

Work and Families in Wales

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Introduction

The recently announced Work and Families Bill outlines far-reaching changes for the roles of workers, employers and the government (DTI, October 2005a). The bill proposed a bundle of measures including an extension of maternity pay from six months to nine months with fathers able to take the last three months in the place of mothers, an extension of the right to request flexible working to carers and support for businesses to manage the administration of care related pay and leave.

Leading up to the publication of the bill, debate on work-life balance included extensive coverage on the potential difficulties for employers, particularly smaller businesses, and the potential benefits for employees (*Economist*, September 2004). This is a complex area with life choices on the part of workers clearly linked to, and influenced by, the needs of employers and the role of the state. The Department for Trade and Industry (DTI) regulatory impact assessment (DTI, 2005b) identified where costs and benefits may arise between employers, families and workers and the Exchequer.

Given the distinctive characteristics of the Welsh economy and labour market, the relative scale of potential costs and benefits arising from the Work and Families Bill may differ from the rest of the UK. Furthermore, costs and benefits may be distributed differently across workplaces and homes in Wales.

Overview

Annual recurring costs for the proposed measures in the Work and Families Bill may rise up to £283.4 million for employers with corresponding benefits to employers of £212.6 million. The annual recurring cost to the Exchequer may rise up to £392.7 million (DTI/DWP estimates, DTI 2005b). A monetary value of the benefits to families and workers was not outlined but the regulatory impact assessment noted, 'More flexible working will generate substantial quality-of-life benefits.'

Whilst the overall costs and benefits associated with the Work and Families Bill are clearly significant, the challenges presented to employers should be placed in context. The regulatory impact assessment considered the feasibility of monitoring the impact of extended pay and leave through the

Labour Force Survey (LFS).

In order to provide a four year average picture of the Welsh labour market, the Spring quarters from the LFS from 2002 to 2005 were pooled to increase the sample size. Labour market indicators were then developed for those on maternity or paternity leave for both Wales and the UK (with all figures rounded to the nearest thousand).

Table 1 shows the average number of people working fewer hours than normal over the last four years and the reason for doing so. Around 9,000 people worked fewer hours due to maternity leave in Wales; as the figures were rounded to the nearest thousand the number of those on paternity leave was too small to register. This compared to 44,000 people working fewer hours due to sickness or injury.

Table 1 suggests that sickness or injury affects nearly five times as many workers as those on maternity or paternity leave in Wales and the UK as a whole. Those on maternity leave are likely to be away from work for longer than those suffering from sickness or injuries although the overall numbers in

Table 1: Reason for working fewer hours than normal.

Reason	Wales	UK
Holiday or other leave	176,000	4,183,000
Number of hours or overtime varies	171,000	4,052,000
Sick or injured	44,000	942,000
<i>Maternity or paternity leave</i>	<i>9,000</i>	<i>190,000</i>
<i>Of which maternity leave</i>	<i>9,000</i>	<i>178,000</i>
Other personal or family reasons	8,000	167,000
Training course away from workplace	5,000	121,000
Laid off	3,000	81,000
Started, changed or ended jobs	2,000	45,000
Other reasons	15,000	329,000
Total	434,000	10,112,000

Source: Labour Force Survey 2002-2005 (Spring quarters)

Table 2: Maternity leave by type of employment.

Type of employment	Wales	UK
Employees	9,000	172,000
Self-employed	*	6,000
Total	9,000	178,000

Source: Labour Force Survey 2002-2005 (Spring quarters)

* Figure too small to report

each group at any given time are likely to remain relatively stable. In absolute terms, Swansea City drew similar attendance numbers at the Vetch Field (BBC, September 2005), as there are workers on maternity leave in Wales.

The number of skill shortage vacancies in Wales was estimated by *Future Skills Wales* at around 12,500 (*Future Skills Wales*, October 2003). Skill shortages covered vacancies that were hard to fill due to the absence of required skills in the labour market. Although it is likely a symbiotic relationship exists between maternity leave and skill shortages, it is clear that the number of skill shortage vacancies exceeds the number of women on maternity leave; skill shortage vacancies accounted for 0.5% of employment in Wales.

