

Consumer Morsel

Labor pains or labor gains?

24 October 2024

Key takeaways

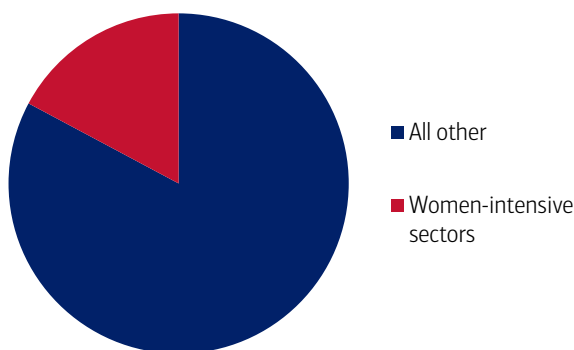
- Sectors with the highest share of female workers contributed nearly 20% towards total US GDP in 2023, and have largely supported continued labor market strength. In fact, according to Bank of America small business account data, payroll growth in these women-intensive sectors has outpaced overall growth for over a year.
- However, these sectors tend to pay less, and, using Bank of America internal deposit account data, we find women's median annual income has yet to catch up to men's 2019 average, suggesting more than a five-year lag in pay parity. Yet, there are signs of a narrowing gender gap: women's pay raises associated with a job change are growing at a faster rate than men's.
- Beyond sectoral variations, women with younger children historically have had a lower labor force participation rate than their peers. Since April 2023, the number of households who pay for childcare and have more than one person working has consistently declined, per Bank of America internal data. And with childcare costs outpacing overall inflation, this could further reduce working hours for women and put increased financial pressure on families.

Women have driven labor market strength

What's the common denominator for labor market strength? Women. Job growth remains driven by a narrow concentration of sectors with leisure and hospitality, education and health, and government adding 190k of the 254k increase in September and over 75% of jobs in the last 12 months. These industries have historically been over-represented by women, and early in the pandemic recovery, these sectors took longer to "catch up" (in terms of employment as they were more likely to be high-touch) than male-dominated sectors like manufacturing and construction, according to BofA Global Research.

Exhibit 1: Women-intensive sectors contribute nearly 20% towards total US GDP as of Q2 2024

Value added: share of nominal GDP by women-intensive sectors vs. all other (%)



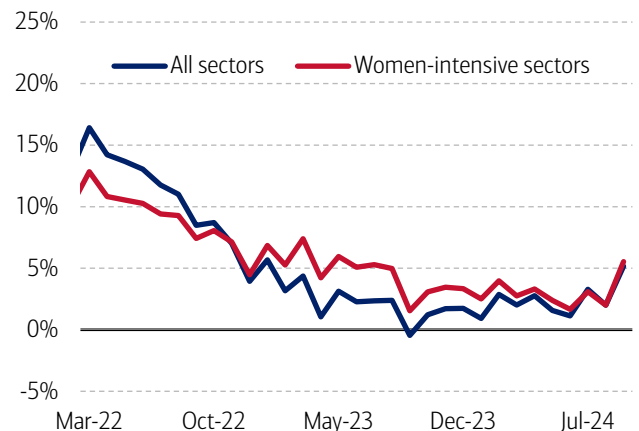
Source: Bureau of Economic Analysis

Note: Women-intensive sectors include social services, personal services, health services, educational services, and apparel stores.

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Exhibit 2: Small business payroll payments growth in women-intensive sectors increased at a faster rate than all sectors in 2023

Small business payroll payments for women-intensive sectors vs. all sectors (% YoY, three-month moving average as of September)



Source: Bank of America internal data

Note: Women-intensive sectors include social services, personal services, health services, educational services, and apparel stores.

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We identify sectors that have the highest share of female employment, based on data from the Bureau of Labor Statistics. We define these as “women-intensive” sectors, which include social services, personal services, health services, educational services, and apparel stores.

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 2).

As the economy recovered from the pandemic, we found a relative improvement in payroll spending for women-intensive sectors, and, since the start of 2023, have seen accelerated growth above that of all sectors, further underscoring how women have driven employment gains in key sectors, though recently this gap has narrowed (see: [Working towards a woman’s world](#)).

