

Balancing work and family life: enhancing choice and support for parents

January 2003



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Department of Trade and Industry



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FOREWORD

It is in the family that we build the next generation. Enabling mothers and fathers to meet their responsibilities as parents was core to Beveridge's vision of the modern welfare state. And in today's fast changing economy, more than ever, families need security and support.

Our starting point is that a family-friendly system of support and choice for parents should be founded on the principles of Beveridge's 1942 report, but applied to the realities of modern life, ensuring parents are well placed to face the challenges of combining work and family in the twenty-first century. Today, there are more dual-income couples, more single parent households, and many more women in employment. Some of the greatest pressures that parents face today were almost unknown in Beveridge's time: the loss of income when one parent ceases employment or moves to part-time work after the birth of a child; or the costs of childcare when both parents go to work.

This April we will see the launch of a range of measures to help families cope with these challenges. Two new tax credits will provide extra support for families with children and those in work on low incomes: the Child Tax Credit and the Working Tax Credit. And eligibility for the childcare element of the Working Tax Credit will be extended to those who use approved childcare in their own home, benefiting, in particular, parents of disabled children and those who work outside conventional hours.

We are providing parents with more choice and support than ever before to balance family and work in ways that benefit everyone – employers, employees and their children: an increase in maternity pay and leave; the introduction of paid paternity and adoption leave; and a new right for parents of young children to have requests for flexible working considered seriously by their employers.

These changes are complemented by the Government's more than doubling of investment in good quality childcare, announced as part of the 2002 Spending Review, and matched by the reform of central and local delivery structures to meet better the needs of children and their parents.

Together these initiatives are radically reforming the system of support for families – tackling poverty and investing in the potential of every single child in our country. Enabling parents to balance work and family responsibilities can make the difference between their participation in the labour market, or their exclusion. For the employer, it can make the difference between being able to retain a valued member of staff or incurring the costs of recruitment and further training. And for children, it gives them the best possible start in life.

This document sets out the Government's strategy to help parents achieve this crucial balance. And we would welcome your views on the issues it raises.



Rt Hon Gordon Brown
Chancellor of the Exchequer



Rt Hon Patricia Hewitt
Secretary of State for Trade
and Industry
and Minister for Women

January 2003

INTRODUCTION AND SUMMARY

INTRODUCTION

1.1 The Government is committed to helping parents to balance their work and family responsibilities. The measures the Government is introducing from April this year represent a step change in both choice and support for parents, and will benefit employers, employees and their children. Key measures include:

- reform of the ways in which the tax and benefit system supports families with children and those on low incomes. The reform, which involves the creation of two new tax credits – the Child Tax Credit and the Working Tax Credit – will continue the Government's efforts to tackle child poverty and make work pay. The Child Tax Credit will be a single, seamless system of support for families with children, paid directly to the main carer in a family. The Working Tax Credit will be paid through the wage packet to working people without children as well as families with children. In addition eligibility for the childcare element of the Working Tax Credit will include those who use approved childcare in their own home; and
- more choice and support for parents to help them balance work and caring for their children. This includes increasing the level of maternity pay from £75 to £100 a week and the duration of maternity pay from 18 to 26 weeks; increasing Ordinary Maternity Leave to 26 weeks and setting unpaid Additional Maternity Leave at 26 weeks (up to 1 year in total); the introduction of 2 weeks paid paternity leave and 26 weeks paid adoption leave (both paid at the same flat rate as maternity pay); and the launch of a new right for parents of young and disabled children to request a flexible working pattern and a duty on employers to consider their applications seriously.

1.2 Alongside these changes, the 2002 Spending Review included a more than doubling of resources for childcare, as part of a combined budget for Sure Start, childcare and early years that will rise to £1.5 billion by 2005-2006. This will fund the development of Children's Centres – bringing together good quality childcare, early years education, family support and health services – and will support the creation of 250,000 new childcare places. This will mean that, between 1997 and 2006, childcare places will have been created to help around 2 million children, 1.25 million after taking into account turnover.

1.3 In addition, the Government's Work-Life Balance Campaign actively encourages business to adopt best practice and offer work-life balance opportunities across the workforce.

1.4 This document sets out the Government's strategy. It builds on the 2000 'Work and Parents, Competitiveness and Choice' Green Paper and the 2002 Work and Parents Taskforce recommendations on flexible working. The document also highlights the possible next steps being considered by the Government, on which it would be interested to hear views.

SUMMARY

The context **1.5** Chapter 2 describes the social, economic and business factors that mean flexible working is now a key issue – for parents and their children, for business and for the economy. The key drivers for change are:

- a transformation in the way families organise their work, with a strong trend among couples away from single-earner towards dual-earner families and sustained growth in lone parent employment;
- a dramatic increase in the proportion of employees with caring responsibilities; and
- the combination of a competitive business environment and the current labour market context, bringing new challenges for employers and employees.

The benefits of helping parents to balance work and family life **1.6** Chapter 3 summarises the benefits of helping parents to balance work and family life for families, business and the economy. Enabling parents to better fulfil their family responsibilities, when most need to combine these with work, is central to improving the conditions in which children grow up, achieving greater equality between women and men, and increasing productivity in the workplace. It is therefore key to a number of the Government's policy objectives, including its commitment to halve child poverty by 2010 and eliminate it within a generation.

The Government's strategy **1.7** Chapter 4 outlines the Government's strategy for enabling mothers and fathers to meet their responsibilities as parents:

- supporting parents' choices;
- tailoring financial support to families' circumstances;
- enhancing access to good quality childcare and parenting services; and
- working in partnership with business to promote the benefits of flexible working and support the take up of best practice approaches.

1.8 The chapter also sets out possible next steps in the Government's strategy on which it would be interested in hearing views. These are summarised in Box 1.1

Box 1.1: Next Steps

In light of all the measures coming into effect this April, time will be needed for the new framework to bed down before considering any further changes. The Government is already committed to reviewing the duty to consider requests for flexible working in three years time. The Government is also considering:

- following the consultation on the home childcarers scheme, how to widen entry into the scheme to include people who are not already childminders;
- improving the tax and NICs exemptions on employer-supported childcare, including how they could offer a better incentive to employers to support childcare provision;
- how well support for childcare costs within tax credits is working, in particular the effect that the increased flexibility has on the ability of parents to adjust their childcare requirements to suit their needs;
- the case for counting unpaid maternity leave as being in work for the purposes of tax credits, to enable families to continue to receive support during this period;
- the case for allowing a mother on paid maternity leave to claim support with the childcare costs for her new child in order to settle her child into childcare prior to returning to work;
- allowing parents to use their full parental leave as one block at the end of maternity, paternity or adoption leave;
- whether to allow fathers time off to attend ante-natal care;
- whether to extend the period of paid paternity leave and/or introduce unpaid paternity leave;
- the case for extending paid paternity leave in cases of multiple births and disabled children; and
- the impact of the new maternity, paternity and adoption leave provisions.

INTRODUCTION

2.1 The context in which mothers and fathers have to fulfil their responsibilities as parents has changed dramatically. More employees than ever have caring responsibilities. This pattern is likely to continue, and business needs to adapt to it. The Government also recognises that helping parents to balance their work and family commitments is central to meeting a number of its policy objectives, including its commitment to halve child poverty by 2010 and eliminate it within a generation.

2.2 In the 1950s, the predominant, though not exclusive, pattern of work within two-parent families was one with the father as the sole breadwinner and the mother in unpaid work at home or in stop-start employment. The policies of employers and government assumed this model.

2.3 Today there is much more diversity in family structures and in the pattern of work. Most two-parent families are also two-earner families. There are more lone parents, more than half of whom are in work. Most women are employed. Throughout the workforce, working hours are more diverse. Despite these changes, women still take on most caring responsibilities, with a disproportionate effect on their lifetime earnings.

2.4 For parents, the challenge of organising caring responsibilities and paid employment are all too often a source of stress. For business, with unemployment low, attracting and retaining the skills of those with caring responsibilities will become increasingly important. Ensuring a secure family environment for children, achieving greater equality between men and women, and raising the productivity of the workforce, all point to the need for public policy solutions to provide better support and choice for families.

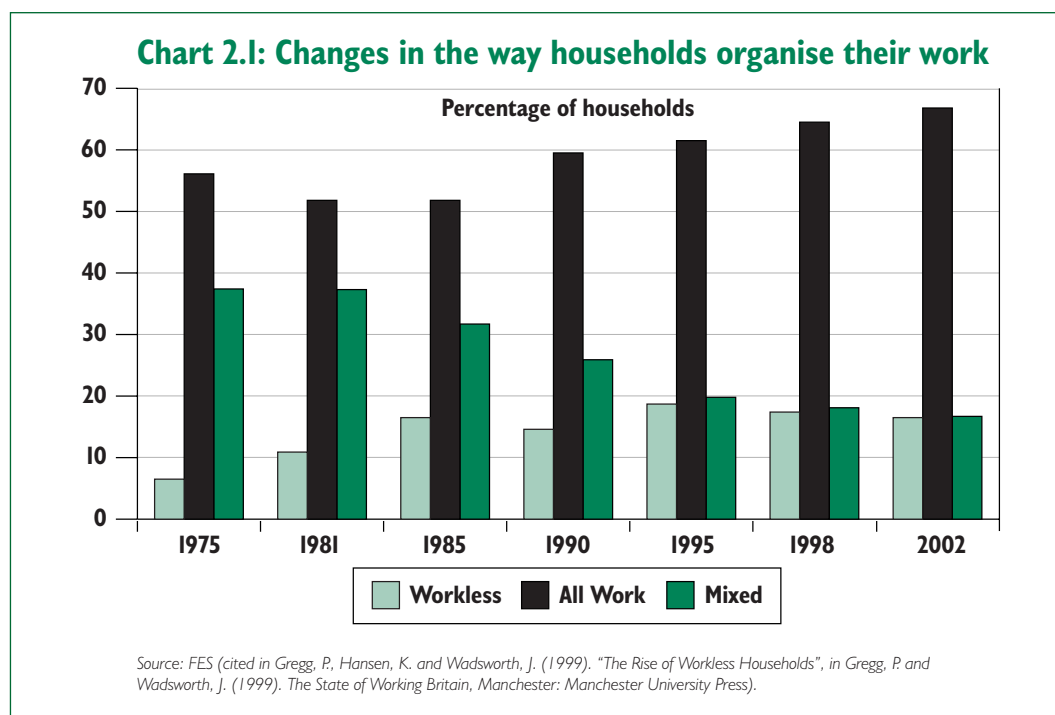
Drivers for change

2.5 A range of social, economic and business factors means that flexible working is now a key issue – for parents and their children, for business and for the economy. The key drivers for change are:

- a transformation in the way families organise their work, with a strong trend among couples away from single-earner towards dual-earner families and sustained growth in lone parent employment;
- a dramatic increase in the proportion of employees with caring responsibilities; and
- the combination of a competitive business environment and the current labour market context, bringing new challenges for employers and employees.

**Transformation
in the way
families organise
their work**

2.6 One of the most striking changes in the labour market over the last two decades has been the dramatic fall in the proportion of single-earner couples – the ‘male sole breadwinner’ model – and the rise in dual-earner couples. Chart 2.1 illustrates the fall in the proportion of households, in which only one person works and at least one working-age person is not in work (comprising largely single-earner couples, labelled ‘mixed’ in the chart). This has been accompanied by a rise in the proportion of households in which all adults are in work, a trend that also reflects the significant rise in single-person households in work.



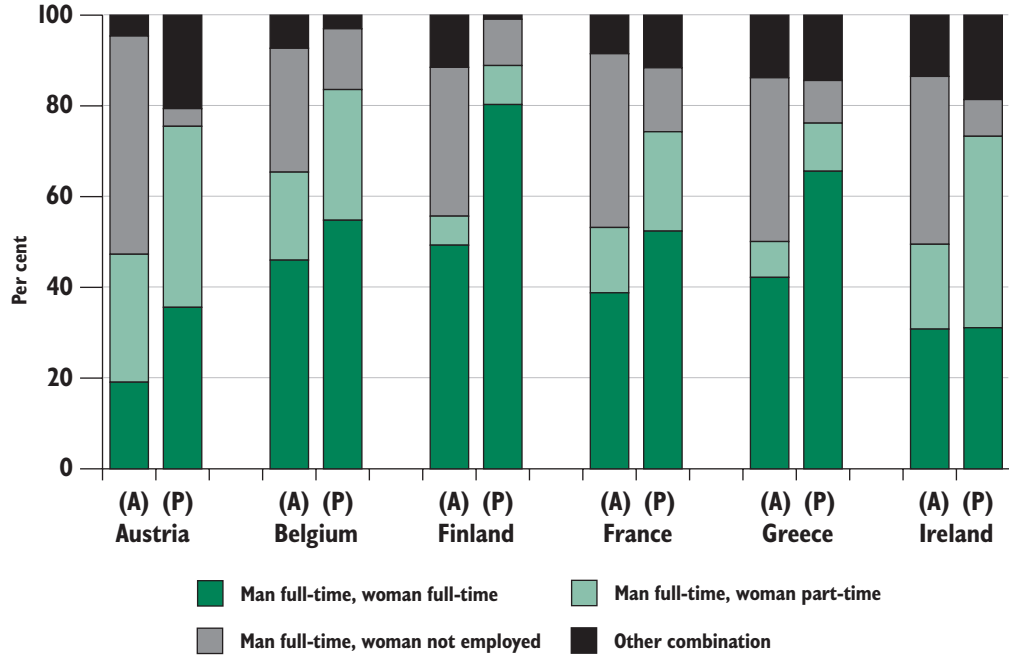
2.7 A further important trend highlighted in Chart 2.1 is the rise in the number of workless households, explained primarily by differential access to work by household status, with access influenced by region and the age and education characteristics of household members, as well as by the previous structure of the tax and benefit system. The trend has also been driven by changes in family structure: the fall in the average number of adults per household has reduced the likelihood that a person out of work will be supported by another household member in work¹.

