

Consultation response: Closing the Gender Pay Gap

About the Family and Childcare Trust

The Family and Childcare Trust is an independent charity that works to make the UK a better place for families. Our vision is of a society where government, business and communities do all they can to support every family to thrive. Through our research, campaigning and practical support we work to create a more family friendly UK.

We are grateful for the opportunity to respond to the consultation on closing the gender pay gap. For more information about this response, please contact Adam Butler on 0207 940 7531 or at adam@familyandchildcaretrust.org.

Parents with young children and the gender pay gap

We focus on question 18 of the consultation ‘*How do you think the Government can work with business to support women to return to work and progress in their career after having children?*’. The consultation document outlines action the government has taken, including improving parental leave provision through shared parental leave, extending flexible work entitlements and investing in childcare. We welcome these steps, but urge a more ambitious and cohesive approach to supporting women with young children to work.

Key recommendations:

- *Make sure that policies to support working families are coordinated across Government.*
- *Invest in flexible childcare for working parents.*
- *Create meaningful work incentives for second earners by improving marginal tax rates within Universal Credit through a specific work allowance for second earners.*
- *Develop a long-term parental leave strategy.*
- *Extend and renew the Modern Workplaces programme to strengthen flexible working entitlements whilst encouraging and supporting employers to adopt best practice.*

Childcare - flexibility

The government has committed to substantial new investment in childcare, through the tax-free childcare scheme, the 30 hour offer for three- and four-year-olds and the extension of childcare support within Universal Credit. Whilst welcome, these policies will not address systemic problems in childcare provision that prevent many parents – and especially mothers from working.

Parents who live in less affluent areas are disproportionately affected by gaps in childcare. This is due to limited commercial interest in setting up provision and the challenges providers face operating sustainably with relatively low demand and margins.¹ The shortages of flexible childcare are particularly acute for one and two year old children: only daycare services and childminders, which make up around half of the provision available in England,

¹ Dickens, S., Wollny, I. and Ireland, E. (2012) *Childcare Sufficiency and Sustainability in Disadvantaged Areas*. London: Department for Education

offer a substantial proportion of places to children aged under two.² Both of these types of childcare are less common in areas where parental employment is low.

The two year old offer has helped to support access to formal childcare for working parents with low incomes, but many of the new places created for the offer are in sessional providers that do not provide daycare outside very limited hours.

Research commissioned by the Department for Education sets out strategies that can support the development of flexible provision in less affluent areas, including using capital funding to support provider expansion and time-limited revenue funding to support new places until they are filled.³

To address barriers to work, the government should develop a strategy to improve access to flexible childcare provision, focusing on parents in the least affluent areas who are not well-served by the childcare market.

Childcare – affordability

Affordability challenges for parents are most acute when they return to work, most often when their children are aged one or two. Childcare for children this age is typically more expensive and harder to find.⁴ The thirty hour offer will help to significantly offset costs for parents working full-time with three and four year old children, but will not address work decisions at the key point of transition for families when parental leave ends.

The Government's investment in demand-side support through the tax-free childcare scheme will also help address affordability problems. The Family and Childcare Trust remains concerned, however, that the tax-free childcare scheme has the potential to lead to significant price inflation in childcare, offsetting the benefits of the new subsidy scheme. This will particularly be the case if the government does not act to increase childcare subsidies to offset the additional costs of the National Living Wage for early years childcare providers.

The Government's decision to freeze tax credit rates and reduce work allowances will significantly cancel out the benefit of the increase in the childcare element of Universal Credit. Research by the Family and Childcare Trust has also highlighted the problematic interaction between Universal Credit and tax-free childcare.⁵ Many parents – particularly those with fluctuating employment patterns or who are self-employed – will find it difficult to choose between these schemes and may need to switch back and forth multiple times each year, potentially missing out on valuable support. The relatively sharp taper rate through which support is withdrawn in Universal Credit also means that work incentives for parents with low to middle incomes can be extremely weak.⁶

The Family and Childcare Trust remains of the view that childcare funding arrangements are not fit for purpose. Government risks making a significant new investment in childcare without achieving value for money by ensuring that this investment is used as effectively as

² Brind, R., McGinigal, S., Lewis, J., and Ghezelayagh, S. (TNS BMRB), with Ransom, H. Robson, J., Street, C. and Renton, Zoe. (NCB Research Centre) (2014) *Childcare and Early Years Providers Survey 2013*. London: Department for Education

³ Ibid.

