

**Women's Budget Group response to  
the HM Treasury and Department of Trade and  
Industry paper 'Balancing work and family life:  
enhancing choice and support for parents',  
January 2003**

**August 2003**

### **About the Women's Budget Group**

The Women's Budget Group (WBG) is a network of experts which brings together academics and people from non-governmental organisations and trades unions to promote gender equality through appropriate economic policy. We work closely with policy makers within HM Treasury and Department of Trade and Industry to encourage the government to use gender analysis to improve its policy making.

## Key Recommendations

- It is important that the government thinks beyond the needs of individual businesses if it is to introduce successful and sustainable work-life policies and to increase UK productivity as a whole. The government should therefore adopt a broad 'economic case' rather than the current narrow 'business case' when considering work-life and family-friendly policy.
- Broader definitions of 'family', 'carers' and 'caring responsibilities' should be considered when designing family friendly policies. In particular, policies should recognise that caring for children often involves three generations, including grandparents. In addition many older men and women in employment are caring for a disabled or frail elderly person. The right to request flexible working and the right to take an equivalent of parental leave should be extended to all who have appropriate caring responsibilities.
- Employment benefits should be protected during maternity, paternity, adoption and parental leave, whether paid or unpaid. Tax credit entitlement should not be disrupted and pension entitlements should not suffer.
- Consideration should be given to ways of providing an insurance-funded earnings related top-up to maternity and paternity pay.
- The UK government should learn from international best practice to encourage men to take advantage of family-friendly policies.
- Further steps need to be taken to tackle the UK's culture of long working hours by strengthening the implementation of the European Working Time Directive and ensuring that all employees are able to take advantage of flexible working arrangements.
- In following the consultation paper's suggestion of applying Beveridge's principles to modern circumstances, more attention should be given to his principle of "universality". In terms of childcare this would mean providing universal access to affordable, high-quality childcare services that is not conditional on location, parental income or employment status.
- The government should make an immediate and concerted effort to address the low pay and lack of career and earnings progression of childcare workers by investing in their training and qualifications making them comparable to those of teachers. This should be addressed in the upcoming Childcare Review.

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## **1 Introduction**

The Women's Budget Group welcomes the government's continued interest in developing family-friendly systems of support for parents in paid employment. We particularly welcome the recognition that enabling people to combine caring responsibilities with employment is central to achieving greater equality between women and men, as well as improving the conditions in which children grow up and increasing labour market productivity.

The recent increased investment in good quality childcare; the rise in maternity pay and extension of the period of maternity leave; the introduction of paid paternity and adoption leave and the introduction of a new right for parents of young children to have requests for flexible working taken seriously by employers are all welcome steps in the right direction. They are however modest steps when compared with our European partners. These policies need to be further developed if many of the government's objectives are to be achieved including reducing inequalities between women and men, reducing child poverty and improving productivity by fostering and using people's skills.

The government recognises the need to take a two-pronged approach to achieving those aims by discussing:

- measures to provide employment conditions that enable those with caring responsibilities to fulfil those responsibilities in the way they find best
- measures to ensure that high quality care services are available and affordable for all employees with caring responsibilities.

Our response examines each in turn, but we place them in a broader context than is found in the consultation paper for we believe that the government's whole approach is too narrow. First, instead of its current focus on a narrow 'business case', the government should be examining the broader economic case for work-life and family policies based on their effect on the economy (and society) as a whole. Second, a wider definition and understanding of both the 'family' and of 'care' are needed.

## **2 The 'Economic Case' for Work-Life Policy**

The consultation paper focuses more on the 'business case' than the fundamental 'economy-wide case' for work-life policies. This is taking too narrow a view of the 'economic'. What is good for the economy in the medium- or long-term may not be in the short-term interests of a particular business. It may indeed be in the short-term interests of many individual businesses to exploit the lack of flexibility of workers with caring responsibilities by paying lower wages in jobs that are available for the hours that such workers need. Indeed much of the low-wage economy is based on

such part-time jobs that are not only low skilled but offer little chance of advancement.

But this is not in the interests of the economy as a whole. These workers are not using skills that they already have or could easily acquire. Ensuring that workers are employed in jobs in which they use their skills productively is in the interests of the economy as a whole, even where it is not in the short-term interest of any particular business.

In making the economic case for work-life policies, it has to be recognised that putting such policies in place is in the short-term business interest of some but not necessarily *all* employers. However, it is in the longer-term interest of many more of them. Implementing and managing flexible working effectively is rarely cost neutral, but requires an investment in management support and training, communication and sometimes additional staff costs. However, there are longer term benefits to those businesses too – a firm that can rely on lower staff turnover can afford to train staff better and use them more productively. It is important that in making the business case, the government emphasises these longer-term benefits and does not just try to prove short-term returns. It should also be prepared to give businesses more support with the investment required. It should encourage research into productivity which focuses more on these longer-term benefits. Otherwise the business case is very vulnerable in the face of short-term economic changes and challenges.