2.8 The shift from single-earner to dual-earner couples is likely to continue. A 2001 survey² suggested a clear preference across the OECD among couples with children under six to move further from the single-earner model. Charts 2.2 and 2.3 compare actual and preferred employment patterns among parents of young children. In the UK, the preference was particularly strong for one full-time and one part-time earner. If these preferences were realised, the incidence of the single-earner model among couples in the UK would fall by over half.

¹ Gregg, P., Hansen, K. and Wadsworth, J. (1999). "The Rise of the Workless Household", in Gregg, P. and Wadsworth, J. (1999). *The State of Working Britain*, Manchester: Manchester University Press.

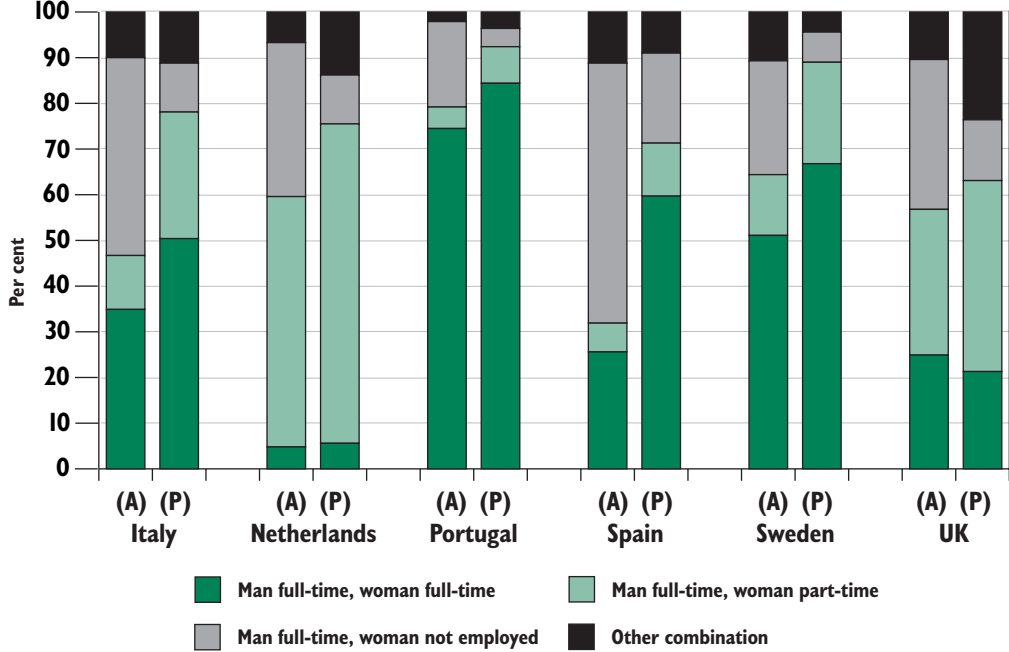
² OECD (2001). *Employment Options for the Future*; OECD calculations in OECD. (2001). *Employment Outlook*, June. Based on survey data.

Chart 2.2: Actual (A) and preferred (P) employment patterns among couple families with a child under six, 1998



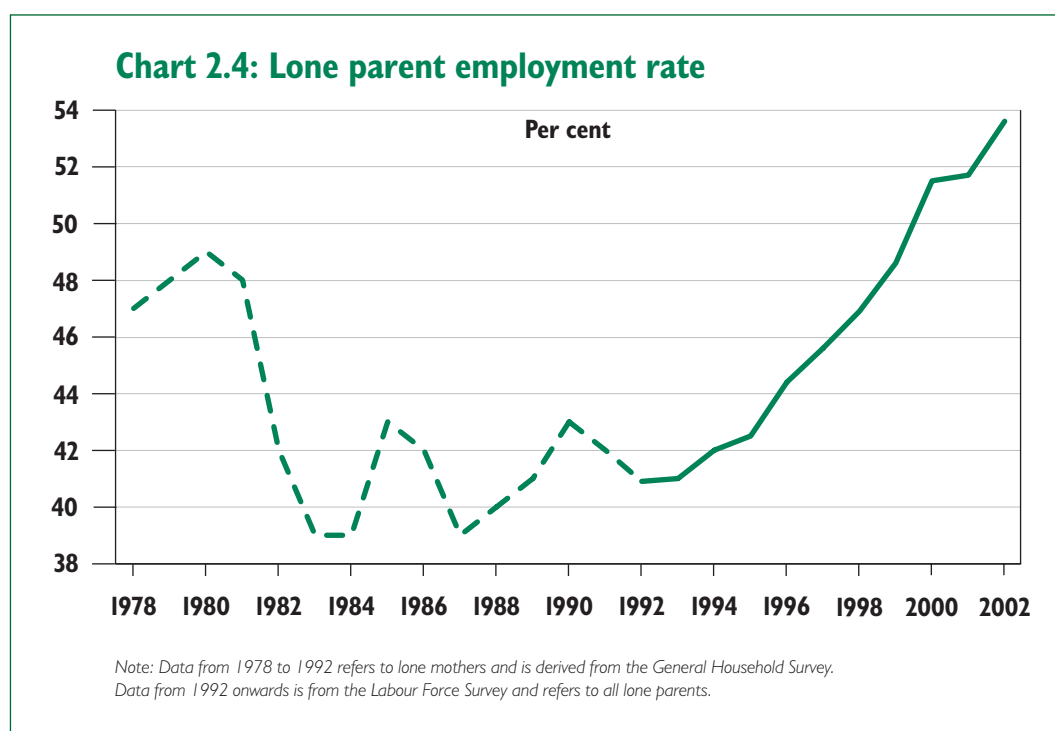
Source: OECD Employment Outlook, June 2001.

Chart 2.3: Actual (A) and preferred (P) employment patterns among couple families with a child under six, 1998 (cont.)



Source: OECD Employment Outlook, June 2001.

2.9 As Chart 2.4 shows, lone parent employment has also grown, rising in the UK from around 46 per cent in 1997 to around 54 per cent in 2002³. The Government's target is to increase this to 70 per cent by 2010, closer to current rates in other major economies.



2.10 These changes have happened alongside another of the most significant labour market developments over the past two decades: the rise of female employment, and the improvement of the labour market position of women compared to men. It is estimated that, since 1997, six million of the additional ten million European Union jobs were taken by women⁴, while in the US almost all of the increase in the employment rate over the past twenty years has been among women⁵. In the case of the UK, an estimated 82 per cent of the extra jobs created between 1998 and 2011 will be taken by women⁶.

2.11 Britain now has one of the highest rates of female employment in Europe. Around 69 per cent of women of working age are in employment, compared to around 65 per cent in 1992. The employment rate of mothers with dependent children has risen from 57 per cent in 1990 to 65 per cent in 2000, significantly closing the gap with fathers. The increase in employment rates has been concentrated among those women with working partners⁷, and those with higher educational qualifications⁸.

³ LFS, spring quarters 1992 to 2002.

⁴ European Commission (2001). *Employment in Europe 2001*.

⁵ Salverda, A., Bazen, S., and Gregory, M. (2001). *The European-American Employment Gap, Wage Inequality, Earnings Mobility and Skill*, European Low Wage Employment Research Network.

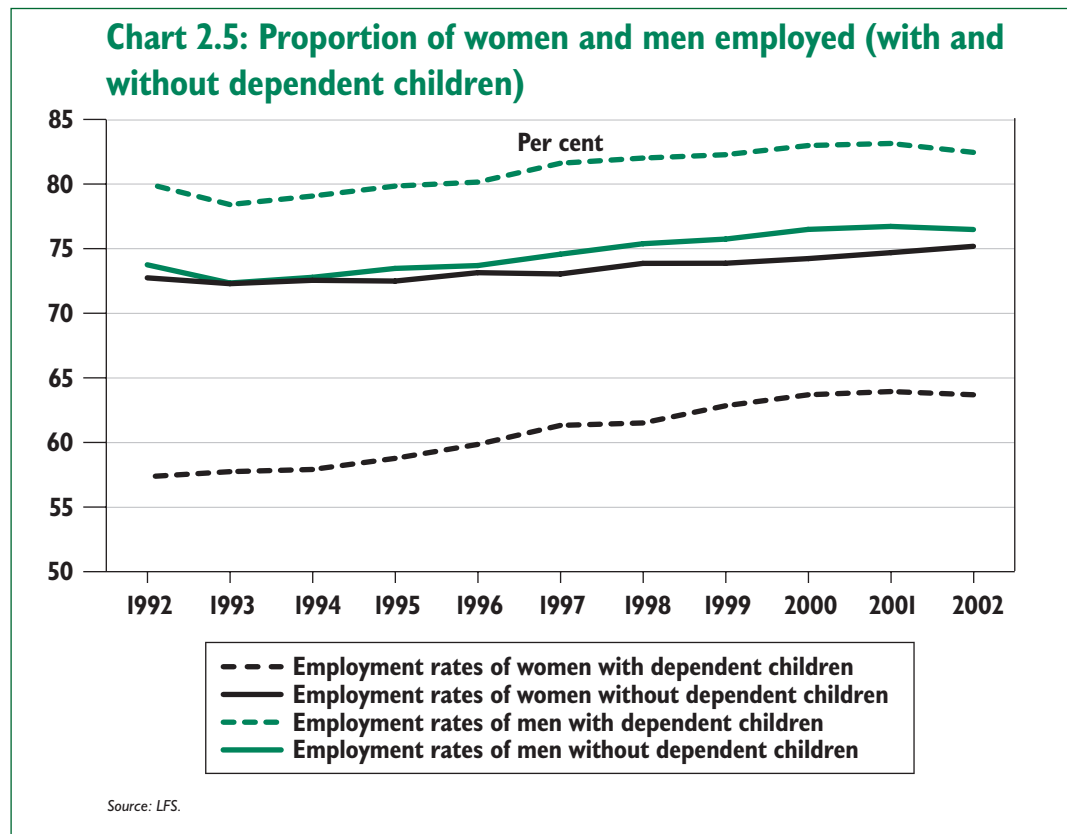
⁶ Armitage, B. and Scott, M. (1998). "British Labour Force Projections: 1998-2011", in *Labour Market Trends*, Vol. 106, No. 6 Pages 281-297, ONS.

⁷ Desai, T., Gregg, P., Steer, J. and Wadsworth, J. (1999). "Gender and the Labour Market", in Gregg, P. and Wadsworth, J. (1999). *The State of Working Britain*, Manchester: Manchester University Press.

⁸ For example, the employment rate of women with A levels has increased by 7.5 percentage points over the last ten years to just over 73 per cent, whilst the rate for those with no qualifications has fallen from around 53 per cent to under 45 per cent (LFS spring 1992 and 2002). In most OECD countries the employment rates of well-educated women have been gaining rapidly on those of fathers, while the employment rates of less well-educated women have tended to stagnate (Evans, J. (2002). *Work/Family Reconciliation, Gender Wage Equity and Occupational Segregation: The Role of Firms and Public Policy*).

2.12 The largest increase in employment rates has occurred among women of child-rearing age⁹. This is reflected in a marked change in the age-employment rate pattern for women. In the mid 1970s, the female employment rate pattern was characterised by a peak for women in their late teens and early 20s (of around 80 per cent), followed by a dip for 30 year olds (to around 40 per cent), and then a second, lower peak for women in their late 40s (of around 60 per cent). By 1998, this had been replaced by a much flatter pattern: fluctuating around 70 per cent and falling from around age 50, reflecting more closely that for men¹⁰.

2.13 Nevertheless, the employment rates for women with dependent children have remained consistently below those of women without dependent children, as shown in Chart 2.5. The employment rates of women without dependent children and men without dependent children have converged, while they are highest for fathers with dependent children.



Dramatic increase in the proportion of employees with caring responsibilities

2.14 These trends partly explain the dramatic increase in the proportion of employees with caring responsibilities. Some 36 per cent of people in work have a dependent child. This figure masks wide variations between men and women, and between those in full-time and part-time work. For women in part-time work, the figure is 56 per cent, while for those in full-time work it is 28 per cent. The equivalent figures for men are 20 and 34 per cent respectively¹¹. The recent inter-departmental Childcare Review¹² concluded that, despite an expected fall of 0.6 million in the number of children between 2000-2011, the changes outlined above will mean that the demand for childcare is likely to continue to rise.

⁹ Desai, T., Gregg, P., Steer, J. and Wadsworth, J. (1999). "Gender and the Labour Market", in Gregg, P. and Wadsworth, J. (1999). *The State of Working Britain*, Manchester: Manchester University Press.

¹⁰ Desai, T., Gregg, P., Steer, J. and Wadsworth, J. (1999). "Gender and the Labour Market", in Gregg, P. and Wadsworth, J. (1999). *The State of Working Britain*, Manchester: Manchester University Press.

¹¹ Family Resources Survey 2000-01.

¹² Strategy Unit (2002). *Delivering for Children and Families*, report of the Inter-Departmental Childcare Review, Department for Education and Skills, Department for Work and Pensions, HM Treasury, Women and Equality Unit, Strategy Unit.

Economic and competitive pressures

2.15 Today's global economy presents employers with new challenges. Businesses need to be able to adapt to a rapidly changing market environment, driven by increased competition, technology and rising customer expectations. Achieving and retaining competitive advantage means businesses have to be more innovative and effective not only in meeting customer needs, but also in managing their human resources¹³.

2.16 An historically tight labour market, with employment now at 74.3 per cent and unemployment at 5.3 per cent, means that employers face a particular challenge in attracting and retaining valuable and skilled workers. Half of all employers reported experiencing problems with staff retention in 2001¹⁴. Not only does this have implications for the stability and knowledge base of organisations, but it also impacts on recruitment costs. A recent survey¹⁵ found that typical average recruitment costs are now £3,462 per person.

2.17 Within this context, and as the rate of growth of the working age population continues to slow, effectively utilising the skills of employees with caring responsibilities has become a business imperative. To do this, businesses need to turn to more flexible management practices that enable parents to balance better their work and family lives.