Not all workers on maternity leave are employees. Table 2 shows those on maternity leave by type of employment. The sample size for Wales was too small to provide an estimate of those self-employed on maternity leave, for the UK self-employed workers account for around 3% of those on maternity leave.

Women who had been with their current employer for five years or more accounted for just over four out of ten of those on maternity leave (42%). The equivalent figure for the UK as a whole was slightly higher at 47%.

Small businesses

The incidence of maternity leave among women was lower in smaller workplaces as shown in Table 3. Around 2,000 women on maternity leave in Wales were in workplaces with less than 25 employees representing 1.1% of all women in workplaces with less than 25 employees. The incidence of maternity leave was higher in larger workplaces. Around 2,000 women on maternity leave in Wales were in workplaces with 500 or more employees, representing 2.2% of all women in workplaces with 500 or more employees. This trend is

echoed across the UK as a whole.

The challenges presented by care related pay and leave to smaller firms have been cited by a number of key stakeholders in their response to the Work and Families consultation programme. The *Forum of Private Business* (FPB) stated ‘... extending maternity leave to nine months then 12 months by the end of the Parliament will have an extremely negative impact on smaller firms, particularly micro-business. Losing a key worker, who fundamentally understands what makes the firm tick, can seriously undermine a business.’ (FPB, May 2005).

There are a variety of potential explanations for the higher incidence of maternity leave among women in larger workplaces. This may include workers’ perceptions of the availability of flexible working when seeking work, workers’ perceptions of the consequences of taking maternity leave or differences in the demographic structure of the female workforce in larger workplaces.

It is likely that people will leave employment or not enter the workforce if an appropriate work-life balance cannot be achieved. Again this may impact on the higher incidence of maternity leave in larger workplaces. This is particularly important given the relatively high rate of economic inactivity in Wales. It is also important for businesses; in tighter labour markets being family friendly might act as a key differentiator giving access to skilled people that might otherwise consider alternative employers or inactivity.

In terms of the overall scale, around 2,000 women on maternity leave in workplaces with less than 25 employees does not appear to present a significant challenge for Wales in the context of just over 82,000 workplaces with less than 25 employees (2003 Annual Business Inquiry). The Confederation of British Industry (CBI) highlighted in their

response to the Work and Families consultation programme, that small workplaces with 10 employees or fewer, typically experience a pregnant employee once every decade (CBI, May 2005²).

Although maternity leave is uncommon among small businesses, it can still present significant challenges to those affected. The number of small firms in Wales is growing and where vacancies arise smaller employers are more likely to find them hard-to-fill (*Future Skills Wales*, October 2003).

Skills and families

Table 4 shows the occupation of workers on maternity leave with the majority of workers in managerial or professional roles. Nearly four out of ten of those on maternity leave in Wales were in these groups. Across the UK as a whole over half of all women on maternity leave were in managerial or professional roles.

The likelihood of women returning to work following pregnancy is greater for those with higher wages (Callendar et al, 1997). Therefore, it is reasonable to assume that women in more highly paid and highly skilled jobs are more likely to take maternity leave with a view to returning to work. Table 5 demonstrates that for both Wales and the UK as a whole the occupational profile of women on maternity leave is markedly more skilled than the workforce as a whole. For the UK as a whole just over one third of all workers were in routine and other occupations compared to around one in eight workers on maternity leave.

Table 6 shows the incidence of maternity leave was higher for women in intermediate, managerial and professional occupations in Wales. For the UK as a whole the incidence of maternity leave was highest for women in managerial and professional occupations. The incidence of maternity leave among women in managerial and

Table 3: Employees on maternity leave by workplace size.

