

1. Parental leave and pay: Supporting parents and achieving equality

This chapter explores the objectives of parental leave and pay; how government policy supports parents and employers; the factors which enable parents to combine work and childcare and the impact of each of these factors; and looks at high level options for reforming parental leave and pay.

Please respond to the questions in this chapter by **29 November 2019**.

We will consider these responses in tandem with the evidence collected through the evaluation of Shared Parental Leave and Pay.

Introduction

The UK has a long tradition of supporting working families. For nearly 20 years, fathers and partners have enjoyed paternity entitlements which enable them to take time off work when their children are born or placed with their family for adoption. Our maternity entitlements for mothers have their roots in the 1970s and go further than the EU minimum in terms of the number of weeks of leave and pay that are provided.

Children need time, care and attention in order to develop and flourish. This is true throughout their childhood, but the early years are particularly important as they lay the foundations that will be built on throughout the child's life. The role of parents in caring for and educating their children in these early years should not be underestimated and we want to give working parents the choice and flexibility they need to combine work with family life. Supporting working parents to combine work with childcare not only helps individual parents, it also helps the people that they work for: employers have access to a wider pool of talent and are better able to cultivate and retain that talent.

This matters for the wider economy too. People are at the heart of our modern Industrial Strategy and the government is clear that everyone should have the opportunity to work, succeed at work, and reach their full potential. Boosting labour market participation among underrepresented groups such as women, and particularly mothers, supports economic growth and helps narrow the employment and gender pay gaps.³

We have significantly improved female participation rates. At 72% (2019), the female employment rate is the highest we have seen since comparable records began in 1971 (52.8%) and is up by over three percentage points since April 2015. This has been achieved through a variety of means, for example the introduction of family-related leave and pay and 30 hours of free childcare for eligible parents.⁴ The introduction of gender pay gap reporting for

³ OECD, (2012). Closing the Gender Gap: Act Now [online], Organisation for Economic Cooperation and Development. Available at: <https://doi.org/10.1787/9789264179370-en>

⁴ GOV.UK, [undated] 30 hours free childcare. Available at www.gov.uk/30-hours-free-childcare [Accessed 10 July 2019]

large employers has also encouraged companies to examine their own policies and practices and begin to address inequalities within their own organisation.⁵

But there is more work to be done to support female participation and to close the employment and gender pay gaps. We need to do more to tackle gender inequality at home and in wider society. The introduction of Shared Parental Leave and Pay in 2015 was a significant step forward in terms of challenging gender stereotypes around the roles of men and women at home and at work. The scheme enables eligible working parents to share and structure responsibility for childcare in the first year of their child's life in a way that is best for them and their family. As we expected when we launched the scheme, cultural change takes time and we are only seeing gradual increases in parents taking Shared Parental Leave and Pay.⁶ The introduction of the scheme has, however, helped take forward a national discussion about the role of fathers in the early years of their children's lives. We want to make it easier for fathers who want to be involved in early childcare to do so.

We are currently evaluating the Shared Parental Leave and Pay scheme and expect to report on this later in the year.⁷ In tandem with this, we are keen to use this consultation to explore options for enabling more women to combine having a family with pursuing their career and enabling more men to play a greater part in childcare.

Parental leave and pay arrangements in the UK

Employed pregnant women and new mothers are currently able to take up to 52 weeks of Maternity Leave (this is a 'day one' right) and up to 39 weeks of Statutory Maternity Pay (SMP) or Maternity Allowance (MA). The first six weeks of SMP are paid at an enhanced rate, and pregnant women and new mothers receive 90% of their average weekly earnings (with no upper limit) during this period. The remaining 33 weeks of SMP are worth up to £148.68 a week (2019/20). Information obtained from the Work-Life Balance Survey series suggests that in 2013, 13% of employers enhanced SMP to a level above the statutory rate of pay for part of the Maternity Pay period.⁸ MA is a benefit paid to working mothers (including self-employed mothers) who do not qualify for SMP. It is paid for up to 39 weeks and is worth up to £148.68 a week.

Employees who are planning to adopt a child, including individuals who are fostering a child or children with a view to adopting them, enjoy broadly the same rights as employed mothers: Adoption Leave is a 'day one' right and Statutory Adoption Pay is paid at the same rate as SMP.

Employed fathers and partners (including same sex partners) who are eligible for Paternity Leave (PL) and Statutory Paternity Pay (SPP) are entitled to take one or two weeks (their choice) of paid leave. SPP is worth up to £148.68 a week and fathers and partners do not currently have any entitlement to a period of enhanced pay. Information collected in 2013,

⁵ The regulations requiring large employers (those with more than 250 employees) to publish data on their gender pay gaps came into effect on 6th April 2017, with the first reports being due in April 2018.

⁶ The government does not routinely collect data on the take-up of family-related leave but claims for Statutory Shared Parental Pay give us an approximate idea of the likely level of take-up for Shared Parental Leave. This does not give us the full picture as parents can take unpaid as well as paid leave. We are currently evaluating the scheme and expect to be in a position to report on this (including on the level of take-up for leave) later in 2019.

⁷ Subject to data collection progressing as planned.

⁸ BIS (2013) 4th Work-life Balance employer survey [online]. Department for Business, Innovation and Skills, Available at www.gov.uk/government/publications/fourth-work-life-balance-employer-survey-2013 [accessed 10 July 2019]

suggests that 17% of employers enhance SPP whereas a higher proportion, 27%, provide more weeks of Paternity Leave than the statutory minimum.⁹

Shared Parental Leave (SPL) and Statutory Shared Parental Pay (ShPP) were introduced in 2015 to give eligible working parents more choice and flexibility around which of them cares for their children in the first year and when they do this. Up to 50 weeks of SPL and up to 37 weeks of ShPP can be 'created' from maternity entitlements that the mother does not intend to use. The same principle applies to individuals who qualify for adoption entitlements.¹⁰ Parents who are eligible for SPL and ShPP can be off work together for up to six months or take time off work sequentially (i.e. stagger their leave and pay so that one of them is always at home with their child in the first year). ShPP is worth up to £148.68 a week.