⁴ Family and Childcare Trust (2015) *Childcare Costs Survey 2015*

⁵ Family and Childcare Trust (2014) *The Childcare Support Gap*

⁶ Resolution Foundation (2015) *Making the most of UC: Final report of the Resolution Foundation review of Universal Credit*

possible to encourage parents who would not otherwise be able to do so to access work, education or training. This requires the government to invest directly in flexible pre-school provision.

The Government should use the roll-out of the 30 hour offer for three and four year olds as an opportunity to invest to build capacity and flexibility in early years provision. The Government should establish an independent commission to examine the current funding arrangements for childcare and make recommendations on reform and long-term investment.

Parental leave and flexible work policies

Access to childcare is a necessary but not sufficient condition for work. Parental preferences suggest there is significant unmet demand for work, but also that parents trade off quality of work for family wellbeing and many parents wish to work flexibly.⁷ Simply encouraging or compelling more parents to work without also addressing the aspects of work that parents with young children find problematic is unlikely to prove successful. An effective strategy to reduce the gender employment gap must enable families to meet caring and working preferences by supporting shared parenting and bringing more high quality jobs into flexible working arrangements so that parents have a meaningful family-work balance.

International evidence suggests that low take up of paternity leave is due to the low rate at which paternity leave is paid.⁸ Some countries have experienced success in improving take up by introducing 'use it or lose it' father's quotas and increasing the level at which paternity leave is paid. For example, Norway has a three month father's quota (paid at 100 or 80 per cent of earnings, depending on the length of parental leave taken by both parents) which around 89 per cent of fathers use some proportion of.⁹ Similarly, Sweden has a 60 day quota for each parent (paid at 80 per cent of wages for eligible parents) which around 88 per cent of fathers use.¹⁰ Research suggests that take up of paternity leave of two weeks or more is associated with increased involvement of fathers and improved child development.¹¹

Rather than increase the value of parental leave or reserve an entitlement for fathers, the UK's approach has to date been to extend the length of parental leave, and most recently to make it available to both parents. The UK now has among the longest periods of paid maternity leave among comparable states, but lags in relation to the value of paid leave.¹² This may in part be related to the relative inflexibility of employment and the low level of support offered by the childcare system, which means that the greatest caring pressures fall on parents before their child reaches the age of three. This creates pressure on policy makers to use parental leave to offset such problems. Extending parental leave is an

⁷ A 2013 survey of work decisions among parents with children, commissioned by the Department for Work and Pension, found that 54 per cent of parents with a youngest child aged zero to two and 60 per cent with a youngest child aged three to four wanted to find work or work longer hours where they and their partner did not already work full time. This preference was perhaps unsurprisingly strongest for parents with low incomes. (Borg, I. and Stocks, A. (2013) *Department for Work and Pensions working paper 114: A survey of childcare and work decisions among families with children*. London: Department for Work and Pensions)

⁸ See OECD (2011) *Doing better for families* and International Network on Leave Policies and Research (2013) *International Review of Leave Policies and Related Research 2013*, ed. Peter Moss

⁹ *International Review of Leave Policies and Related Research 2013*, ed. Peter Moss, pp. 205-11

¹⁰ *Ibid.* pp. 267-276

¹¹ Carmen Huerta, M., Adema, W., Baxter, J., Han, W., Lausten, M., Lee, R. and Waldfogel, J. (2013) *Fathers' Leave, Fathers' Involvement and Child Development: Are They Related? Evidence from Four OECD Countries*, OECD

¹² OECD (2011) *Doing Better for Families*, p. 134

attractive option to help to fill this gap, but may not help parents meet working preferences and would encourage longer absences from employment that have potential long term negative consequences.

International learning suggests that realistic but strong flexible working rights are needed to change this pattern. Austrian parents, for example, are entitled to work part time until the child's school entry if they are working in companies with more than 20 employees and if they have been continuously employed with their present employer for at least three years.¹³ Parents working in smaller companies have a similar but more flexible (for the employer) entitlement. German parents have a less generous right to part time working for two years whilst they care for a dependent relative, usually a child, but that also allows employees to continue to earn 75 per cent of their salary during this period (and the subsequent equivalent period of full time work).¹⁴ Recent research posits these different approaches as one explanation for greater work participation among mothers in Austria, alongside Austrian marginal tax rates that provide stronger incentives to work for second earners.¹⁵ Other countries have pursued different approaches. Denmark has used limits on working time and extensive childcare support to achieve high levels of maternal employment with few rights to flexible or part time working.¹⁶ However, this approach, with its strong emphasis on limits on a working time, is one unlikely to be embraced within the UK.