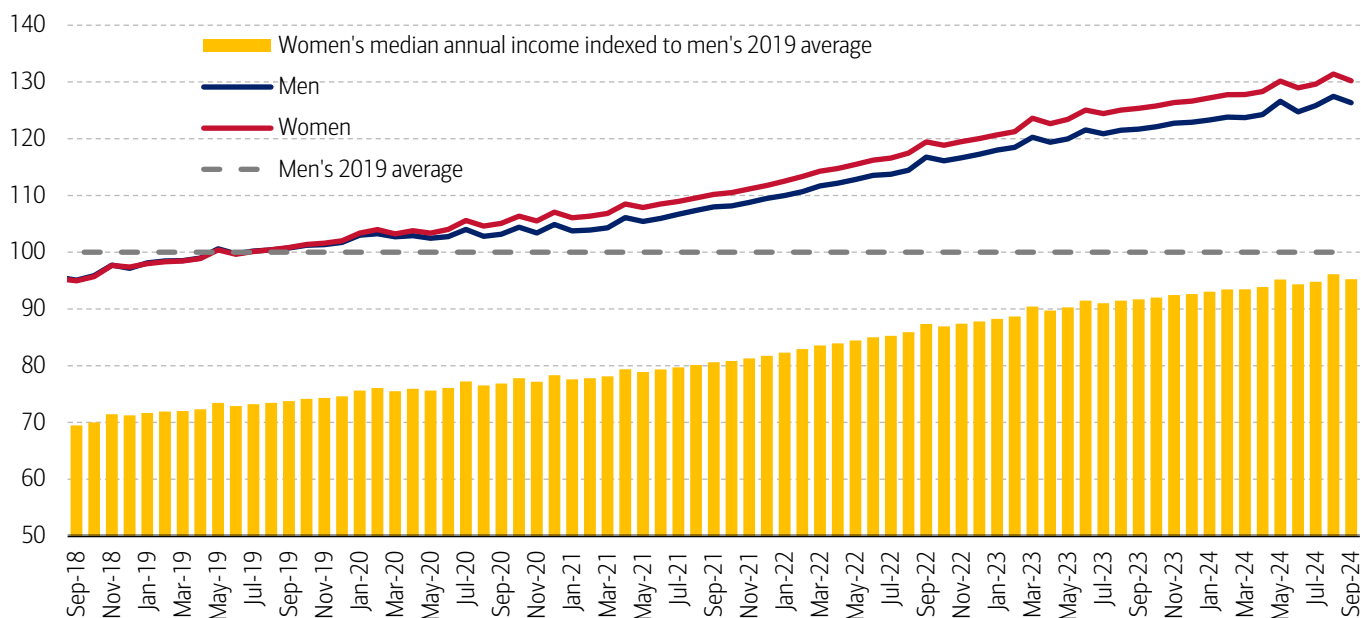
Are women being paid for a job well done?

Despite services sectors, which have historically been over-represented by women, largely driving continued labor market strength and relatively strong household after-tax wage growth (see: [October Consumer Checkpoint](#)), these sectors tend to pay less than others, consequently putting women at a disadvantage for pay parity. In 2023, women who worked full time in wage and salary jobs had median usual weekly earnings of \$1,005, which represented 83.6% of men’s median weekly earnings (\$1,202) according to the Bureau of Labor Statistics (BLS).

Using Bank of America internal deposit account data, we find women’s median annual income in 2024 has not yet caught up to men’s 2019 average, suggesting more than a five-year lag in pay parity (Exhibit 3). On a positive note, women’s median annual income has been rising faster than men’s since 2020, so in our view, it’s likely that this gap will continue to narrow.