2.18 For many employees, a key characteristic of the labour market in the UK is the long hours culture. Full-time employees in the UK are working longer hours than their European counterparts, as illustrated in Chart 2.6, around 43.5 hours a week compared to a European Union average of 40.1 hours¹⁶. Chart 2.7 shows that this is true for both men and women, though men tend to work the longest hours. According to recent data, 26 per cent (3 million) of male full-time employees said that they usually worked over 48 hours a week compared to 12 per cent (0.8 million) of full-time female employees¹⁷. A research study for the DTI found that men with children are slightly more likely to work long hours than those without. Conversely, women with children are less likely to work long hours¹⁸. The increase in the average number of hours worked per week continues the trend over the last decade, and reflects the rise in the number of hours of paid and unpaid overtime¹⁹.

¹³ DTI (2001). *Work-life Balance, The Business Case*.

¹⁴ CIPD. (2002). *Recruitment and Retention*, survey, May.

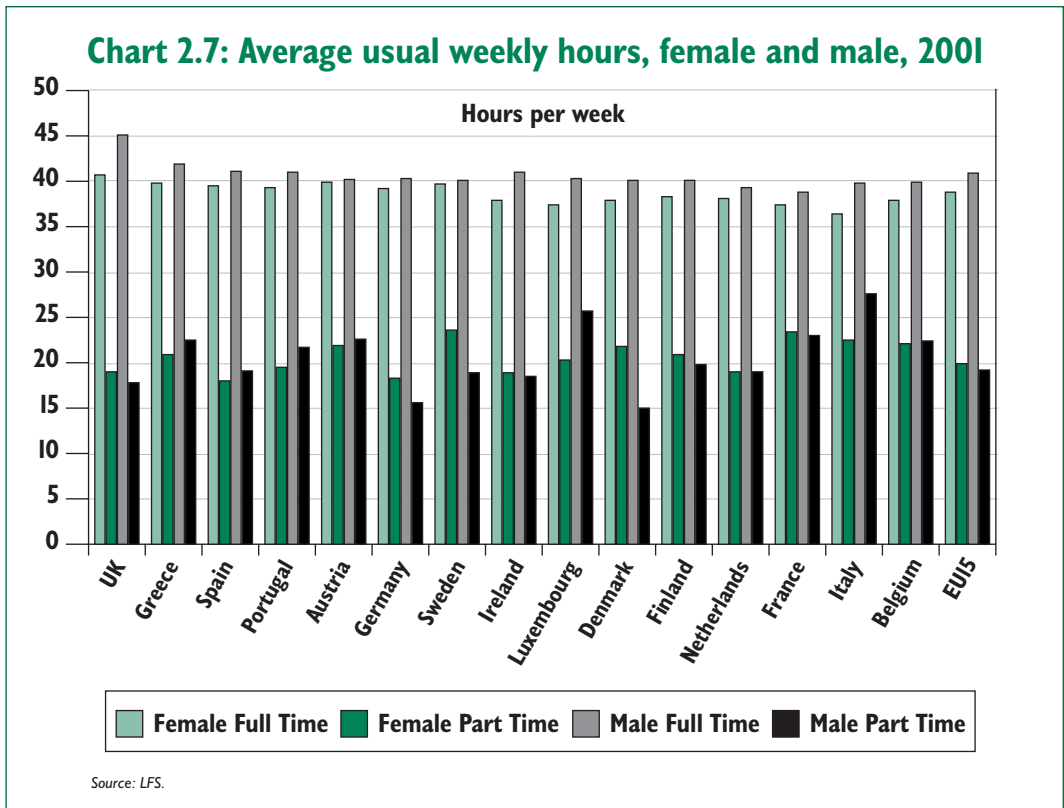
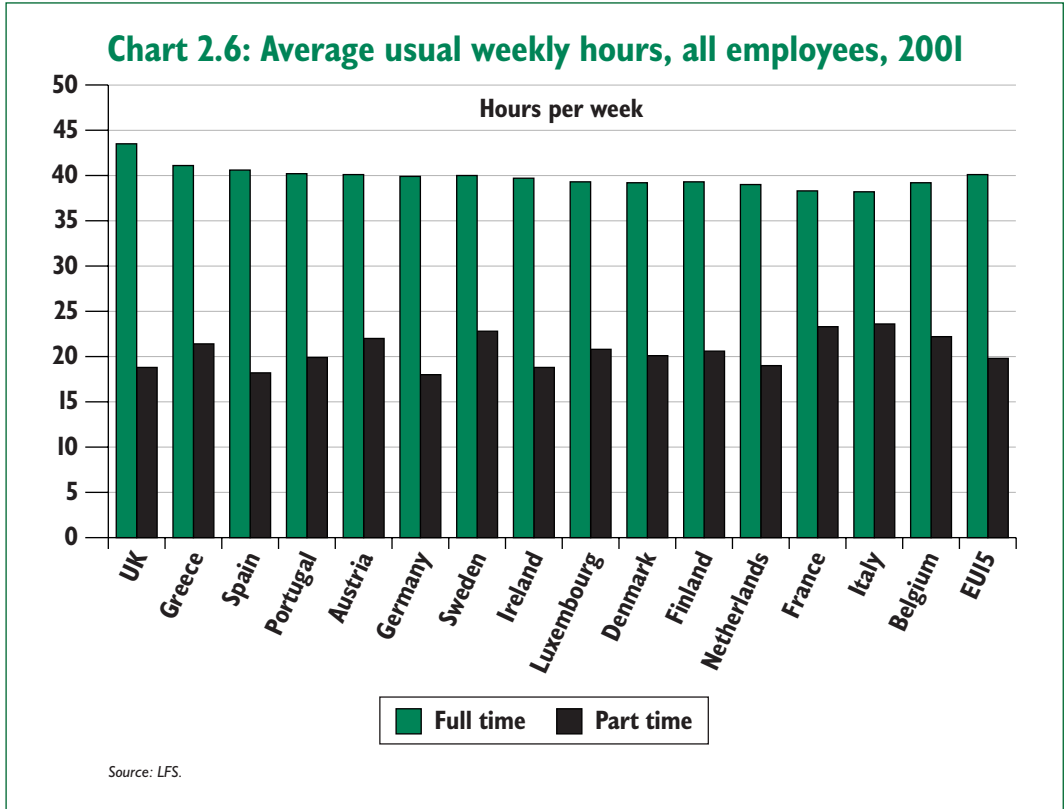
¹⁵ CIPD. (2002). *Labour Turnover*, survey, October.

¹⁶ Eurostat 2001.

¹⁷ LFS spring 2002.

¹⁸ IES. *Working Long Hours: a review of literature, data analysis and international case study research*, report for DTI by Institute for Employment Studies, Unpublished, except for executive summary (available on DTI website).

¹⁹ Harkness, S. (1999). "Working 9 to 5?", in Gregg, P. and Wadsworth, J. (1999). *The State of Working Britain*, Manchester: Manchester University Press.



2.19 The picture is different for self-employed and part-time employees, with both groups working among the shortest weekly hours in the European Union. Given the relatively high proportion of part-time workers in the workforce, the average working week across the entire UK employed population is close to the European Union average.

2.20 This chapter has outlined the key social, economic and business drivers that have moved the issue of balancing work and family life centre stage for parents, business and the Government. The next chapter explores the implications of these trends and the benefits of supporting parents to achieve this balance.

INTRODUCTION

3.1 The trends highlighted in the previous chapter have important implications for families and children, business and government. This chapter looks at the key implications, as well as the clear benefits that result from supporting parents and giving them choices in organising their work and family commitments.

FAMILIES

Children 3.2 Good parenting and strong family relationships are key factors in providing children with the best possible start in life. Helping mothers and fathers to balance work and family life can, by helping them meet their parenting responsibilities, have positive impacts on their children's health, schooling and prospects in later life. A US study suggests that children whose parents have more control over their work-life balance report less stress and are likely to be happier¹. Difficulties in managing this balance, can have a detrimental impact on the quality of the relationships between parents and children and the parent's responsiveness to the child, with implications for child outcomes². This is particularly important for very young children, with evidence suggesting that it is best for children if they can receive intensive parental contact for the first months³.

3.3 Other studies suggest that work patterns such as long hours, and the strain placed on families in juggling their work and family responsibilities, can have a negative impact on family relationships⁴ and health⁵. The early years of parenting can be particularly difficult, especially immediately after the birth of a child⁶.

3.4 Supporting low-income parents is particularly important. Low-skilled workers and their families are particularly at risk of parental and family stress, because their earnings are lower and they tend to have less choice over how they balance their work and family responsibilities.

¹ Galinsky, E. (1999). *Ask the Children*. US study cited in Daycare Trust (2001).

² Pocock, B. (2001). *The effect of Long Hours on Family and Community Life*. A report for the Queensland Department of Industrial Relations.

³ Joshi, H. and Verropoulou, G. (2000). *Maternal Employment and Child Outcomes*, Smith Institute.

⁴ CIPD (2001). *Married to the Job*, June, survey.

⁵ IES. *Working Long Hours: a review of literature, data analysis and international case study research*, report for DTI by Institute for Employment Studies, Unpublished, except for executive summary (available on DTI website).

⁶ Parkhurst, L. (2000). *Early Days - a Strategy for Early Intervention and Prevention*, presented at Parenting Education and Support National Conference, 21 September 2000.

3.5 Employee surveys⁷ highlight dissatisfaction with hours worked, with a recent study suggesting that parents are not content with the amount of time they are able to spend with their children, reading, playing and helping them with their homework. One study found that over half of full-time workers were concerned about having too little time with their families, with a quarter believing that it would be impossible to have a good family life and progress in their current job⁸.

Fathers 3.6 Fathers are more likely to work long hours, and therefore it is generally they who miss out most on the opportunity to share in the upbringing of their children.

3.7 Supporting greater participation of men in family responsibilities is important to the objective of gender equality, and as important as increasing women's ability to participate in the labour market. Mothers still bear a disproportionate burden of caring responsibilities compared to fathers, even when both are in full-time employment. On average in the OECD, full-time working mothers still spend around twice as much time on unpaid work as fathers⁹.

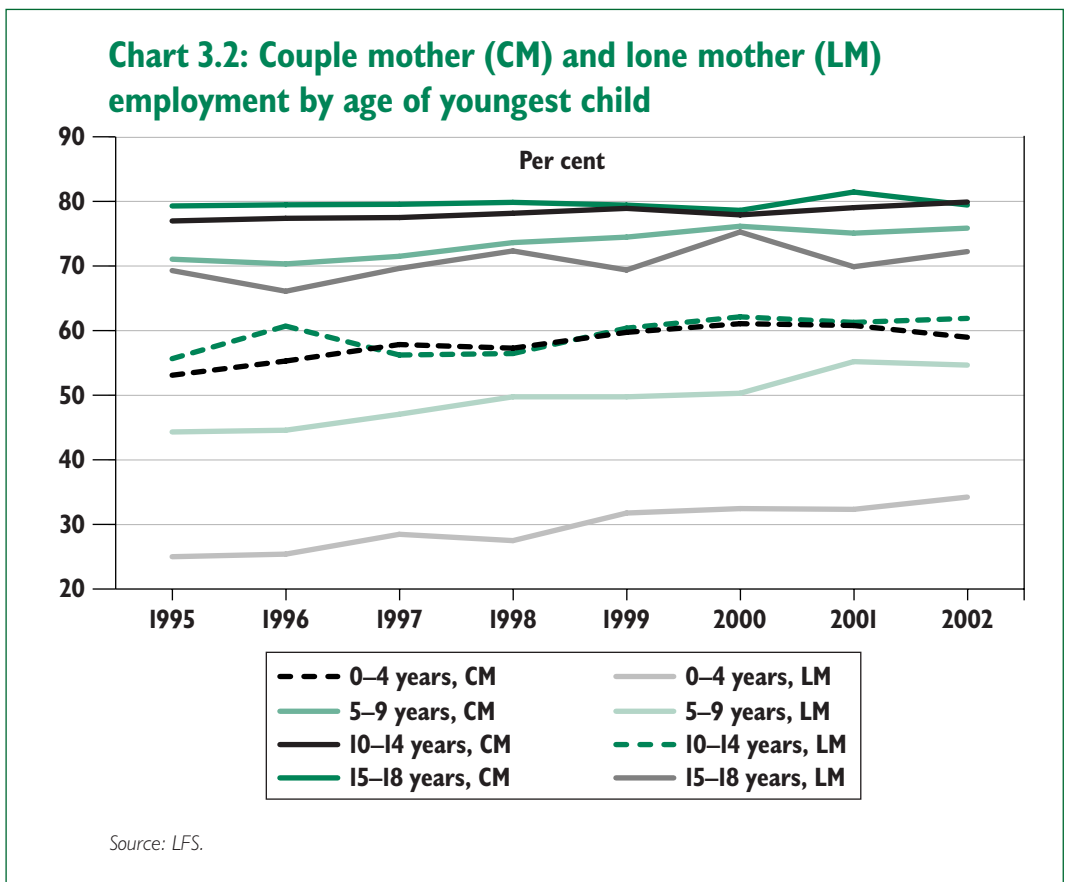
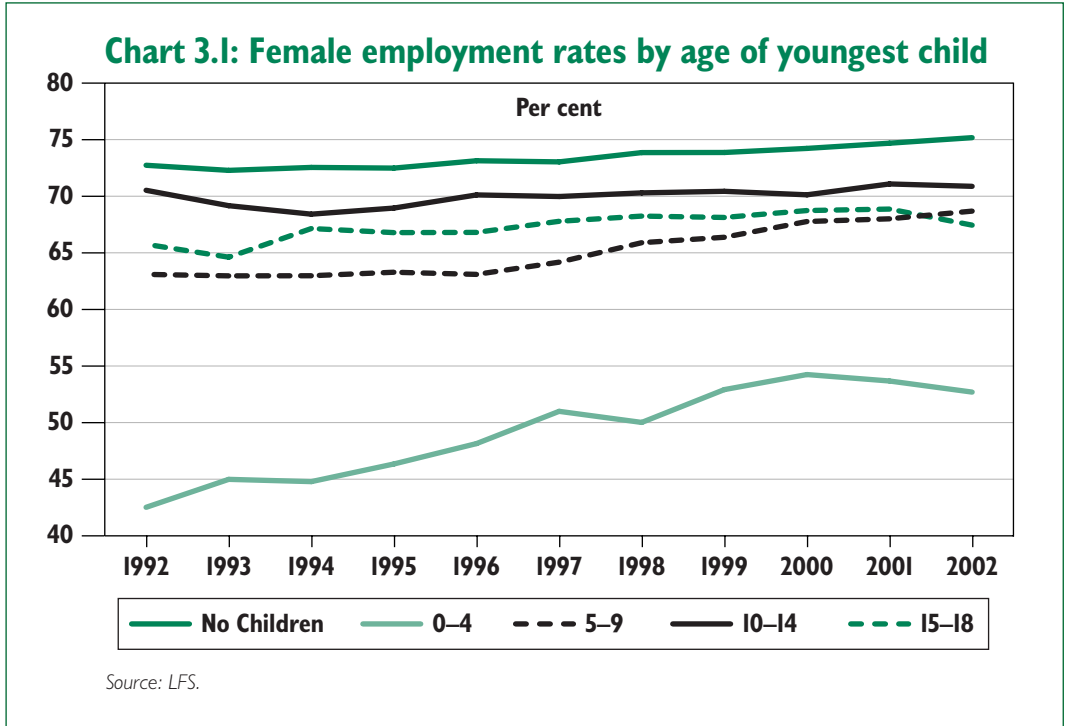
Mothers 3.8 For mothers, family responsibilities often have a significant and disproportionate effect on their employment patterns and earnings prospects. As Chart 3.1 illustrates, while the link is not absolute, caring responsibilities seem to have an impact on women's employment rates. Employment rates for mothers with children under six are lower than those for mothers of older children and for those without children. While the gap has been closing, it remains significant. The most recent data suggest that 1.2 million women with children under six are economically inactive because they are looking after their family¹⁰. Chart 3.2 highlights the fact that the impact of caring responsibilities appears to be particularly significant for lone mothers with young children.

