

**GOVERNMENT GREEN PAPER
WORK AND PARENTS – COMPETITIVENESS AND CHOICE
WOMEN’S BUDGET GROUP RESPONSE**

SUMMARY OF WBG RESPONSE

*The WBG welcomes this step by government to **promote** the ideal of gender equality in programs that aim to balance work and family life as this is a critical barrier to greater gender equality for women.*

Maternity Pay and Leave

***Greater state resources** need to be directed at funding reasonable statutory maternity leave which must be **higher paid**, for longer a period of leave and from the first day of employment.*

Paternal/Paternity Leave

*Parental leave must be adequately paid and available for **flexible** take up. Paternity leave must be paid, provided at the higher rate of STMP and top ups provided so that children of fathers on modest incomes can also benefit from the care of both parents to similar extents as children born to wealthier families.*

Flexible Working

The Women’s Budget Group is calling for the right to work reduced hours for all parents of pre-school children. We challenge employers’ resistance to flexible working on the basis of cost competitiveness.

The WBG therefore welcomes this Review as an important step in showing that the government recognises that there are no necessary trade-offs in being a good employee and a good parent but that social policy can make these choices more or less restrictive and onerous for families and individuals.

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INTRODUCTION

The Women's Budget Group is an increasingly influential think tank on the relationship between women, men and economics. The group brings together economists and social policy experts from academic institutions, non- governmental organisations and unions as well as independent researchers. The main product of the WBG’s consultative approach to gender mainstreaming in public policy is a gender analysis of the national budget, both in terms of the budget process as well as the actual budget document.

Throughout our work with various government departments and representatives, the basic principle is to ensure that government first recognizes that economic policies have differential and unequal impact on women. Having begun to gain this acceptance, the next step is to ensure that that truly equitable public polices are reformed in ways that take into account the limitations that women’s socially enforced roles, responsibilities and opportunities present to their full and equal participation in the economic, political and social life of the country.

The Women’s Budget Group therefore welcomes the opportunity to respond to the government proposals contained in its Green Paper aimed at improving rights and provisions for families to better balance paid work and family life. We note with interest that the Review is seeking to examine how competitiveness and productivity can be enhanced by giving families reasonable choices to hep them balance the needs of children and work, a critical aspect of our on-going consultations with the government and an essential precursor to achieving gender equality.

In particular, we strongly support the initiation of this review as an important step in improving women’s labour market prospects and promoting equal opportunities for men and women at work. We see this move as having potential to increase the opportunities for children to benefit financially and emotionally from parents of both sexes developing an appropriate balance between caring responsibilities and employment. As part of the bigger picture, the outcome of this Review and subsequent consultation process can play a fundamental role in creating an economy that retains the skills of parents who want to fulfil their caring responsibilities in a variety of different ways as befits their changing circumstances.

Gender stereotyping of work and family roles prevents men from carrying out fully the important role of fathering and caring within families and society and acts as a barrier to gender equality. This imbalance has a profound impact on individual women’s opportunities in employment with obvious repercussions for the economy as a whole, which continues to be deprived of the creativity and input of a sizeable proportion of the population. The state has an important role to play in leading society in the direction of gender equitable change and we are heartened to witness the government’s proposals towards this end.

THREE KEY INTEREST AREAS

We have been invited to identify our top priorities on an extensive and complex range of policy options that all affect the differential ability of men and women to balance employment demands and family obligations. Despite the difficulty of isolating three discreet priorities, we have outlined our *three key interest areas*, elaborating on their vital connectedness to other items on the list where essential.

The three key interest areas we have selected for this Response are:

- 1) **Maternity Pay and Leave**
- 2) **Parental/Paternity Leave**
- 3) **Flexible Working**

If there were three more easily identifiable themes, which cut across our Response to this Green Paper, they would be concerns for greater financial resources, flexibility and promotion.