Employed parents also have access to 18 weeks of unpaid parental leave¹¹ which can be taken in the first year of their child's life or subsequently. This is the only entitlement to family-related leave that is not restricted to the first year. Up to four weeks of parental leave can be taken in any year. The entitlement is per parent, per child and applies to children up to and including the day of their 18th birthday. Employers may, in certain circumstances, be able to defer a request for leave for business reasons.

Policy objectives of parental leave and pay

Parental leave and pay policies give employed parents a right to time off work in the first year and subsequently. They are supplemented by a range of employment rights and protections which are intended to prevent employers from discriminating against parents or treating them unfairly because they have been absent from work on parental leave. Together, these rights and protections are intended to:

- Enable women to prepare for and recover from birth;
- Facilitate women returning to work and staying in work (i.e. boost female participation in the labour market);
- Give working families more choice and flexibility;
- Increase paternal involvement in childcare;
- Close the employment and gender pay gaps;
- Prevent pregnancy and maternity discrimination;
- Prevent discrimination against parents who take or seek to take parental leave; and
- Minimise the burdens on business.

Further information on the policy objectives of parental leave and pay in Great Britain is at [Annex 1](#).

⁹ BIS (2013) 4th Work-life Balance employer survey [online]. Department for Business, Innovation and Skills, Available at www.gov.uk/government/publications/fourth-work-life-balance-employer-survey-2013 [accessed 10 July 2019]

¹⁰ Prospective adopters and qualifying intended parents in a surrogacy arrangement.

¹¹ Referred to elsewhere in this document as 'parental leave taken in respect of older children'.

As set out in our modern Industrial Strategy, Good Work Plan and recent Gender Equality Roadmap, the government is committed to increasing earning power and employment opportunities for all and to closing the gender pay gap.

The OECD note that fathers' equal participation in caregiving is vital to ensuring that mothers can remain – and advance – in the labour market.¹² Evidence also suggests that fathers who take parental leave have greater satisfaction in parenting.¹³ Fathers who are more involved with their children also report greater life satisfaction and better psychological well-being.¹⁴

It is also assumed that the social normalisation of parental leave-taking by fathers may help reduce gender discrimination in the workplace. Increasing the time that fathers take off work for childcare has the potential to reduce the negative effects (on participation, earnings and career advancement) that women experience as a result of taking time off work to care for their children, particularly where they would otherwise be their child's solo or primary carer.¹⁵

Whilst the international evidence suggests that paid parental leave can help keep women in work, the impact of paid parental leave on women's wages is mixed.¹⁶ Evidence from Sweden suggests that tackling gender inequality and closing the gender pay gap is not as straightforward as individual countries' parental leave and pay policies may suggest. More than 40 years after the introduction of parental leave in Sweden, fathers only take around a quarter of the total parental leave days that are provided and the gender pay gap in Sweden is around 12%.

The evidence also suggests that paid maternity and parental leave entitlements have mixed effects on women's wages and there is no overwhelming link between Paternity Leave and changes in the gender wage gap.¹⁷ There is, however, some evidence that fathers who spend time solo parenting are more likely to play a greater role in caring for their children in later years.¹⁸

Parental leave and pay policies can also give parents equality of access to opportunities at home as well as at work. In this respect we are 'lagging behind' some countries in terms of our policy aspirations and objectives. Some countries which give parents access to time off work on more equal terms see giving parents the opportunity to spend time with children as an objective in itself – not simply something which can have a positive impact in other areas, e.g.

¹² OECD (2017). The pursuit of gender equality: an uphill battle [online], Organisation for Economic Cooperation and Development. Available at <https://doi.org/10.1787/9789264281318-en>

¹³ Haas, L. Hwang, P.C. (2008). 'The Impact of Taking Parental Leave on Fathers' Participation In Childcare And Relationships With Children: Lessons from Sweden'. Community, Work & Family, Vol.11 (1).

¹⁴ Craig, L. and Sawrikar, P. (2009). Work and Family: How Does the (Gender) Balance Change as Children Grow?. Gender, Work & Organization. 16. 684 – 709 and Schindler, H. S. (2010). The Importance of Parenting and Financial Contributions in Promoting Fathers' Psychological Health, Journal of Marriage and Family, vol. 72(2), p. 318-332

¹⁵ Rønsen and Kitterød, (2015) in OECD (2017). The Pursuit of Gender Equality: An Uphill Battle, OECD Publishing, Paris. Available at: (pp. 203) https://www.oecd-ilibrary.org/social-issues-migration-health/the-pursuit-of-gender-equality_9789264281318-en (p. 203)

¹⁶ OECD (2015) Paid Parental Leave: Lessons from OECD Countries and Selected U.S. States, OECD pp. 101-104. Available: www.oecd-ilibrary.org/social-issues-migration-health/paid-parental-leave_5jrggvqqb4vb-en

¹⁷ Andersen, H. (2018) Paternity Leave and the Motherhood Penalty: New Causal Evidence, Journal of Marriage and Family, vol 80(5). Available at: <https://doi.org/10.1111/jomf.12507>

¹⁸ O'Brien, M., Wall, K. (2015). 'Fathers on Leave Alone' in O'Brien, M., Wall, K. Comparative Perspectives on Work-Life Balance and Gender Equality, Springer Open. P.6.

improving labour market outcomes for women. In doing this they signal that caring for children is the responsibility of both parents, not just mothers.

In Iceland, the policy objectives of parental leave and pay are firstly to enable parents to spend time with their child, and secondly to enable parents to better balance work and childcare.

