

Women's Budget Group Submission to the Business and Trade Select Committee Inquiry on the Industrial Strategy

About Us

The UK Women's Budget Group (WBG) is the UK's only think tank focused on exploring the economy through a gender-equal lens. We provide evidence and analysis on women's economic position and propose policy alternatives for a gender-equal economy. We act as a link between academia, the women's voluntary sector and progressive economic think tanks.

We welcome the opportunity to submit evidence on the best mix of public investment and the basis for government investment decisions.

Summary

In order to maximise economic growth, the Government must ensure that it prioritises inclusive growth and increase investment in social infrastructure. In particular, the care sector is a crucial driver of sustainable inclusive growth, creating more jobs and lower emissions than traditional industries, such as manufacturing, while supporting a healthier and more educated population.

Waiting for the economy to grow *before* investing in our social infrastructure overlooks a critical point: public services are the backbone of a strong economy, not a consequence of it. We are concerned that the Government's industrial strategy, as it stands, does not take account of gender inequalities in the labour market and the economy, and it does not recognise that public investment should address inequalities in order to be as fair and as effective as possible. In order to ensure the industrial strategy benefits both men and women, as well as disadvantaged groups and regions equally across the country, the Government must carry out a cumulative equality impact assessment of the strategy, using robust data to measure and address the effects of government decisions.

Questions

- 1. What industrial strategy will maximise economic growth, productivity, and good, high-skilled jobs across the UK, how the Government's plan measures up to this design – and how the Government should best measure progress?**

A successful industrial strategy would ensure economic growth and prosperity is shared across the board and that it benefits groups currently experiencing economic disadvantage. This means it should take into account, and address, gender, race, disability and other structural inequalities in the labour market. Addressing those inequalities is not only fair but would also result in a stronger and more resilient economy.

It is difficult to envisage how an industrial strategy can maximise economic growth and create high-skilled jobs without addressing the current lack of good quality affordable early education

and childcare across the country. This is an issue which significantly constrains women's participation in the labour market. Average cost of full-time early education and childcare for two-year-old or younger children absorbs nearly half of the median earnings for women in full-time employment.¹ An estimated 1.7 million women are prevented from taking on more hours of paid work due to childcare issues, resulting in up to £28.2bn economic output lost every year.² The current funding for the Department for Education's 'free' entitlements does not cover the true cost of provision in the early years and childcare sector, meaning these are still being passed on to parents as extra costs/fees.

It is short-sighted that the care sector is not viewed as a 'growth-driving' sector as part of the Government's plan for the economy, or as part of the Government's industrial strategy. WBG research shows that investment in the care sector could create 2.7 times as many jobs across the economy as the same investment in construction, and produces 30% less greenhouse gas emissions.³ These sectors alongside education and healthcare, should be seen as part of our economic and social infrastructure – as they produce social and economic returns for the whole of society, including important economic benefits such as increased employment rates, productivity, and additional tax revenues.

In order for these social and economic returns to materialise, it is crucial for jobs in the early years, childcare and social care sector to be well-paid, secure and unionised, ending the low-pay and precarious work that is disproportionately borne by Black, Asian and Minority Ethnic women in these sectors. We therefore welcome measures in the Employment Rights Bill to introduce Fair Pay Agreements in social care which should also be prioritised for childcare.

Significant investment should be mobilised to create a high-quality universal adult social care service that would ensure that people's care needs are met in a way that supports their wellbeing, with a well-trained workforce with decent pay and conditions and career progression. Again, this would result in several hundred thousand jobs being created in care and across the economy, meaning nearly half of the initial investment would be recouped just in additional tax revenue⁴.

Finally, we cannot have a robust industrial strategy without addressing long healthcare waiting lists. Economic inactivity remains significantly higher for women (25.1%) than men (18.5%), with ill-health and caring responsibilities cited as the main factors constraining the ability of women to participate fully in paid employment, and the wider workforce.

2. What fraction of the 'growth gap' between currently forecast growth (e.g. by the Office for Budget Responsibility and the International Monetary Fund) and the Government's growth target (namely highest sustainable growth rate in the G7) could, and should, the Industrial Strategy help close?

¹ Women's Budget Group (2022) [The cost crisis: a gendered analysis](#)

² Centre for Progressive Policy (2021) [Women in the labour market](#)

³ Women's Budget Group (2020): [A care-led recovery from coronavirus](#)

⁴ Women's Budget Group and New Economy Foundation (2022) [Universal Quality Social Care: Appendix](#)

The Government has a crucial role to play in supporting not just economic growth but the right kind of growth, making sure it is sustainable, green, and leading to better living standards particularly for places and groups that have been left behind. A key part of fulfilling this role is through public investment in key economic sectors.

