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Estimating the financial costs of pregnancy and maternity-related discrimination and disadvantage

Executive summary

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Executive summary

Background

In 2016, the Department for Business, Innovation and Skills (BIS) and the Equality and Human Rights Commission (EHRC) published two GB-wide reports exploring a programme of research to investigate the prevalence and nature of pregnancy discrimination and disadvantage in the workplace (Adams et al., 2016a and b). They reported findings from surveys carried out with 3,034 employers and 3,254 mothers, and covered the views and experiences of employers and mothers on a range of issues related to managing pregnancy, maternity leave and mothers returning to work. They found that 11 per cent of women reported they were either dismissed; made compulsorily redundant, where others in their workplace were not; or treated so poorly they felt they had to leave their job. Twenty per cent of mothers reported other financial loss which included failing to gain a promotion, salary reduction, a lower pay rise or bonus, not receiving non-salary benefits and/or demotion. This report uses the same terminology and definitions as the BIS/EHRC reports mentioned above and is also GB-wide.

Aims

This report estimates the financial costs to women, employers and the State of negative, or possibly discriminatory experiences which occur during pregnancy, while on maternity leave or on return to work after maternity leave. It explains how these costs were estimated and the data on which they were based.

The focus is on the measurable financial costs that may be experienced by a woman who has been forced to leave a job or faced other financial loss during the 12 months following the point in time when the event occurred. This differs from the average annual cost of such negative or possibly discriminatory experience, as some losses will occur years after the event.

The report does not cover a number of other costs, both financial and non-financial. Examples include the potential impact of the negative experience on a woman's

mental and physical health and the resulting financial costs to the State from additional healthcare requirements. Nor does it include the costs of administering the individual conciliation and employment tribunal (ET) system in discrimination cases, which are difficult to quantify accurately. As a result, a sizeable portion of State costs could not be included in the estimates. Furthermore, insufficient data were available on the financial costs of ETs to women and employers and an assessment of their cost is not included in the main analysis.

Data

The analysis is based on Adams et al. (2016a) (hereafter called the BIS/EHRC Survey of Mothers), which explored the incidence of pregnancy and maternity-related negative or possibly discriminatory experiences in Britain. The costs associated with the following are considered:

- Women who felt forced to leave their job due to:
 - compulsory redundancy where no others were made redundant
 - dismissal
 - being treated so badly the woman felt she had to leave
- Women who experienced financial loss through:
 - being denied promotion
 - salary reduction/demotion
 - loss of non-salary benefits.

All respondents had a child aged between nine and 24 months at the time of the survey and were surveyed while they were still on maternity leave for this child, or after they had returned to work. Information on the incidence of negative or possibly discriminatory experiences and the pay of mothers and household circumstances during pregnancy and on the return to work was combined with data from other sources to estimate the total reward package (and associated costs) that women who experienced potential discrimination or disadvantage might have received, if the negative experience had not occurred.

Approach

Information from the BIS/EHRC Survey of Mothers and other sources was used to estimate the net cost of potential discrimination or disadvantage to all women who experienced negative or possibly discriminatory events of a particular type. This involved estimating the value of each of the component costs that women would be likely to incur in the normal course of working against any offsets, and then how these components would change under each of the different types of negative or possibly discriminatory experience, outlined above. The costs and offsets considered for women, employers and the State are shown below.

- Women
 - Costs/losses: pay (including Statutory Maternity Pay or maternity allowance (MA), tax credits, non-salary benefits offered by employers, employer pension contributions
 - Offsets: maternity pay (SMP or MA), tax credits, contributory JSA when unemployed, child benefit, the cost of childcare while working, commuting costs, income tax due on paid employment, national insurance (NI) contributions, statutory redundancy pay.
- Employers
 - Costs/losses: SMP, recruitment costs for a replacement employee, training costs, productivity losses until the replacement is fully productive, statutory redundancy pay
 - Offsets: SMP
- State
 - Costs/losses: SMP, MA, contributory Jobseekers' Allowance, income tax, NI (employer and employee contributions)
 - Offsets: SMP

This report seeks to estimate net costs to all parties, taking into account potential costs and offsets, insofar as this is possible. Incidents of negative or possibly discriminatory experiences which occurred at different times were considered as separate events, thus it is not possible to estimate costs for women who faced more than one type of negative experience. In addition, assumptions were made about certain factors, for example, the level of pay that a woman would have received if her salary was reduced following the negative or possibly discriminatory experience.

Having estimated the individual costs to women, employers or the State, the costs per woman were multiplied by the population at risk of pregnancy and maternity-related potential discrimination or disadvantage in Britain, based on birth records, to estimate net costs for the country as a whole.

Findings

Forced to leave a job

The total cost to women of being forced to leave a job due to pregnancy or maternity was estimated to be between £46.6 million and £113 million over the year following the event, depending on what stage of pregnancy, maternity or return to work it occurred.

Eleven per cent of women reported being forced to leave their job. This included those who felt so poorly treated they felt they had to leave, being dismissed and being made compulsorily redundant where no other members of staff were. Women were most likely to be financially negatively affected where they felt forced to leave their job at an early stage in their pregnancy. This was due to the loss of earnings over the period until they were able to find alternative employment, as well as the loss of Statutory Maternity Pay (SMP). Losses were lower where the woman reported being forced to leave her job while on maternity leave, due to the fact that her entitlement to SMP or Maternity Allowance (MA) would not be affected at this point. Costs increased again where the woman reported being forced to leave her job due to negative or possibly discriminatory experiences after she had returned to work, due to the loss of pay during any period of unemployment.