But further, the Women's Budget Group believes that there is a wider economic case altogether beyond that of individual businesses. Work-life policies that prevent a loss of skills help retain those skills for the economy as a whole. And beyond this, work-life balance practices also improve the long-term financial and labour market security of those with caring responsibilities and the conditions in which their children grow up. These are matters for which the government has responsibility and are vital to the current and future health of the economy, but may not correspond to the direct and immediate interests of individual businesses.

There is too much emphasis in current policy making and advocacy on the short-term business case for family-friendly practices. For example, in the absence of universally applicable policies, the existence of family friendly policies and practices may help an individual firm to recruit and retain valuable employees. However, as other firms begin to adopt such policies, firms that do so will no longer have an advantage over their competitors in this respect<sup>1</sup>. It is important therefore that the case that is made does not simply depend on such competitive advantages over less family-friendly employers, but recognises that there are genuine intrinsic benefits to family-

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<sup>1</sup> This is why some of the employers who had pioneered occupational pension schemes in the early years of the last century in order to retain their most valued employees, *opposed* the introduction of social insurance pension schemes in the 1920s

friendly policies too. Currently the case often looks like a short-term one based on current market conditions alone, in which employers may adopt such policies as one out of a range of employment benefits, such as good pay, needed to attract workers in a tight labour market. The danger is then that those workers with caring responsibilities who need family friendly working conditions will effectively be paying for them by worse pay or other working conditions. That indeed is one explanation for the poor pay and working conditions of the large part-time sector of the UK economy, a sector that does not exist in other European countries where family friendly working practices are more generally available and/or childcare provision is better. Evidence in support of this comes from ESRC research that found that "some parents are accepting low wages or unreasonable conditions in return for a modest degree of flexibility from their employers"<sup>2</sup>.

To avoid this situation, family friendly practices need to be generalised. The case for family friendly policies should not depend on demonstrating short term advantages to offering family-friendly working practices when other employees do not. Employers should be persuaded to embrace work-life balance by the benefits of having a more secure and committed work-force able to devote time and energy in the work-place untroubled by worries about their caring responsibilities. And to make that a reality, good employers should not lose out to employers who treat their workers poorly. Legislation as well as advocacy will therefore be necessary. However advocacy based on the intrinsic merits of family-friendly employment practices remains important, because there will always be a distinction between basic compliance and best practice that is inevitably in advance of legislation.

**Recommendations:**

- *The government should base its business case on the intrinsic merits of family-friendly working conditions, rather than on the short-term advantage of adopting better practices than other employers.*
- *The government should consider legislation where necessary to generalise good practice so that those with caring responsibilities do not have to pay for the family-friendly working condition they require by worse pay or inferior working conditions in other respects. This will also prevent poor employers undermining the efforts of employers who implement good family-friendly practices.*
- *It is important that the government adopts a broad 'economic case' and thinks beyond the needs of individual businesses. This is necessary if it is to secure the current and future health of the economy through improving the long-term financial and labour market security of those with caring responsibilities and the conditions in which their children grow up, as well as retaining skills and increasing productivity.*

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<sup>2</sup> <http://www.esrc.ac.uk/ESRCContent/news/feb2.asp>

### **3 Definitions of Caring and the Family**

The second major way in which the consultation paper takes too narrow a focus concerns the definition and understanding of 'caring responsibilities' and 'the family'. Children are not the only source of caring responsibilities. Many workers or potential workers have caring responsibilities for frail elderly people or adults with disabilities. They are likely to be older. The 2001 Census found that one in four of women in their 50's are involved in giving informal care. Altogether the age group 45-64 years accounts for 48% of the 5.2 million informal carers of adults in Britain. In contrast to men in their 50's whose economic activity rates fell between the early 1970's and the mid 1990's, economic activity rates for women in their 50's have been slowly but steadily increasing. Today about a third are in full-time employment and a third are in part-time employment. Typically their own parents and in some cases their grandparents, are still alive and may need care. Many are therefore combining family caring responsibilities including the care of their grandchildren, with their own paid employment.

However, grandparents and others with non-parental caring responsibilities are not eligible for most of the employment rights that are accorded to parents on account of their caring responsibilities. In particular they are not eligible for any equivalent to parental leave nor for the right to request flexible working. In 2001 men and women aged between 50 and 59/64 were the most likely (one in seven of them) of all age groups to want fewer hours. It is therefore not surprising that this age group are among the most dissatisfied of all employees, particularly with their hours of work. Moreover, the level of dissatisfaction in this respect has doubled in the last 10 years. As the author of a recent research study concluded: "The survey evidence is devastating in its record of the slump of feelings among the over 50's towards their work"<sup>3</sup>

Older workers are going to be much more supportive of family-friendly policies for parents of young children if their own needs for such policies are also recognised. They too need entitlements to flexible employment, to paid and unpaid leave when their caring responsibilities, including for grandchildren, require it. They also need protection for their pension entitlements if their earnings are interrupted in these circumstances. A reduction in inequalities between men and women in the workplace will not be achieved unless the government recognises that the combination of care and paid work is an issue for many women throughout their working lives and should be for men too.