We have mentioned above the economic and social benefits of public investment in universal, free-at-the-point-of-use, high quality adult and child care systems. Overall, barriers to women's paid work, particularly those related to unpaid care, are estimated to be costing £94.9bn annually to the economy in England, Scotland and Wales annually (more than the contribution of the entire financial services sector in the UK).⁵

Including public investment in care sectors as a key part of the government's Industrial Strategy is therefore expected to significantly contribute to economic growth. More importantly, such investment would generate other societal and economic benefits, including increased productivity, equality, and a healthier and better educated population. These benefits would be spread geographically too, as investment in care sectors would disproportionately benefit the most deprived areas in the country.

In addition to public investment in care sectors, policies to encourage a fairer distribution of unpaid care work between women and men should help to unlock productivity and output gains from women's increased participation in the labour market. These policies should include a revision of the parental leave and pay system, alongside a flexible-by-default labour market.

Finally, meaningful Equality Impact Assessments (EIAs) should be carried out, and published, to ensure that all aspects of the Industrial Strategy are working towards economic equality.

3. What Industrial Strategy is required to deliver the Government's carbon reduction targets set out in COP29, de-risk the economy from geo-political threats and close regional gaps in growth?

Social infrastructure jobs – such as jobs in social care, education and healthcare should be treated as green jobs and therefore expanded. The average job in health and care produces 26 times less greenhouse gas than a manufacturing job, over 200 times less than an agricultural jobs, and nearly 1,500 times less than a job in oil and gas.⁶ The climate crisis, alongside an ageing population means that sectors such as social care are crucial for sustaining longevity of life, transitioning to a sustainable economy and supporting economic prosperity.

We welcome the commitment in the Green Paper to improve opportunities for technical education and address the skills shortage in STEM subjects. However, addressing gaps in these areas will require action to address the gender gap in technical and STEM subjects in education and training. Skills programmes in STEM and green technology should be targeted to women and girls to

⁵ <https://www.wbg.org.uk/article/88-7bn-per-year-the-cost-of-barriers-to-paid-work-for-women/>

⁶ WBG analysis of ONS Emissions Inventory and Business Register and Employment Survey, 2019

encourage under-represented groups into higher-paid and leadership roles, and contribute to closing the gender pay gap.

A comprehensive Equality Impact Assessment (EIA) is also needed to ensure that the Industrial Strategy meets its aims, and that the Government fulfils its legal obligations under the PSED.⁷

4. Whether the Government should prioritise economic sectors or 'grand challenges'? If sectors are the right focus, has the Government prioritised the right growth-driving sectors of the economy? What is the best design of industrial strategy for these sectors? How should Government identify and invest in the sectors of the future?

It should not be about prioritising economic sector *or* 'grand challenges' (e.g. AI and data; ageing society; clean growth; future of mobility). Both are important. However, the key issues with both 'grand challenges' and the economic sectors is that women are either underrepresented (e.g. in AI, manufacturing), or that industrial policies and investment are not gender-inclusive.

It is problematic that care is not viewed as a 'growth-driving sector of the economy' in the Government's Industrial Strategy. Public investment in care (particularly adult social care, and early years and childcare), is vital to overcoming the barriers to the labour market faced by women. A survey by the Centre for Progressive Policy shows that lack of suitable childcare prevented 46% of mothers in the survey from increasing their working hours.⁸ This translates to an equivalent of 1.5 million mothers who are willing to work more hours, if suitable early years childcare was available. These additional hours would result in £9.4bn of additional earnings per year, increasing UK's GDP by around 1%. Investment in early education and childcare benefits children, parents, workers and the wider economy.⁹

Moreover, the current demographic trajectory means the healthcare and adult social care sectors will be of increasing importance to sustain a well-cared for and healthy population. They are currently significant economic sectors in their own right, with 1.59 million workers employed in social care¹⁰ and a further 1.7 million workers employed in the NHS¹¹ (1 in 17 workers in England). Better working conditions and pay are crucial to attract and retain the necessary workforce to expand these sectors and improve the quality of care provided.

There is also an urgent need for investment in education and lifelong training infrastructure. The Social Mobility Commission has demonstrated that lifelong learning can lead to better employment prospects.¹² We recognise and welcome the commitment in the Green Paper to improve opportunities for technical education and address the skills shortage in STEM subjects, but once

⁷ WBG (2024) [Equality Impact Assessments and the Public Sector Equality Duty: Briefing for a new government](#)

⁸ Centre for Progressive Policy (2023) Growing pains. [The economic costs of a failing childcare system](#)

⁹ Early Education and Childcare Coalition (2024) [Rescue and Reform Manifesto](#)

¹⁰ House of Commons Library (2024) [Adult social care workforce in England](#)

¹¹ Nuffield Trust (2024) [The NHS workforce in numbers](#)

¹² Social Mobility Commission [market value of higher and further education qualifications: A summary report](#)

again this will mean addressing the gender inequality in participation in STEM subjects and careers.

