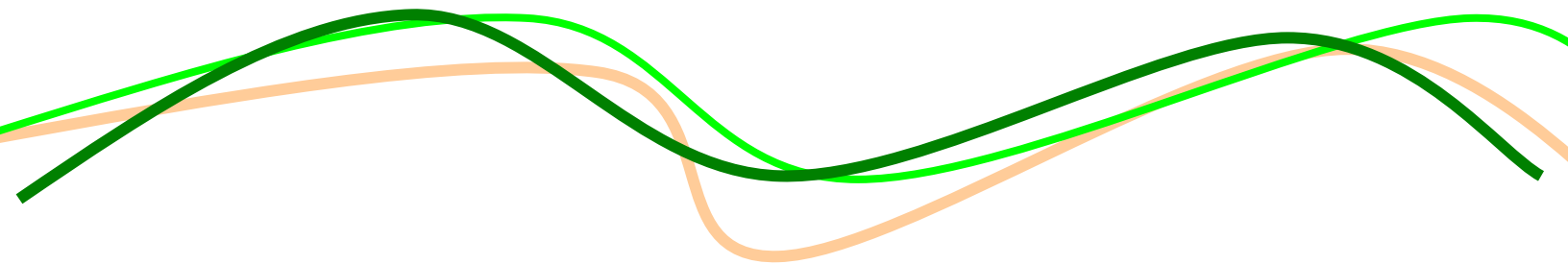


Benchmarking family friendly provisions among UK employers

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Benchmarking Maternity, Paternity, Adoption, Childcare and Parental Leave provision among UK employers

Summary

In July 2005 a benchmarking exercise into family friendly provisions among leading UK employers was carried out. Key findings were:

- The vast majority have enhanced SMP (often subject to service qualifications).
- A significant minority pay returner bonuses and consider these to be effective.
- Adoption provisions typically mirror Maternity provisions.
- Of particular interest is the degree of activity around Paternity Leave and Pay provisions, with the majority of organisations offering at least one week's leave at full pay.
- Employers are actively engaged in supporting fathers-to-be in their new parental role.
- The vast majority see the provision of childcare assistance as an extremely important part of their work life balance offering. The most popular option is childcare vouchers via salary sacrifice.
- All respondents are actively monitoring the competitiveness of their family friendly provisions.
- The new set of government proposals in this area are considered to be complex and most employers are adopting a "wait and see" approach.

1 Introduction

This report describes the results of a benchmarking exercise undertaken by Anna Allan in July 2005. The intention was to explore family friendly provisions among a range of UK employers.

In total, twenty-two responses were received. These covered the following sectors: Consulting, Energy/utilities, Financial Services, Legal Services, Manufacturing, Pharmaceuticals, Retail and Telecommunications.

Total number of employees in UK ranged from 150,000 (largest) to 500 (smallest).

In April 2003 the government launched a range of measures designed to help working parents meet their childcare responsibilities. This included enhancing statutory maternity leave and pay; and introducing paid paternity and adoption leave.

More recently (in April 2005) new measures were introduced to make the provision of childcare support cost-effective for employers and employees alike.

Given that government itself set new benchmarks in family friendly employment provisions, much of the subsequent literature has focused more on how these might be implemented than on identifying those employers now providing more than the statutory minimum. A small number of surveys provide useful commentary on the current exercise, and are discussed in the text under the appropriate sub-heading.

2 Maternity Leave and Pay

Commentary

The DTI's second WLB survey, conducted immediately prior to the 2005 legislative changes revealed 68% of employers already provided more than statutory minimum Maternity provisions. The business case for this rested in the high proportion reporting a positive effect on workplace performance from supporting working parents. Thus, 79% reported a positive impact on employee relations, 73% a positive effect on labour turnover and 72% on employee motivation and commitment. ⁽¹⁾

In April 2003 the maximum period of maternity leave (subject to service qualifications) was increased to 52 weeks and few employers are known to offer more than this. Exceptions are the design and engineering consultancy Arup, which - subject to service qualifications - allows up to three years; Buckinghamshire County Council and Cambridge City Council, both offering 63 weeks and Reed Executive (60 weeks). ^(3,4)