In this context limiting the right to ask to work shorter hours to parents with young children will not meet the needs of many involved in childcare as we argue below, and may well alienate others who also have good reasons for

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<sup>3</sup> Taylor, R., Diversity in Britain's Labour Market, ESRC, 2002 p.13

wanting to work fewer hours. *In other words there are good strategic reasons for generalising family friendly policies.* A limited right will also perpetuate the view that workers demanding such rights should be expected to "pay for them" in other ways, by for example less choice of shifts, fewer opportunities for training or reduced promotion prospects. This may suit individual businesses, both those that want long hours from their workers and those who exploit the vulnerability of those who cannot work such hours. But it is not in the longer term and wider interests of sustaining a productive and contented workforce who can also be active mothers, fathers and grandparents -and citizens.

***Recommendations:***

- *The right to request flexible working and the right to take an equivalent of parental leave be extended to all who can claim appropriate caring responsibilities.*
- *All future thinking about policy to enable workers to combine employment with caring responsibilities should not be restricted to the needs of parents' responsibilities for children. Consideration should also be given to the needs of both others looking after children and people with caring responsibilities for elderly people or people with disabilities.*

## **4 Employment Conditions**

One approach to improving work-life balance is to provide employment conditions that enable those with caring responsibilities to have more opportunity to fulfil their caring responsibilities and choice in how to do so. This government has brought in a number of such measures that are welcome. These need to be extended in a number of directions, a few of which are flagged up in the consultation document as under consideration for the future. However, more needs to be done to create a working environment in which caring responsibilities are properly catered for.

### **4.1 Proposals under consideration and related extensions to existing employment policies**

**Paternity Leave** We support extending the length of paternity leave and making it more flexible with respect to when and how it is taken for all fathers and particularly when unexpected extra strains arise e.g. for premature babies, those with disabilities and multiple births.

We are also in favour of allowing fathers to take unpaid paternity leave on the same basis as mothers. This should be an individual right and not transferable. Preventing fathers, in principle, from taking unpaid leave on the same terms as mothers encourages unequal parenting roles, which sets up the basis for unequal careers and future earning capacities. However, in practice, if such leave were unpaid its uptake would undoubtedly be small especially by fathers, and lead to the same problems of inequality.

**Recommendation:**

- *Men should be encouraged and enabled to take advantage of family-friendly policies. Paid paternity leave should be extended and fathers should be allowed to take unpaid paternity leave on the same basis as mothers can take unpaid maternity leave.*

**Parental Leave** The same problem arises with parental leave which in its current form is too inflexible to be useful to many parents. Because it is unpaid it is unlikely to be taken up by many who would like to devote time to the care of their children. This applies particularly to fathers since unequal pay means that it is likely that they earn more than their partner, so the loss of their earnings is likely to be an unsustainable strain on family finances. Consideration should therefore be given to giving paid parental leave as an individual non-transferable right, as is done in many other European countries.

We would also support allowing parents to take parental leave in one block though not necessarily restricting it to the end of a period of other leave.

**Recommendations:**

- *Paid parental leave should be made available an individual non-transferable right.*
- *Parental leave should be able to be taken more flexibly, including in one block at a time of the parent's choosing.*

**Maternity and Paternity Pay** The rate of maternity pay is low and not earnings related so that many mothers experience a severe drop in income when on maternity leave. Many have financial commitments that make such a drop in income infeasible. As a result many will continue not to take their full entitlement, unless employers make up their difference. Most other Northern European countries have maternity pay that is earnings related and in those countries women are more likely to take their full maternity leave. It can be argued that public money should not be used to pay more to the better off. However, employers could be required to pay a levy on the basis of earnings of all employees into a specific fund to cover the costs of making up maternity payments to the 90% of earnings that is paid by the state for the first six weeks<sup>4</sup>. However, a new fund might not be needed since both employers' and employees' National Insurance contributions are earnings related in just this way. There is a similar problem with paternity pay, although it is too early to tell whether this is affecting uptake.

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<sup>4</sup> This is exactly how earnings related maternity pay was funded when it was first introduced 25 years ago. The fund was always in surplus, so in the early 80's it was combined with the redundancy fund and used to pay for rising unemployment and then abolished altogether.

**Recommendation:**

- *Consideration should be given to ways of providing an insurance-funded earnings related top-up to maternity and paternity pay.*

**Tax Credits** Parents can claim the Working Tax Credit if working more than 16 hours. This means that WTC, especially when combined with CCTC, helps make employment more flexible for low-paid couples and lone parents, by making employment for reduced hours financially viable for low-income parents in ways that it might not otherwise be. We would like to see that threshold of 16 hours reduced especially for lone parents, who have to carry the full load of caring and other unpaid work themselves.

We would also support counting all maternity, paternity, adoption and parental leaves, whether paid or unpaid, as being in employment for the purposes of tax credits to enable families to continue to receive support during such periods.

**Recommendations:**

- *Lone parents who are employed for less than 16 hours per week should be entitled to claim WTC. Consideration should be given to lowering the hours threshold for other parents.*
- *Tax credit entitlement should not be disrupted by maternity, paternity, adoption and parental leaves, whether paid or unpaid.*

**Pension rights** Consideration should also be given to ways in which the pension rights can be protected during such periods.