Exhibit 3: Median annual income for women has been rising faster than that of men since mid-2020, but as of September 2024, still lags men’s 2019 average amount

Median annual income by gender (indexed, 2019 average = 100)



Source: Bank of America internal data

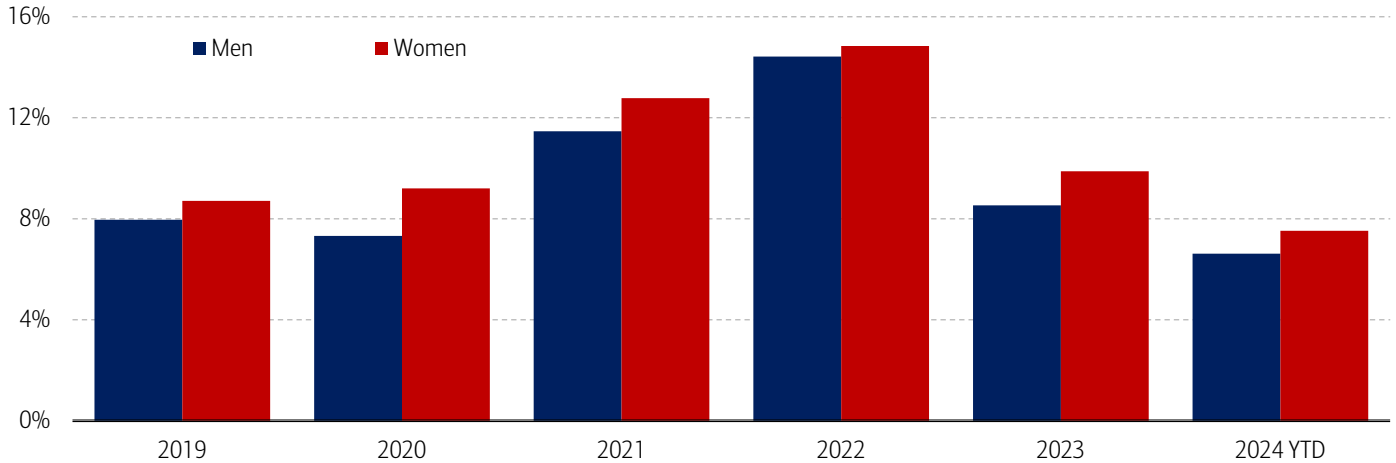
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One reason behind this shrinking gap is the relative rise in pay associated with a job change. Though the percentage raise associated with a job-to-job change has been slowing (see: [The Great Hesitation](#)), the raises women have received from a job change have been higher than men since 2019, per Bank of America internal data. For 2024 year-to-date (YTD), the average pay increase associated with a job change for women is 7.5%, compared to men’s 6.6% (Exhibit 4).

This further suggests women have continued to achieve success in tapering the gender pay gap, likely due in part to more opportunities for higher-paying work as well as accelerated wage growth in lower-paying sectors in female-dominated professions.

Exhibit 4: Women have continued to see success in narrowing the gender pay gap, especially when changing jobs

Median pay increase associated with a job change by gender (annual average, %)



Source: Bank of America internal data

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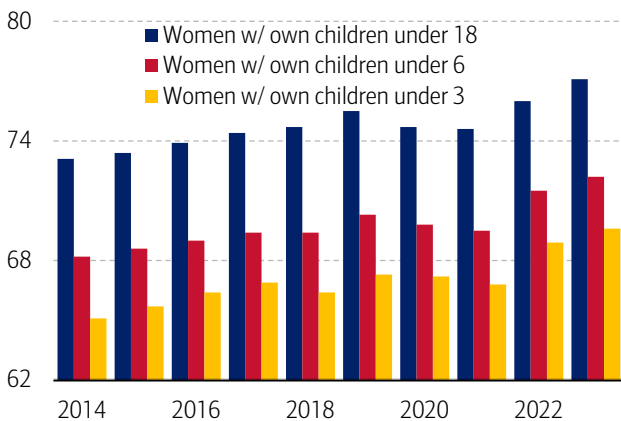
Moms are trading careers for childcare

Labor force participation among women differs beyond just sector. The labor force participation rate for mothers of young children continues to be lower than those who have older children (Exhibit 5). Despite this, however, women with young children at home, i.e., those most in need of childcare, have experienced the largest increase in labor force participation relative to their pre-pandemic level¹.

