The impact of the pandemic on labour markets across the OECD prompted a one-time fall in the Index in 2020.<sup>1</sup> We've now seen the Index rebound, mostly because of increased participation of women in the labour force, along with a slight fall in the unemployment rate for women. However, the rebound was not to the level needed to put the Index back on its pre-pandemic growth trajectory. Additionally, similar improvements were evident in male participation and employment rates, suggesting that rather than any advancement towards gender equality, growth in the Index was a symptom of macroeconomic factors and general labour market recovery.

**The average gender pay gap across the OECD also widened by 0.6 percentage points.**<sup>2</sup> In most countries this appears to be associated with the post-COVID-19 recovery of labour markets, reversing the temporary narrowing of pay gaps we observed during the pandemic. However, eight countries on the Index now have wider pay gaps than they did before the pandemic: Slovenia, New Zealand, Estonia, Portugal, Germany, Italy, Israel, and Switzerland. The average gender pay gap across the OECD now stands at 14%, only 3 percentage points lower than it was a decade ago (17% in 2011).

**The UK's gender pay gap widened four times more than the OECD average increase, and there was mixed progress across UK countries and regions.** The UK fell five places on the Index in 2021 to 14th out of 33 OECD countries,<sup>3</sup> mainly due to a 2.4 percentage point widening of the gender pay gap (now at 14.3%). On average there was a 1.2 point increase in Index score across the UK regions, on our Women in Work Regional Index. However, progress towards gender equality was not evenly distributed. Half of all UK countries and regions experienced an absolute decline in score, and the gap between the best-performing country (Northern Ireland) and worst-performing region (North East) widened. There was a 2.2 percentage point narrowing of the gender pay gap in the East Midlands, however in most countries and regions there was either no improvement, or a widening of the gap.

## Women in Work Index results:<sup>4,5</sup>

The Index score this year rebounded by 1.1 points to 65.5.  
Key drivers:

Female labour force participation rate up 1.3 percentage points to

**70.8%**

Female unemployment rate down 0.3 percentage points to

**6.4%**

Gender pay gap up 0.6 percentage points to

**13.8%**<sup>6</sup>

## Top ranked countries:<sup>7</sup>



**1. Luxembourg**

⬆️ (up 1 place)



**2. New Zealand**

⬇️ (down one place)



**3. Slovenia**

⊖ (no change)

<sup>1</sup> Our Index includes analysis of labour market results in 33 Organisation for Economic Cooperation and Development (OECD) countries. When we refer to the OECD in this report, we are referring to these 33 countries. Please refer to the *Technical Appendix: Women in Work Index Methodology* for a full list of countries included in our analysis.

<sup>2</sup> 2021 data. Gender pay gap data for 2020 is based on the latest data available and might differ from gender pay gap figures reported in last year's report due to data revisions over the past year.

<sup>3</sup> Change in Index rankings based on 2020 rankings published in our Women in Work Index report 2022 and do not reflect any revisions to 2020 indicator data since publication.

<sup>4</sup> All data sources and references can be found in the Endnotes at the end of our main report.

<sup>5</sup> Source: PwC analysis comparing latest data (2021) to 2020 OECD and Eurostat data.

<sup>7</sup> All 2020 rankings taken from PwC's Women In Work Index 2022 report and therefore do not account for any revisions to 2020 data since publication.



An 18 year old woman entering the workforce today will not see pay equality in her working lifetime. At the rate the gender pay gap is closing, it will take more than 50 years to reach gender pay parity.

If the rebound from COVID-19 has taught us anything, it is that we can't rely on economic growth alone to produce gender equality – unless we want to wait another 50 years or more. We must design and develop policy solutions that actively address the underlying causes of the inequality that exist today.

**Larice Stielow, Senior Economist PwC UK**

**Speeding up the historically slow progress towards gender equality requires tackling underlying harmful gender norms and expectations of women – and men – in society.** A woman's primary role is still seen as being a mother and a caregiver; and a man's primary role a breadwinner.<sup>8,9</sup> The pandemic highlighted – but also amplified – the existing gender inequalities in unpaid childcare, with women in 2020 spending an average of eight hours more than men caring for children every week.<sup>10</sup>

**The unfair share of childcare perpetuates the 'motherhood penalty' – this is the loss in lifetime earnings experienced by women raising children,** brought about by underemployment and slower career progression upon returning to work after having a child. This is observed directly as a 60% drop in earnings for mothers compared to fathers in the 10 years after the birth of a first child (as measured across six OECD countries);<sup>11</sup> and more broadly in women's lower balances of pension and retirement savings at the end of their working lives.<sup>12</sup>

**The motherhood penalty is now the most significant driver of the gender pay gap.** In 2021, the OECD found the motherhood penalty accounted for 60% of the gender pay gap across 25 European countries, with factors such as social norms, gender stereotyping and discrimination making up the remaining 40%.<sup>13</sup> In Northern and Western European countries, the motherhood penalty accounted for 75% of the gender pay gap.