How do parental leave and pay policies support employers?

In addition to the benefits that employers derive from having access to a bigger pool of talent, employers who support their employees to combine work with caring for their family see other benefits across their business. Employees who have a better work-life balance are more likely to enjoy better health and well-being. This in turn means that they are more likely to view their employer positively and that their employer is more likely to see increased staff loyalty; a reduction in staff turnover; increased motivation; and lower absenteeism rates.¹⁹ Moreover, employers who embrace family-friendly policies are also likely to be viewed positively by people who are considering working for them; people who do business with them; and people who are consumers of their goods and services.

Why are we focussing on parental leave and pay policies?

This chapter focusses on parental leave and pay policies because they underline the importance of parents' role in educating and caring for their children in the early years. They also signal to wider society that working parents are valued and have an important role to play in the workplace. Policies which enable fathers, as well as mothers, to take time off work for childcare reasons can help to overcome the gender stereotypes which prevent some mothers from working and some fathers from taking time off work to care for their children. They also highlight the importance of fathers, as well as mothers, bonding with their children.

Reforming parental leave and pay entitlements would not in itself deliver all the goals that these policies aim to support. These entitlements work in conjunction with other government policies to achieve these over-arching goals, for example closing the gender pay gap.

Other factors that have an influence on parental behaviour include the availability and prevalence of flexible working in organisations; employers' willingness to offer contractual (enhanced) parental pay; and the availability of childcare (including informal arrangements). In Great Britain, the government has, for example:

- Extended flexible working to all employees with 26 weeks' continuous service;
- Provided up to 30 hours of free childcare a week for working parents of three- and four-year-olds across England;
- Announced funding for returner programmes in the public and private sectors which help parents and carers who want to return to work after taking time out from employment due to caring responsibilities;

¹⁹ Smeaton, D., Ray, K., Knight, G. (2014) Costs and Benefits to Business of Adopting Work Life Balance Working Practices: A Literature Review [online], Department for Business, Innovation and Skills. Available: www.gov.uk/government/uploads/system/uploads/attachment_data/file/323290/bis-14-903-costs-and-benefits-to-business-of-adopting-work-life-balance-working-practices-a-literature-review.pdf

- Supported the business-led, independent Lord Davies Review on women on boards, which exceeded the government's target of having 25% female directors on FTSE 100 boards;
- Supported the Hampton-Alexander Review, which follows the Davies Review and aims to go even further to increase women's representation at the top of FTSE 350 companies by 2020; and
- Set a target to increase the number of female entrepreneurs by half by 2030, in response to the Rose Review into female entrepreneurship.

OECD evidence suggests that affordable quality childcare is the main driver in achieving better female labour market participation outcomes; and that parental leave policies can help support this.²⁰ The analysis suggests that policies to foster greater enrolment in formal childcare have a small but significant effect on full-time and part-time labour force participation – and these effects are much more robust than the effects of paid leave or other family benefits.

The evidence suggests a positive correlation between the provision of childcare services for parents of children under three years olds and female participation in the labour market (full-time and part-time employment).

Other factors which influence the take-up of parental entitlements

When considering the impact of parental leave and pay policies and their effects on working parents' behaviour it is important to recognise that other, external, factors may influence the demand for and take-up of paid parental leave.

Numerous studies show that gender identity as well as attitudes towards gender roles are strongly determined by one's parents and peers.²¹ Cultural norms and workplace culture can also influence attitudes to shared parenting. Furthermore, the division of labour by gender persists in many families: men are most often the main earner and women the main carer.

However, opinions towards working mothers have become more positive – particularly in countries where the government has increased support for parents seeking to combine work and family commitments. Men, especially those who are highly educated, are increasingly involved in parenting.²²

Parental leave factors which support parents to combine work with childcare responsibilities

International evidence suggests there are a range of variables within countries' parental leave and pay policies which could potentially be leveraged to encourage parents to share work and childcare responsibilities more equally.

²⁰ Thévenon, O. (2013), "Drivers of Female Labour Force Participation in the OECD", OECD Social, Employment and Migration Working Papers, No. 145, OECD Publishing, Paris.

²¹ Farré, L. and Vella, F. (2013). The intergenerational transmission of gender role attitudes and its implications for female labor force participation, *Economica*, vol. 80(318) p.219-247.

²² OECD (2017). Socio-demographic change and gender roles in The Pursuit of Gender Equality: An Uphill Battle, OECD Publishing, Paris. Available at: (pp. 203) www.oecd-ilibrary.org/social-issues-migration-health/the-pursuit-of-gender-equality_9789264281318-en

In any parental leave scheme, the basic variables are:

- The length of leave and when it can be taken (e.g. only in the first year or over the lifetime of the child);
- The rate of pay (which can vary over the leave period);
- Whether leave is transferrable between parents or given on a ‘use it or lose it’ basis;
- Whether the parental leave can be taken flexibly (e.g. in days or half-days; in blocks separated by periods at work; and whether it can be stopped and re-started);
- Who the leave and pay applies to (e.g. just employees or all working parents); and
- Whether parents can take time off work together, sequentially or both.

The length of leave and when it can be taken

Evidence from international studies suggests that policies aimed at increasing fathers’ take-up of leave and pay in the first year can have a positive impact on the gender division of childcare and domestic work, at least in the short-term.²³ This has been particularly observed in studies involving fathers who took longer periods of parental leave and/or took solo periods of parental leave after the mother had returned to work.²⁴

Of the countries in the OECD, the UK offers employed pregnant women and new mothers the longest period of dedicated Maternity Leave but our dedicated offer for fathers is among the lowest.