Interestingly, in 2022, employed mothers with a child under 18 spent an average of approximately 12.5 hours per week on active childcare, according to a Women’s Bureau analysis of the American Time Use Survey. In contrast, in 1975 all mothers – whether they were in the labor force or not – spent an average of 8.6 hours per week actively caring for their children (and 23.6 hours on housework). So, even though women are now spending substantially more time in paid employment than they were 50 years ago, they are spending over 40% more time actively caring for their kids.

Exhibit 5: The labor force participation rate for mothers of young children continues to be lower than those without children or that of those who have older children

Labor force participation rate, native born women with own children by age (non-seasonally adjusted, %, annual)

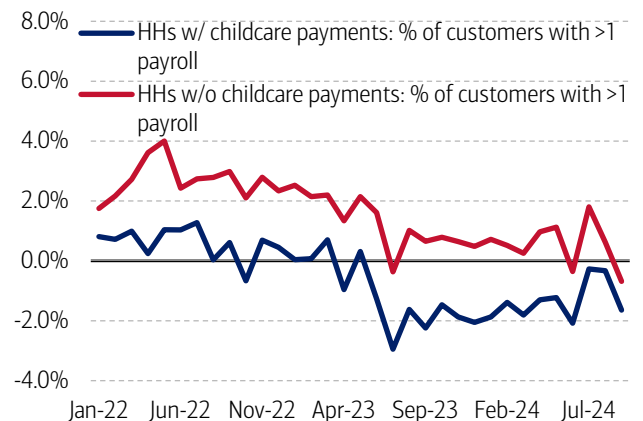


Source: Bureau of Labor Statistics

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Exhibit 6: For those households (HHs) with childcare payments, the percentage growth of those with more than one payroll has been largely negative since April 2023

Number of households with childcare payments with more than one payroll vs those without childcare payments (YoY%, monthly)



Source: Bank of America internal data

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¹ Female Labor Force Participation in the Post-Pandemic Era - Federal Reserve Bank of Chicago (chicagofed.org)

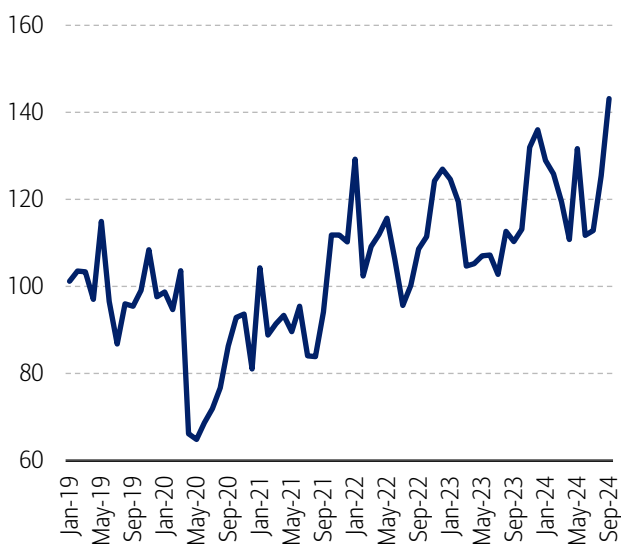
As Exhibit 6 shows, since the second half of 2023, the number of households who pay for childcare and have more than one person working, or with one person working multiple jobs, has consistently declined, according to Bank of America internal transaction and account data.

What’s driving that? It may be that paying for childcare has become so expensive – and finding good providers difficult – that parents feel that have little choice but to leave their jobs or reduce their hours, therefore paying less for childcare. Though labor force participation rates are relatively strong, this doesn’t negate they might be reducing hours on the whole. In fact, according to BLS data, for those working part-time, childcare as a reason for doing so has been continuously rising since 2021 and is up more than 40% from the 2019 average (Exhibit 7).