**Recommendation:**

- *The pension entitlements of those who take advantage of maternity, paternity, adoption and parental leave should be protected*

**4.2 Further necessary steps: Learning from international experience**

However, beyond such extensions to existing policies more needs to be done if both fathers and mothers are to be able to participate in the care of their children without suffering serious career penalties for doing so (with consequent loss of productive potential in the economy). As the consultation paper acknowledges, a policy "supporting greater participation of men in family responsibilities is important to the objective of gender equality, and as important as increasing women's participation in the labour market." (para.3.6).

However, the extensions to existing policies proposed are too timid and unlikely to result in a rapid or significant increase in men's participation in

the care of their children. They will consequently do little or nothing to relieve women of their unequal responsibilities for the care of children and the consequent career disadvantages this brings. Extending paid paternity leave in special cases, providing periods of unpaid paternity leave and allowing fathers time off to attend antenatal classes are welcome proposals but they are unlikely to shift the balance of care between women and men. Experience from elsewhere in the EU shows that if fathers are to become more involved in the care of their children from the very early years, much more needs to be done.

**Parental Leave** A recent EU- wide study examined both institutional and national factors that encouraged fathers to take parental leave to look after their children. (Smith, 2002) The four key factors associated with higher levels of fathers' involvement were the following:

- parental leave which was *non-transferable* and based on individual entitlement;
- paid leave with *high* wage compensation;
- flexibility in the ways in which parental leave could be used and
- government campaigns to increase awareness of the importance of 'active fatherhood'.

This study was based on the policies of the mid 1990's by which time countries such as Sweden had had parental leave policies for twenty years. It is clear from this experience that it takes time significantly to increase the involvement of fathers.

The more recent experience of the introduction of 'Daddy leave' in Norway shows that it is easier for men to ask for and take paternity leave when it is a universal right which they are expected to use.<sup>5</sup> Both in Sweden and Norway the practice of political and business leaders taking paternity and parental leave has encouraged take-up among fathers in general by making it publicly more acceptable.<sup>6</sup>

**Recommendations:**

- *The UK government should base their policies on paternity and parental leave on lessons learned from international best practice. In particular it should be noted that unpaid or poorly paid parental leave does very little to involve fathers more in the care of their children.*
- *The government should encourage the take-up of parental leave, setting an example in its own practice.*

**Long Working Hours** A perhaps more fundamental problem is men's long hours in paid employment. Evidence from the UK suggests that "our working

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<sup>5</sup> Leira, A., 'Cash for childcare and Daddy care' in Moss, P. and Deven, F. (eds) *Parental Leave: Progress or Pitfall? Research and Policy Issues in Europe*, NIDI CG-BS publications, Vol. 35, 2001

<sup>6</sup> O'Brien, M. & Shemilt, I., *Working Fathers: Earning and Caring*, EOC, 2003

culture, where long hours are the norm for many prevents dads from being more involved with their children's lives; even though they want to be." (Julie Mellor, EOC, 13 January, 2003). Both men and women in full-time employment work longer hours in the UK than in other European countries, and fathers work particularly long hours. This is one reason why so many mothers choose to part time employment, finding full-time employment incompatible with having to take on the bulk of unpaid caring work. The UK has the largest difference in working hours between mothers and fathers in Europe, with short hours part-time the norm for mothers consequent upon the long full-time hours of fathers. Further the UK is also unique in the poor conditions of its part-time employment, so that many women are trapped in low skilled jobs that fit in with their caring responsibilities, for which they are overqualified. This is not conducive to gender equality in either caring responsibilities or employment opportunities, and constitutes an important loss of skills to the economy.

A shorter working day would in theory make it easier to combine paid work and care for both men and women. There is evidence that a significant and growing minority of workers are unhappy about their hours of work. In the last century there was a problem of underemployment with more workers seeking longer hours at their basic rate of pay than there were workers seeking to reduce their hours. Now the picture is reversed. The Labour Force Survey 2001 found that about 3 million workers wanted to work fewer hours even if it meant a cut in pay.<sup>7</sup> And these figures exclude those women who have already left full-time work for more family friendly hours, many taking on less-skilled or more poorly paid work to achieve this.

***Recommendation:***

- *The government should make more determined efforts to tackle the UK long hours employment culture by implementing the European directive on Working Time more effectively by increasing its coverage and allowing fewer exceptions.*
- *It should set an example in its own practices by reducing the hours that politicians and high-ranking civil servants are expected to work.*

**Flexible but Predictable Working Hours** It is also important that workers who have shorter and flexible working hours have *predictable* and *regular* hours that fit in with the timing of their other commitments. The significance of this was demonstrated in recent strike of BA check-in staff, many of them women with family responsibilities. Their unwillingness to accept the introduction of swipe cards in part reflected their fear that management wanted to fine-tune staffing levels to fluctuations in customer demand. This would have required their pattern of work to be varied daily at very short notice, making childcare arrangements impossible.

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<sup>7</sup> Labour Market Trends, August 2002, p410

Research on the effect of the recent introduction of a 35 hour week in France showed that it only made a positive difference to women with caring responsibilities if they already had control over their working situation and could work in a predictable pattern negotiated and sustained by collective agreements.<sup>8</sup> This suggests that giving *individuals* with young children the right to *ask* to work shorter or different hours will neither easily nor quickly challenge our 'long hours' culture.