⁷ See for example, Taylor, R. (2002). *Britain's World of Work - Myths and Realities*, ESRC Future of Work Programme, based on survey work (*Working in Britain in the Year 2000*) by the Policy Studies Institute and the London School of Economics; CIPD (2001). *Married to the Job*, June, survey.

⁸ Pocock, B. (2001). *The effect of Long Hours on Family and Community Life*. A report for the Queensland Department of Industrial Relations.

⁹ OECD. (2001). *Employment Outlook*, June.

¹⁰ LFS spring 2002.



3.9 The imbalance in caring responsibilities between men and women is reflected in the fact that women take significantly more time out of the labour market than men in order to care for children. These short or long interruptions in their employment translate into lower earnings, reflecting, for example, the depreciation of their skills and reduced level of work experience compared to those who have not had to take time out^{11,12}. Women who return to employment after one year's gap receive a wage which is on average 16.1 per cent less than the one that they had before, a wage penalty that is more than double that faced by men¹³. A recent study concluded that greater interruptions to employment due to family care by women as compared with men were associated with around one seventh of the total gender pay gap^{14,15}.

3.10 The impact on women's life-time earnings is exacerbated by the fact that many who have previously worked full-time return to part-time work after maternity leave. The proportion returning to work part-time rose from 29 per cent to 42 per cent between 1988 and 1996, though the number returning full-time also rose (from 15 per cent to 24 per cent)¹⁶.

3.11 Overall, as Chart 3.3 shows, the UK's rate of female part-time work is the second highest in Europe, 44.4 per cent compared to a European Union average of 33.8 per cent, and most employees in part-time work are women (79 per cent)¹⁷, a pattern that is reflected across the European Union. The incidence of part-time work varies between countries. For example, in the UK the majority of women in couples with young children and a partner in full-time work tend themselves to have part-time rather than full-time jobs, as is the case in the Netherlands and Germany. In contrast, in the US, France, Italy and Spain the majority have a full-time job¹⁸.

3.12 To a large extent, the predominance of part-time working reflects choice: in the UK, according to survey data in 2000, almost 73 per cent of women working part-time said that they did not want a full-time job¹⁹. Survey evidence also suggests that around two-thirds of women considering returning to work would prefer a part-time job, and three-quarters would accept one²⁰. In addition, it is clear that the availability of part-time employment opportunities has been key to boosting female employment rates. European Union data suggest countries with a higher incidence of part-time work tend also to have higher female employment rates, though this relationship is not absolute.

¹¹ Sylvia Walby, S. and Olsen, W. (2002). *The impact of women's position in the labour market on pay and implications for UK productivity*, report to the Women and Equality Unit.

¹² Women's Unit (2000) *Women's Incomes Over the Lifetime*. (London: Stationery Office).

¹³ Gregg, P. (1998). "The impact of unemployment and job loss on future earnings" in HM Treasury (1998). *Persistent Poverty and Lifetime Inequality: The Evidence*. Occasional Paper No. 10.

¹⁴ Sylvia Walby, S. and Olsen, W. (2002). *The impact of women's position in the labour market on pay and implications for UK productivity*, report to the Women and Equality Unit.

¹⁵ In April 2002, women's average hourly earnings were around 81 per cent of men's for full-time employment, though the gap has narrowed significantly from 63 per cent in 1970 (Women and Equality Unit, 2002).

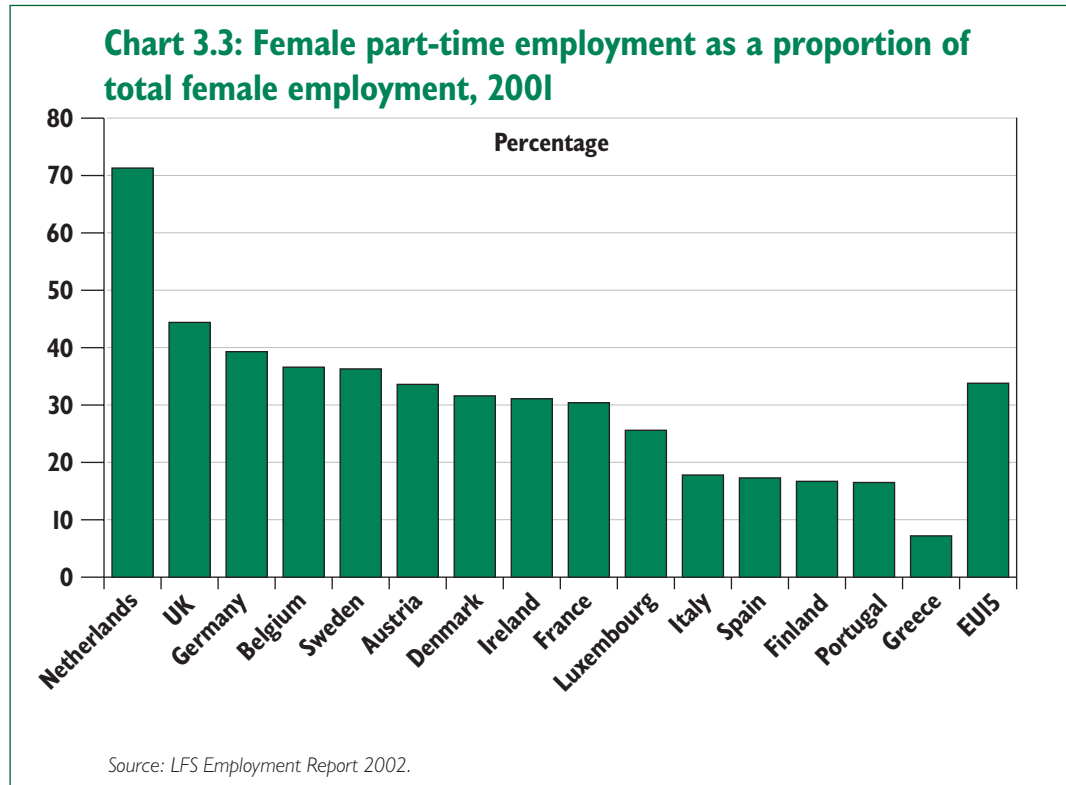
¹⁶ Women and Equality Unit data, 2002.

¹⁷ LFS Employment Report 2002; LFS 2002.

¹⁸ OECD. (2001). *Employment Outlook*, June. In the UK, of those couple families with children aged under six and with both partners in employment including a male in full-time employment, 66 per cent included a female in part-time work in 1999. The figures for the Netherlands and Germany were 92 per cent and 56 per cent, respectively. The picture is very different in the US (34 per cent), France (39 per cent), Italy (23 per cent) and Spain (18 per cent).

¹⁹ Eurostat (2000). *European Social Statistics - Labour Force Survey Results 2000*.

²⁰ *Employment in Europe 2001*, European Commission 2001.



3.13 However, the prevalence of part-time work may reflect the absence of other flexible working options that enable people to combine full-time work with family responsibilities. As in many countries, the nature of part-time work in the UK generally means lower pay and more limited training and career progression prospects²¹.

3.14 Furthermore, a significant proportion of mothers do not return to the labour market. A 2001 study found that 63 per cent of women in employment at the time of birth returned to work at the end of their maternity leave. That figure increases to 74 per cent 12 months after the birth.²² However, lower skilled, lower paid women are less likely to retain labour market attachment²³.

3.15 Supporting mothers' ability to balance work and family responsibilities can have significant benefits for their labour market attachment and earnings. Women with rights to maternity leave are more likely to return to work after child-birth, return to the same employer and return sooner^{24,25}. Maternity rights also appear to increase job tenure among women with children²⁶ and reduce the risk of wage penalties associated with taking an employment break²⁷.

²¹ Sylvia Walby, S. and Olsen, W. (2002). *The impact of women's position in the labour market on pay and implications for UK productivity*, report to the Women and Equality Unit.

²² Women and Equality Unit (2001). *Parents' perceptions of and attitudes towards Government work-life balance initiatives - a survey of parents*, survey.

²³ Sylvia Walby, S. and Olsen, W. (2002). *The impact of women's position in the labour market on pay and implications for UK productivity*, report to the Women and Equality Unit.

²⁴ Waldfogel, J. and Berger, L. (2001). *Maternity Leave and the Employment of New Mothers in the United States*, mimeo Columbia University.

²⁵ Callendar, C., Millward, N., Lissenburgh, S. and Forth, J. (1997). *Maternity Rights and Benefits in Britain in 1996*, Department for Social Security Research, Report no.67.

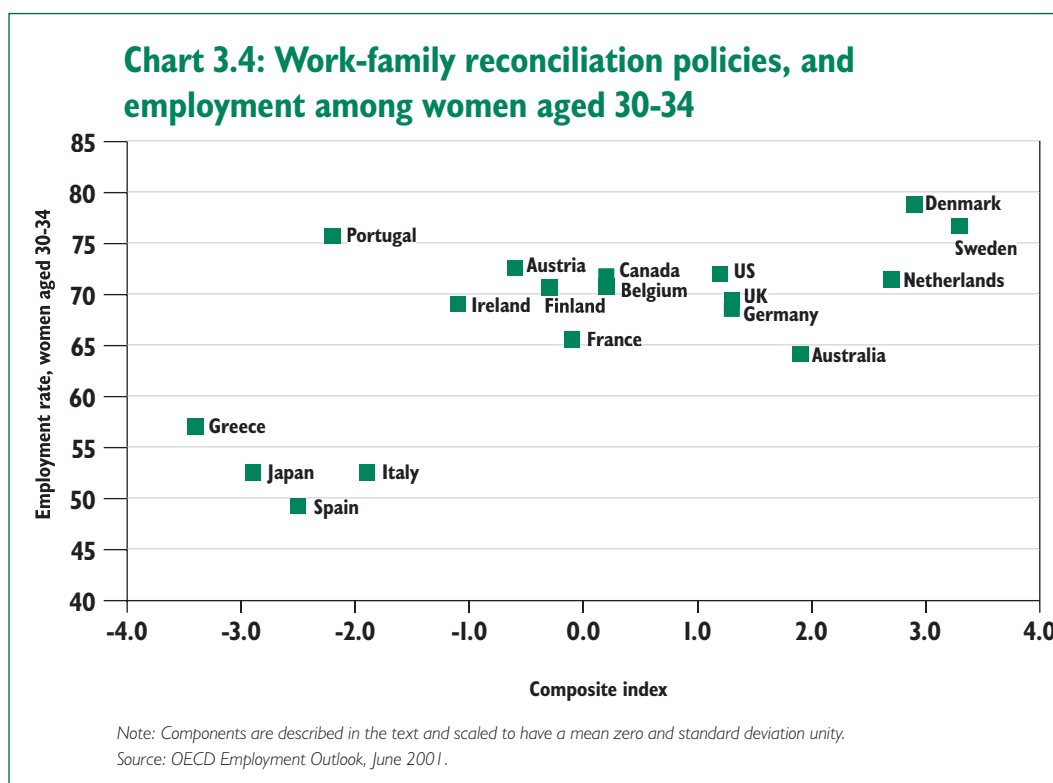
²⁶ Desai, T., Gregg, P., Steer, J. and Wadsworth, J. (1999). Gender and the Labour Market, in Gregg, P. and Wadsworth, J. (1999). *The State of Working Britain*, Manchester: Manchester University Press.

²⁷ Joshi, Heather and Periella Paci (1998) *Unequal Pay for Women and Men: Evidence from the British Birth Cohort Studies*. (Cambridge, Mass.: MIT Press) cited in Sylvia Walby, S. and Olsen, W. (2002). *The impact of women's position in the labour market on pay and implications for UK productivity*, report to the Women and Equality Unit.

3.16 A recent study²⁸ found that mothers with maternity rights are disproportionately more likely to return to work when paid and unpaid leave cease (at four and seven months), though the characteristics of women returning at these two points varies. Less skilled women and those with non-working partners tend to return at four months, while professional and managerial women with working partners tend to return at seven months. The study concluded that having rights encourages around 20 per cent more women to return to their previous job before seven months than would otherwise be the case.