**The increasing cost of childcare threatens to exacerbate gender inequality, pricing a growing number of women out of work.** The UK in particular, has some of the highest childcare costs across the OECD, with full-time childcare for two children on average costing almost 30% of average wages.<sup>14</sup> There is also a lack of childcare availability, with the number of childcare providers falling 10% between 2018 and 2022.<sup>15</sup> As the cost of living rises, expenditure on childcare will be felt more acutely. With this and the gap in free childcare provision between ages one and three, more women are being priced out of work.<sup>16</sup> For many it is more affordable to leave work than remain in employment and pay for childcare – especially for families at lower income levels. If nothing is done to improve the current situation, women's careers will be damaged permanently and more families could be pulled into poverty.<sup>17</sup>

**In light of these challenges, there is an urgent need for policy solutions that address the immediate issues, as well as the underlying causes of inequality.** Otherwise it is highly unlikely the Women in Work Index will return to its previous trajectory, let alone make faster progress.

**Affordable childcare is critical to help alleviate the pressure on mothers and families, and reduce women's unpaid care load.** This must be complemented with policy solutions that aim to redistribute unpaid childcare more equally between women and men, helping to shift underlying societal attitudes about gender roles and care over time. Redesigning parental leave policies to support a 'dual earner-dual carer model' would support families without propagating traditional gender roles that place more importance on men's labour outcomes than women's.<sup>18</sup>

**Today's parental leave policies reinforce societal expectations of women's primary role as caregivers and cause direct damage to women financially, both in the short and long term.** In the UK, mothers take vastly more parental leave than fathers. In 2021 on average, mothers took 39 weeks of maternity leave.<sup>19</sup> Comparable figures on the average amount of leave taken by fathers are not readily available, but in 2018 only one in three eligible fathers took any paternity leave.<sup>20</sup> At the UK statutory level, men are only entitled to two weeks paid leave and the majority of employers provide some extended leave – but not pay.<sup>21,22</sup>

<sup>18</sup> Effective policy should also acknowledge that many families will not fit into this model and adapt to the specific needs of such families, in particular single-parent families.

<sup>22</sup> Research on maternity and paternity leave uptake focuses on heterosexual, cisgendered relationships, and therefore may not be reflective of leave uptake or eligibility of LGBTQ parents. Most maternity leave statistics exclude non-birthing mothers.

**Our economic analysis suggests that an effective Equal Paid Parental Leave system in the UK would benefit women, men, families, wider society, and employers as well.**<sup>23</sup> We have quantified some of the expected benefits to women and society of fathers taking more parental leave. Our analysis begins to explore the potential economic and societal return on investment of moving towards a ‘dual-earner dual-carer’ model and a system of Equal Paid Parental Leave in the UK.

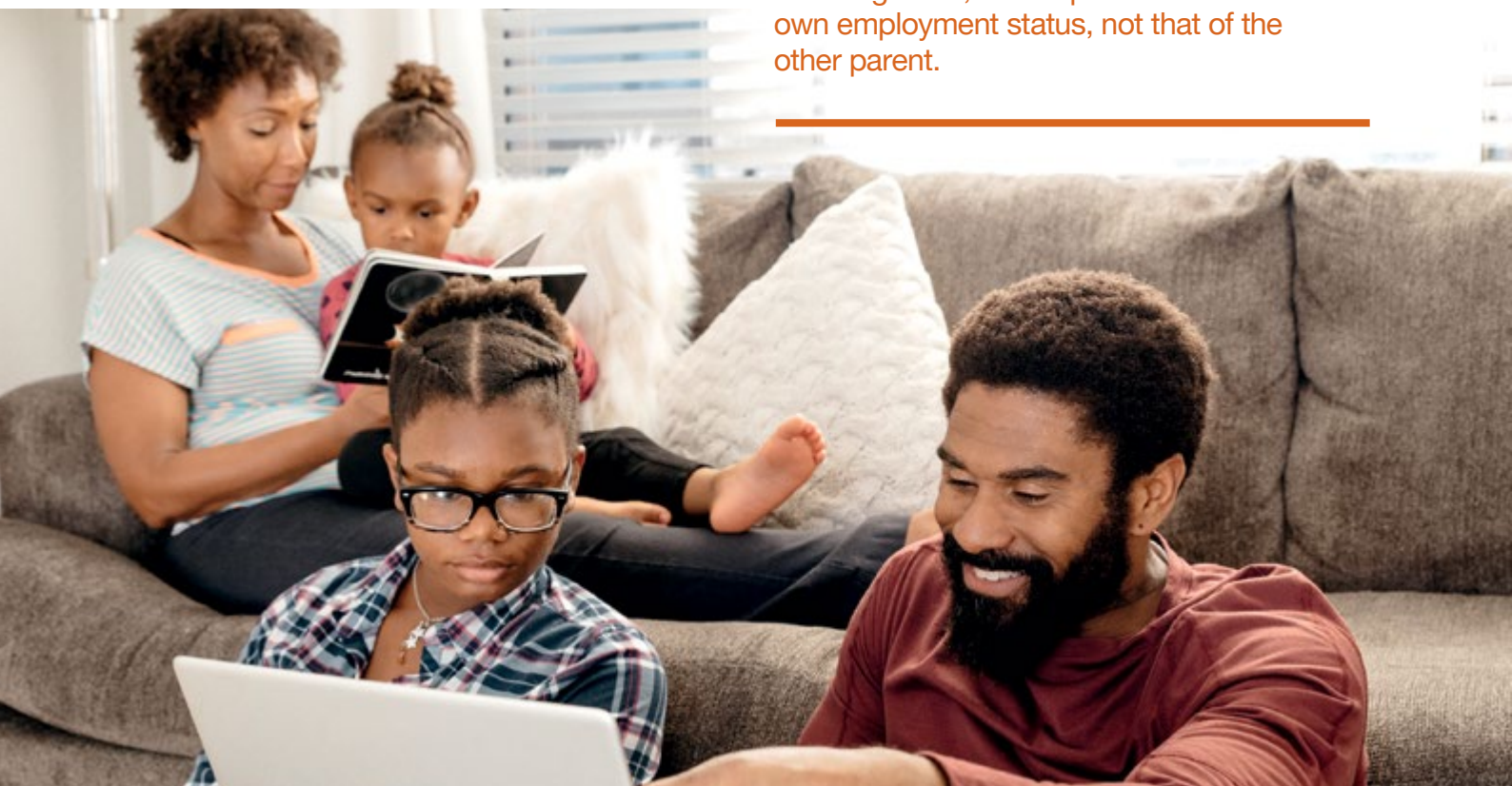
**While the benefits of a gender equal society go far beyond what we quantify, the costs of substantially extending paid parental leave entitlement to men cannot be ignored.** The high cost of Equal Paid Parental Leave is currently cited as the largest barrier to its wider implementation by employers in the UK,<sup>24</sup> and only a very small number of organisations provide any material amount of enhanced paternity leave at all. For many employers, increasing this entitlement of their own volition also comes at the expense of providing other employee benefits; and many have instead prioritised increasing maternity leave entitlement, or providing childcare or cost of living support, or other family benefits.