MATERNITY PAY AND LEAVE

The Women's Budget Group is happy to support family friendly policies that enable working parents to spend more time with their children during crucial years, in ways that promote equity in the unpaid contribution of men and women to society. Policies related to Maternity rights and provisions make a substantial difference to the quality of life for new parents and young children but are currently inadequate in a number of areas relating to quantity, quality and form of maternity programs. **As an essential right for mother and child, the Women's Budget Group is calling for an increase in the SMP entitlement for women, paid over a longer period of time, from the first day of employment.**

The UK currently gives the lowest amount of paid leave to new mothers in Europe. It is widely acknowledged that these levels are not adequate to ensure that all women take enough maternity leave for their own health and well being and that of their babies. At present, when earnings-linked leave runs out after six weeks a woman on maternity leave gets just 12 weeks on the very low flat rate of £60.20. This is why 40% of women who are entitled to extended maternity leave of 40 weeks take just 18 weeks or less because they cannot afford to stay away from work. This is good for neither mother nor child.

Any improvement in the pay and conditions of maternity leave available to a mother around the birth of a child should include a longer period of paid maternity leave, which should run for at least six months after the birth of the child, paid at a rate that does not discourage women from taking the full period. Six months is the period for which breast milk rather than formula is considered beneficial to the child; the government should provide sufficient maternity pay that babies can receive the best start in life without their households suffering financially.

In practice, unless the flat-rate allowance was very generous, such pay would have to be earnings related if it was not to discourage women for whom flat-rate allowance

was a significant cut in income. Families have financial commitments which two incomes are needed to keep up. When a new baby arrives, most families need more not less income, and even better-off families should not have to take a cut in their family income at such a time. Pay must be earnings related as pay at a flat rate or a top-up through means testing welfare benefit will be a targeted benefit which only poor mothers could afford to take. While the new WFTC arrangements will help the poorest families, there are many families whose income is too high to be able to claim WFTC who will still have difficulty coping with the drop in household income due to the mother's wage being replaced by SMP.

Directing a more reasonable minimum amount of resources to all new mothers, regardless of length of employment, would mean that women's ability to care for very young children would no longer depend on length of service with the same employer. As such, the WBG would recommend that all eligibility conditions for maternity leave and pay should be scrapped. These constitute a significant barrier to women's career development, effectively tying some mothers to one employer throughout their childbearing years. They are therefore indirectly discriminatory, contributing to the pay gap and the consequent productivity loss through women not having the chance fully to develop their skills and career prospects.

The rule that sick leave cannot be taken for pregnancy related illnesses in a period before the birth should be scrapped. Babies should not be penalised by their mother having to return to work earlier after their birth because of complications prior to the birth. It would be better if maternity leave of six months after the actual date of birth were available to all mothers, irrespective of how much time they had had to take before the expected date of delivery. There should also be a separate right to a pre-birth maternity leave of a maximum period of one month before the expected date of delivery, with any leave needed prior to that date for health reasons being taken as sick leave.

Improved maternity provisions that protect new mothers and young children should not be narrowly viewed as just additional costs to government and employers as is laid out in the Green Paper. Adequate maternity leave paid by the state for a more reasonable length of time enables new mothers to provide children with the best quality care at their most vulnerable stage of development. Quality care and attention from parents, who are not overly stressed by financial and other pressures to return to work pre-maturely, have considerable positive effects on early childhood development and child poverty in both the immediate and long-terms.

Paying insufficient attention to the links between adequate parental care and the development of Britain's future human resource potential would therefore be short-sighted and could cost the government and the economy more in the long run through a lower productivity workforce and increased adult poverty rates.

Similarly, a higher SMP paid by the state needs to be seen as a boon to small employers rather than simply an additional burden. Small business employee policies generally cannot compete with those of larger corporations, which may be in a position to offer enhanced maternity pay. **Thus, the business case for higher SMP that government should promote to small and medium sized businesses is that it would provide a more level playing field for those businesses that need it most.**

The Green Paper notes that ‘there are costs involved in engaging and training cover and other costs, and it is assumed that the average cost of this is 24% of the wage paid’ (page 18, note 35 and many other places). We would question this assumption, as some of these costs, especially engaging and training, are basically one-off in nature, so they do not increase proportionately with length of leave. This applies to paternity and parental leave as much as to maternity leave, though it is worth noting that very short periods of leave, for covering a brief crisis, for instance, would generally not involve paying for cover at all.