3.17 Access to flexible working options on return from maternity leave can also be an important factor in the decision to return to work. One survey found that 92 per cent of non-working mothers said that flexible working arrangements would be either essential or important to help them back into work²⁹. In a study conducted in 2000³⁰, ten per cent of mothers who did not return to work after giving birth cited a lack of flexible working arrangements as a barrier to their returning to work. Another important factor is access to good quality childcare. As the inter-departmental Childcare Review³¹ report noted, available, affordable childcare is important in helping mothers enter and remain in work.

3.18 The OECD has demonstrated a strong correlation, illustrated in Chart 3.4, between a composite index of policies to balance work and family life and the employment rate for women aged 30-34 (when their employment is most likely to be affected by child-rearing and childcare)³². The index includes: childcare coverage for the under-threes; maternity pay entitlement; extra-statutory leave provision by firms; voluntary part-time working; and other



²⁸ Burgess, S., Gregg, P. and Proffer, C. (2002). *Maternity Rights and Mothers' Return to work*, unpublished.

²⁹ Women and Equality Unit (2001). *Parents perceptions of and attitudes towards Government work-life balance initiatives - a survey of parents*, survey.

³⁰ Work-life Balance study (2000) conducted for DfEE.

³¹ Strategy Unit (2002). *Delivering for Children and Families*, report of the Inter-Departmental Childcare Review, Department for Education and Skills, Department for Work and Pensions, HM Treasury, Women and Equality Unit, Strategy Unit.

³² OECD. (2001). *Employment Outlook*, June.

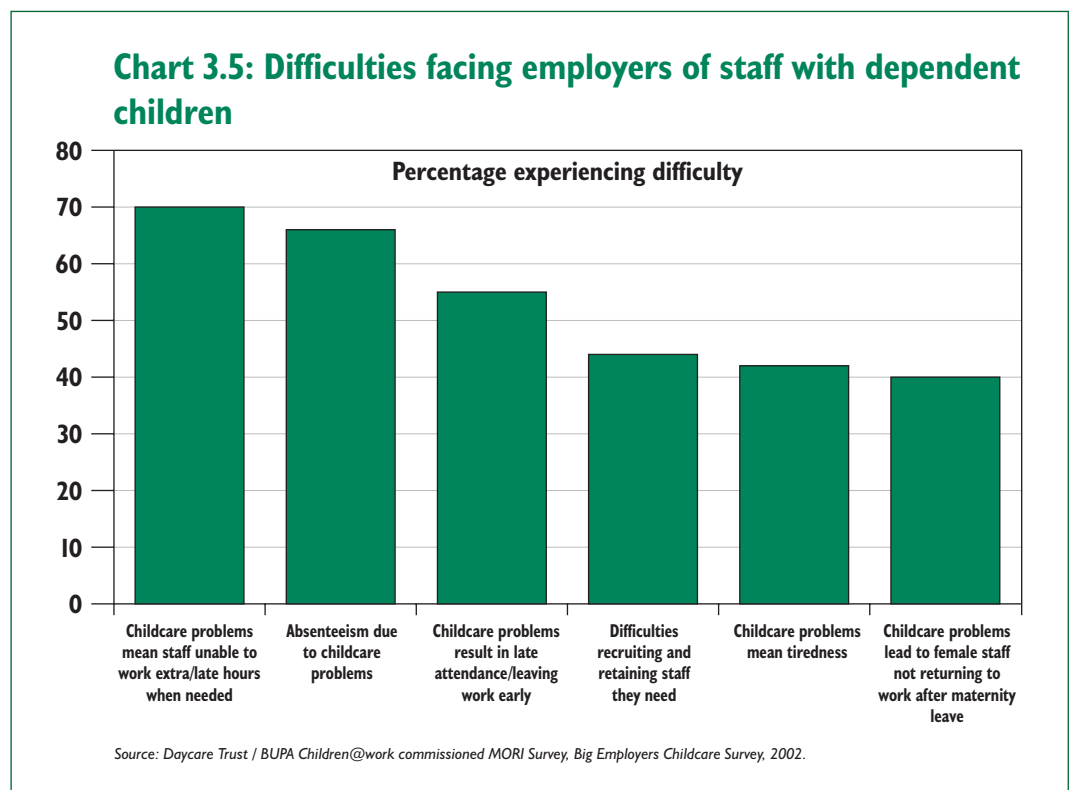
flexi-time working. The UK has a high positive reading, though its strong composite index reflects female part-time working to a greater extent than most other countries with strong scores. Countries that first introduced policies to balance work and family life now have the highest levels of female employment.

3.19 Helping parents to balance work and family responsibilities therefore has potentially very important benefits for families - children, fathers and mothers.

BUSINESS

3.20 Businesses are already reporting difficulties in recruiting and retaining the staff they need due to the pressure of caring responsibilities, as illustrated in Chart 3.5 which summarises results of a recent survey of large employers³³. A significant proportion of employers are enhancing family-friendly practices to tackle these issues. A survey of employers³⁴ found that over 30 per cent of those who had experienced problems of staff retention had improved family-friendly benefits in order to keep their staff. Over 40 per cent of employers in the same group said that they were providing employees with the opportunity to work more flexible hours to improve staff retention.

3.21 Businesses recognise that the importance of supporting their employees is likely to grow. The survey³⁵ summarised in Chart 3.5 also found that around nine out of ten big employers believe family friendly employment policies will become more important over the next five years. This is reflected in surveys of young people and potential recruits, which show a strong preference for a better work-life balance³⁶.



³³ MORI (2002). *Big Employers Childcare Survey*. Published by Daycare Trust and BUPA Children@work.

³⁴ CIPD (2002). *Recruitment and retention*, May, survey.

³⁵ MORI (2002). *Big Employers Childcare Survey*. Published by Daycare Trust and BUPA Children@work.

³⁶ See for example, research by Demos, "Generation X".

3.22 Many employers who have implemented flexible working to support their employees' work-life balance choices report clear benefits. Examples of the options offered by employers are set out in Box 3.1. Survey and case study evidence suggests a number of specific pay-offs³⁷:

- staff morale improves and absenteeism decreases³⁸;
- skilled staff are retained and better returns are gained from training³⁹;
- staff turnover decreases;
- staff are easier to attract and recruitment costs are reduced⁴⁰; and
- changing market conditions are dealt with more effectively.

Box 3.1: Employer support for balancing work and family life

Employers can help employees to balance work and family life in a number of ways:

- **Leave:**
 - extra-statutory maternity, paternity and adoption pay/leave;
 - extra-statutory parental leave;
 - career breaks; and
 - extra-statutory emergency leave to deal with a sick child or problems with childcare.
- **Work arrangements:**
 - reduced working hours (part-time, term-time working, school hours working, voluntary reduction of hours, job share);
 - changed working hours (flexi-time, compressed working week, annualised hours, staggered working hours, shift working, time off in lieu); and
 - alternative location (home/tele-working).
- **Childcare support:**
 - childcare vouchers;
 - workplace nurseries; and
 - other financial support with the costs of care.
- **Training and information:**
 - information on statutory and extra-statutory maternity, paternity and adoption leave;
 - information on tax credits;
 - information on local childcare providers; and
 - retraining for parents preparing to re-enter work.

³⁷ Work and Parents Taskforce (2002). *About Time: Flexible Working*. For examples of relevant research and survey material see for example: Workplace Employment Relations Survey 1998; Work-life balance baseline survey 2000; Institute for Employment Studies (1998). *Family-friendly employment - the business case*; Income Data Services (2002) study no. 725 March 2002.

³⁸ The costs of absenteeism are significant. It has been estimated that ten working days will be lost per employee in 2002 at a cost of £522 per employee a year (Chartered Institute of Personnel and Development (2002). *Employee absence 2002: a survey of management policy and practice*). Projecting this across the UK workforce equates to around £13 billion a year. This excludes the indirect costs in terms of lower customer satisfaction and poorer product/service quality.

³⁹ Around a third of mothers do not return to work at the end of their maternity leave. If the new rights resulted in a 10 per cent reduction in this proportion, then around 10,000 mothers more would remain in employment, saving employers up to £39 million a year in recruitment costs alone.

⁴⁰ Typical recruitment costs of replacing an individual have been estimated at £3,462, ranging from £1,302 for an unskilled manual worker to over £5,699 for a professional employee (Chartered Institute of Personnel Development, 2002).

3.23 One study has found that family-friendly work practices are associated with above average financial performance, above average labour productivity and reduced labour turnover among private-sector firms⁴¹. Research showed some evidence of increased employee commitment in private-sector firms as a result of provision of flexible work arrangements.

3.24 A more recent analysis⁴² of survey data found that family-friendly policies had a positive relationship with at least one dimension of organisational performance. Some 97 per cent of highly family-friendly workplaces had above average financial performance, compared to only 59 per cent of workplaces with typical characteristics, and 55 per cent of those with no family-friendly policies. Broadly, options that allow employees to balance their work and family responsibilities while maintaining a full-time presence in the workplace are associated with better performance, as well as better career prospects for the employees themselves.

GOVERNMENT

3.25 The factors set out in the previous chapter also have important implications for a number of Government objectives, in particular those for employment, child poverty and productivity.

Employment 3.26 More than ever, families face challenges in balancing work and home responsibilities. Low income families often face the least choice; helping them manage this balance is key to increasing the employment rates of disadvantaged areas and groups. The challenges are especially great for lone parents. In a 2001 survey, 19 per cent of lone parents cited not being able to afford childcare as the reason for not looking for a job offering 16 hours work or more per week, while 15 per cent cited the lack of childcare availability⁴³. While not the only, nor most significant, factor, assisting lone parents gain access to childcare is important in helping them move into and progress in work.

Child poverty 3.27 The Government's strategy for tackling child poverty recognises that, for those who can work, moving into and remaining in work are the best ways to reduce and prevent poverty. Some 80 per cent of children living in households where no-one works have household incomes below 60 per cent of the median⁴⁴. Around two-thirds of the movements out of low income in the early 1990s in the UK occurred because people started work or increased their earnings⁴⁵. Low-income workless families with children face a number of barriers to moving into work. These barriers are particularly acute for lone parents, where there is just one carer in the household.

3.28 At the same time, people engaged in low-skilled, low-paid work often have less choice about how they balance work and family commitments. Enhancing the support and choice available to parents to organise their work and home responsibilities will help low-income parents remain and progress in work and will lead to other direct benefits for children, as outlined at the beginning of this chapter.

⁴¹ Dex, S. and Smith, C. (2002). *The nature and pattern of family-friendly employment policies in Britain*, published for the Joseph Rowntree Foundation by The Policy Press as part of the Family and Work series.

⁴² Gray, H. (2002). *Family-Friendly Working: What a Performance! An Analysis of the Relationship Between the Availability of Family-Friendly Policies and Establishment Performance*. Centre for Economic Performance.

⁴³ Department for Work and Pensions analysis (unpublished); data from the Families and Children Survey 2001.

⁴⁴ HBAI data.

⁴⁵ LFS data; HM Treasury (1999). *Supporting Children Through the Tax and Benefit System*, The Modernisation of Britain's Tax and Benefit System, Number Five.

Productivity 3.29 Improving labour market flexibility is consistent with the Government's productivity objectives. At the level of individual businesses, as set out in more detail in the next chapter, there are clear productivity benefits from particular forms of flexible working. A more effective use of human resources within the economy, including the better utilisation of the skills of those with caring responsibilities, is likely to have a beneficial impact on the UK's productivity. It is clear that an efficient labour market – one where the pool of labour is maximised and utilised to its full – is essential to the UK's competitiveness.

3.30 This chapter has set out the clear benefits of helping parents to balance work and family life: benefits for parents themselves, their children, and their employers, as well as the links to wider Government objectives. For these reasons, the Government is committed to enhancing the level of support and choice available to parents. While work-life balance policies can clearly help all employees, a message promoted through the Work-Life Balance Campaign, the Government recognises that parents, especially those of young children, face particular challenges and therefore need additional support.

3.31 The next chapter outlines the significant changes that will come into effect from April this year as part of the wider policy context of measures to enhance choice and support for families.

4

ENHANCING CHOICE AND SUPPORT FOR FAMILIES

INTRODUCTION

4.1 The Government is committed to giving parents more choice and support to balance their work and family responsibilities. The prime responsibility for raising children clearly rests with parents, but the Government has a role to help parents fulfil this responsibility. The changes the Government is introducing from this April represent a step change in the level of choice and support for parents, and they will benefit employees, their children and their employers. This chapter outlines the key measures being introduced and sets out possible next steps in the Government's strategy.

4.2 The Government's strategy for enabling mothers and fathers to meet their responsibilities as parents includes:

- supporting parents' choices to balance work and family life;
- tailoring financial support to families' circumstances;
- enhancing access to good quality childcare and parenting services; and
- working in partnership with business to promote the benefits of flexible working and support the take up of best practice approaches.

4.3 Box 4.1 summarises the key measures coming into effect this April.

Box 4.1: Summary of April 2003 measures**Supporting parents' choices to balance work and family life:**

- parents of children aged under six and disabled children aged under 18 will have the right to apply to work flexibly and their employers will have a duty to consider their requests seriously;
- the standard rate of Statutory Maternity Pay (SMP) will increase from £75 to £100 a week - the largest increase in forty years taking into account the change in April 2002;
- maternity leave will increase to 26 weeks Ordinary Maternity Leave and 26 weeks unpaid Additional Maternity Leave;
- two weeks Statutory Paternity Pay (SPP) will be introduced to be taken following the birth of a child or the placement of a newly adopted child. Payment will be at the same standard rate as SMP. Low-paid fathers will be granted access to Income Support for the duration of their paternity leave; and
- Statutory Adoption Pay (SAP) will be introduced for the same duration and at the same flat rate as SMP for parents adopting a child newly placed with them.

