



# Working Families Index 2023

Spotlight on lower-income families



Pinsent Masons



working families

# Foreword



**Mike Harvey**  
Head of Responsible Business,  
Pinsent Masons

**As the cost-of-living crisis becomes more entrenched, pressure on families on a low income mounts with spiralling housing, food, energy and childcare costs. While the majority of working families are grappling with the reality of escalating costs, families on a low income are feeling the full force, with many being plunged into debt as they endeavour to provide for their children.**

This research demonstrates that the cost of childcare alone is having a devastating impact on families, with many struggling to find affordable and accessible support to enable them to work, progress in their careers, and maintain a happy and rewarding family life. It's sobering to read that 65% of parents of under-fives said that the cost of childcare is a financial strain on their family and that four in ten have got into debt to pay for childcare.

Furthermore, the research finds that higher-income families are afforded more access to home and hybrid working while lower-income families are far more likely to have requests for flexible arrangements rejected. The damaging impact these experiences have on low income families is writ large, with 48% of parents of under-fives stating that difficulties in accessing the childcare they need has a negative impact on their mental health.

At Pinsent Masons, we are committed to making business work better for people. Put simply, we believe that flexible work and accessible childcare should not be the preserve of the financially comfortable. Through our support for working families and schools and our commitment to inspiring young lives, we see how valuable and impactful engagement and support from business can be for families in their day-to-day lives.

As a leading charity for working parents and carers, Working Families is calling for meaningful change for families on a low income – change which could transform the lives of millions across the UK, enabling more parents to work and access flexible, high quality and affordable childcare. We are proud to collaborate with Working Families to strive for a positive shift in the work-life dynamic for families, driven by a fresh perspective on flexible working and childcare, backed up by calls for policy and legislative change.

# Introduction

**Last year's Working Families Index shone a light on worsening financial challenges for many families. Our 2022 report found that six in ten working parents and carers in the UK believed it had become more difficult to make ends meet over the previous three years. The findings prompted us to take a closer look at the experience of families at the sharper edge of the cost-of-living crisis, those with little or no capacity to weather the current storm.**

So this year, with our partners Pinsent Masons, we decided to turn our attention to those families on a lower income. We surveyed over 2,000 working parents with a total household income of £50,000 or less. The research examines childcare, parental leave, flexible working, and control over working patterns, to build a picture of what life is like for these families.

Our findings confirmed what we suspected. That, for those on lower incomes, not being able to access affordable childcare or flexible working is having a demonstrably negative effect, creating a situation where some families are drowning in stress and debt.

In recent years we have entered a new realm of financial hardship. The cost of living has affected us all, but those with lower incomes clearly bear the brunt of the rise in energy and food prices, not to mention rocketing childcare costs. And to make matters worse, for many on a low income, work just isn't working.

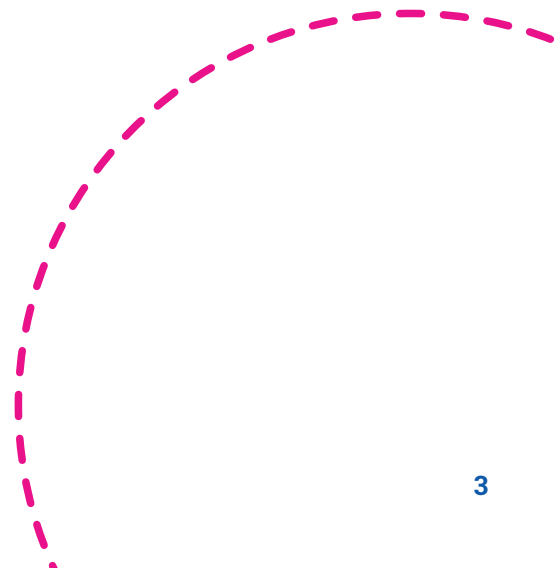
Our research points to parents on lower incomes being more likely to be denied flexible working. They are forced to forego promotion, reduce their hours, or leave work altogether to manage looking after loved ones, exacerbating their already challenging financial situation. On the ground, our experience reflects this: Working Families' free legal advice helpline has seen a significant spike in the number of calls from parents and carers needing advice on in-work benefits.

What can be done to mitigate the effects of this situation? The solution starts with flexible working. Not only can it enable parents and carers who would otherwise be locked out of the labour market to work; it also helps families better manage childcare, freeing up valuable income. Flexible working can and should work for everyone, not just those who work behind a desk or happen to have a sympathetic manager.