Indeed gender inequalities may be worsened if all that is done is to give individual parents the right to ask for special privileges. The danger, as noted earlier, is that if these rights are not generalised and statutory those who make use of them will have to pay for them in other ways, by lower promotion prospects, for example, that may in practice put a ceiling to the prospects of those who try to combine employment and caring responsibilities in that way. In that case some will decide in the interests of their careers not to make such requests, and it is far more likely that those who choose to put career before caring responsibilities will be men.

Further, the likelihood of success may depend on the grade of a worker; those lower down the hierarchy may find opportunities denied to them that are offered to those higher up. Arlie Hochschild's study of a large US corporation found that the rights delivered by its family friendly policies were largely ineffective. This was because the rights were not offered to workers on the shop floor, while those to whom they were offered did not make use of them for fear of losing their place on the career ladder.<sup>9</sup> Hartley Dean's UK study of low-income families found that few had access to any family friendly policies.<sup>10</sup>

This suggest that if the long working hours are to change for parents, and change in ways that do not worsen inequalities, the long hours culture will have to be tackled overall. This will require legislation to strengthen the implementation of European directives in the Working Time Regulations and to strengthen and extend the right to work flexibly to other workers. Further, to ensure that those working reduced hours do not pay for that choice in other ways, the Part-time Workers Regulations should be strengthened and extended to apply to all workers working less than full-time hours.

The current right to request flexible working while welcome should be seen as only a first step. It needs to be monitored to gauge how effective it is. Since it is well known that many parents, both father and mothers, do want to change their working hours, the right should only be judged effective if

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<sup>8</sup> Fagnani, J. 'The French 35 hour working law and the work-life balance of parents: friend or foe?' paper presented at *Work, Life and Time in the New Economy* seminar, LSE, 2002

<sup>9</sup> Hochschild, A. R., *The Time Bind*, Henry Holt. New York, 1997

<sup>10</sup> Dean, H. and Shah, A. , 'Insecure families and low-paying labour markets : comments on the British experience', *Journal of Social Policy*, Vol. 31, no. 1, pp. 61-80, 2002

such changes are seen to happen. Monitoring needs to examine both the uptake of the right and employers' responses to requests, disaggregated by gender, occupation and status. There is evidence that many parents fear being seen as less committed workers if they ask to work shorter hours.<sup>11</sup> If that is the case, then a right to request the hours that parents require to fulfil their caring responsibilities may not be enough to ensure that they actually are able to work those hours.

**Recommendations:**

- *The take-up rate and employers' response to the right to work flexibly should be closely monitored by gender, occupation and grade, and the right strengthened if the numbers succeeding in making use of this right is not substantial.*
- *The Working Hours and the Part-time Workers Regulations should be strengthened to be more effective in tackling the long hours culture and to bring the conditions of part-time employment up to those of full-time employment.*

## **5 Care Services**

Work-life balance policy must also ensure that high quality care services are available and affordable for all workers with caring responsibilities

The WBG believes that it is in the interests of the economy and of the wider society for all children to have access to good quality affordable childcare so that they become healthy, well-educated and competent adults. Currently access to childcare is dependent on the area in which children live and parental income and employment status. This is not the case in many other European countries.

### **5.1 Supply of Childcare**

The discussion document states that the government's aim is to apply the founding principles of Beveridge's 1942 report to the realities of modern life in which there are more dual-income couples, more single parent households and many more women in employment. Universality was one of Beveridge's most important principles underlying his Report. He was in favour of universal access to health and education services and free school meals and milk for all children. He saw the state "as the general parent of all the children in the family".<sup>12</sup> This government has done more than any other government to recognise and share the cost of *maintaining* children with *all* parents. Education and health services are still universal and free at the point of use. *Care* however, is still treated differently. Beveridge did not consider

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<sup>11</sup> Himmelweit, S and Sigala, M., Internal and External Constraints on Mothers' Employment: Some Implications for Policy' *ESRC Future of Work Programme*, January 2003

<sup>12</sup> Beveridge, W., *Pillars of Security*, Allen and Unwin, 1942

childcare services in his report because in his model mothers (at least married mothers) would be at home. This is no longer the case. Applying Beveridge's principles in modern circumstances would mean providing universal access to childcare service, not access that is conditional on location, parental income and employment status.

Tackling the deficit in childcare requires doing more than providing subsidies to low income families in employment. It means ensuring that the childcare services are available of the quality and type required, in convenient locations and with adequate transport provision, so that all parents who wish to make use of them can do so. We welcome the extra spending on childcare services, and in particular the introduction of children's centres but we are still far from this situation. While we realise that universal provision cannot be attained overnight, it could be treated as a much higher priority. The government should acknowledge as a goal the provision of universal access to high quality childcare for children whose all parents wish to use it, and set targets for its achievement.

Universal access to childcare makes good economic sense. Universal childcare provision for all children aged between one and four would have a net benefit worth about £40bn at today's prices over the next 65 years, according to research presented to government ministers by Pricewaterhouse Coopers.<sup>13</sup> The initial gains come from an estimated rise in female employment over the next 10 years: from 74 per cent to 81 per cent for 35 to 49-year-olds, for example. Longer-term gains come from an expected 2 per cent increase in average earnings for those who have been through pre-school care. Mothers would also have higher average earnings in the long-term, because they would need to take less time out from their careers.