Tailoring financial support to families' circumstances:

- two new tax credits will be launched. The Child Tax Credit will provide a single, seamless system of support for families with children, whether or not they are in work, with extra support in the first year of a child's life, while the Working Tax Credit will help make work pay for people with or without children.

Enhancing access to good quality childcare and parenting services:

- eligibility for the childcare element of the Working Tax Credit will be extended to those who use approved childcare in their own home, for instance benefiting parents who work outside conventional hours.

Working in partnership with business:

- maternity arrangements will be simplified to make them easier for both employers and employees to understand and operate. This includes the harmonisation of eligibility for maternity pay and additional maternity leave. The new paternity and adoption rights have also been designed to be as straightforward as possible, following the arrangements for maternity rights;
- Small Employer Relief will be extended to cover SPP and SAP, allowing small firms to claim back more than the costs of SPP and SAP from the Inland Revenue.

Supporting parents' choices to balance work and family life

4.4 This April will see the introduction of a new right for parents of young children to request flexible working patterns, as well as an historic change to the level of maternity pay and the length of maternity leave in the UK. In addition, it will see the introduction of the first ever statutory right to paternity leave and adoption leave, in recognition of the valuable role fathers and adoptive parents play in caring for their new children. These enhanced rights, informed by an extensive consultation exercise¹ and provided for in the Employment Act 2002, will increase the choices open to families around the time of birth or adoption of a child.

¹ DTI (2000). 'Work & Parents, Competitiveness and Choice' Green Paper. For information on framework documents and draft regulation consultations see www.dti.gov.uk/er/review.htm

Flexible working 4.5 From April, a new right will be introduced for parents of children under six or disabled children under 18 to request flexible working patterns. Employers will have a statutory duty to consider requests seriously and will be able to refuse requests only where there is a clear business reason. Employers who do not consider requests seriously will risk being taken to an employment tribunal, ordered to consider the request properly and liable to pay compensation.

4.6 The design of this right reflects the recommendations of the Work and Parents Taskforce on Flexible Working, chaired by Professor Sir George Bain. The right is designed to meet the needs both of parents and employers, and should facilitate discussion by encouraging the employee and employer to consider flexible working arrangements that suit them both. **The Government is already committed to reviewing the duty to consider requests for flexible working in three years time.**

Maternity pay and leave 4.7 Budget 2001 increased the flat rate of Statutory Maternity Pay (SMP) and Maternity Allowance (MA) from £62.20 to £75 from April 2002 and £100, or 90 per cent of earnings if this is less than £100, from this April. It also extended the period of maternity pay from 18 to 26 weeks from this April. Good maternity provision enables mothers to spend the crucial first months with their babies and can ease the return to work afterwards, thereby retaining valuable skills and knowledge for their employers. Around 300,000 mothers each year will benefit from the increases in the level and duration of SMP and around 50,000 mothers will benefit from the increased rate and duration of Maternity Allowance.

4.8 In addition, the newly-extended 26 weeks of unpaid leave will, from April, run from the end of the 26 paid weeks paid leave, instead of, as at present, for 29 weeks from the actual week of birth². This will fix the total amount of maternity leave for most mothers at one year. As with the increases to maternity pay, this measure will help to prevent mothers from becoming detached from the labour market and it is estimated that this will save employers up to £39 million each year in recruitment costs.

4.9 This is part of a wider simplification of maternity arrangements announced in May 2002, making them easier for both employers and employees to understand and operate. Other measures, also coming into effect from April include the harmonisation of eligibility for pay and leave, and changes to notice periods and the sickness trigger.

4.10 Looking forward, the **Government will keep the impact of the new maternity leave provisions under review.**

Paid paternity leave 4.11 From public consultation, it is clear that parents and many employers recognise that in today's society, many fathers want to play a greater role around the time of a child's birth. Budget 2001 also announced the introduction, from this April, of two weeks Statutory Paternity Pay (SPP) paid at the same rate flat rate as SMP. Fathers will be able to take leave within eight weeks of the date of the birth or placement of an adopted child. Around 400,000 fathers each year will be eligible for this benefit, and will be able to spend more time with their partner and new child. Many employers already offer fathers some paid paternity leave, perhaps covering as many as half of employed fathers. This new right will ensure that all employed fathers have the same basic right to leave.

² The current period of unpaid leave is variable, between 11 and 22 weeks depending on when a mother starts her Ordinary Maternity Leave.

4.12 Budget 2002 announced that from this April low-paid fathers would be granted access to Income Support for the duration of their paternity leave. Specifically, Income Support will be extended to low-paid fathers on paternity leave who are not entitled to SPP. Those who do receive SPP will also be able to claim Income Support if they are normally low paid. This will provide low-paid fathers with the level of benefit support available to parents taking parental leave.

4.13 Looking ahead, the Government will keep the impact of the new paternity leave provisions under review. As a next step, the Government will examine whether to extend the period of paid paternity leave and/or introduce unpaid paternity leave. In addition, it will consider the case for extending paid paternity leave in cases of multiple births and disabled children.

Paid adoption leave

4.14 Budget 2001 introduced paid adoption leave for 26 weeks paid at the same flat rate as SMP from this April. As for new mothers, adoptive parents will be able to take up to a total of one year's leave, and will have the same rights to return to work as women on maternity leave. Eligible couples that adopt together will be able to choose which one of them will take Statutory Adoption Pay (SAP). The other parent will be able to take two weeks paid paternity leave. In 2003, it is expected that close to 4,000 parents and their families will receive up to £2,600 as a result of the new right.

4.15 In around 82 per cent of adopting couples both parents work either full-time or part-time. Enabling parents to take time off work to spend time with their child will provide time for the adoptive parents and child to adjust to their new relationship, and the new rights should reduce the number of disrupted placements, particularly for older children. The number of placement breakdowns, prior to an adoption order being granted, was 8 per cent in 1999-2000. By supporting a reduction in this figure, adoption leave should improve the life chances of children, as well as reducing the costs of care. Safeguarding the employment of adoptive parents will help those who prefer to return to work, and for employers will mean that valuable staff and skills are retained.

4.16 In common with the new, simplified system proposed for maternity leave, the new paternity and adoption rights have been designed to be as straightforward as possible for employers and employees to understand and operate. In addition, Budget 2001 doubled the threshold for Small Employer Relief (SER) from April 2002. Under this, small employers paying less than £40,000 a year in Class 1 National Insurance Contributions (NICs), 60 per cent of all firms, can claim back more, currently 104.5 per cent, than the costs of SMP from the Inland Revenue. If necessary, employers will be able to request payment in advance from the Inland Revenue, where the amount they are due to pay in tax, NICs and student loan repayments is less than the amount of SMP, SPP or SAP they need to pay out.

4.17 Budget 2002 made SER applicable to paternity and adoption leave from their introduction in April. Larger employers, those paying more than £40,000 a year in Class 1 NICs, will continue to be able to claim back 92 per cent of what they pay out in SMP, SPP and SAP.

4.18 Looking ahead, the Government will keep the impact of the new adoption leave provisions under review.

4.19 These measures build upon past reforms, including:

- the right to parental leave;
- the right to time off for dependants;

- new rights for part-time workers; and
- working time regulations.

Parental leave 4.20 The right to parental leave, introduced on 15 December 1999, entitles each parent and adoptive parent of children born or adopted on or after 15 December 1999 to take 13 weeks unpaid parental leave to look after each child until the child's fifth birthday, or the fifth anniversary of date of adoption placement (or the child's 18th birthday if that is sooner). Parents of a disabled child can take their entitlement up to the child's 18th birthday. Parental leave can be taken in blocks of up to four weeks a year.

4.21 On 10 January 2002, new rights were introduced, increasing the amount of parental leave for parents of disabled children from 13 to 18 weeks and, in addition, extending parental leave to parents of children born or adopted after 15 December 1994. As a next step, **the Government will look at the case for allowing parents to use their full parental leave as one block at the end of maternity, paternity or adoption leave.**

Right to time off for dependants 4.22 Introduced on 15 December 1999, the right to time off for dependants gives all employees the right to take a reasonable amount of unpaid time off work to deal with an emergency involving a dependant, and not to be dismissed or victimised for doing so. For example, employees can take time off work if their child has an accident at school, their childminder falls ill or fails to turn up, or an elderly parent who depends on them falls ill or dies. There is no qualifying period for entitlement and there is no limit on the number of times an employee can exercise this right, providing it is for genuine reasons.

4.23 Looking ahead, **the Government will consider whether to allow fathers time off to attend ante-natal care.**

Part-time work 4.24 On 1 July 2000, the Government introduced new rights for part-time workers. The measures reinforce the Government's policy of putting in place decent minimum standards, while promoting a flexible and competitive workforce. In addition to providing protection for part-time workers, these measures should support movement between full-time and part-time jobs, thus increasing labour market flexibility and labour market attachment. The regulations ensure that Britain's six million part-time workers, most of whom are women, are not treated less favourably than comparable full-time workers in their contractual terms and conditions, unless objectively justifiable. This means that part-time workers will in principle be entitled to: the same hourly rate of pay; the same access to company pension rights; the same entitlements to annual leave and maternity, paternity, adoption and parental leave on a pro rata basis; the same entitlement to contractual sick pay; and equal access to training.

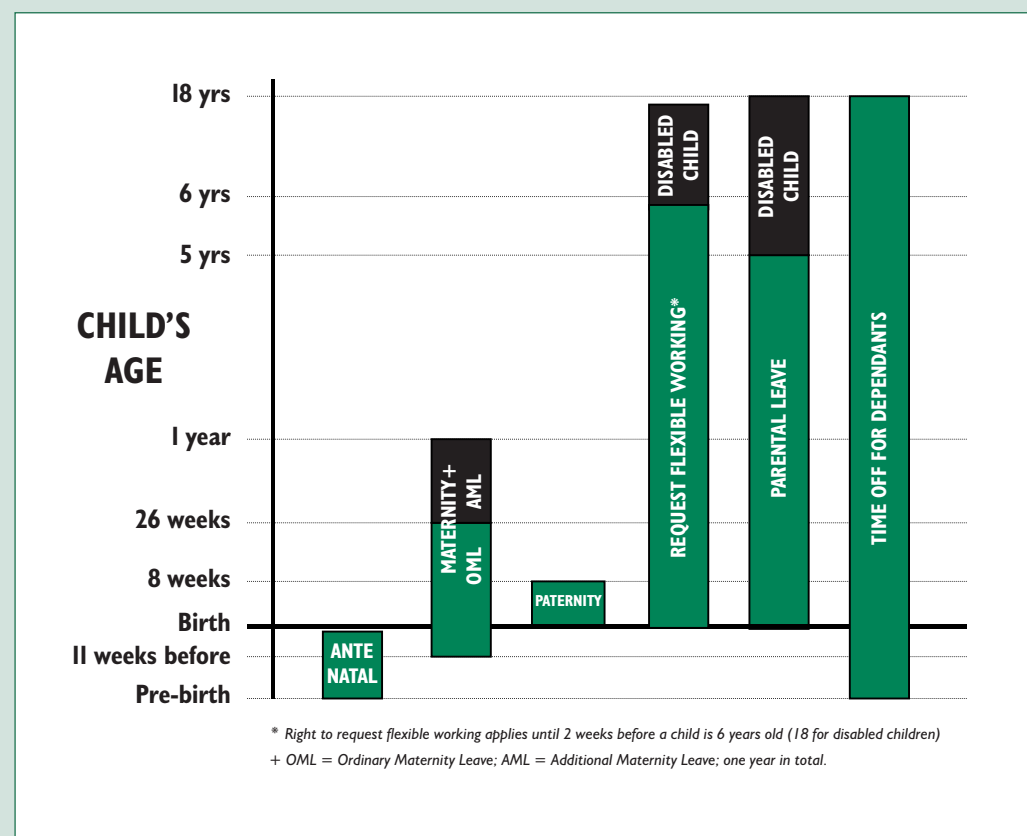
Working time regulations 4.25 The working time regulations came into force on 1 October 1998. The basic rights and protections include, among others: a limit of an average of 48 hours a week which a worker can be required to work, though workers can choose to work more if they want to; the right to 11 hours rest a day; the right to a day off each week; the right to an in-work rest break if the working day is longer than six hours; and the right to four weeks paid leave per year. Certain sectors are excluded.

4.26 The proportion of full-time employees who said they usually worked more than 48 hours a week has fallen slightly since the working time regulations came into force. In spring 1998, 23 per cent of full-time employees said that they usually worked longer than 48 hours but in spring 2002 it was 21 per cent. This follows a period of time when the proportion had been increasing by small amounts³.

³ LFS 2000 and 2002.

4.27 Box 4.2 summarises, by age of child, the measures to support parents' choice about how they balance work and family life that will be available once the April 2003 reforms have come into effect.

Box 4.2: Measures to support parents' choices about how they balance work and family life by age of child from April 2003



Tailoring financial support to meet families' circumstances

4.28 The reforms to maternity, paternity and adoption provision outlined above are key in giving parents more choice, and are complemented by a series of reforms to the tax and benefit system since 1997, including those which come into effect from April.

4.29 In the past, financial help for people with very young children has been insufficient and not available quickly enough after the birth of a child. The tax and benefit system is now providing more help towards the cost of raising children, and recognises the fact that the birth of a child places considerable financial pressure on families and that families on low incomes face particularly difficult choices about how to support their children in the early months.