As an organisation, we are striving for cultural and policy changes that mean flexible working becomes the norm and families are given the opportunity to thrive. Until all parents and carers have access to the flexibility they need to progress in work—alongside affordable, accessible childcare—the picture of inequality will persist.



Jane van Zyl  
Chief Executive,  
Working Families



# Childcare

Childcare is a burning issue for families on a lower income. Challenges around finding and affording childcare are not only preventing parents from staying in work and progressing in their careers, but are also taking a financial and emotional toll on these families, causing parents and carers to slide into debt and negatively affecting their mental health and relationships.

## Paying to work?

Going to work shouldn't cost you money, and yet that is the case for many working families on a lower income, thanks to the exorbitant costs of childcare in the UK. Two-thirds of low-income parents with children under five said finding the money for childcare has put their family under financial pressure. Even more concerning is that four in ten low-income parents said they had gone into debt to pay for childcare, with younger parents and families with three or more children even more likely to have fallen into debt. Managing this expenditure in the current climate of rising living costs is unsustainable and families in debt will be living with the financial implications for years to come.

## The hidden costs of the childcare struggle

Constant worry about childcare is putting families under immense strain. Nearly half of working parents on lower incomes reported that their mental health was negatively affected by difficulties accessing childcare, rising to 56% of those in insecure contracts. The cost of childcare is also wreaking havoc in relationships, with three in ten working parents of under-fives saying it has had a negative effect on their relationship with their partner, rising to four in ten parents who work multiple jobs and half of parents in insecure contracts. It appears that, for many families on a lower income who have no choice but to use formal childcare, their ability to cope and the quality of family life is being undermined by excessive costs and lack of availability.



**“I was let go from my job as I couldn't afford childcare throughout school holidays. I work for £9.50 an hour, and childcare here is £11 an hour – how am I meant to pay childcare that costs more than I'm earning and pay for a household too?”**

Survey respondent

### Forced to find alternatives

Many working families on a low income (42% rely on using informal childcare such as grandparents to manage). For many, this isn't a choice. Scarcity and prohibitive expense prevents families from using formal childcare – six in ten parents on lower incomes say they use less formal childcare than they would like to because of cost, and four in ten say they use less formal childcare than they would like to because there is not enough available where they live. Whilst grandparents caring for their grandchildren is often mutually beneficial, our childcare system should not be relying on grandparents - this is not a sustainable solution for plugging the childcare gap. In addition, research by the Equalities and Human Rights Commission<sup>1</sup> shows that grandparents who take on caring responsibilities can be pushed into their own economic hardship.

### Stunting career growth

Parents on lower incomes are losing out on work and career progression to manage their childcare needs. Over half (51%) of lower-income parents have had to reduce their working hours to manage childcare needs, and a fifth have had to quit their job altogether. Women and Black parents especially are feeling the brunt of this, with 58% and 60% respectively of those we surveyed having to reduce their hours.

Nearly half of mothers, single parents, and those on Universal Credit have not been able to apply for new roles due to childcare needs; and almost four in ten Black, mixed race, and Asian parents have had to forego a promotion or training opportunity due to issues with childcare. The implication is that, rather than enabling low-income parents to develop their careers and increase their earnings, the current system is serving only to reinforce existing inequalities. Addressing the issues in the childcare system will allow those parents who are persistently at a labour market disadvantage to take up opportunities to progress in work and change the story.



**Over 50%**  
of working parents  
on lower incomes  
have had to reduce  
their working hours  
in order to manage  
childcare needs.

**“The cost of living and childcare means I have had to put my career on hold and I now work part-time. It will be very hard to catch up, if and when I am able to. The debt we have therefore got into is hugely affecting my mental health. I wish I could use our wonderful childminder more, but we’re struggling as it is.”**

Survey respondent

<sup>1</sup> [https://www.grandparentsplus.org.uk/wp-content/uploads/2020/02/EU\\_Full\\_Report.pdf](https://www.grandparentsplus.org.uk/wp-content/uploads/2020/02/EU_Full_Report.pdf)



# Recommendations

## The big picture

No one should be pushed out of work or struggle to make ends meet due to prohibitive childcare costs. Childcare should be affordable, accessible, and high-quality so that parents and carers can join and progress in the labour market.