Currently many mothers do not consider employment that requires formal childcare because they know that the childcare is not available or they cannot afford it. Many of these mothers have or are able and willing to acquire skills that would be of great benefit to the economy. And this is not just a short-term problem; it is an even more important longer term one. Many of those mothers who drop out of the labour market when their children are small are likely to spend many years, possibly the rest of their working lives, in jobs in which they are not using their full talents. As the WBG has argued elsewhere, more needs to be done to ensure that periods out of the labour market do not result in skills being lost and that mothers returning to employment are given the chance to acquire and update skills.<sup>14</sup> As we argue above, more also needs to be done to ensure that the jobs that fit in with caring responsibilities are of higher quality. The third requirement, however, to stop this wastage to the economy is to ensure that high quality childcare is

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<sup>13</sup> *Universal Childcare Provision in the UK – Towards a Cost Benefit Analysis*, Pricewaterhouse Coopers, August 2003

<sup>14</sup> Walby, S. and Olsen, W., *The Impact of Women's Position in the Labour Market on Pay and Implications for Productivity* (London: Department of Trade and Industry Women and Equality Unit), 2002.

available in a form that makes employment a realistic possibility for all parents.

Providing childcare for all children once their parents have jobs would not solve this problem. Childcare is needed to enable parents to prepare themselves for employment, to take courses and to find jobs. Further, finding childcare to start the day a parent starts work, given the shortage of childcare places, is frequently not possible and is not good for children, who have no parent to settle them into new childcare arrangements. Countries where there is universal childcare provision do not have this problem, and have far higher rates of employment for lone mothers and of full-time employment for all mothers.

**Recommendation:**

- *As the consultation paper recommends, consideration should be given as to how Beveridge's principles can be applied in modern circumstances. In terms of childcare this would mean providing universal access to childcare services rather than access that is conditional on location, parental income and employment status.*
- *The heavy reliance on subsidies to individual parents should be reduced and more emphasis placed on services which are directly subsidised. This would facilitate the development and sustainability of children's centres which should be the base on which a universal childcare service is built.*

## **5.2 Informal Care**

The absence of affordable good quality childcare services is one of the reasons that so many mothers work part-time. This is because many rely on informal childcare that is rarely available on a full-time basis. Today a third of all grandmothers are in their 50's and, as mentioned above, are more likely to be in paid employment than their mothers or grandmothers were. Given that many grandparents fit enough to look after children full-time are still in employment themselves it is not surprising that recent research shows that grandmothers who do look after their grandchildren prefer to do so on a part-time basis.<sup>15</sup>

The latest DfES study found that 58% of families had used a grandparent's care in the past year and 24% had done so in the reference week. In the 'typical' two parent family comprising one full-time and one part-time earner, 70% used a grandparent and 42% another relative or friend. Altogether three-quarters (3.82million) of families had used informal care.<sup>16</sup>In other

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<sup>15</sup> Dench, G., & Ogg, J., *Grandparenting in Britain*, Institute of Community Studies, 2002

<sup>16</sup> Woodland, S., Miller, M. and Tipping, S. *Repeat Study of Parents Demand for Childcare*, DfES, 2002

words the successful management of paid employment and responsibility for children in many families involves three generations not just two.

This reliance on informal care is unlikely to diminish in the near future for a number of reasons. First, formal childcare places are only sufficient for one in five children under 8 years of age. This is a big improvement on the figure of one in nine in 1997. Nevertheless only a minority of children can expect to find a formal childcare place in the near future. Moreover the distribution of formal childcare places is likely to remain uneven if the government continues to rely on the private-for-profit sector, as is currently the case in the nursery sector. In the after-school sector, in which the private sector has less of an interest, many schemes are barely viable financially and too many are dependent on short-term funding. (Recent proposals to extend CCTC to children over 8 years are welcome, although we would prefer to see this provision directly subsidised to overcome the problems of the sustainability of childcare provision and the uptake, level and coverage of CCTC - see below).

Second, formal childcare does not substitute for informal care in a simple way. Many parents use a mix of formal and informal childcare by choice. Some parents prefer to use informal care exclusively. This may well change as experience with the benefits of formal childcare become more widespread and attitudes to mother's employment catch up with reality.<sup>17</sup> Others use it intensively for short periods in an emergency. For example many turn to grandparents following a divorce or breakdown of the parental relationship, for they can be an invaluable source of support at these times. No-one is forecasting a decline in the divorce rate. Many parents cannot afford as much formal childcare as they would like because of its high cost, including many parents receiving CCTC who are expected to pay a proportion of the cost that they find unaffordable. Further, use of formal care may require the use of informal care. For example, grandfathers' involvement in childcare often takes the form of escorting children to and from school, after-school club or nursery.<sup>18</sup> This is essential in order to manage the childcare arrangements particularly those involving more than one child.