5. How should the Government approach economic sectors which have not been prioritised, including the foundational industries and supply chains that the growth-driving sectors depend on?

While investment in physical infrastructure projects – like roads, bridges, hospital and school buildings are important for economic growth, we also need significant investment in the foundational industries – such as education, food, care. These are both crucial for the good functioning of the rest of the economy while also being important economic and employment sectors in their own right. The lack of investment and priority given to foundational industries has meant that jobs in these sectors – mostly performed by women – are often low-paid and insecure.

A significant proportion of the initial spending in these sectors, if done right and prioritising working conditions and pay, would later be recouped through additional tax revenues, lower spending on social security benefits, and savings in other public services¹³. We would therefore urge the Chancellor to reconsider her Government’s fiscal rules to widen room for to invest in these foundational industries, safe in the knowledge that these would be sustainable investments with significant economic and social returns on investment.

6. What is the right balance of investment in ‘horizontal’ policy, such as skills, infrastructure, clean energy and transport, and sector specific investment?

It is of course important for the industrial strategy to include investment in both infrastructure and in specific sectors of the economy. It should not, and need not, be a mutually exclusive choice. As extensively mentioned previously, social infrastructure like health and social care, early years and childcare, and education, are foundational sectors that support the wider economy, but they are also significant economic and employment sectors in their own right. They are particularly important as employers of women, especially from minority ethnic backgrounds, meaning that improving pay and conditions in them lead to improved economic outcomes for women and further race and gender equality. As foundational sectors, investment in these will lead to better social and economic outcomes.

When it comes to physical infrastructure, it is crucial that a gender approach is taken. This is to ensure the different social and economic positions and the different needs of women and men are taken into account when designing new policies and making spending decisions. For example, in public transport: women are more likely to use buses than men, and less likely to own or use a car¹⁴. Women are also more likely to trip-chain and less likely to have a typical commuter pattern of

¹³ See for example: Women’s Budget Group and New Economics Foundation (2022) [Universal Quality Social Care: Transforming adult social care in England](#); J De Henau (2022) [Simulating employment and fiscal effects of public investment in high-quality universal childcare in the UK](#). International Journal of Child Care and Education Policy. 16(3)

¹⁴ T. Lam (2021) [Towards Gender Inclusive and Sustainable Transport Systems](#) Women’s Budget Group

travelling. This is important to know when deciding how to design new public transport routes and where and how much to invest. Reversing the fuel duty cut could generate ten times the revenue compared to raising bus fares – money, which could be spent on improving foundational industries (which are dominated by women), as well as meeting our climate targets.

On skills, we know that a number of industries still remain largely male-dominated – including digital/AI, construction, science and engineering sectors. As well as targeting interventions in these areas to improve gender representation, reskilling initiatives need to take account of barriers (e.g. expensive and often unavailable childcare, transport) which hinder women's participation in the labour market.

7. What is the right of quantum of public investment in industrial strategy? What is the best design of fiscal policy instruments (including the balance between capital spending, tax incentives and financial investments) to support the Industrial Strategy, learning the lessons from industrial policy around the world to maximise value for money and crowd-in private investment? How should the Government's methodology for making public spending decisions evolve? What kind of public investment has the best fiscal multipliers for industrial strategy?

Historically much of the public investment in industrial strategies have benefitted male-dominated industries (manufacturing, construction, tech). In contrast, the care sector – dominated by women – has not received the same recognition as key economic sectors in their own right – despite the fact that significant investment in those could create 2.7 times as many jobs as the same investment in construction and produce 30% less greenhouse gas emissions.¹⁵

It's good that the Government recognises that investment in physical infrastructure, like roads, bridges, and hospital and school buildings, drives economic growth and has increased government borrowing to enable greater investment - which is needed. But spending on social infrastructure – education, health, care – the activities happening inside the buildings – is also an investment with wider economic benefits, which should be provided with the public funding to match.

Moreover, investment in social infrastructure has a significant return on investment through higher tax revenues from newly created jobs and higher wages, savings on social security benefits, and indirect savings on other departments. For example, initial spending on adult social care system would be recouped in nearly half just through additional tax revenue¹⁶, while spending on universal high quality childcare would be recouped by over two thirds¹⁷.

¹⁵ Women's Budget Group (2020), [A care-led recovery from coronavirus](#)

¹⁶ Women's Budget Group and New Economy Foundation (2022) [Universal Quality Social Care: Appendix](#)

¹⁷ J De Henau (2022) [Simulating employment and fiscal effects of public investment in high-quality universal childcare in the UK](#). International Journal of Child Care and Education Policy. 16(3)

Given their foundational role to the wider economy, public investment in social infrastructure sectors should therefore come from a combination of borrowing and progressive taxation, including wealth taxation.