Improving the quality and conditions of Maternity leave paid by the state is a direct way that the government could target the aim of gender equality in public expenditure. The social and business case rationales for increased rights to maternity leave include that the current requirements restrict women's occupational mobility and thus their career prospects compared with men's. This reinforces gender inequality between men and women.

PARENTAL/PATERNITY LEAVE

Since the intent of the Parental Leave Directive was partly to encourage men to play a fuller role in their families, it is difficult to address our concerns around Parental Leave without referring to Paternity Leave. **Aside from avoiding depriving young children of the care and attention of both parents, incorporating our concerns for fathers' roles in families is a good way to break down gender stereotyping in care responsibilities, a significant precursor to gender stereotyping in the paid labour market.** This is also an important reminder of the difficulties in assessing family policies in isolation of one another.

For parental leave to be a means of encouraging far greater sharing of caring responsibilities between men and women and thus greater equality in employment opportunities, it is essential that it be paid because it would encourage take up by both men and women. Otherwise, in practice it is likely that the lower paid parent will take it, who because of the pay gap is likely to be the mother. This will in turn reinforce her secondary labour market status and thus unequal pay.

If it is not possible for parents of both sexes to combine employment and caring for their children in ways that they feel are beneficial for their children, one parent, usually the woman, is likely to leave employment or switch jobs to get the flexibility or hours that allow her to meet her children's needs. In doing so, she may well end up in a lower paid job in which her existing skills are underused and her potential underdeveloped. **These patterns of ‘choice’ within families help to entrench gender inequalities.**

Above all, parents wish to be able to take leave when it suits their child's needs which will require parental leave to be available to employees in shorter more flexible time periods. Although some such periods are predictable, e.g. when a child starts school, others are not, e.g. when a child is recovering from an illness that is

longer than can be covered by time-off for dependants. Parents should have a right to be with their child at such times.

Combined with parental leave, paid paternity leave should be a statutory right in all workplaces for all employees. This would mean that those wishing to take it, especially those in the middle and lower income brackets, would not have to suffer a loss of income. It would also reduce current levels of discrimination against women with caring responsibilities and contribute to gender equality at home.

From the available research, it would seem indisputable that providing payment for paternity leave would increase take-up rates. We therefore continue to urge that new provision for universal paid earnings-related statutory parental leave should be introduced, based on individual payment at or around normal earnings levels (subject to a minimum). Failing this, an individual universal flat-rate payment, as recommended by the House of Commons Social Security Committee, Ruth Kelly MP and others would be a good first step. A state funded flat rate payment of around £100 per week has been estimated at between £180 million and £450 million annually.

We think the best approach would be that fathers should have paid paternity leave for a minimum of two weeks, at the level of the higher SMP (90%) rate. If this is to be a benefit open to all fathers, then this provision must be earnings-related so that not only relatively wealthy fathers, who can afford to take the fall in income that would be associated with unpaid leave, will be able to take up the new entitlement. Top-ups may however be reserved for low earning fathers through the benefits system.

The main rationale for paid paternity leave are that there will be higher take-up by working fathers who will be encouraged to assume a more equal share of family responsibilities. Most families find that a new baby in the family can cause a financial crunch especially for families on already modest incomes. **Paid leave accompanied by flexibility in taking it, for example, allowing fathers to take the leave in days rather than weeks only, would also make this entitlement more practicable for working fathers by giving support as and when the mother needs it.**

While we support many of the Green Paper proposals for new rights to parental leave, much work is still needed in helping to simplify and promote these changes for employers and employees. For instance, far too many employees do not know about statutory benefits that they are already entitled to, such as time off for dependants, and this lack of government promotion undoubtedly affects take-up rates.

FLEXIBLE WORKING

Flexible working practices is one of the most important mechanisms for helping parents to improve the balance between paid and unpaid work. For women, the need to have supportive policies that remove disincentives for them to undertake paid

work makes flexible work practices a top priority. If parents are confident about being able to combine caring responsibilities with employment, they will be prepared to plan their careers and develop their skills with a view to a lifetime in employment.

