

Attachment Five: Ministry for Women's report

The Future of Work for women's employment in Aotearoa New Zealand – follow-up paper

- 1 This paper discusses the supports women need to fully participate in the labour market, with a particular focus on access to childcare.

Impacts of the labour market on women

- 2 At the Future of Work Tripartite Forum (the Forum) in March 2022, you [the Forum] considered a paper that discussed the overall impact of the future of work changes on women.
- 3 This paper noted that, although the number of women in paid work has gradually increased, the labour market has not changed to adequately accommodate the differences in the way women interact with the labour market. Future changes to the nature of work could exacerbate the current economic disadvantages women face in the labour market, as well as presenting further distinct challenges that will be experienced differently by women.
- 4 The labour market we have today has not substantially changed from the one created decades ago; the labour market still holds fundamental assumptions about nuclear family structures that are now no longer the norm. This means we are in a world of work that still has a lack of structural support and holds unconscious biases.
- 5 Consequently, our starting point is a labour market that has not kept up with societal changes sufficiently; this needs to be recognised and addressed if the future labour market is ever going to keep up with the societal changes we are currently experiencing, and will continue to experience, in the future.
- 6 Part of responding to the failings of the current market is ensuring women have support for the specific employment challenges they face. This work needs to go beyond addressing inequalities and start transforming processes – including fair access to work, which requires affordable and accessible childcare.
- 7 Overall, we know existing interventions have not been able to create changes to the workforce at an industry level. Structural changes to how women are valued in the workforce, and the choices available to them, are required now to ensure women are truly equipped to participate as the labour market changes.

The role of caring and employment

- 8 Care is a gendered issue – as women's participation in the labour market has increased, men have not taken on work in the home in equal measure. Women still predominately hold the bulk of caring responsibilities, which has flow-on impacts to their ability to be employed and the types of jobs they can take. Further, care is still a gendered issue even when it is paid, with women being well-represented in areas like education, health and social services.
- 9 Since many women balance paid work with unpaid work (including caring), motherhood often comes with negative impacts on a woman's labour market participation, sometimes referred to as the 'motherhood penalty'.

The 'motherhood penalty'

- 10 Mothers, on average, experience a 4.4 percent decrease in hourly wages upon returning to work. Mothers who take longer than 12 months to return to paid work experience an 8.3 percent decrease in hourly earnings regardless of previous employment, education, and earnings.¹⁰⁸ A 2019 report on in-work poverty in New Zealand found that 7.7 percent of adult females were associated with in-work poor households; this number for men was 6.6 percent.
- 11 Women in lower-paid work prior to having children are far less likely to return to work at all. Women who were not in education, employment, or training before becoming mothers are less likely to enter the workforce after having children. Men show no tendency to decrease their employment post-parenthood, regardless of prior earnings, meaning there does not appear to be a comparable ‘fatherhood penalty’.

The ‘trade-offs’ women make also affect their employment opportunities

- 12 Caring roles can impact the ability, duration, and types of work women are able to take up. This can reinforce gender gaps in occupations, pay, and career development.
- 13 Women often ‘trade-off’ wages and career progression for flexibility in working hours. Of all women in the paid workforce, nearly one in three women work part-time, less than 30 hours per week. Women are more likely to be in casual work and in multiple jobs, which are typically low-paid. Wāhine Māori are also more likely than women of European descent to be working part-time but wanting and being available to work more hours,¹⁰⁹ which can result in women working in less secure, more precarious working arrangements.

There are longer-term impacts on women’s lifetime earnings

- 14 Manatū Wāhine Ministry for Women (the Ministry) estimates that, on average, women earn \$888,108 less over their lifetimes than men.¹¹⁰ In particular, becoming a parent has the greatest negative economic impact on low-income women. Lower lifetime earnings for women can also have negative effects on women’s health, wellbeing, and economic independence.
- 15 Over time, this impact on women’s wages contributes to the gender retirement gap. Research released by the Retirement Commission showed a 20 percent gap in retirement savings between men and women. This gap is widest between men and women aged in their 40s and 50s. There are several key factors driving this gender retirement gap, which is closely associated to trends in the labour market. Women have different employment journeys to men, and this is reflected in the retirement savings gap.
- 16 The gender retirement gap reflects wider social inequalities in the labour market which affect women’s overall lifetime earnings and retirement savings – a combination of gender and ethnic pay gaps, occupational segregation, women being more likely to work part-time, and time out of paid work for childcare, eldercare, or study.