One specific bottleneck is highlighted by the report of the 2006 Women and Work Commission, which recommended amongst other steps that the government should establish a part-time work 'change initiative'. The government responded by setting up the Quality Part-time Work Fund, which funded twelve pilot projects running for up to two years between 2007 and 2009.¹⁷ The evaluation of the pilots highlighted that flexible roles need to be advertised more widely as such to be filled on that basis and that advertisements need to explicitly offer the position as a job share or similar, rather than expect applicants to pursue the job in the hope that it may be possible to negotiate part time hours.¹⁸ A default right to part time work would help to bring clarity to such situations.

The UK's low level of parental leave pay and paternity leave entitlement have left the pattern of primary maternal responsibility for care beyond the first six months after birth intact, with women taking the role of primary carer, even as women are expected to participate in the labour market. A more equal distribution of care would both support common parenting preferences and help to change negative employer attitudes to family friendly working.

Evidence suggests that creating a reserved leave entitlement for fathers and moving over the long term to increase the value of parental leave are most likely to change parenting patterns and increase shared parenting. However, this approach may only be satisfactory for families if accompanied by behaviour change amongst employers and more effective childcare support. Government policy measures in the process of being implemented, including shared parental leave and the extension of the right to request flexible working to

¹³ International Network on Leave Policies and Research (2013) *International Review of Leave Policies and Related Research 2013*, ed. Peter Moss, p. 49

¹⁴ *Ibid.*, p. 128

¹⁵ Dearing, H., Hofer, H., Lietz, C., Winter-Ebmer, R. and Wrohlich, K. 'Why Are Mothers Working Longer Hours in Austria than in Germany? A Comparative Microsimulation Analysis' *Fiscal Studies*, Vol. 28 No 4, pp. 463–495

¹⁶ *Ibid.*, p. 93

¹⁷ Women and Work Commission (2006) *Shaping a Fairer Future*, p. xi

¹⁸ Lyonette, C., Baldauf, B. and Behle, H. (2010) 'Quality' part-time work: the evidence review, Government Equalities Office, p. 6

all employees, are, by the government's own assessment, unlikely to significantly increase family friendly working.

Policy makers must also be mindful of the specific challenges for mothers in low income families that will not be substantially addressed through such changes. Mothers missing from the labour market tend to be younger, to not yet have acquired professional skills or attended tertiary education, and often to be single parents.¹⁹ These parents may have more limited social and professional networks and weak links to employment, having never worked or worked for relatively brief periods. Entering or returning to work often means accepting low skilled, low paid roles with little scope for progression. Childcare poses additional challenges because these parents often have limited informal care networks.

The Department for Work and Pensions-funded survey *Maternity and Paternity Rights and Women Returners Survey 2009/10* noted that the rate of return to work was 90 per cent among mothers who received a combination of Statutory Maternity Pay and employer funded maternity benefits, compared with 38 per cent among those who received no maternity pay.²⁰ The same survey found that 51 per cent of mothers in temporary pre-birth employment went back to work, compared with 80 per cent of mothers in a permanent position, and that there was a strong correlation between length of employment pre-birth and the likelihood of returning to work.²¹

In making decisions about work, low income earners appear to be most sensitive to their husband or partner's earnings and marginal tax rates.²² This may be one reason maternal employment did not fall during the recent recession, whilst female employment did, as partners responded to falling real incomes and cost of living pressures. An important part of an effective strategy to improve maternal employment outcomes is to create more equitable financial incentives for second earners. One important way this can be achieved is by separating childcare support from tapered income support.

Research on the effect of having a child on paid work for mothers suggests that the influence on employment and wage growth are multi-faceted. Long and repeated gaps in employment reduce pay and progression and the likelihood of continuing long term employment. Long maternity entitlements are associated with the same negative consequences.²³ There are also 'in work' factors that affect pay and progression, including the increased likelihood for working mothers of changing roles with an increased frequency and moving to a part-time position.²⁴

For women already in employment, the maternity gap is largely the result of a choice mothers are forced to make to 'soft peddle' their career or downgrade their role in order to

¹⁹ ONS (2013) *Women in the Labour Market*; Two recent papers, *Jobs nor careers* (Timewise Foundation, 2013) and *Lone Parent Obligations: Following lone parents' journeys from benefits to work* (Department for Work and Pensions, 2012), discuss lone parents' journeys back to work

²⁰ *Maternity and Paternity Rights and Women Returners Survey 2009/10* (2011), Department for Work and Pensions, p. 4

²¹ *Maternity and Paternity Rights and Women Returners Survey 2009/10*, p. 73

²² See, for example 'Women's Work, Family Income and Public Policy' (Estévez-Abe)

²³ The 2013 OECD paper '*Drivers of female labour force participation in the OECD*' (Thévenon) notes that cross-national evidence suggests that extending the duration of paid maternity leave is associated with lower rates of return to work, and the 2013 National Bureau of Economic Research paper '*What is the case for paid maternity leave?*' (Dahl et al) similarly notes extensions in the length of maternity leave appear to have little impact on employment participation.