The cost to employers of women being forced to leave their job as a result of pregnancy and maternity-related potential discrimination or disadvantage was estimated to be around £278.8 million over the course of a year.

These costs were largely due to recruitment and training costs and lost productivity and to SMP payments if the woman was on maternity leave when she left. However, women were more likely to leave their employer due to negative or possibly discriminatory experiences when they returned to work, rather than when pregnant, or on maternity leave. These costs do not include those where a woman lodged a claim with the ET, which may be considerable.

The cost to the State of women being forced to leave their job due to pregnancy and maternity-related negative or possibly discriminatory experiences was between £14.0 million and £16.7 million.

This was largely due to lost tax revenue and increased benefit payments.

Financial loss

The overall costs to women of negative or potentially discriminatory experience which are defined under the banner ‘financial loss’ ranged between £28.9 million and £34.2 million over the year following the event.

Twenty per cent of women reported financial loss as a result of: failing to gain a promotion, having their salary reduced, receiving a lower pay rise or bonus than they would otherwise have secured, not receiving non-salary benefits or having them taken away, and/or demotion.

Losses tended to be greatest when the potential discrimination or disadvantage occurred on the return to work. Negative experiences while the woman was on maternity leave were estimated to have the smallest financial effect due to the woman spending a large proportion of the following year on maternity pay, which was unaffected.

Employers saw small reductions in costs when women experienced financial loss. These reductions or offsets amounted to between £7.1 million and £8 million over the course of a year.

The scale of the potential reductions for employers were modest relative to the risks of additional costs from ETs and other costs that could not be estimated, such as a possible increase in staff turnover, low staff morale and reputational risk.

The costs to the State of financial loss for women were between £15.1 million and £18.6 million over the year following the negative experience.

Losses to the State were largely due to the loss of tax revenue and were greatest if the negative or possibly discriminatory experience occurred while women were on maternity leave.

An overview of the median costs to women, employers and the State are shown in Table 1.1.

Table 1.1 Overview of median costs

	Women	Employers	State
Forced to leave their job	-£46.6 million to -£113 million	-£278.8 million	-£14 million to -£16.7 million
Financial loss	-£28.9 million to -£34.2 million	£7.1 million to £8 million	-£15.1 million to -£18.6 million

ETs and conciliation

Less than 1 per cent of women who were surveyed in the BIS/EHRC Survey of Mothers had lodged a claim at an ET. It is not possible to report on the detail or outcome of these cases because of the low numbers, but limited financial data are available from other sources. These indicate that the median compensation award for pregnancy and maternity-related ET cases in 2014 was over £9,000 and nearly £13,000 for cases which concerned pregnancy dismissal (Equal Opportunities Review, 2015). Employers spent a median of £5,000 in 2013 on advice and representation in discrimination cases generally, while for those that reached a financial settlement, the median amount awarded to the claimant was £5,000. The mean costs were £11,626 and £9,581 respectively (Harding et al., 2014).

These costs are considerable but, the costs of an ET claim extend beyond this, whether they are Acas settled or go to tribunal:

Employment Tribunal claims are costly and stressful for both claimants and employers, whilst the Exchequer cost of administering the Employment Tribunal system is also significant. (Department for Business, Innovation and Skills, 2014 p.3)

For employers, non-financial costs of an ET claim include time wastage, interrupted business, increased stress levels, distraction from work and low staff morale (Harding et al., 2014).

Limitations

This study focused solely on the financial costs of pregnancy or maternity-related discrimination or disadvantage faced by women, employers and the State for one

year from the potential discrimination or disadvantage. It did not include non-financial costs nor the wider impact on health, work and family life. Neither did it examine the longer term financial costs connected to, for example, being out of work or ongoing career impact, nor do the calculations include the considerable costs for all involved in ETs and conciliation. It is possible, therefore, that the true costs of negative or discriminatory experiences are higher than those suggested by this study.

Particular costs are difficult to estimate because of the small numbers of women affected or the lack of available information on likely financial impacts, for example, the small number of women who were demoted. As a result, some of the estimates, particularly those reliant on small numbers of cases, should be treated with caution.

It was necessary to make a number of assumptions in estimating the costs and offsets which result from pregnancy and maternity-related negative or possibly discriminatory experiences. This is because full information on every aspect of the pay and rewards package, employment history, the timing of potential discrimination or disadvantage and employee and household characteristics such as partners' salary, were not available from the BIS/EHRC Survey of Mothers or other sources. For example, benefit eligibility was uncertain and information on pay and respondent's age was banded. Losses faced by women who did not receive the enhanced maternity pay they may otherwise have been entitled to, due to being forced to leave their job, were unknown, as was the precise timing of the negative experience which had an impact on potential costs. Such information was not available from the original survey on which this analysis is based.

It was sometimes necessary to use estimates which did not relate directly to pregnant women, those on maternity leave or who had recently returned to work, for example, pension data. Wherever possible, estimates were adjusted to try to take account of likely differences, but cost estimates may have differed under different assumptions. Furthermore, while some types of negative experience are particularly costly individually, on aggregate their total cost may be masked by less costly experiences which are much more prevalent.

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