## How we can achieve this:

- We welcome the Chancellor's commitment in the 2023 Spring Budget to increase funding for childcare, as it is an acknowledgement that affordable childcare is vital for economic growth. However, the budget as it stands does not offer enough funding to realise the promise of a fully supported system from nine months to four years old. It is crucial that the Government funds these new childcare provisions at rates that are sustainable for the early years sector, allowing them to meet increased demand, and alongside a workforce strategy to ensure that nursery staff are supported to deliver high-quality care.
- Any additional funding for childcare should give particular support to those who need it most—including single parents, families on lower incomes, and parents and carers in insecure work.
- Whilst parents and carers receiving Universal Credit will receive a much-needed increase to their childcare allowance that they will be able to access up-front, the Government could go much further to support families on lower incomes who increase their working hours to not be hit with financial penalties or unfair sanctions if suitable childcare is not available.
- Wraparound care should be sufficiently funded so that it offers flexibility to those families who need it.



**4 in 10**

**working parents on lower incomes have gone into debt to pay for childcare**

# Parental Leave

**Families on lower incomes are missing out on valuable time with their new babies due to not having the same access to parental leave, with many taking far less than the national average.**

## Precious time lost

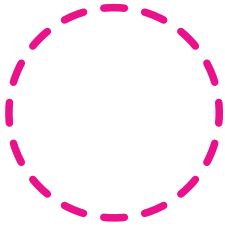
Being able to take parental leave in the first year of a child's life has significant benefits for all the family. Research by the OECD<sup>2</sup> has shown that taking leave aids mothers' physical recovery, is proven to have positive effects on children's health, and allows mothers to stay in employment long-term while also allowing them to spend time with their new baby. Fathers who take paternity or parental leave are more likely to stay involved as the child grows up, with lasting effects on a child's cognitive, emotional, and physical wellbeing.

On average, working mothers on a low income are only taking 23 weeks of maternity leave, a whole four months less than the UK average. A contributing factor to this discrepancy is that many parents on low incomes have no entitlement to parental leave on account of being self-employed, agency workers, or in between jobs. In fact, in our research a fifth of working parents on a lower income were not eligible for parental leave and thereby, in many cases, statutory maternity or paternity pay. This was particularly true of fathers, of which a quarter had no entitlement. Even those mothers who were eligible for maternity leave took just 27 weeks, which coincides with the Ordinary Maternity Leave allowance of 26 weeks – the cut off for having a right to return to the same job – suggesting that job security may play a part in their decision making. For many of these parents, taking a lot of time off in their baby's first year is just not financially possible, meaning they and their child lose out on spending time together.

## Financial considerations

In our survey, only 29% of working parents on a lower income had access to any enhanced parental leave and pay entitlements from their employer. The findings suggest that decisions about taking leave are economically motivated. Seven out of ten mothers and eight out of ten fathers who lacked access to any enhanced leave or pay reported taking less leave than they needed due to financial concerns. Unsurprisingly, where it was available, parents used the leave. Mothers who had enhanced paid leave took it, as did 61% of eligible fathers, many of whom extended their leave beyond two weeks, with a fifth taking over six weeks. It is abundantly clear that parents will choose to spend more time with their new babies when mechanisms are in place to support it.

<sup>2</sup> <https://www.oecd.org/policy-briefs/parental-leave-where-are-the-fathers.pdf>



**“I am currently on maternity leave, receiving Statutory Maternity Pay. It’s not enough to survive on.”**

Survey respondent

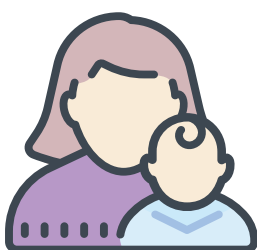
## Recommendations

### The big picture

No parent should miss out on time with their new baby because they cannot afford to take leave. That’s why we’re calling for more inclusive, better-paid parental leave for new mothers and fathers across the UK.

### How we can achieve this:

- The Government should review the statutory rates with a view to considering an increase in the rate of pay offered for family leave, particularly in light of the current cost-of-living crisis.
- The eligibility criteria for parental leave and pay entitlements should be reviewed and widened to ensure that parents can access the support they need, regardless of their employment status or length of service.
- Where feasible to do so, employers should enhance parental leave and pay.
- Whilst the provision of free childcare hours from nine months of age promised in the Spring Budget of 2023 could be helpful to many families, it is vital that parents are not discouraged from using their full maternity leave, Shared Parental Leave, or adoption leave entitlements if they wish to.
- Longer-term, parental leave should be reformed so that both parents, regardless of income, have the right to take time off with their child in their first year of life, including longer periods of paid leave for fathers and partners.