²³ Tamm, M. (2018), Fathers’ Parental Leave -Taking, Childcare Involvement and Mothers’ Labour Market Participation, IZA – Institute for Labour Economics, Germany

²⁴ Bünning, M. (2015), What happens after the ‘daddy months’? Fathers’ involvement in paid work, childcare, and housework after taking parental leave in Germany, European Sociological Review, vol. 31, Iss.6, pp. 738-748

From a 2009/10 survey of parents, the average number of weeks of Maternity Leave taken by mothers at that time was 39 weeks.²⁵

Except for unpaid parental leave²⁶ - which is available to parents of all children up to and including the date of their child's 18th birthday - entitlements to parental leave and pay in Great Britain must be taken in the first year.

In Sweden, each parent is entitled to 240 days paid parental leave which can be taken in the first 18 months after birth.²⁷ Leave and pay which the parents do not take in the first 18 months can be taken before their child reaches the age of 8 (children born before 2014) or 12 (children born after 2014) but the number of days that can be taken after the child's 4th birthday is capped at 96 days.

The rate of pay

Where the UK does enhance pay, as part of Statutory Maternity Pay entitlements, the rate of pay provided is high by international standards – at 90% of the mother's average earnings (with no upper limit) – but is provided for a shorter period of time. Whilst more weeks of enhanced pay are provided in some other countries, the rate of enhancement is not as generous as that in the UK.

In some European countries, such as Norway, Iceland and Sweden, evidence shows that where parental leave entitlements are well paid – e.g. at c. 80% of salary – take-up rates are very high. In fact, the rate of pay has been shown to have the strongest effect on uptake of parental leave entitlements.²⁸ Evidence presented to the Women and Equalities Select Committee (WESC) in respect of their inquiry into fathers in the workplace shows that the rate of pay is a significant determinant for take-up of parental leave in the UK.²⁹

Some contributors to WESC's inquiry suggested that the rate of Statutory Paternity Pay acts as a barrier to take up for low-income fathers, who are half as likely as better paid fathers to take Paternity Leave and Pay and far less likely to receive wage 'top ups' (i.e. contractual paternity pay) from their employers.³⁰ This is consistent with information provided by employers to HM Revenue and Customs, which suggests that high earning, professional employees are more likely to take paid Shared Parental Leave than low earners.

In Sweden, mothers are required to take two weeks off work before and/or after the birth of their child and can use part of the paid parental insurance benefit during this period if they wish. Fathers can take 10 days paid leave within 60 days of their child returning

²⁵ Department for Work and Pensions, (2011). Maternity and Paternity Rights and Women Returners Survey 2009/10 [online]. Available at: www.gov.uk/government/publications/maternity-and-paternity-rights-and-women-returners-survey-200910-rr777

²⁶ Referred to elsewhere in this document as parental leave for parents of older children.

²⁷ Duvander, A.-Z., and Haas, L., (2018) 'Sweden country note' in Blum, S., Koslowski, A., Macht, A. and Moss, P. (eds.) International Review of Leave Policies and Research 2018 [online]. Available at: www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/country_notes/2018/FINAL_Sweden2018.pdf

²⁸ OECD (2015) Paid Parental Leave: Lessons from OECD Countries and Selected U.S. States, OECD pp. 78. Available: www.oecd-ilibrary.org/social-issues-migration-health/paid-parental-leave_5jrqqvqqb4vb-en

²⁹ WESC (2018), Fathers and the workplace [online], Women and Equalities Committee, House of Commons. Available at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmwomeq/358/358.pdf>

³⁰ WESC (2018), Fathers and the workplace [online], Women and Equalities Committee, House of Commons. Available at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmwomeq/358/358.pdf>

home from hospital. The rate of pay is around 80% of their salary, up to a ceiling of 341,184 Swedish Krona³¹, equivalent to around £29,000 per year.³² Funding for this comes from statutory contributions from employers and self-employed; both pay 2.6 per cent on all earnings towards 'parental insurance'. In contrast, employed fathers and partners in Great Britain can claim one or two weeks of Statutory Paternity Pay, which is worth up to £148.68 a week.

In Sweden, each parent is also entitled to 240 days paid parental leave: 195 days are paid at almost 80% earnings (up to the same ceiling as above) and the remaining 45 days are paid at a flat rate (180 Swedish Krona a day³³, equivalent to around £15 per day³⁴). Parents who are eligible for Statutory Shared Parental Pay (ShPP) in Great Britain can claim up to 37 weeks of ShPP (also worth up to £148.68 a week) but any weeks of Statutory Maternity Pay or ShPP claimed by the mother will reduce the number of weeks of ShPP that are available to the father.

Whilst the rate of pay has been shown to be the largest determiner of take-up of parental leave by fathers in some countries, increasing the rate of pay has had less impact in other countries. In Japan, for example, a 2016 survey indicated that only three percent of male workers whose partner had given birth in 2014/15 had applied for parental leave, despite the introduction of generous entitlements to leave and pay.³⁵ This suggests that other factors, such as cultural expectations around the roles of women and men, influence the take-up rate for parental leave and pay by fathers.

In Japan, Maternity Leave is available for 14 weeks. Out of the 14 weeks, six weeks are available before the birth and eight weeks after birth (six of which are obligatory). Parental leave is available to each parent for 12 months and can be taken until their child is 12 months old (it can be extended to 14 months in some cases). The leave is paid at 67% of earnings for the first 180 days, up to a maximum of 447,300 Japanese Yen³⁶ per month (equivalent to around £3,000 per month³⁷) and the remainder at 50% of earnings per month. This is one of the most generous entitlements available to fathers of all OECD countries. A parent must generally take leave in one consecutive period (fathers who take some leave during the first eight weeks can take another period of leave after returning from work) and both parents can take leave at the same time. The scheme is funded from Japan's Employment Insurance system; employers contribute 0.85%; employees contribute 0.5% (different rates apply to specific industries) and 4.4% of benefit payments subsidised by the State.