²⁴ Paull, G. (2006) 'The Impact of Children on Paid Work', *Fiscal Studies*, Vol. 27 No 4

retain the ability to balance work and family life. A recent survey commissioned by the Timewise Foundation of people working in mid-level part-time roles found that 41 per cent had 'traded down' for their current position and 77 per cent felt trapped in their current role due to the perceived lack of good quality part-time roles to move into.²⁵ The damage to women's career prospects is done during the years that they are forced to compromise between a career and their family and many describe an experience of 'backsliding'. Such compromises or an inability to develop a career can be a trap: one recent analysis suggests that one third of low paid women had spent the previous ten years in a low paid role.²⁶

The effect of flexible working entitlements on employer attitudes appears to have been modest. The Department for Business, Innovation and Skills has funded a series of employment relations surveys since 1980. The most recent survey in 2011 notes that: *There was no general increase in employers' provision of flexible working practices between 2004 [the year of the previous survey] and 2011. Moreover, the proportion of workplace managers who think it is up to employees to balance their work and family responsibilities has increased.*²⁷

The 2010 European Survey on Working Conditions provides evidence that there is significant scope for UK employers to improve access to, and take-up of, flexible working arrangements. Fifty-eight per cent of employees surveyed in the UK stated that their hours are set by their employer whilst 10 per cent had some choice within fixed schedules and 15 per cent used flexitime (a further 15 per cent set their own schedule).²⁸ Access to flexible working in the UK was similar to the EU-27 average and on a par with Germany and France. However, use of flexible working options significantly lagged the highest performers.

Recommendations

1. Make sure that policies to support working families are coordinated across government. Parental leave, flexible work, childcare and social security policies all influence parental work opportunities and decisions, but are often not well coordinated across government. In planning new investment in childcare designed to support working parents, the government should consider what steps can be taken to maximise the benefit of this investment through the design of related policies, including parental leave and Universal Credit.

2. Invest in flexible childcare for working parents.

As a first step, the Family and Childcare Trust has proposed that the government should invest savings from the delay to the roll out of the tax-free childcare scheme – up to £525million – in funding to support more schools and sessional pre-schools to offer flexible childcare for working parents and prepare for the 30 hour offer.

3. Create meaningful work incentives for second earners by improve marginal tax rates within Universal Credit through a specific work allowance for second earners.

The Government's decision to reduce work allowances in Universal Credit has significantly undermined the benefits of extra investment in the childcare element. This problem can be

²⁵ Timewise Foundation (2013) *The Flexibility Trap*, p. 2 (The survey covered 1,000 people in part-time roles earning between £20,000 and £100,000, 71 per cent of whom were women and 29 per cent men.)

²⁶ Hurrell, A. (2013) *Starting out or getting stuck? An analysis of who gets trapped in low paid work – and who escapes*, Resolution Foundation, p. 27

²⁷ NatCen, *The 2011 Employment Relations Workplace Survey: First Findings* (2013), p. 32

²⁸ [Fifth European Working Conditions Survey data](#) (2010)

mitigated by introducing a new work allowance specifically for second earners. This would target parents considering returning to work.

4. Develop a long-term parental leave strategy.

Investing in more flexible parental leave must be part of any effective strategy to support parents with young children to return to work. We suggest that the government should create an initial month of 'use it or lose it' paternity leave paid at the same rate as maternity pay, and subsequently prioritise increasing the level at which parental leave is paid rather than increasing the length of parental leave.

5. Extend and renew the Modern Workplaces programme to strengthen flexible working entitlements whilst encouraging and supporting employers to adopt best practice.

Flexible working practices can become stigmatised if they are promoted solely as an option for parents and carers. High performing employers understand the benefits of flexible working for all employees and ensure that senior staff signal the importance of work-life balance to their employees. The government can usefully promote flexible working as part of a suite of practices integral to effective modern workplaces. The Modern Workplaces programme should be renewed and extended, working closely with local enterprise partnerships, to promote positive attitudes to flexible working among employers.