**To further advance the introduction and impact of Equal Paid Parental Leave in the UK, employers and the UK government would need to coordinate action to overcome the affordability barrier and maximise societal benefit.** Over time, widespread adoption of a redesigned parental leave policy with more paid leave for fathers, would play a critical role in shifting longer term societal expectations about gender roles for women and men. As, over time, it becomes more normal for men to take time off for childcare, instances of employment discrimination and unconscious bias against women at work would be expected to fall. Men would no longer feel excluded from parenting by societal constructs, and women in senior leadership would become the rule, not the exception.

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**Equal Paid Parental Leave is a leave policy that entitles each parent to a period of (adequately) paid leave from employment when a child arrives. The amount of paid leave a parent is entitled to is irrespective of their gender; and depends on their own employment status, not that of the other parent.**

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<sup>23</sup> We define an ‘effective’ system as one that incentivises 70%+ of men to take on average five weeks of parental leave when a child is born. Currently only around a third of men in the UK take up their statutory 2 week parental leave entitlement. Source: EMW, 2019. Less than a third of eligible men take Paternity Leave.

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Based on research and evidence from a variety of international studies on the effects observed when parents increase the time spent with their children in early childhood, we have estimated the following impacts across the UK from fathers taking more paternity leave:<sup>25</sup>

- **An estimated additional 720,000 women in the UK would remain in full time employment (over our 20 year analysis period), contributing to an increase in lifetime earnings for women.**
  - **An estimated 230,000 mothers and 240,000 fathers would no longer suffer from postpartum depression (over our 20 year analysis period).**
  - **An estimated 66,000 children every year (10% of births) would score one grade higher in either Mathematics or English at GCSE once they reach high school age; leading to an increase in their lifetime earnings of £330m.**
  - **There would be follow-on benefits to wider society from improved health and educational outcomes – including £1.4 billion to the National Health Service (NHS) from reduced incidence of postpartum depression.**
  - **Employers would benefit from cost savings of £260 million each year in reduced recruitment and turnover, which would partially offset costs of additional leave provision.**
  - **Employers would also benefit in the longer term from being able to attract and retain top talent – leading in theory to a happier, healthier, and more productive workforce, and improvements to their bottom line. (Note: These benefits would not all be realised immediately, and are by nature hard to measure, and difficult to ‘prove’.)**
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We will only achieve gender equality in work when we achieve gender equality at home, and in societal attitudes and norms. For a fairer, more prosperous future for everyone, we need governments and businesses to lead the way in eliminating the motherhood penalty through effective policy solutions. **Only by designing-in equality to our future, will we succeed in closing the gender pay gap within our own lifetime.**

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<sup>25</sup> The benefits estimated are based on the (implicit) assumption that they would be realised, if on average 70%+ men in the UK took around five weeks of parental leave upon the arrival of a child.