³¹ Duvander, A.-Z., and Haas, L., (2018) 'Sweden country note' in Blum, S., Koslowski, A., Macht, A. and Moss, P. (eds.) International Review of Leave Policies and Research 2018 [online]. Available at:

www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/country_notes/2018/FINAL_Sweden2018.pdf

³² Conversion of currency undertaken on 10 July 2019, using: <http://finance.yahoo.com/currency-converter>

³³ Duvander, A.-Z., and Haas, L., (2018) 'Sweden country note' in Blum, S., Koslowski, A., Macht, A. and Moss, P. (eds.) International Review of Leave Policies and Research 2018 [online]. Available at:

www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/country_notes/2018/FINAL_Sweden2018.pdf

³⁴ Conversion of currency undertaken on 10 July 2019, using: <http://finance.yahoo.com/currency-converter>

³⁵ Nakazato, H., Nishimura, J. and Takezawa, J. (2018) 'Japan country note', in Blum, S., Koslowski, A., Macht, A. and Moss, P. (eds.) International Review of Leave Policies and Research 2018. Available at:

www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/country_notes/2018/FINAL_Japan2018.pdf

³⁶ Nakazato, H., Nishimura, J. and Takezawa, J. (2018) 'Japan country note', in Blum, S., Koslowski, A., Macht, A. and Moss, P. (eds.) International Review of Leave Policies and Research 2018. Available at:

www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/country_notes/2018/FINAL_Japan2018.pdf

³⁷ Conversion of currency undertaken on 10 July 2019, using: <http://finance.yahoo.com/currency-converter>

'Use it or lose it' leave and pay

Giving fathers access to a dedicated 'pot' of leave and pay on an individual, non-transferable basis (i.e. 'use it or lose it' leave and pay) has been shown to have a direct impact on the number of weeks of parental leave that fathers take.³⁸ However, the OECD are unclear about the impact on labour market participation of reserving leave and pay for a particular parent. Whilst they say that reserving part of any shared leave and making it exclusively available to fathers would ensure a better balance in parental leave, they point out that this could reduce labour supply since women tend to work shorter hours than men do.³⁹

Whether the parental leave can be taken flexibly

Enabling parents to take their leave in blocks can also support parents to match the amount and timing of any parental leave they take to their family's particular circumstances. There may also be benefits to enabling parents to intersperse periods of leave with periods of work, for example: parents can practise transferring caring responsibilities between them; and can retain a closer connection to work.

The units in which parental leave can be taken (i.e. days, weeks, etc.) may also have an impact on what the leave is used for – with smaller units lending themselves to more 'ad hoc' caring; and larger units enabling more engagement in child-care and supporting the establishment of caring routines. However, the greater level of flexibility afforded in the system, such as those that allow parents in the UK to take Shared Parental Leave and Pay in blocks, the greater risk of increased business costs and creating complexity (in terms of introducing rules around when and how parental leave can be taken). For example, an employee may change the dates of leave which may require an employer to re-organise work and/or update payroll at short notice.

Who the leave and pay applies to

In contrast to many European countries, parental leave and pay in Great Britain is allocated to individual parents rather than to the family as a unit. The exception to this is the Shared Parental Leave and Pay scheme which is only available to working couples.

In Iceland there is no concept of 'maternity' or 'paternity' leave.⁴⁰ A three month quota of non-transferable ('use it or lose it') leave is given to the mother to be taken within a 24-month period. One month may be taken before birth and the remaining two months must be taken after birth (mothers are obliged to take two weeks off work immediately following the birth of their child). A similar period of three months is reserved for fathers/partners – except there is no obligatory period during which leave must be taken (i.e. they are not required to take two weeks off work after birth). In addition, parents have a shared right to another three months' leave which they can split between them as they wish.

³⁸ The 7 countries with the highest male shares of parental leave users all have father-specific entitlements to paid leave – taken from OECD (2016) Background brief on fathers' leave and its use. Taken from: OECD, (2016). Background brief on fathers' leave and its use, OECD [online]. Available: www.oecd.org/els/family/Background-fathers-use-of-leave.pdf

³⁹ OECD (2019). [online]. Available at: https://www.oecd-ilibrary.org/oecd-economic-surveys-denmark-2019_5j8fxbvbwms1.pdf?itemId=%2Fcontent%2Fpublication%2Feco_surveys-dnk-2019-en&mimeType=pdf, p. 56

⁴⁰ Eydal, G.B. and Gíslason, I.V. (2018) 'Iceland country note', in Blum, S., Koslowski, A., Macht, A. and Moss, P. (eds.) International Review of Leave Policies and Research 2018. Available at: www.leavenetwork.org/lp_and_r_reports/

Leave can be taken in one continuous block or several blocks. Parents can also take leave together, or one parent can take solo leave for the whole period.

Pay is set at 80% of earnings up to a ceiling of 520,000 Icelandic Krona per month (equivalent to around £3,000 per month⁴¹) and this is funded through a Maternity / Paternity fund which is financed from an insurance levy of 5.4% on wages which is deducted from wages and paid by employers. 0.65% of the revenue collected from this levy goes towards funding parental pay.

Whether parents can take time off together, sequentially, or both

Enabling parents to take time off work together could facilitate shared parenting and support both parents to bond with their child. Many international examples provide for parents to be able to take leave concurrently, including the UK's Shared Parental Leave and Pay scheme which enables parents to be off work for six months together, if they wish.

Alternative parental policy designs may seek to encourage fathers and partners in particular to undertake a period of 'solo caring', as well as or instead of a period of shared parenting. Some international evidence has linked a prolonged period of solo leave taken by fathers and partners in the first year to sustained impacts on the sharing of caring responsibilities between parents beyond the first year.⁴²

The longer-term impacts of parental leave and pay policies

While the international evidence suggests that generously-paid leave for fathers made available on a 'use it or lose it' basis results in higher take-up of leave, it is difficult to know whether the availability of the leave and pay in itself leads to longer-term changes in parenting practices. Fathers who take parental leave and pay may simply be more engaged with family life and more likely to be involved in caring for their children.