In addition, at least half the 30 public & private sector organisations surveyed by IDS in August 2003 offered some kind of career break option allowing employees additional unpaid time off immediately after maternity leave. ⁽³⁾

More frequent is the tendency to enhance maternity pay. An EOR survey conducted in April 2004 found 43% of respondents enhanced Maternity Pay. Among measures offered were:

- extending the number of weeks of maternity pay beyond the SMP period;
- offering full pay for some of all of the pay period;
- offering a combination of full pay for a certain period followed by half pay for another period and lower-rate SMP for a final period;
- enhancing payments for employees meeting length of service criteria ⁽⁴⁾

In May 2005 it was reported that USDAW, as part of its 'supporting parents and carers' campaign, had negotiated a Maternity Pay agreement at UniChem to provide 13 weeks full pay and 13 weeks on two thirds. ⁽⁷⁾

While some employers offer different levels of enhancement depending on length of service; others provide a choice between two different arrangements depending on employees' financial circumstances. A third alternative is to allow the employee to reduce her working hours before and after the birth for a period of time without any corresponding reduction in salary. ⁽³⁾

Very few employers offer other benefits – such as staff loans, bonus entitlements or private health insurance - affected by periods of Maternity Leave. ⁽⁴⁾

Analysis of benchmarking responses

- Only a small minority of our respondents offer AML to all staff; and only two provide any pay during the AML period.
- The average length of time taken for maternity leave varies considerably, but is typically linked to the length of time for which pay is provided.
- The most generous package – 12 months full pay - is offered only by one respondent organisation (which is in the manufacturing sector where the retention of senior women is a key concern) while two others offer six months.
- All but two respondents (both in the retail sector) offer a single maternity package. One of the exceptions offers two packages dependent on grade, while the other offers a choice of two packages dependent on employee circumstances. Both arrangements are designed to achieve the same aim – namely to encourage an early return to work for skilled staff.
- Not all organisations offer bonuses, but where they do, eligibility for these continues both through Ordinary and Additional Maternity Leave periods (but typically depends on individual work performance).
- The most frequently occurring business reasons given for enhancing maternity pay were:
 - To be an “Employer of Choice”/branding
 - Staff retention (more cost-effective than re-recruiting and training)
- Employers who provided more generous funding during the maternity leave period also said they felt staff were better prepared to return to work after maternity leave.

- Where funding in excess of SMP is provided businesses vary in how they account for it. Some said it came from individual manager budgets, others from business unit budgets and in some cases from a central fund.
- While no employer provides specialist support to mothers of disabled babies, the vast majority offer some form of employee helpline, and all said they would be very responsive to requests from such mothers to work flexibly or to take additional leave.
- One organisation mentioned their parents' intranet site which is available to all employees.

3 Returning from Maternity Leave

Commentary

The vast majority of maternity leavers are likely to return to employment. In a survey of 117 employers carried out by EOR in April 2004, the average return rate was 83%, and the median figure 98%. EOR also reported that women are much more likely to return where the organisation offers more than statutory minimum maternity provisions. Equally as important is access to reduced or flexible hours, which was found to be a major factor in determining whether a woman will return to work following maternity leave. ⁽⁴⁾

Analysis of benchmarking responses

- Not all respondents monitor maternity return rates but among those who do, rates varied from 60% to 99%. Half of respondents have return rates currently above the EOR average mentioned above.
- Only a minority of employers paying enhanced maternity pay require this to be repaid if the employee decides not to return to work. However, in all cases there is no impact if the employee decides to return on reduced hours, or to take a further period of maternity leave.
- Seven respondents pay a returner bonus – typically conditional on the employee returning for a specified period of time (which can vary from 3 to 12 months). Most feel the bonus is effective. In two cases the bonus was very small, and one of the employers in question said it had been set up more as a “thank you” to returners rather than a “bonus” to entice them back.
- Fifteen do not pay a returner bonus. Those who offered enhanced maternity pay typically commented that it made more sense to give the employee money at the time of birth when she would need it most.