Issues with access to childcare can have a significant effect on mothers’ labour market outcomes

¹⁰⁸ Sin, I., Dasgupta, K., & Pacheco, G. (2018). Parenthood and labour market outcomes. Wellington: Ministry for Women.

¹⁰⁹ BERL. (2021 unpublished), Underutilisation.

¹¹⁰ Calculated using Stats NZ 2020 median weekly wages.

- 17 Equitable access to childcare is a gendered labour market issue and continues to be a barrier to women's employment. Childcare is essential infrastructure that supports working parents, particularly mothers. Despite this, there is a gap in paid parental leave provisions (up to 26 weeks from the birth of the child) and the start of 20 hours early childhood education (ECE) (which starts when the child is three years old). This can be a particular issue for sole parents - 82.4 percent of single parent households are led by women, and 91 percent of Sole Parent Support recipients are women.
- 18 The Ministry commissioned new research to explore how a lack of access to childcare affects mothers' labour market outcomes. This research used data from the Growing Up in New Zealand (GUINZ) longitudinal survey. Key findings from the research include:
- New Zealand mothers who are not working, only because they cannot access affordable childcare, are estimated to be forgoing \$116 million or more of wages each year. This is a conservative estimate.
 - Some groups of mothers experience greater access issues than others – for example, Māori and Pacific mothers were two or three times more likely to experience issues accessing childcare than European mothers. Other mothers that have higher rates of childcare access issues include mothers who are young, have little education, and live in more deprived areas.
 - Mothers whose child is not in childcare due to access issues are likely to still want or need employment. Many who are managing to work use precarious childcare. There is a strong relationship between the hours children are in childcare and the hours women work.
- 19 The research confirms that childcare and employment outcomes are inextricably linked, and ECE should not be seen as a separate space. Indeed, whānau often perceive ECE as a means into employment, rather than purely as a provider of early learning services.
- 20 When parents are unable to access suitable, affordable childcare, mothers are more often the ones who take time out of the labour force to care for children. This reduces their immediate labour supply, and often has negative impacts when mothers return to work.

Affordability is one of the biggest barriers to accessing childcare

- 21 There is currently a lack of comprehensive information about the costs of childcare, as there is no regular monitoring of childcare access and affordability. However, we do know that childcare costs are generally the most significant in-work cost for families with children. This means reducing the cost of childcare is likely to have a positive effect on both the uptake of childcare and parental labour market participation.
- 22 Childcare costs can vary significantly, depending on the fees ECE services charge, location, family size, hours of care, and choice of care. OECD data suggests that New Zealand couples on an average wage, using full-time, centre-based care for two children aged two and three, spend 26 percent of their household income on childcare. This is one of the highest rates of OECD countries.¹¹¹ In the United Kingdom, this figure is 22 percent of their income, and in Australia, it is 19 percent of income. By way of comparison, higher levels of

¹¹¹ <https://data.oecd.org/benwage/net-childcare-costs.htm>

government expenditure on childcare in Norway means that couples spend 6 percent of their income on childcare, and 4 percent of their income in Sweden.

- 23 The Ministry of Social Development (MSD) pays Childcare Subsidy to low-income parents who are working, studying, or in training. This can be in addition to the 20 hours ECE funding provided by the Ministry of Education, but both cannot be paid for the same hours.
- 24 The affordability of childcare has decreased over time, as childcare costs have outpaced Childcare Subsidy rate increases. Further, the income thresholds for Childcare Subsidy were frozen in 2010, and although the thresholds were indexed to average wage growth in 2021, there has been no 'top up' for the wage growth over the 2010-2021 period. This means that over time, fewer families are eligible for Childcare Subsidy as the payment has effectively become more targeted.

Current initiatives to support women to enter and stay in employment

- 25 Beyond childcare funding, New Zealand has a range of policies to support women to balance their caring and working roles and/or reduce the impact of factors that contribute to the gender retirement gap.

Paid Parental Leave (PPL)

- 26 In Aotearoa New Zealand, paid parental leave is for 26 weeks, with a payment cap of \$621 per week. While our parental leave policies have improved over the past two decades, they are still generally less comprehensive than most other OECD countries. Research has shown that many mothers take parental leave longer than their PPL entitlement, and that money was the biggest driver of mothers returning to work. Fathers and partners' uptake of PPL is low, with fathers and partners preferring to take paid leave such as annual leave.