Evidence from the London School of Economics (LSE) suggests that the impact of parental leave and pay policies on female labour market outcomes is negligible or at best weakly positive. The LSE suggests that stronger evidence for closing the gender pay gap and increasing female participation is seen in policies which focus on early education (subsidised childcare) and in-work benefits. However, no obvious consensus emerges from this research other than that making female employment easier, matters more than the length of the leave given to parents or the payments that they receive whilst they are off work.⁴³

There is also a case for policies that allow parents to better manage their work and caring responsibilities after the early years of their child's life. Parents in the UK already have entitlements to four months unpaid leave to look after a child up to the age of 18.

The new EU Work Life Balance Directive provides parents with an individual right to 4 months parental leave – from which two months are non-transferable between the parents and are to be paid at a level set by Member States – with the objectives of improving access to work-life balance arrangements and increasing the take-up of family-related leave and flexible working by men.

⁴¹ Conversion of currency undertaken on 10 July 2019, using: <https://themoneyconverter.com/ISK/GBP>

⁴² Bünning, M. (2015). 'What happens after the 'daddy months'? Fathers' involvement in paid work, childcare, and housework after taking parental leave in Germany', *European Sociological Review*, vol. 31, Issue.6, pp. 738-748.

⁴³ Olivetti, C., Petrongolo, B. (2017) CEP Discussion Paper No 1464, January 2017 - The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries.

As part of their justification for introducing the new Work Life Balance Directive, the European Commission stated that work-life balance policies hold the power to address gender employment and pay gaps. The general objective of this Directive is to ensure the implementation of the equality principle between men and women with regard to labour market opportunities and treatment at work.

High level options for reforming parental leave and pay

As set out above, family-related leave and pay entitlements in Great Britain have a number of different, and sometimes competing, aims. Any reform needs to encompass and consider not just those multiple objectives but how the different parental leave policies and incentives interact. In changing one policy we would in effect change the relative incentives and opportunities for parents across all the other current supporting parental policies. The policies which we could potentially review and reform are:

- Paternity Leave and Pay for eligible fathers and partners;
- Shared Parental Leave and Pay for eligible couples;
- Maternity Leave and Pay/Allowance for pregnant women and new mothers; and
- Parental Leave for parents of older children.

Making the right trade-offs and choices to support families

The bigger the reforms we make, the more we need to make sure that those reforms are meeting our multiple [policy objectives](#). These include flexibility for families; increasing fathers' involvement in childcare; supporting women's labour market participation; and further reducing the employment and gender pay gaps. That may mean some important choices and potential trade-offs around:

- How entitlements to leave and/or pay are split between parents;
- Balancing flexibility and choice for families and incentivising parental behaviours (e.g. solo childcare by fathers);
- Creating more rules and incentives to determine how leave is taken and shared, versus simplicity for parents to navigate the system and make choices;
- Giving parents the flexibility to take leave when it suits them and giving their employers and co-workers certainty;
- How the costs of parental leave and pay are shared between families, employers and the government;
- How much support is provided at the time of the birth versus giving parents opportunities to take parental leave when their child is older;
- How support is distributed across families – and whether the generosity of support should vary according to a family's income;
- How the costs are distributed across types of employers – including, the relative support provided to SMEs and large employers;

- How employers who provide enhanced contractual leave and pay would respond to government enhancing family-related statutory pay (e.g. would they extend the period of contractual leave and pay or re-cycle the savings?); and
- The level of support offered to families with different characteristics.

The next section considers each of the main entitlements to parental leave and pay in turn, reflecting on some of the specific options for reform, and the associated trade-offs. This is followed by consideration of possible approaches to reform, and how best to maximise the potential of reform to meet the [objectives](#) we seek to meet from giving parents access to parental leave and pay.

Paternity Leave and Pay

The most recent assessment of take-up of Paternity Leave suggests that around 90% of fathers take time off work following the birth of their child. Of these fathers, only 75% use Paternity Leave and Pay to achieve this (the rest used other types of paid leave, for example, annual leave).⁴⁴

Prior to the introduction of Shared Parental Leave and Pay, eligible fathers could also take Additional Paternity Leave and Pay which gave them access to up to 32 weeks of leave and up to 19 weeks of pay where the mother did not intend to use her full maternity entitlements. The leave and pay could only be taken from the 20th week after birth and then only if the mother had returned to work. Take up for Additional Paternity Leave and Pay was estimated to be around one percent. The scheme was abolished in 2015 when Shared Parental Leave and Pay was introduced.

In two Women and Equalities Select Committee (WESC) reports in 2016⁴⁵ and 2018⁴⁶, WESC recommended that Statutory Paternity Pay should be paid at 90% of salary (capped for high earners). They also recommended a new entitlement to 12 weeks of parental leave and pay for fathers, additional to the current entitlement to up to two weeks Paternity Leave, which could only be taken when the mother had returned to work. In addition, the recommendation was that the first four weeks of statutory pay should be paid at 90% of the father's/partner's salary (capped for high earners). The advocacy group Working Families⁴⁷ and the Equality and Human Rights Commission⁴⁸ both separately recommended that a well-compensated, stand-alone period of extended Paternity Leave for fathers could increase take-up.