In the absence of universal access to affordable high quality formal childcare, it is essential that informal carers are better treated. This is not only in their own interests but because their supply can be expected to diminish as policies to encourage higher levels of employment cuts the supply of neighbours' (often other mothers) and grandparents' time to the informal sector at the same time as health and community care policies continue to take for granted the availability of informal carers. We have suggested above that informal carers should be accorded similar rights employment rights to parents. We would also like the government to give consideration to ways in

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<sup>17</sup> Himmelweit, S. 'Attitudes and caring behaviour' Working paper 26 *ESRC Future of Work Programme*, ISSN 1469-1531, December 2002

<sup>18</sup> Dench, G., & Ogg, J., *Grandparenting in Britain*, Institute of Community Studies, 2002

which expenses associated with informal care (which can be quite considerable, especially those concerning transport costs) could be claimed for as childcare expenses (for both CCTC and income tax purposes).

**Recommendation:**

- *Broader definitions of 'caring', 'carers' and the 'family' should be applied. In particular, policy should take account of the needs of grandparents as carers and support caring work for disabled adults and frail elderly relatives as well as children.*

### **5.3 CCTC and Related Tax Matters**

Currently the childcare tax credit is only taken up by a small proportion of parents. Five out of six are lone parents. Many low paid workers are likely to be in two earner couples whose joint earnings are too high to qualify for the WTC and the associated CCTC. They have to pay the full cost of any formal childcare used and many cannot afford it even if it is available. The consultants Laing and Buisson estimated that in 2002 self-paying parents paid £1.8billion or 83% of the total turnover of the daycare nursery sector. (Nursery Market News, May 2003, p191). This is a far higher proportion of the cost of childcare than in any other EU country. If and when they take paid employment will, for reasons discussed above, be determined by the availability of informal care, which cannot be taken for granted.

Take-up of the CCTC could be improved if it was more widely known and understood that it is available to couples fairly high up the income scale (i.e. ones whose joint income would mean that they would not receive any WTC except for childcare). This should be more widely advertised.

There are other ways in which the CCTC could be of help to more working parents. First, those with more than two children are at a disadvantage because it is assumed that their childcare costs will be no higher than if they only had two children. This is rarely the case. As it is, the assumption that the cost of two daycare places is well below double the cost of one child is not supported by the experience of many parents. The maximum limits set by number of children need revising upwards. Second, it should be recognised that even finding 30% of the cost of formal care is too much for some low earners. This is particularly likely to be the case for those who are also using and often paying for informal care and/or incurring substantial transport costs. This could be ameliorated to some extent if all associated expenses with childcare, e.g. transport costs, were eligible for CCTC. This would also involve raising the maximum that can be claimed and recognising that poorer families living in areas where formal childcare is particularly expensive need extra help.

Another way to help more parents with childcare costs would be to make childcare and associated expenses tax deductible. The old argument that this would favour the better off no longer applies since poorer families get greater

relief through CCTC. Currently some expenditure on childcare is tax deductible for employers but not employees. But where it is an employment-related expense there is a good argument for the tax system to recognise this for employees too. We recommend that the government looks into this.

The children's tax credit is not limited to those in employment and includes those in education or training. The government should also consider extending CCTC to families that are not currently eligible for WTC e.g. those looking for employment, those in education and parents with disabilities. Support for student parents in HE and FE has improved greatly in the past three years and shows how important it can be to meet a higher proportion of childcare costs. But why have two systems? At the very least couples in which one is in full time education and the other earning a low enough wage to qualify for the WTC should be eligible to apply for the CCTC. Currently they are eligible for neither.

In the long run if reliance on private sector provision is to be continued, a different way to subsidise childcare should be put in place that enables all children to have access independent of parental employment status, and covering sufficient costs to make it affordable to all throughout the country. This would involve a much bigger expansion of child centres than is currently envisaged.

***Recommendation:***

- *The current methods of subsidising the costs of childcare are not bringing affordable formal childcare within the reach of most parents in employment. The scope of the CCTC could be widened but a broader review of systems for subsidising childcare services including by direct subsidy as well as or instead of using the tax system should be undertaken.*

**5.4 Broader Considerations**

The needs of children and the requirements these put on individuals who take on caring responsibilities are not mainstreamed into government thinking across the full range of policies. This means that individual solutions are often needed to what are shared problems. The complexity of parents' childcare arrangements could often be reduced by more collective arrangements and planning. For example, transport and planning policies that gave more priority to ensuring children's safety in public places would reduce the need for so many individual arrangements, and the hours these take could be used more valuably in other ways. Twenty-five years ago when traffic densities were lower, the majority of primary school children went to school unescorted by an adult. Today adults have to fit their hours of employment around escorting children to school, often doing so by car in order to get to work on time thus increasing traffic problems and danger,.