4.30 The aims of the Government's tax and benefit reforms are to:

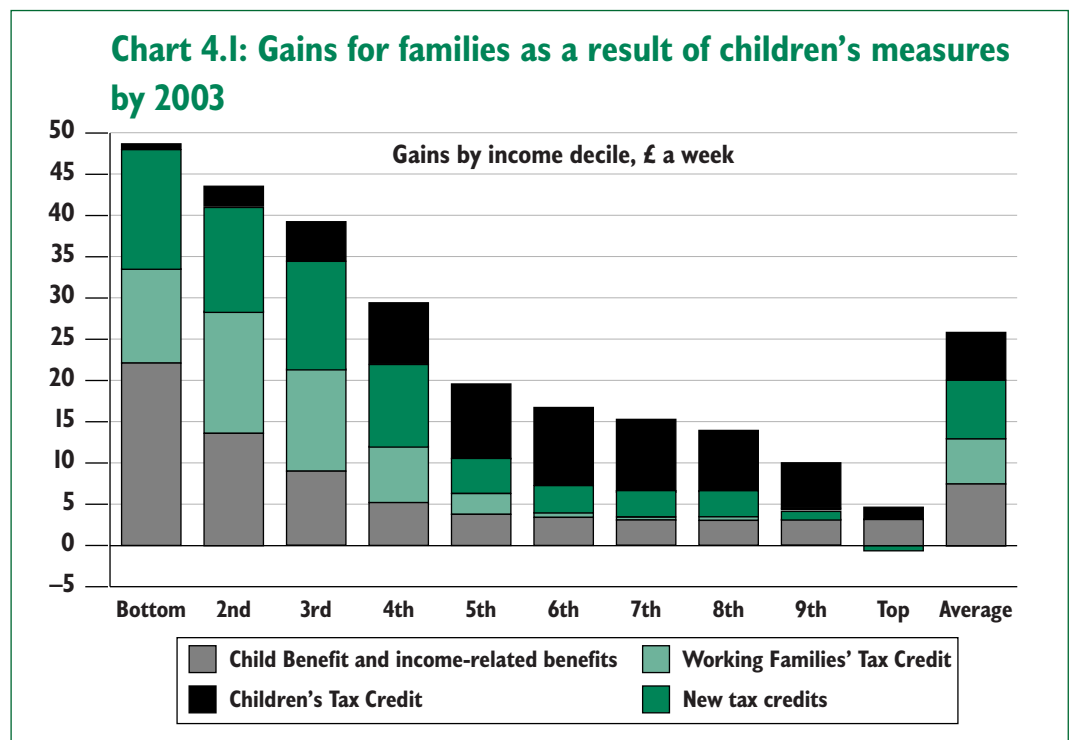
- support families with children, recognising the responsibilities that come with parenthood;
- tackle child poverty by offering the greatest help to those most in need, such as low income families; and

- help to make sure that work pays more than welfare and that people have incentives to move up the earnings ladder.

4.31 As a result of the Government's personal tax and benefit reforms since 1997, including the changes to NICs and the income tax personal allowance announced in Budget 2002, by this April:

- families with children will be, on average, £1,200 a year better off, while those in the poorest fifth of the population will be, on average, over £2,400 a year better off in real terms;
- a single-earner family with two young children on half average earnings of £14,200 will be £3,460 a year better off in real terms; and
- a single-earner family on average earnings of £28,400 and with two children will be about £300 a year better off in real terms.

4.32 Chart 4.1 summarises the gains for families as a result of children's measures.



Tax credits 4.33 The new tax credits being introduced from this April are the next stage in the process of reform. Budget 2002 set out details of the rates and thresholds for the Child Tax Credit and the Working Tax Credit. The Child Tax Credit will be a single, seamless system of support for families with children, paid directly to the main carer in a family. The Working Tax Credit will be paid through the wage packet to those in low-paid work, with or without children. Together the new tax credits will support families, tackle child poverty and help make work pay. The rates of the key elements of the tax credits are presented in Table 4.1.

Table 4.1: The rates of the principal elements of the new tax credits in 2003-04

	£ per year	weekly equivalent (£) ¹
Child Tax Credit		
family element	545.00	10.45
child element ²	1,445.00	27.75
Working Tax Credit		
basic element	1,525.00	29.20
couple and lone parent element	1,500.00	28.80
30 hours element	620.00	11.90
childcare element		
<i>maximum eligible cost</i>		200.00
<i>maximum eligible cost for one child</i>		135.00
<i>percentage of costs covered</i>		70.00
Income below which maximum Working Tax Credit is payable	5,060.00	
Withdrawal rate (per cent)		37

¹ Amounts of tax credits set in legislation are annual figures. Weekly equivalent figures are quoted to aid comparison with the current system.

² More for a disability or severe disability.

4.34 The key features of the new tax credits are as follows:

- entitlement to tax credits based on annual income in line with the rest of the tax system;
- a modern income test that does not penalise saving, by taking into account the income from capital rather than the capital itself;
- a common framework for assessment, so all families are part of the same system and poorer families do not feel any stigma associated with current forms of support;
- a more responsive system in which a family's tax credit award can be adjusted to reflect changes in income and circumstances. The new tax credits only respond in the current year to rises in income of more than £2,500 so that recipients will not see their tax credits reduced as soon as their income rises; and
- Child Tax Credit and the childcare element⁴ of Working Tax Credit will be paid to the main carer. The Working Tax Credit will be paid to employees through the wage packet and direct to the self-employed.

4.35 Awards of new tax credits depend on household circumstances and income. Household circumstances determine entitlement to the various elements within the tax credits and these are added together to arrive at the maximum available amount of tax credit. The award is then calculated by reducing the maximum amount by 37 pence for every pound of household income (before tax and NICs) over the income threshold. The "family element"⁵ of Child Tax Credit, however, is retained until household income for the year exceeds £50,000.

⁴ The Working Tax Credit includes a childcare element which recognises the extra costs faced by working parents with childcare needs. This is outlined in paragraph 4.54.

⁵ The family element of the Child Tax Credit is paid to all eligible families, broadly replicating the Children's Tax Credit.

4.36 Overall, the improvements in provision for families around the arrival of a new child, including tax credits and SMP, mean that from April most women who were working beforehand will be guaranteed a minimum household income of £200 a week for up to six months after the birth. Box 4.3 provides some illustrations of the gains to parents as a result of the April 2003 changes. More information on the tax credits can be found on the Inland Revenue website⁶ or through the free-phone telephone number⁷.

Box 4.3: Illustrative profiles of impact of April 2003 changes

Mark and Nicole

Mark and Nicole both work, each earning £300 a week, and are expecting their first child this April. Nicole will be eligible for £3,620 in Statutory Maternity Pay, some £270 a week for the first six weeks followed by £100 a week for the following 20 weeks. This is £1,200 more than under the 1997 system. In addition, Mark can now benefit from two weeks paternity leave paid at £100 a week.

The family is also eligible for the new Child Tax Credit and could get up to £1,090 while their child is under one, and £545 a year thereafter. In total, support from the tax and benefit system combined with Statutory Maternity Pay means that Mark and Nicole could receive up to £5,500 in the year of their child's birth. Should Nicole choose to return to work after her maternity leave, she can claim help with childcare worth 70 per cent of costs up to £135 a week.

Jenny and Alistair

Jenny and Alistair already have one child, James, and are expecting their second in May. Alistair works full-time earning £200 a week and Jenny works part-time (16 hours a week) earning £125 a week. They are paying £60 a week for childcare.

From April the family will receive £65 a week in tax credits, including help with childcare costs. When Jenny goes on maternity leave, she will receive up to £2,600 in Statutory Maternity Pay, nearly twice as much as she would have received under the 1997 system. For the 26 weeks she is on Statutory Maternity Pay, Jenny will continue to get help with childcare costs, minimising the disruption caused to James and making it easier for her to return to work should she want to.

Because the new tax credits respond to changing circumstances, as soon as Jenny and Alistair's new child is born, they can apply to have their tax credit award reassessed and receive an extra £38 a week in support, with an additional £10.75 in Child Benefit. The family could also receive the £500 Sure Start Maternity Grant. In total, Jenny and Alistair stand to receive up to £5,600 for their new child in the first year of its life.

Maria and Ben

Maria and Ben have two children aged three and five. Ben is on half average earnings (£14,200) and Maria stays at home to look after the children. Under the 1997-1998 tax and benefit system they paid £25 more in income tax and NICs than they received in benefit. In 2003-04, they will be entitled to around £40 a week in net financial support. Maria is thinking about returning to work part-time, 16 hours a week, which would involve childcare costs of around £60 a week. Under the 1997-1998 tax and benefit system, on a typical entry wage, she would have brought home an extra £18 a week, in 2003-04 she would take home £32 a week, even after paying for childcare.

⁶ www.inlandrevenue.gov.uk/taxcredits

⁷ The tax credits free-phone telephone number is 0800 500 222.

4.37 As set out in Box 4.4, the design of the new tax credits will support parents in balancing their work and family responsibilities.

Box 4.4: New tax credits and flexible working

New tax credits are part of a package of reforms since 1997, which have eased the burden on parents seeking to balance work and childcare, making it easier for one parent in the family to remain at home and care for the children if they choose to do so, but also making childcare more affordable if both parents choose to work.

New tax credits will improve choices for working parents by making it easier to balance work and childcare responsibilities:

- **new tax credits respond to falls in income, so they cushion the reduction in family incomes if one earner decides to leave work;**
- **if both parents do decide to work, the second earner will have improved incentives under the new system;**
- **couples with children can share work in the way that suits them best and still get the 30-hour element¹ if they jointly work 30 hours or more;**
- **help with childcare costs continues as part of the Working Tax Credit, in an improved, more flexible form. More information on childcare support through the tax credits is set out in paragraph 4.54; and**
- **as support for formal childcare costs will also respond to changes, parents will benefit from the flexibility to change their childcare arrangements during the year and have changing costs recognised.**

¹ The Working Tax Credit includes a 30-hour element to provide incentives to increase hours towards full-time work.

4.38 Mothers already in receipt of the Working Tax Credit will also continue to be eligible for that support during any period they receive SMP, on the basis of the hours worked before they left work⁸. The same will apply for fathers on SPP and an adoptive parent on SAP. In addition, the flat rate of SMP, SPP and SAP will be disregarded in calculating the tax credits award.

4.39 Looking forward, the Government will consider the case for counting unpaid maternity leave as being in work for the purposes of tax credits. This would enable families in receipt of tax credits to continue to receive support during the mother's unpaid leave.

Child Benefit 4.40 The Child Tax Credit will be paid on top of Child Benefit, which will continue to be universal. From April, the rates of Child Benefit will rise in line with indexation to £16.05 (for the first child) and £10.75 (for each subsequent child). This compares to April 1997 figures of £11.05 and £9.

Sure Start Maternity Grant 4.41 The Sure Start Maternity Grant helps meet the expenses associated with the birth of a child (and adoption of a child under one). The Grant is available to recipients, and partners of recipients, of Income Support, income-based Jobseeker's Allowance, Working Families' Tax Credit and Disabled Person's Tax Credit, provided that health advice has been received from a health professional. From April, families receiving more than the family element of Child Tax Credit will be eligible for the Sure Start Maternity Grant. It is anticipated that this will mean an additional 25,000 Sure Start Maternity Grant payments each year. The Grant can be claimed at any time from the 29th week of pregnancy until the child is three months old. Parents do not need to live in a Sure Start programme area to receive the Grant.

⁸ The person needs to have normally worked at least 16 hours a week immediately before going on maternity leave.

4.42 Initially worth £200 (double the old Maternity Payment), the level of the Grant was increased to £300 during 2000-01 and to £500 from April 2002, five times the level in 1997. The Grant now benefits over 200,000 families each year.

Adoptive and Foster Parents **4.43** The Government recognises the important contribution of parents who foster or adopt children and has decided that payments to adoptive families under the new Children and Adoption Act should continue to be free of tax. These arrangements benefit all adoptive families who receive financial support to help them meet the extra costs they face when they adopt a child. **The Government will also look into ways of using the tax system to encourage people to foster children.**

Equal pay **4.44** Expected earnings are an important factor in women's decisions about whether to return to work and so the reduction in the pay gap is important. The introduction of the National Minimum Wage has lifted the wages of over one million people, around 70 per cent of them women, and, according to the Low Pay Commission, it has had the greatest effect on women's pay since the 1970 Equal Pay Act.

4.45 Despite a reduction in the gap between women's and men's average hourly earnings over the past 30 years, it remains high at around 19 per cent in 2002. The Government is committed to tackling this. Government departments and agencies will carry out reviews of their pay systems by April this year and prepare action plans to reduce any pay gaps. The Government is encouraging public and private sector employers to conduct pay reviews, including through the promotion of the Equal Opportunities Commission's pay review model, revision of the Equal Pay Code, Fair Pay Champions and the Castle Awards. It has also recently extended funding to train Trade Union representatives in equal pay issues and negotiation.

Enhancing access to childcare and parenting services

Childcare **4.46** Access to good quality childcare is critical to parents' ability to manage their work and family responsibilities. As noted in Chapter 3, childcare can be an important factor in helping parents, particularly lone parents, move into and progress in work. The Government's childcare vision is one in which every parent is able to access good quality, affordable childcare. In support of this vision, and reflecting the recommendations of the inter-departmental Childcare Review⁹, the 2002 Spending Review more than doubled resources for childcare.

4.47 This is as part of a combined budget for Sure Start, childcare and early years which will rise to £1.5 billion by 2005-06. This investment will be matched by reform of delivery structures. At the centre, the Government has decided to bring together responsibility for Sure Start, childcare and early years within a single, inter-departmental unit with a Minister who sits in both the Department for Education and Skills and the Department for Work and Pensions. At the local level, local authorities will be given a clearer role in supporting delivery.

4.48 The National Childcare Strategy will ensure the creation of childcare places to help 1.6 million children by March 2004 in England. The extra resources being invested will support further growth in childcare places, through targeted assistance to a wide range of childcare providers, many of whom could be based within primary and secondary schools. This will mean that, between 1997 and 2006, childcare places will have been created to help around two million children, 1.25 million after taking into account turnover.

⁹ Strategy Unit (2002). *Delivering for Children and Families*, report of the Inter-Departmental Childcare Review, Department for Education and Skills, Department for Work and Pensions, HM Treasury, Women and Equality Unit, Strategy Unit.

4.49 The 2002 Spending Review also includes resources for the creation and operation of Children's Centres, which will bring together good quality childcare with early years education, family support and health services. The Government's longer-term aim is to establish a Children's Centre in every one of the 20 per cent most disadvantaged wards.