⁴⁴ Department for Work and Pensions, (2011). Maternity and Paternity Rights and Women Returners Survey 2009/10 [online]. Available at: www.gov.uk/government/publications/maternity-and-paternity-rights-and-women-returners-survey-200910-rr777

⁴⁵ WESC, (2016), Report on the Gender Pay Gap Inquiry, Women and Equalities Committee, House of Commons [online]. Available at: <https://publications.parliament.uk/pa/cm201516/cmselect/cmwomeq/584/584.pdf>

⁴⁶ WESC (2018), Fathers and the workplace [online], Women and Equalities Committee, House of Commons. Available at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmwomeq/358/358.pdf>

⁴⁷ Working Families, (2018). Increase the Joy: Improving Shared Parental Leave [online]. Available at: www.workingfamilies.org.uk/wp-content/uploads/2018/05/WF-Briefing-2018-Increase-the-Joy-ways-to-improve-Shared-Parental-Leave-FINAL.pdf

⁴⁸ EHRC, 2018, Women's rights and gender equality in 2018: update report [online], Equality and Human Rights Commission. Available at: www.equalityhumanrights.com/en/womens-rights-and-gender-equality-2018-update-report

We are seeking views on the following questions:

1. **What emphasis should be placed on enhancing Statutory Paternity Pay versus the length of Paternity Leave available?**
2. **What impact would changing either leave or pay have on our [policy objectives](#)?**
3. **How should the costs of providing Paternity Leave and Pay be apportioned between government, employers and parents?**
4. **Could enhancing Statutory Paternity Pay and extending Paternity Leave result in differential impacts across families with different characteristics (e.g. families from different socio-economic groups or cultural backgrounds)?**
5. **Should support vary according to family characteristics, including income levels? For example, should there be a cap on Statutory Paternity Pay for high earners?**
6. **Should the level of reimbursement for employers vary according to their size (as now)?**
7. **How might businesses that already provide enhanced Paternity Pay respond to any enhancement to Statutory Paternity Pay? For example, would they extend the period of contractual leave and pay?**
8. **How should the timing of when Paternity Leave can be taken be balanced between giving families choice and flexibility, and incentivising particular parental behaviours? For example, should fathers/partners be able to take Paternity Leave at any point in the first year or be required to take their leave when the mother has returned to work to incentivise solo parenting?**
9. **How should we balance giving fathers/partners flexibility and choice (e.g. to take Paternity Leave in blocks) with the needs of employers and co-workers for certainty around when the father/partner is likely to be off work on Paternity Leave?**

Shared Parental Leave and Pay

The government originally forecast that take-up of Shared Parental Leave and Pay would be between two percent and eight percent of eligible couples because social attitudes towards the roles of men and women in a family would be slow to change.

The information we have on take-up so far suggests that take-up is in the middle of that bracket. Anecdotal evidence suggests that the complexity of the scheme may be a barrier to take-up. We are currently evaluating the scheme. This will give us a better idea of take-up; identify barriers and enablers to take-up; and provide information on how the scheme is being used in practice. It will tell us, for example, whether eligible parents are using the scheme to take time off work together to enable the father to be their child's solo carer for a period of time; and whether fathers are taking leave and pay in blocks or as a single period of consecutive weeks.

Like Statutory Paternity Pay, Statutory Shared Parental Pay is not enhanced (it is worth up to £148.68 a week throughout). Whilst mothers can transfer up to 37 weeks of their entitlement to Statutory Maternity Pay (SMP) into the scheme, they cannot transfer their entitlement to six weeks of enhanced pay – even if they have not taken them.

Fathers are only able to access additional weeks of leave and pay through the scheme if the mother is prepared to give up some of her maternity entitlements (in essence, the mother acts as a 'maternal gatekeeper' for the scheme). The advocacy group Working Families have suggested that, within the current scheme, each parent should be given their own (equally sized) 'pot' of leave and pay, leaving a larger 'pot' of leave, say nine months', to be shared between the parents however they decide. They consider that this could have a greater impact in terms of promoting and facilitating shared parenting than giving fathers additional weeks of Paternity Leave and Pay.⁴⁹

To preserve equality, we could only give fathers their own 'pot' of leave and pay within the scheme if we make an equally sized 'pot' available to mothers. The same would apply if we were to offer any period of enhanced pay. Any new pay enhancement in SPL could also incentivise mothers who would have returned to work early to stay on parental leave.

We are seeking views on the following questions:

- 10. What aspects of the current Shared Parental Leave and Pay scheme are most successful, and which are most in need of reform? Please give reasons for your answer.**
- 11. Should there be a dedicated pot of leave and pay for each parent within the Shared Parental Leave and Pay scheme?**
- 12. Should mothers continue to be the 'gatekeeper' for the Shared Parental Leave and Pay scheme?**
- 13. Should there be an element of pay enhancement in the Shared Parental Leave and Pay scheme? If so, how should the cost of any enhancement be apportioned between the government, employers and parents?**
- 14. Could enhancing Statutory Shared Parental Pay and/or giving fathers access to 'use it or lose it' leave through the Shared Parental Leave and Pay scheme result in differential impacts across families with different characteristics (e.g. families from different socio-economic groups or cultural backgrounds)?**
- 15. Should support vary according to family characteristics, including income levels?**
- 16. How should any enhancement to Statutory Shared Parental Pay interact with the level of statutory pay available under paternity and maternity provisions, in particular how should government prioritise the different entitlements in terms of providing enhanced pay?**
- 17. How might businesses that already provide enhanced Shared Parental Pay respond to any enhancement to Statutory Shared Parental Pay? For example, would they extend the period of contractual leave and pay?**

⁴⁹ Working Families, (2018). Where next for Shared Parental Leave: reflections on 'Fathers and the Workplace' recommendations [online], workingfamilies.org.uk. Available at: www.workingfamilies.org.uk/workflex-blog/where-next-for-shared-parental-leave-reflections-on-fathers-and-the-workplace-recommendations/

Maternity Leave and Pay

As set out earlier, women currently have access to 52 weeks of Maternity Leave and 39 weeks of Statutory Maternity Pay (or Maternity Allowance). This is amongst the most generous provisions in terms of length of leave in international comparisons. The enhanced pay level is also generous by international standards, but not the length of that period. Other European countries have a different balance between the total period available and the period of leave that is enhanced. Some offer both parents access to leave and pay on more equal terms (countries often seen by many as exemplars in terms of their parental leave and pay arrangements).