- One organisation has abolished the returner bonus. They found it backfired on them – employees would return for the three-month qualifying period, collect the bonus and then leave.
- One respondent organisation allows employees to phase back their hours, while maintaining salary at full-hours level.

4 Planned future changes

Commentary

In April 2007 the government is planning to introduce a revolutionary new set of rights for working parents. Key proposals include extending the period of paid Maternity Leave to nine months, and eventually to 12; allowing the transfer of rights between parents; and extending the right to request flexible working to those with children over the age of six, and those caring for a relative or dependant. Consultation on how these proposals might be implemented closed on 25 May 2005.

An EOR survey conducted last year found that 73% of respondents anticipated more of their employees would opt for flexible working patterns in the future. ⁽⁴⁾

Analysis of benchmarking responses

- While all respondents were aware of planned changes in legislation, most said it was too early to begin addressing these.
- The overriding message from the majority of respondents was that maternity provisions are seen as a key part of their employment package, and are kept under constant review for market competitiveness.

5 Adoption Leave and Pay

Commentary

The number of adoptions in the UK each year is relatively small, and little benchmarking research has been carried out into this area. One recent survey reported around a quarter of respondents offering adoption pay that was better than the statutory minimum. ⁽⁴⁾

Analysis of benchmarking responses

- In all but one instance, adoption leave and pay mirror provisions for maternity leave and pay.
- One organisation specifically extends the provision to cases of long-term fostering.
- Most respondents offer paid leave for placement appointments, evenly split between those including it in their policy, and those allowing it at manager discretion.
- Support for employees who are adopting is typically through EAPs or in-company helplines.

6 Fathers

Commentary

The DTI's second WLB survey found that - ahead of legislation - 30% of workplaces already provided fully paid paternity leave of five days or more. ⁽¹⁾ One year later, EOR reported that 54% of employers surveyed paid fathers more than the statutory rate of paternity pay, while 15% offered fathers more than the statutory minimum leave. ⁽³⁾ In 2005 the General Whitley Council Agreement was revised to give entitlement to two weeks paternity leave on full pay – but only for those with 12 months' NHS service. ⁽⁷⁾

EOR also noted, however, that fathers often take only the first week of paternity leave because of the associated loss of earnings. ⁽³⁾ This was supported by CIPD research conducted in October 2004. Fathers felt they could not afford to take paternity leave paid at £100 per week, and were more likely to take annual leave instead so as not to 'lose out' on pay at what could be a very expensive time for the family. ⁽⁵⁾

While money is the main deciding issue, organisational factors play a part in enabling fathers to take paternity leave. A key barrier for new fathers in some occupations and industries remains the relatively traditional 'macho working culture' present in the workplace. ⁽⁵⁾

The CIPD report also suggested that knowing other people who have taken paternity leave, both within their own organisation and outside it, encourages recent fathers to take paternity leave themselves.

In November 2004 the DTI published a good practice guide for employers: '*Fathers-to-be and antenatal appointments*' explaining why it is important for fathers to attend such appointments and encouraging employers to give expectant fathers paid time off to attend them – but employers are under no legal obligation to do so. ⁽⁷⁾

Finally, an IDS study published in August 2003 described two employers – Buckinghamshire County Council and Interbrew UK – that had already put in place the facility where both parents are employees to share (transfer) maternity leave. ⁽³⁾

Analysis of benchmarking responses

- Perhaps not surprisingly this is the biggest area of change from our previous survey conducted in 2002 - both in terms of provision for paternity leave and pay; and in support provided to new fathers in their parenting role.
- One respondent organisation encourages fathers to attend ante-natal appointments by providing 5 X ½ days paid leave.
- Three further organisations have increased paternity leave beyond the legal minimum, while another has extended the period in which the leave can be taken to three months after the birth.
- The majority of respondents provide at least one week's paternity leave at full contractual pay.
- In addition respondents are working on a range of initiatives to support new fathers. Many provide helplines and booklets. Two are working with Employers for Fathers, while others work with the charity Fathers Direct to develop support and guidance for employees. One respondent encourages fathers-to-be to attend on-site NCT workshops.
- The majority of respondents are adopting a "wait and see" approach to the issue of transferring leave and pay between partners, citing the complexities of any such scheme as their reason.
- Two employers are actively looking at introducing such a scheme in the near future (ie by end 2006) provided they employ both parents.