Currently many women expect to have to drop out of employment or move to part-time jobs with few career prospects in order to fulfil their caring responsibilities when they have children. Flexible ways of allowing parents to combine caring responsibilities with employment in all occupations will enable women, as well as men, to plan their careers, confident in the knowledge that when they become parents, they will be able to retain jobs in which they can make use of and develop their skills.

Improving the labour market prospects of women will remove the productivity depleting distortion that gender segregation and unequal pay currently impose on the economy. Many women, in order to fulfil caring responsibilities are forced to give up employment or take jobs in which their skills are underused and/or their potential skills unrealised. **We would therefore emphasise the effects of the Green Paper's proposals on the labour market prospects of women and the proposals' potential for removing gender segregation and closing the pay gap.**

Furthermore, if the pay gap is to close and consequent productivity gains achieved, employers will have to recognise that both men and women are parents. All types of employment will therefore have to be made flexible enough that parents of either sex requiring time-off for their children and/or parental leave does not cause major disruption.

The Women's Budget Group is therefore calling for the right to work reduced hours for all parents of pre-school children. As the Green Paper and supporting research recognises, there is a huge latent demand for mothers of small children to be able to return to work on reduced hours. Many mothers who are refused such a right give up employment and seek part-time work elsewhere, usually at much lower rates of pay where their current skills are not used. This is a waste to the economy as well as a financial burden on families.

Other mothers who have wanted to work reduced hours return to work unwillingly full-time. Yet others who wanted return to work full-time find that coping with caring responsibilities and full-time employment is more stressful than they thought. When reasonable requests for reduced hours working are refused mothers either leave or become resentful. The net result is that both skills and work commitment are lost to the economy and parents', and consequently children's, lives are more stressful than they need be.

One result of women leaving their previous employment to seek part-time or more flexible work elsewhere is that their productivity is lowered. Change of employment at that time is also a major contributor to the pay gap, which open up most significantly between men and women after the birth of their first child. The latent demand that the DTI's research identified for reduced hours of work, is for reduced hours *with the same employer*. Women do not wish to change employer or take the drop in pay, job status and above all long-term career prospects that is usually involved in taking jobs that are designed as part-time employment.

Currently that cost is imposed almost inevitably on women. It would be unfair to let those costs lie where they fall simply because women have traditionally borne this burden to their disadvantage. It would be an improvement in equality terms if it were more equally shared between men and women. However, this is unlikely to happen while the pay gap, to which it contributes, persists so that men have to remain the main breadwinners of most families. Further it is an unacceptable long-term cost to impose on parents of either sex for taking their caring responsibilities seriously.

Employers in this country see granting employees such flexibility as a major obstacle to competitiveness. However, other European countries, where productivity is far higher than in the UK, insist that employers must deliver on this sort of flexibility. In the present climate, employers in the UK automatically complain about any form of regulation proposed. However, some employers are much more family-friendly than others and believe that they reap gains in terms of productivity, worker loyalty and reduced absenteeism from doing so. It is likely that prejudice and inertia is contributing to employer resistance just as much as real difficulties. Obviously change has its costs, but these are in many cases one-off and the long-term benefits to an organisation may be large.

Legalisation to enable parents to work reduced hours will also be an important contribution to the effectiveness of equal pay and sex discrimination legislation. It will clarify and extend the rights mothers won under sex discrimination legislation to fathers. It will demonstrate the important contribution that the government sees family-friendly employment making to tackling child poverty and enabling all children to have time with their parents when needed.

There are a number of benefits to a legislative solution over seeking change through a voluntary code promoting best practice. Legislation in itself contributes to a changed work culture, the most important factor in enabling productivity gains consequent upon family-friendly working practices to be generalised throughout the economy. By generalising the right to family-friendly working practices employees that require such flexibility because of their caring responsibilities will not have to “pay”, though worse pay and conditions in other respects, for the privilege of working for a flexible employer.

This is how the inferior pay, conditions and productivity of part-time workers developed in this country, as mothers with caring responsibilities restricting their employment options provided employers who could meet their requirements with a ready supply of cheap labour. In turn the cheapness of such labour reduces the incentive on employers to improve productivity and working conditions in such jobs, thus contributing to the polarisation of job opportunities for full and part-time workers.