***Recommendations:***

- *Attention should be paid to the creation of environments and places that help people achieve work life balance.*
- *The needs of children and the their carers should be considered at every stage in planning, transport and housing policy.*

## **5.5 Childcare workers**

Finally, we regret the lack of discussion in the paper of the workers upon whom the sustainability and expansion of good quality childcare depends, namely childcare workers themselves. The childcare and social care sector is a rapidly expanding part of the labour market, particularly for women. The latest government campaign aims to recruit 175 to 180,000 new childcare workers in the next 3 years.<sup>19</sup>

There are already 290,000 childcare workers employed outside the home and school.<sup>20</sup> Currently the earnings of childcare workers in the UK still places them in the bottom decile of the earnings distribution. They are also the least well qualified in the EU. We welcome the extra resources the government is committing to the training of childcare workers and the growing recognition that those responsible for the care and the education of children, particularly in their early years, must work more closely together. However, currently the gap between the pay and career opportunities of those in education and those in childcare is wide, and will remain so unless the government more actively invests in developing policies to reduce it.

Children's centres will make the integration of care and education easier but these are still a long way from being universal. Men will not be attracted to the childcare sector unless this is addressed. There is little evidence that the private-for-profit sector which now provides over 4 out of 5 nursery places is either willing or able to tackle the problem of low pay, lack of career and earnings progression by investing in the training and qualifications of their childcare workers. For example, while reluctantly accepting the recent increase in the minimum wage, if nursery owners cannot pass the increased cost on to parents in the form of higher fees they might consider "negotiating lower wage increases for staff at the upper end of the nursery pay-scale therefore reducing differentials in salaries for those with more qualifications."<sup>21</sup> Such a policy is unlikely to result in the recruitment and retention of the better qualified and experienced child-carers upon whom the quality of care depends. The WBG does not wish to see a reduction in inequalities between men and women in some of the higher income groups and professions achieved at the expense of a large and growing group of women recruited either from within the UK or from overseas, who are denied

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<sup>19</sup> [www.Surestart.gov.uk/recruitment/retention](http://www.Surestart.gov.uk/recruitment/retention)

<sup>20</sup> Cross cutting public sector review 2002

<sup>21</sup> Nursery Market News, April 2003, p. 170

the opportunity of enjoying decent pay and conditions as well as being able to balance *their* paid work and family responsibilities.

***Recommendation:***

*The government needs to make an immediate and concerted effort to address the low pay, lack of career and earnings progression of childcare workers by investing in the training and qualifications. This should be addressed in the upcoming Childcare Review.*

## **6 Conclusion**

In our response we have made a number of recommendations to the government of policies that it could pursue to make it easier for women *and* men to balance work and family life. We have not yet mentioned in our response some of next steps that the government is considering. On these we would encourage the government to:

- *Consider ways of widening the home childcarers scheme to include people who are not already childminders.*
- *Consider how the incentives to employers to support childcare provision could be improved.*
- *Allow fathers time-off to attend ante-natal care.*

We have also made clear that we support:

- *The counting of all periods of paternity, maternity, adoption and parental leave, whether paid or unpaid, as being in work for the purposes of tax credits, including the childcare elements of these;*
- *Extending paid paternity leave for all fathers and to a greater extent in the case of special needs( for premature babies, multiple births and the birth of babies with disabilities;*
- *Allowing fathers to have unpaid paternity leave on the same basis as mothers taking maternity leave;*
- *Making the right to parental leave more flexible, including allowing parents to take it in one block ( not necessarily only at the end of other leave).*

Further we recommend that the government institutes the following reviews:

- *A review of the take-up rate and employers' response to the right to work flexibly.*
- *These should be closely monitored by gender, occupation and grade. The right should be strengthened if in three years time when the review takes place the number succeeding in making use of this right is not substantial.*
- *A review of the systems for subsidizing childcare services. Such a review should consider the efficacy of direct subsidies to childcare providers as well as ( or instead of) using the tax system to provide subsidies to all parents. It should also consider whether the levels of subsidy currently paid are adequate especially for parents with more*

- than one child and those living in areas where childcare is particularly expensive.*
- *A review of the eligibility and levels of paid family leave to make the taking of such leave affordable including:*
    1. *The introduction of paid parental leave*
    2. *The development of an insurance based earnings-related top-up to all paid leaves.*

We have also argued that the government should take a broader and more urgent approach to the problems of balancing work and family life than appears in the consultation document. We believe it is important that the government puts a longer-term and broader economic case that considers the effects on the economy and wider society of people being able to combine work and caring responsibilities. This should replace its current focus on the narrower business case and on a particularly short-term version of that case.

Further, we have argued that the government needs to adopt a broader view of care and who undertakes it both of children and of disabled adults or frail elderly people. In particular, we believe that insufficient attention is given to the need of others besides parents (particularly grandparents) to have the employment rights and flexible working that allows them to fulfill their caring responsibilities. The government should pay more attention to the interdependence of formal and informal care, recognizing that in many families the care of children involves three rather than two generations. So while we welcome the steps the government has taken so far and would encourage it to go further in the directions it has indicated, we argue that this will not be enough. Much more needs to be done and it needs to be done now. The gradual introduction of such reforms may be counterproductive. In particular, we noted that giving parental rights that only mothers can afford to take may exacerbate gender inequalities both at home and in the workplace. Similarly, giving some workers special rights in recognition of some of their particular caring responsibilities may lead to resentment among others whose caring responsibilities remain unrecognized in the legislation. We would urge the government to generalize the rights that it brings in to enable everyone to balance work and caring responsibilities.