Pay transparency

- 27 As noted in paragraph 16, gender and ethnic pay gaps are one of the contributing factors to the gender retirement gap. Pay transparency can form part of a range of potential policy options to combat the gender pay gap and issues of equity in the workplace.
- 28 Pay transparency generally refers to the disclosure of remuneration at a systemic, organisation-wide level, with disclosure generally unable to be linked to a particular employee's pay. A lack of pay transparency can mask pay disparities that may be discriminatory, including gender-based discrimination.
- 29 The Government will investigate what a pay transparency regime in Aotearoa New Zealand would look like, which will also include a range of other initiatives such as addressing the gender and ethnic pay gaps. Any pay transparency measures will need to be well-designed to avoid potential unintended consequences. Pay transparency measures also need to account for the specific experiences of, for example, Māori, Pacific and ethnically diverse communities, and disabled people in the workforce.

Possible improvements to existing supports

- 30 While there are a range of different ways structural changes could be made to support women to enter and remain in the labour market, this section of the paper focusses on possible improvements to childcare access and PPL.

Improving access to childcare

- 31 MSD is working on a review of Childcare Assistance, as part of the medium-term welfare overhaul work programme. This review seeks to improve this assistance to support the labour force participation of low- and middle-income families with childcare costs. Access to affordable childcare has been identified as a key issue in a number of Employment Action Plans, including Te Mahere Whai Mahi Wāhine Women’s Employment Action Plan (the Action Plan).
- 32 In their 2019 report, the Welfare Expert Advisory Group recommended increasing income thresholds to provide greater subsidisation of childcare costs for low- and middle-income families, and reviewing subsidy rates and their interaction with minimum childcare session times, to determine if the rates are adequately subsidising costs.
- 33 Childcare is not just a family issue – it is a business issue. It affects how we work, when we work and, for many, why we work. There are several international examples of employers supporting childcare for their employees – for example, in California and Massachusetts, employers pay into a fund that can then be used by workers for any type of caregiving.

Improving Paid Parental Leave

- 34 The Ministry for Business, Innovation and Employment (MBIE) investigated allowing parents or caregivers to use paid parental leave simultaneously in 2017. In its advice, MBIE noted that fathers would be more likely to take up this entitlement if it was additional to the primary caregiver’s 26 weeks paid parental leave and was made available on a ‘use it or lose it’ basis.
- 35 No decisions were made at that time due to competing priorities. MBIE prepared indicative costings, but given the passage of time, these would need to be re-estimated if Ministers wish to pursue an expansion to the PPL scheme.
- 36 MBIE has tentatively scheduled a limited review of the PPL scheme to commence at the end of 2023. This, however, is subject to sufficient policy resource being available. Currently, the policy team with responsibility for PPL is fully committed on Government manifesto priorities. Any expansion to the PPL scheme would require funding approval and legislative change.
- 37 Providing dedicated paid leave would increase the uptake of leave by fathers and partners around the birth of child and help challenge existing norms around unequal care distribution. As well as taking on a greater proportion of the care work associated with the birth of a child, fathers and partners taking leave at higher rates would have a greater opportunity to bond with their child, leading to improved outcomes for both parents and the child.¹¹² Reviewing the Parental Leave and Employment Protection Act 1987 is an action in the Action Plan.
- 38 Workplaces can also have a role here. For example, 2degrees tops up paid parental leave payments to 100 percent of an employee’s base salary, aiming to provide greater financial security to caregivers while they are on leave. This initiative is part of a wider strategy to attract and retain the best talent in an increasingly competitive market, as well as doing the right thing by new parents.

Te Mahere Whai Mahi Wāhine Women’s Employment Action Plan

- 39 The Action Plan is a roadmap of actions towards a better future for women’s employment in Aotearoa New Zealand. It looks at the immediate and long-term actions needed in a

¹¹² https://link.springer.com/chapter/10.1007/978-3-030-75645-1_4

changing labour market to support disadvantaged women to find and maintain paid work. These actions will improve employment pathways for women who are marginalised at work, particularly wāhine Māori, Pacific women, young and older women, disabled women, women who are former refugees and recent migrants, and women in the LGBTQIA+ community.

- 40 These actions include ones that address the structural issues in the labour market that impact on women's employment, including pay transparency, implementing fair pay agreements, closing gender and ethnic pay gaps, access to driver's licences, childcare, and digital connectivity – all of which will have positive impacts on all groups of women and their whānau.

Discussion questions

- What kinds of support could the Forum encourage to maximise women's participation in the labour market?
- Could we move beyond accessible, affordable childcare and look to have more workplaces provide childcare?
- How can businesses do more to support working parents, including women?