If the government is to consider significant reform to parental leave arrangements – in particular, either Paternity Leave or Shared Parental Leave – it is likely to need to look at the interplay with Maternity Leave and Pay. For example, if fathers were given more flexibility within the current arrangements for Paternity Leave (e.g. if they were allowed to take their leave in blocks), it would be unfair not to give mothers the same flexibility within the Maternity Leave and Pay scheme. Equally, if there were changes to the periods of pay enhancement or the enhancement level itself, that would need to be done while considering the equality of treatment between both partners in the family.

We are seeking views on the following questions:

- 18. Given your views on priorities for reform of Paternity Leave or Shared Parental Leave, are there implications for maternity arrangements including:**
- a) The length of Maternity Leave?**
 - b) The level and extent of Statutory Maternity Pay enhancements?**
 - c) The current inflexibility as to when Maternity Leave can be taken?**

Parental leave for parents of older children

Parents are already entitled to a total of 18 weeks' unpaid leave to care for a child up to and including the child's 18th birthday. This entitlement is per parent, per child, and cannot be transferred between parents. This policy recognises that responsibility for caring for a child does not end after the first year of the child's life, and that parents may need time off work to care for older children (i.e. children over the age of one). The EU Work Life Balance Directive provides parents with an individual right to four months parental leave, from which two months are non-transferable between the parents and are to be paid at a level set by Member States.

The benefit of the UK's current approach is that it provides a substantial period of leave and maximum flexibility as to when leave is taken, and each parent has their own entitlement to leave. It also provides a source of support over the longer-term, as opposed to Paternity, Maternity and Shared Parental Leave, which must be taken in the child's first year. It has also maximised the length of time during which the leave is available, but with no emphasis on providing any income support during the period.

We are seeking your views on the following questions:

- 19. What aspects of the current arrangements for parental leave (which can be taken up to and including the child's 18th birthday) are most successful, and which are most in need of reform? Please give a reason for your answer.**
- 20. How should the government balance the length of leave for parents of older children with the level of pay in order to incentivise take up?**
- 21. Are there any other reforms to parental leave for older children that would support the government's wider goals for parental leave policies?**

Towards a comprehensive suite of parental leave policies

Parental leave policies in the UK have developed over time, by different governments and different government departments. Some originate from the 1970s and earlier. Other aspects of the leave offer are more recent additions, reflecting changing culture, expectations and economic realities. As well as strong interactions between these policies, set out above, it is important that they work cohesively together to support the right choices for families and work in synergy with employers. One option is to move to a single, new model for family-related leave. This could be along the lines of the Iceland model referenced above, with set periods of non-transferable and transferable leave. Alternatively, we could continue reform while maintaining the existing entitlements, ensuring that changes are consistent and represent a clear and comprehensive offer to families.

Moving to a completely new model for family-related leave and pay would require a significant and sustained investment of resources, but that may be preferable to amending entitlements piecemeal and risking inadvertently undermining the policy objectives of individual entitlements. In order to create maximum impact and lasting change we want to ensure that we are fully exploiting the potential of any reforms to meet the multiple policy objectives we seek from giving parents access to parental leave and pay. In order to do that, we are seeking views on the high-level challenges of potential reforms. In particular:

- 22. Do you agree with the government's [objectives](#) for parental leave and pay policies?**
- 23. Do you think the government should consider a more radical change – potentially moving to a single 'family' set of leave entitlements, or seek to reform the existing entitlements?**
- 24. If we were to move to a new model for parental leave and pay, which areas for reform are most important? Please give a reason for your answer. In particular:**
 - a) Is more support needed for families around the time of the birth of a child or later, when the child is older?**
 - b) Should any incentives for fathers to take more responsibility for childcare focus on: a specific paternity entitlement; changes to the Shared Parental Leave and Pay scheme; or parental leave for older children?**
 - c) Should the government give greater priority to the length of leave available or to the pay enhancements available?**
 - d) Should support be directed to any particular groups of families? If so which groups, and how?**

e) How should the costs of any reforms fall between families, the government and business? Please provide reasons for your answer.

- 25. Should government prioritise reform of parental leave policies over other government policies which support parents to combine work with family life?**
- 26. If you consider that the government should prioritise reform of parental leave and pay policies, which policies are most important and why?**

Cost to the government and business

There are clear and important benefits to parental leave and pay entitlements. But there are costs too. All forms of parental leave are currently largely funded by the government, although some businesses choose to enhance the pay parents receive while on leave from the statutory minimum. We must also be mindful of the impact that an individual's absence from work has on their employer and co-workers. For every working parent that is at home caring for their child or children, there is a workplace that must manage without them for the duration of the parent's absence from work. Whilst individuals are unlikely to be completely irreplaceable, their absence from work comes at a cost to their employer both in terms of providing cover for the individual's work (including recruiting temporary members of staff) and of training other members of staff to do the individual's work.

Parental leave and pay policies which incentivise parents to take more time off work are intended to drive up the take-up rate for the leave and pay in question. Increasing the level of take-up obviously increases the cost of providing the entitlement. The current costs for the government primarily arise from reimbursing employers in respect of statutory pay that they have paid to their employees on behalf of the State. Employers can re-claim at least 92% of family-related statutory pay through the tax and national insurance contributions system. In the case of small employers, 103% of the cost of statutory pay can be re-claimed from government. The government also incurs costs in relation to setting up and maintaining systems which enable employers to 'reclaim' family-related statutory pay they have paid to their employees.