The Government's methodology for making public spending decisions should also include Gender-Responsive Budgeting (GRB). This means thinking about and analysing what impact spending and revenue-raising decisions will have on gender equalities. HM Treasury, like all government departments is obliged to have due regard to equality under PSED contained in the 2010 Equality Act. The best way to do this is by carrying out and publishing Equality Impact Assessments (EIAs) of its policies and funding decision.

When public services are cut, women are more likely to reduce their income in order to fill in the gaps. The potential adverse impact of unpaid care on women should therefore be taken account of in government's spending and revenue-raising decisions (in particular spending on public services such as childcare and social care).

8. How should government modernise key institutions and 'levers' to support its industrial strategy, in particular to:

- 1. Foster levels of innovation which diffuse more effectively through the economy**
- 2. Make better use of public procurement**
- 3. Mobilise equity investment and banking finance**
- 4. Sharpen the spur of competition**

One effective way of modernising key institutions and 'levers' to support the Government's Industrial strategy is to ensure that it is more inclusive and gender-responsive. This means working with modern growth industries (such as tech, AI) to remove the barriers for women's access to the STEM workforce.

- (1) The Government should also work closely with tech industries to ensure that gender bias is removed from new innovations in AI.
- (2) Data from Companies House tells us that women-led companies receive just 5.8% of all investments, and an equally small percentage of government contracts.¹⁸The Government should ensure that supplier chains have robust diversity requirements and are gender-inclusive, taking into account that women-led businesses are smaller.
- (3) The Government should recommend Gender-Responsive Budgeting in relation to equity investment and banking finance decisions
- (4) Equality impact assessments (EIAs) and gender-responsive frameworks should be taken into account in business regulation to drive competitiveness.

9. How will the Government devolve economic power (e.g. to support regional growth and reach areas that have been left behind) and re-organise Whitehall to ensure the requisite degree of policy coordination and delivery?

¹⁸ <https://prowess.org.uk/facts/>

The barriers to paid work encountered by women, such as caregiving responsibilities, lack of availability of good quality childcare, flexible working and well paid part-time jobs means that some £94.9bn of Gross Value Added (GVA) is lost to Britain's economy every year – equivalent to the annual contribution of the financial services sector.¹⁹

Gender equality is often ignored with regards to the question of how we build strong local economies, and women are overlooked in local economic decision-making. WBG and the Centre for Local Economic Strategies (CLES) recently carried out research in Leeds that incorporated detailed socio-economic analysis engaging directly with women from all different walks of life - highlighting the challenges and barriers for women to participate in the local labour market and local economic decision-making.²⁰ It is crucial that industrial and economic strategies developed to stimulate growth across all regions place gender equality initiatives at the centre of their strategies.

A specific unit on the industrial strategy could be established within the Office for Equality and Opportunity, co-ordinating policies across government departments, ensuring that national and regional growth policies take into account impact on women, carry out equality impact assessments and have more targeted policies for women in under-represented growth-sectors.

10. What duties, powers and resources does the Industrial Strategy Council need to effectively oversee the Industrial Strategy?

It's difficult to see how the priorities set out in the Government's Industrial Strategy could be achieved without addressing gender, race and other structural inequalities across the labour market and within the economy.

The Industrial Strategy Council could ensure that meaningful cumulative Equality Impact Assessments (EIAs) are undertaken, with regards to all aspects of the Industrial Strategy, in line with the requirements of the Public Sector Equality Duty (PSED) and the recommendations of the Equality and Human Rights Commission (EHRC) and the Treasury Select Committee. Staff responsible for these impact assessments should be trained in equality impact to ensure that assessments are meaningful and robust. The outcomes of the EIAs should be made public to ensure transparency in the process.

11. How should Parliament most effectively scrutinise the progress of the Government's work, including scrutiny of commercially sensitive investments, which are typically not disclosed either to the public or parliament?

It goes without saying that if public investments disproportionately benefit men compared to women, then commercially sensitive investments not disclosed to the public or Parliament are likely to have the same impact. Equality Impact Assessments (EIAs) will ensure that both the Industrial Strategy and Parliament

¹⁹ <https://www.wbg.org.uk/article/88-7bn-per-year-the-cost-of-barriers-to-paid-work-for-women/>

²⁰ [New research: prioritising gender inclusion in economic strategies | CLES](#)

fulfil duties under the Public Sector Equality Duty (PSED) in the 2010 Equality Act. Parliament should ensure that the Government, including the Treasury carry out and publish meaningful cumulative impact assessments of all their economic decisions