Sure Start 4.50 The Government's Sure Start programme has influenced the design of Children's Centres. Sure Start works with parents-to-be, parents and children under four to promote the physical, intellectual and social development of babies and young children, particularly those who are disadvantaged, so that they can flourish at home and when they get to school. Local programmes, supported by community, voluntary, statutory and private organisations, provide integrated health care, well-being services, childcare and early years education to all those families with young children living in Sure Start areas.

4.51 Over the coming three years, more than 500 programmes will be reshaping existing services and filling gaps in provision. Together, these programmes will reach up to 400,000 young children including around one third of all children under four living in poverty.

4.52 To secure these benefits for children in the future, the Government has committed to supporting Sure Start in the longer term. In order to ensure effective provision in other areas, programmes are being launched in rural areas and small pockets of deprivation. In addition, to extend the benefits of Sure Start across much wider areas, district programmes will be piloted to integrate best practice in the care of under fours and support for their parents into mainstream services.

4.53 Box 4.5 summarises the 2002 Spending Review measures for Sure Start, childcare and early years.

Box 4.5: 2002 Spending Review resources for Sure Start, childcare and early years

The 2002 Spending Review provides:

- increased funding, with the combined budget for Sure Start, childcare and early years rising to £1.5 billion by 2005-2006. This includes a more than doubling of childcare funding, based on the work and recommendations of the inter-departmental Childcare Review¹;
- extra resources in return for reform of central and local delivery structures to better meet needs of children and their parents: bringing together Sure Start, childcare and early years education into a single inter-departmental unit, and giving local authorities an enhanced role in supporting delivery;
- support for mainstreaming Sure Start by funding the creation of Children's Centres in disadvantaged areas. Building, where possible, on existing provision, the Government will bring together good quality childcare with early years education, family support and health services. These centres will also act as service hubs within the community for parents and childcare providers. By March 2006, 300,000 pre-school children, over and above those in Sure Start programmes, will have access to Sure Start-type services through Children's Centres;
- the creation of at least 250,000 childcare places, through targeted assistance to childcare providers, especially those in disadvantaged areas. This is in line with Government's vision of a childcare market in which every parent can access affordable, good quality childcare; and
- continued support for the current Sure Start programmes and a principled commitment to Sure Start to 2013-2014. The Government has also provided dedicated funding to spread the lessons of Sure Start to mainstream services.

¹ Strategy Unit (2002). *Delivering for Children and Families*, report of the Inter-Departmental Childcare Review, Department for Education and Skills, Department for Work and Pensions, HM Treasury, Women and Equality Unit, Strategy Unit.

Childcare element of the Working Tax Credit

4.54 In addition to direct support to childcare providers, as part of the Working Families' Tax Credit and Disabled Person's Tax Credit, financial support is given directly to lower and middle income working parents towards the costs of approved childcare. This childcare element covers up to 70 per cent of eligible costs, subject to cost limits of £200 a week (£135 a week for one child), and will continue in an improved, more flexible form within the Working Tax Credit from this April.

4.55 The new tax credits will provide help with childcare costs to families further up the income distribution scale. For example, a family with two children on an income of £35,000 a year, paying £200 a week in childcare costs, can receive up to £50 a week in financial support as a result of the Working Tax Credit and Child Tax Credit.

4.56 The Government will keep under review how well support for childcare costs within tax credits is working, in particular the effect that the increased flexibility has on the ability of parents to adjust their childcare requirements to suit their needs.

4.57 In order to allow a mother on paid maternity leave to settle her child into childcare prior to returning to work, the Government is considering the case for allowing her to claim support with childcare costs for her new child.

Home childcare **4.58** Budget 2002 announced that from this April, eligibility for the childcare element of the Working Tax Credit will extend to those who use approved childcare in their own home, benefiting families who need home-based care, such as those with disabled children or parents who work outside conventional hours.

4.59 The Government has decided to start by opening the home childcarers scheme to existing childminders. Following the Government's consultation on the scheme, **it will consider how to widen entry into the scheme to include people who are not already childminders.** This would further extend choice and support for those families who use home-based care, and increase the supply of childcare.

4.60 The Department of Health will be introducing regulations covering domiciliary workers and nurses so that parents who employ these workers through registered agencies will be eligible for the childcare element of the Working Tax Credit from April. The Government is also planning to regulate providers who offer childcare exclusively to children over the age of seven. Parents using this childcare will then be eligible for the childcare element of the Working Tax Credit. These new schemes will allow more families to receive help with childcare costs. The devolved administrations are responsible for developing their own systems of regulation and, where appropriate, care regulated through their systems will be eligible for the childcare element.

Parenting support **4.61** The Government currently provides direct support for parenting through the mainstream statutory sector, through direct support for the voluntary sector, and through targeted programmes, as well as financial support. The 2002 Spending Review provided resources to fund additional support for parents and families. Box 4.6 outlines a number of key initiatives.

Box 4.6: Parenting Support

A number of key initiatives to support parenting are set out below.

- the National Family and Parenting Institute, an independent charity, was set up in 1999 and is funded by Government as a centre of expertise on family and parenting issues;
- the Family Support Grant Programme provides £4 million a year to voluntary sector services for parents, dealing with a range of parenting issues including fatherhood, raising teenagers, and parenting in challenging circumstances;
- the Government believes that all parents must accept their responsibilities for their children. The Child Support Agency will have wider powers to enforce this, including making deductions from earnings or benefits or withdrawing driving licences from those who refuse to pay;
- the Government has established a special unit to tackle the UK's unacceptably high rate of teenage pregnancy and a strategy is now in place to halve the rate of conceptions among under-18s by 2010. Teenagers who do become parents need help to ensure that they can complete their education and improve the prospects of their children. Furthermore the Government believes that, if they cannot live in the parental home, mothers under 18 should be accommodated in supported housing rather than housed alone and isolated with their babies;
- a stable loving family is the best possible place for a child to grow up. The Government aims by 2005 to increase by at least 40 per cent the number of children in care who are adopted; and
- the Parenting Fund was announced in the 2002 Spending Review. The voluntary and community sector is working with the Government in the detailed design of the £25 million fund, which will provide a robust network of parenting support to help families before they reach crisis point. The new services will be delivered by voluntary and community organisations. The cross cutting review of the role of the voluntary and community sectors in service delivery argued that these sectors are well placed to provide services such as those to parents in difficulty. The Government wants to harness these skills and build on what the sectors are already doing.

Working in partnership with business

4.62 Enhancing the support and choice for families requires a shift in Britain's working culture. The Government is, therefore, committed to working with business to encourage the adoption of best practice and offer flexible working opportunities throughout the workforce. Such measures are increasingly central to business success.

Work-Life Balance Campaign **4.63** Launched by the Prime Minister on 9 March 2000, the Work-Life Balance Campaign aims to increase awareness and take-up of employment policies and practices that benefit business and help employees enjoy a better balance between work and other demands on their lives¹⁰. Led by the DTI, the campaign's vision is that everyone should feel they have more choice and control over working hours.

¹⁰ For more details see www.dti.gov.uk/work-lifebalance; or contact the helpline on 020 7215 6249.

4.64 The campaign promotes flexible working across all businesses in the public, private and voluntary sectors. DTI is working with businesses to convince them of the benefits of flexible working, and are at the same time providing advice on how they can develop flexible working approaches. The Work-Life Balance Campaign is not prescriptive but encourages employers to implement policies and practices over and above the legal requirements. The campaign is intended to benefit all employees whether or not they have caring responsibilities. Various guides and publications have been produced as part of the campaign¹¹.

4.65 Advice and support to individual businesses is provided through the Work-Life Balance Challenge Fund programme. The Challenge Fund, to which £10.5 million has been committed, provides free consultancy advice to employers to help them introduce working practices which will benefit their business and improve their employees' work-life balance. Since the campaign was launched, some 401 organisations, covering 1.2 million employees, have received funding through the Work-Life Balance Challenge Fund.

4.66 One aspect of the campaign is the collation of best practice case studies. A selection is included in Box 4.7.

¹¹ Work-Life Balance 2000 (November 2000) - a baseline study of work-life balance practices in Great Britain involving 2,500 employers, 250 head offices and 7,500 employees; Creating a Work-Life Balance (September 2000) - a good practice guide for employers. This gives employers an insight into practical ways of establishing work-life balance policies and practices in their organisations; The Business Case (September 2001) - a technical good practice guide for employers This identifies best practice amongst employers on the leading edge of flexible working. Using detailed case study examples, the guide illustrates the costed benefits to employers of adopting work-life balance policies and explains the costs of doing nothing; The Essential Guide to Work-Life Balance (September 2001) - a guide to flexible working aimed at individuals, whether as employees, potential employees, or as employers.

Box 4.7: Work-life balance case studies**Asda**

Asda, the supermarket chain, has had its work promoting flexible working and equal pay recognised by the Government through a Castle Award and by the company's own employees who voted Asda top of *The Sunday Times 100 Best Companies to Work For*. Asda provides a range of flexible working practices, including shift swapping and job share. Older staff can take a three month unpaid winter holiday. Asda also provides childcare leave, enabling parents to stop work for a short period during the summer holidays, returning later with continuous service and maintained benefits.

Boehringer Ingelheim

One of *The Sunday Times 100 Best Companies to Work For*, Boehringer is one of the world's top 20 medicine manufacturing and marketing companies. Some 45 per cent of staff at Boehringer work flexi-time or from home. One member of staff said, "I am a single parent living 54 miles from the office but my company has made considerable efforts to ensure my working week is spread between working from home and in the office. They have provided me with office equipment at home and while I waited for this I was paid a special allowance to help with childminding fees: this seems to me a loyalty which, in turn, I want to repay".

SAP Computer Software

SAP is the third-largest software provider in the world with 10 million users, and was one of *The Sunday Times 100 Best Companies to Work For* in 2002. Flexi-time and working from home are options and 95 per cent of staff say they are trusted to do a good job without management watching over them. The minimum holiday entitlement is 25 days but this increases with service, and workers can take five days of paid voluntary service a year or unpaid career breaks.

Secrets Hairdressing and Beauty Business

Secrets' two salons employ some 44, mainly female, staff, and recruitment and retention are key issues. A number of employees are working mothers, or women who have returned to work after a break. Flexible hours of working and different arrangements between school holidays and term-time are vital if they are to manage domestic commitments. The Managing Director commented, "The last couple of years have really confirmed my beliefs about the importance of finding a personal balance between work and other aspects of your life. And I think we're showing that you can do that and still run a profitable business".

Partnership at Work Fund

4.67 The Partnership at Work Fund supports projects designed to improve the way in which employers and employees work together. Support is given to best practice initiatives that seek to improve communication, promote partnership working, and enhance work organisation in order to increase productivity. A number of projects have been supported which specifically aim to improve employees' work-life balance.

Early Years Development & Childcare Partnerships

4.68 Supporting employers is also a target of the Early Years Development and Childcare Partnerships (EYDCPs), the local bodies that develop strategic plans to create new childcare places. By 2004, they are required to significantly increase the amount of support employers give their employees on childcare. The DTI is responsible for this target and, with the Department for Education and Skills, has encouraged employers to offer information about childcare to their employees. Employers can have the Childcare Link website downloaded free to their intranets¹² and are encouraged to advertise the Childcare Link free-phone telephone number¹³.

¹² www.dti.gov.uk/work-lifebalance/childcare.html

¹³ The Childcare Link free-phone telephone number is 0800 960296.

National Employment Panel **4.69** Alongside government, employers also have an important role to play in improving lone parents' access to work. The Government has therefore asked the National Employment Panel to convene a group, drawn from a wide range of leading employers and those representing the interests of lone parents, to consult employers on how best they might help lone parents into employment. This group will look at a range of evidence and issues and will make proposals in a report this spring.

Tax and national insurance **4.70** The provision of childcare facilities and financial support by employers can enable parents to work, by making available affordable, good quality childcare. The tax and NICs systems, outlined in Box 4.8, currently support employer-funded and subsidised childcare in a number of ways. The costs of supporting childcare are tax deductible for employers, and employers meeting the childcare costs of their employees are only liable to NICs on cash payments to employees or where the employee contracts directly with the childcare provider.

4.71 The tax and NICs systems also include specific exemptions for employees benefiting from employer-supported childcare. Childcare vouchers are free of both employees' and employers' NICs. Where an employer provides a workplace nursery the employee will have no tax or NICs liability on the benefit. This exemption removes the administrative burden to employers of valuing the benefit to an employee of a place in an employer-run nursery.

4.72 Looking ahead, the Government is considering improving the tax and NICs exemptions on employer-supported childcare, including how they could offer a better incentive to employers to support childcare provision.

Box 4.8: Tax and NICs treatment of employer-supported childcare

Employers

Irrespective of the form of childcare provision, the costs of supporting childcare are tax deductible for employers as they are part of the cost of employing staff. Employers only bear a NICs liability where they pay cash allowances to employees, or settle an employee's childcare bill for them (where an employee has contracted directly with a childcare provider).

Employees

In all instances, employees face a tax liability, except where the employer provides a "workplace nursery" (meeting the requirements of Section 155A ICTA 1988). The workplace nursery exemption was introduced in 1990 and exempts employees from tax normally payable on benefits in kind. The exemption applies where the employer is wholly or partly responsible for both the management and financing of the on- or off-site childcare facility. Employees earning under £8,500 per year face no tax on benefits in kind, unless they are directors.

Subject to the Lower Earnings Limit, employees face a NICs liability where they receive cash allowances from their employer, or are reimbursed for their costs of contracting directly with a childcare provider. Where the employer contracts directly with the childcare provider, the employee faces no NICs liability.

Childcare vouchers are exempt from NICs (for both employers and employees) unlike all other non-cash vouchers, which are treated as "quasi" cash payments.

Conclusion and next steps

4.73 This April is significant for families. The new rights being introduced, combined with the other elements of the policy framework, including investment in childcare and parenting support, will provide parents with greater choice than ever before in balancing work and family life.

4.74 In light of all the measures coming into effect from April, time will be needed for the new framework to bed down before considering any further changes. Looking forward, the Government would be interested to hear views on the possible next steps set out in this document.