Workplace Size (total no. of employees)	Total number		Proportion of female workers	
	Wales	UK	Wales	UK
1 to 24	2,000	42,000	1.1%	0.9%
25 to 49	*	27,000	*	1.5%
50 to 499	3,000	56,000	1.9%	1.5%
500 +	2,000	47,000	2.2%	2.4%
Total	9,000	172,000	1.6%	1.4%

Source: Labour Force Survey 2002-2005 (Spring quarters)

* Figure too small to report

Table 4: All workers on maternity leave.

Occupation	Total number		Proportion	
	Wales	UK	Wales	UK
Managerial and professional	3,000	92,000	39%	51%
Intermediate occupations	2,000	39,000	26%	22%
Semi-routine occupations	2,000	26,000	22%	15%
Other	*	22,000	*	12%
Total	9,000	178,000	100%	100%

Source: Labour Force Survey 2002-2005 (Spring quarters)

* Figure too small to report

Table 5: All workers and those on maternity leave.

Occupation	Wales		UK	
	Maternity leavers	All workers	Maternity leavers	All workers
Managerial and professional	39%	34%	51%	40%
Intermediate occupations	26%	11%	22%	12%
Semi-routine occupations	22%	16%	15%	14%
Routine and other occupations	*	39%	12%	34%
Total	100%	100%	100%	100%

Source: Labour Force Survey 2002-2005 (Spring quarters)

* Figure too small to report

Table 6: All workers on maternity leave, share of all workers.

Occupation	Wales	UK
Managerial and professional	1.7%	1.9%
Intermediate occupations	2.3%	1.6%
Semi-routine occupations	1.6%	1.1%
Routine and other occupations	*	0.7%
Total	1.6%	1.4%

Source: Labour Force Survey 2002-2005 (Spring quarters)

* Figure too small to report

professional occupations was nearly three times that of women in routine and other occupations across the UK as a whole.

Part of the explanation of the higher incidence of maternity leave among women in high skilled jobs is the associated opportunity cost. Women in managerial, professional or intermediate occupations are likely to forfeit higher wages if they were to leave their job following pregnancy and are therefore more likely to take maternity leave.

The greater concentration of maternity leave among more highly skilled occupations may lever benefits to employers, workers and their families

and the economy as a whole. For example, women that do not return to employment following pregnancy are likely to represent a loss of human capital to employers and the wider economy. Based on the Tables 4-6 it would not be unreasonable to suggest the average human capital associated with those on maternity leave in Wales is higher than for the average worker. However, an overall lower skills base may limit the potential for Wales to reap the associated benefits compared to the UK as a whole.

Conclusions

Considerable attention has been paid to the overall costs and benefits associated with care related pay and leave and

flexible working. However, the scale of maternity and paternity leave is relatively small compared with both the number of small businesses and overall workforce in Wales. Maternity leave is uncommon among small workplaces, and sickness or injury affects nearly five times as many workers as those on maternity or paternity leave in Wales.

Workers on maternity leave in Wales generally work in more highly skilled occupations than the average worker and the incidence of maternity leave is higher among women in more highly skilled jobs. The potential benefits cited by the DTI arising from the Work and Families Bill include encouraging women to return to work and staying in their job longer when they return. This suggests

envisaged benefits partly offsetting costs to employers may be realised, particularly where workers are highly skilled or qualified.

Whilst benefits and costs associated with maternity leave are significant, they need to be considered in the context of other challenges facing employers. The skill shortages in Wales exceed the number of workers on either maternity or paternity leave, with skill shortage vacancies accounting for a small fraction of overall Welsh employment (0.5%). Whilst acknowledging the difficulties faced by a small number of individual employers, the measures proposed in the Work and Families Bill do not appear to present a significant challenge for Wales.

References

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Endnotes

¹ The author is grateful to Steven Gardner, Kirstin Patterson, Russell Whyte and Fabian Zuleeg from DTZ for comments on an earlier draft.

² CBI evidence was based on the employers' survey on support for working parents, DTI, 2000.