This decision to reduce hours disproportionately falls on women. When a family has childcare issues, according to the US Labor Department’s Women’s Bureau, mothers miss work or reduce work hours more often than fathers (Exhibit 8). This can have adverse consequences on women’s careers, and for dual-income households. Additionally, for single-parent households (a majority of whom are single mothers²), reducing hours due to high costs of childcare is disadvantageous for both US and personal economic growth.

Exhibit 7: Childcare as a reason for working part-time is up more than 40% from the 2019 average in September

At work part-time for noneconomic reason: childcare: nonagricultural industries (non-seasonally adjusted, indexed, monthly, 2019 average = 100)

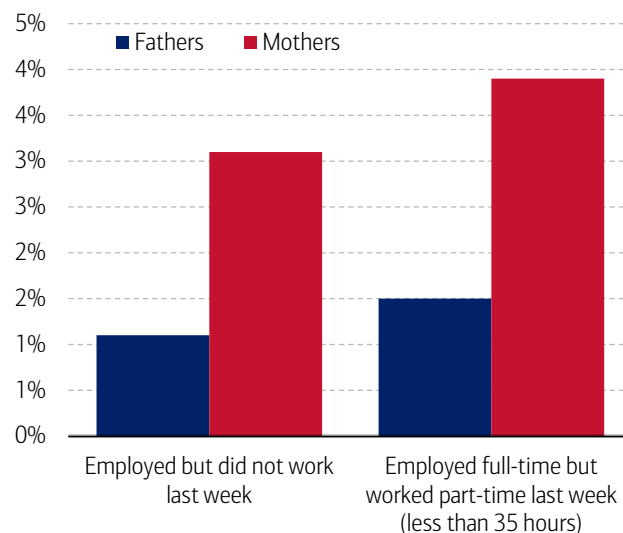


Source: Bureau of Labor Statistics

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Exhibit 8: In 2023, more mothers and fathers took time off work for childcare problems

Percent of employed parents who did not work or worked part-time in the prior week due to childcare problems



Source: Women’s Bureau

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Childcare costs are outpacing overall inflation, but vary by city

Yet, slowing payment growth doesn’t mean that the ‘price’ of childcare has cooled. In fact, the Consumer Price Index (CPI) shows that the cost of daycare centers and pre-schools is continuing to rise year-over-year (YoY), even as overall inflation further slows (Exhibit 9). And compared to the 2021 annual average, average childcare payments are up 13% YTD in Bank of America internal data (Exhibit 10).

Looking across major Census Bureau statistical areas (CBSAs), Bank of America internal data suggests a very differentiated picture. Boston, Atlanta, Chicago and several CBSAs in Florida have seen YoY decreases in average childcare payments as of September (Exhibit 11). At the same time, Charlotte, Phoenix and CBSAs in Texas are among cities with continued increases.

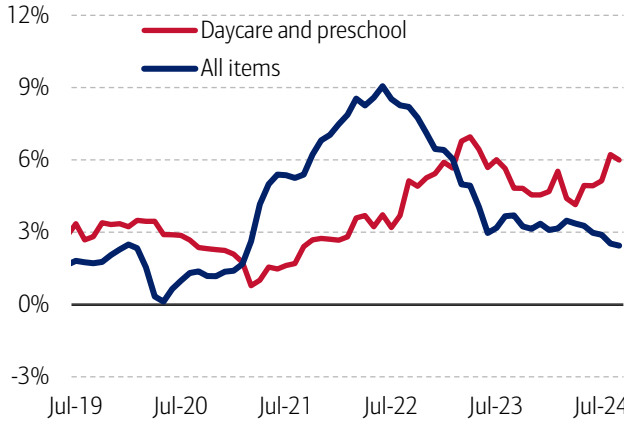
How will things evolve from here? Families, no doubt, will continue to face cost pressures, particularly given that inflation continues to bear weight on certain costs. An additional concern is the expiration of the federal Child Care Stabilization program, which could limit the availability of care and lead to further increases in costs.

Taken together, we think this reflects that caregiving responsibilities still disproportionately fall on women and can impact their careers, as well as their economic empowerment and the overall economy.