7 Childcare

Commentary

Of the 28 million people currently employed in the UK, almost 40% are parents of dependent children. Mothers are playing an increasingly important role in the economy and about 58% of women with a child under 5 years old now work. However, about 75% of parents cannot find adequate childcare.

A major cause of employee absence is children becoming ill – most working parents have no option but to report sick themselves. According to a recent EOR report employers who provide childcare find it improves their reputation in the local area, and improves recruitment and retention of staff. Three of our participant organisations are described as case studies in the EOR report (BT, Nationwide and HSBC).⁽⁶⁾

The DTI's second WLB Study revealed only 8% of employers provided support for childcare, although those who did covered around 25% of employees in workplaces with 5 or more employees, reflecting the fact that provision was greater in larger workplaces. Where support was given the most common form was on-site childcare facilities (3% of all workplaces), financial assistance or family friendly working arrangements.⁽¹⁾ However, low levels of provision were matched by low levels of take-up (less than 10%) where facilities existed.⁽²⁾

According to the Daycare Trust around 5% of employers (2% of private sector companies) currently offer nursery places. More offer vouchers. Interest has risen significantly since April 2005 when a new tax exemption was introduced for employer-contracted formal childcare and childcare vouchers. The vast majority of companies administer childcare vouchers through a salary sacrifice scheme. Take-up levels are on average 2% for vouchers offered as a voluntary benefit, and around 5% for vouchers or cash offered as an employee benefit.⁽⁸⁾

However, it should be noted that when asked what would be the one main arrangement employers could provide to support working parents, both parents and non-parents alike specified flexible working hours (31%) above any other provision. Accessible childcare was requested by 25% while subsidised childcare was only specified by 5%.⁽²⁾

Analysis of benchmarking response

- Only four respondents offer no childcare support at present.
- The remaining 18 offer childcare vouchers – mostly on a salary sacrifice basis.

- In addition, four respondents offer some on-site nursery provision.
- One respondent provides a summer playscheme in the Head Office area where the biggest concentration of staff is employed.
- HSBC provides award-winning childcare including an extensive network of on-site nurseries, which is described as a case-study in the IDS report referenced at 8 below.

8 Parental leave

Commentary

The DTI's second WLB Study Employers' Survey revealed that around 11% of employers provided parents with parental leave entitlements beyond the statutory minimum. A quarter of these employers, (25% or 3% of all establishments) reported giving pay for all or some of the parental leave. The most commonly reported additional entitlement was increased flexibility over how the leave was taken. ⁽¹⁾ A more recent EOR survey found only 5% of organisations offering more than the legal minimum. ⁽⁴⁾

The DTI's research also found only one in seven workplaces containing any employees who had taken parental leave – most probably because of its inflexible nature. The statutory provisions only allow for it to be taken in blocks of one week, except by parents of disabled children. ⁽⁷⁾ There is a tendency therefore, for parents to take annual leave, by day, instead.

Analysis of benchmarking response

- Only a small minority of respondents enhance parental leave provisions in any way.
- One allows staff to take up to eight (unpaid) weeks per year to accommodate summer holidays.
- Another has extended the number of (unpaid weeks) to 18 (26 for parents of disabled children).
- A third allows mothers to take all thirteen (unpaid) weeks in one block at the end of AML.

- Only one respondent organisation offers any paid parental leave (one week for qualifying employees), but others offered paid family leave provisions which could serve the same purpose.

References:

- 1 The Second WLB Study: Results from the Employers' Survey, DTI Employment Relations Research Series No 22. Oct 2003
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- 3 Maternity and parental leave, IDS Study 755, Aug 2003
- 4 'Maternity and parental rights', EOR No 128, April 2004
- 5 Flexible working and paternity leave: The full rate for fatherhood, CIPD survey report Oct 2004.
- 6 'Flexible childcare provision: the options for employers', EOR No 134 Oct 2004
- 7 'Unions make further progress on family-friendly working', Workplace Report, May 2005
- 8 Childcare support, IDS HR Study 799, June 2005