² Figure FM-1 Families with own children under 18 (census.gov)

Exhibit 9: Daycare and preschool costs are still increasing, up 6% YoY in September, while overall inflation growth has slowed to 2% YoY

CPI by select categories (monthly, YoY, %)

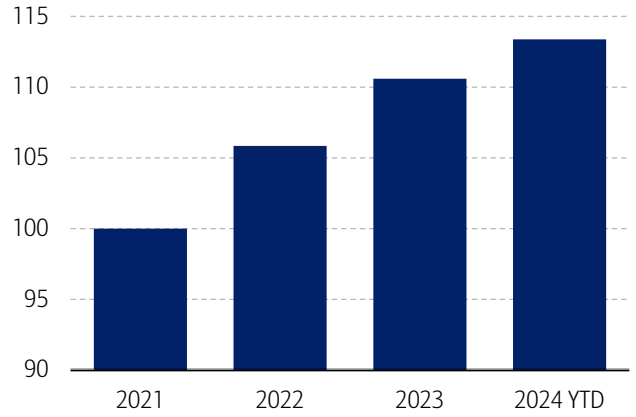


Source: Bureau of Labor Statistics

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Exhibit 10: Average annual childcare payments continue to increase relative to 2021

Average childcare payment (indexed, annual, 2021 = 100)

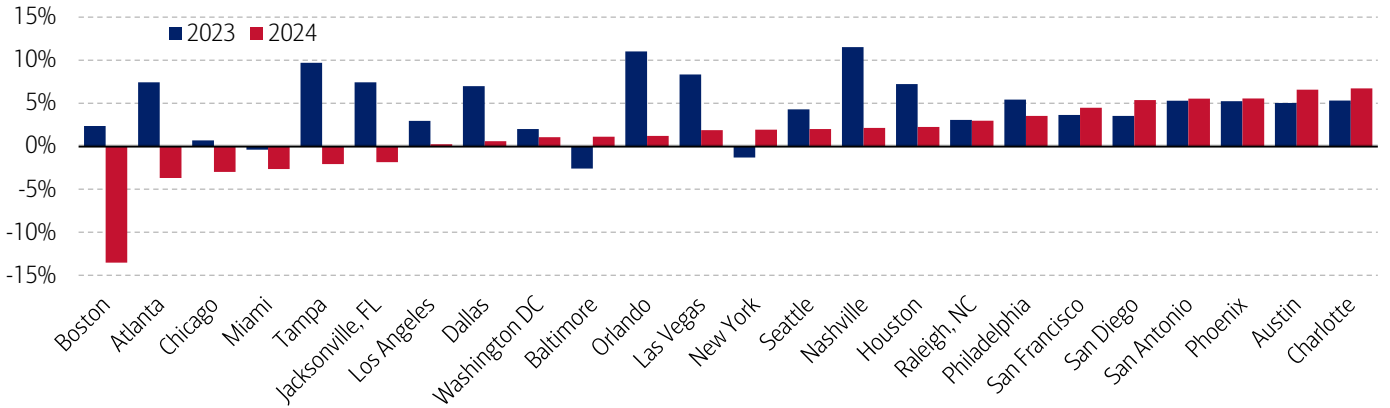


Source: Bank of America internal data

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Exhibit 11: Average childcare payments have decreased the most YoY in September in Boston, Atlanta, Chicago, and Miami with increases in Phoenix, Austin and Charlotte

Average childcare payments by CBSA (YoY%)



Source: Bank of America internal data

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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.

Bank of America credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards is excluded. 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.

If applicable, the consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level.

If applicable, any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Any reference to aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash and checks.

Median annual income growth is derived from customers who have a valid income value for every month over the time period (in this case all 73 months), and who have a non-null gender code. Gender data is self-select.

The job-to-job change rate (j2j rate) is defined as the proportion of customers with an identified change in their employer as a proportion of the total number of customers with employment income. We estimate the median pay rise associated with a j2j change using the pay in the first three months of the new job compared to the same three months a year ago who have a non-null gender code.

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

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

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