## Working mothers

**on lower incomes take 4 months’ less maternity leave than the UK average**



# Flexible Working

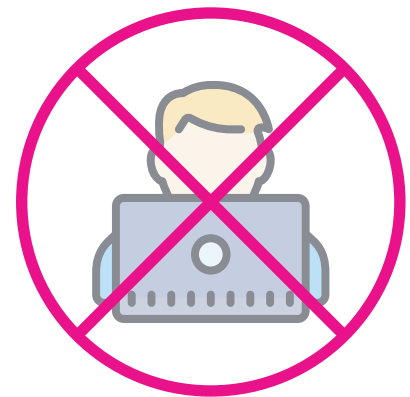
**Flexible working remains an unlevel playing field. Despite the majority of parents wanting to work flexibly, disparate access further disadvantages those on lower incomes. Being refused flexible working can lead to these families being more exposed to debt and mental health challenges.**

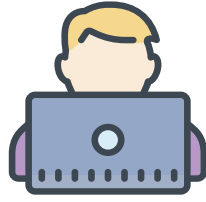
## Unequal access to flex

Parents on a lower income are more likely to be locked out of enjoying the benefits of flexible working. They are twice as likely to have an informal request for flexible working rejected than the average UK parent. Even when lower-income parents do access flexible working, there appears to be an inequality in the types of flexibility available. Comparison to the 2022 Working Families Index highlights a differentiation between higher income families, who have better access to remote and hybrid working, and lower income families, who are more likely to work reduced-hours or term-time arrangements. The reasons for this could be sector-specific, with a greater number of parents on a low income working in place-based sectors, or due to the higher proportion of lower-income parents working in agency or insecure work. Whilst working reduced hours can be a positive choice, it can also be the result of being denied other forms of flexibility. Alternative flexible working arrangements such as staggered starts, compressed hours, or flexitime could enable families to manage childcare without having a negative impact on their income or their careers paying the price through the 'part-time penalty'.

## Parents who are on a lower income

**are twice as likely to have an informal flexible working request rejected than the average parent**





## Parents who are on higher incomes

are more likely to have hybrid or remote working arrangements.

### Barriers to flex

Whilst the findings don't give a clear reason for the differential access to remote or hybrid working, we can glean some understanding from our research. Manager discretion appears to play a part, with one in ten parents on lower incomes reporting their manager not actively supporting flexible working. A fifth of parents surveyed who are not working flexibly suggested that the nature of their role means flexible working is not possible. This demonstrates the widely held misconception that flex is restricted to certain sectors or roles, and so to address this imbalance a broader understanding of flex in all its forms is needed.

### The knock-on effect

The research suggests that, when given the opportunity to work flexibly, the outlook for families on a lower income is much more positive. Those whose flexible request was successful were a third less likely to have to quit their job to manage childcare, 25% less likely to fall into debt, and half as likely to have had their mental health negatively impacted due to the difficulty accessing childcare.



## Parents who are on lower incomes

are more likely to have reduced-hours or term-time arrangements

# Recommendations

## The big picture

There should be an abundant supply of high-quality, part-time and flexible opportunities in the labour market. Employment policy should make it easier for workers to access flexible working arrangements so that every parent and carer can work flexibly if they choose.

## How we can achieve this:

Employers should design jobs with flexibility in mind and advertise whether roles can be performed flexibly when hiring, unless there are good reasons not to. Working Families is also supporting Yasmin Qureshi MP's Government-backed Employment Relations Bill, which will:

- Provide employees with a day one right to request flexible working
- Remove the requirement for the requestee to explain how the arrangement will work
- Enable an employee to make two requests each year
- Reduce the processing time for requests from three months to two
- Require a consultation between employee and employer if an employer wishes to reject a request.

**“I was denied a new shift pattern to work around my child’s nursery. This resulted in my partner having to reduce his hours to part-time.”**

Survey respondent

# Working Patterns

**The picture for lower-income parents is too often characterised by having little say in their working arrangements, which makes combining work and caring responsibilities even more of a challenge.**

## Not enough notice

Parents on low incomes are more likely to work shifts. Too often, very little notice of their shift patterns is given, making organising childcare an incredible challenge. Almost half of shift workers receive one week's notice or less, with agency and zero-hours workers being most likely to receive the least notice. Only a fifth of shift workers receive a month's notice or more. The logistical hurdle of ensuring childcare is covered with such short notice is likely to be a constant cause of stress for parents in this position.

## A loss of control

A lack of feeling in control of your working arrangements can also be highly stressful. Almost half (47%) of low-income parents surveyed felt they have little control over their work schedules. Women, part-time workers and the lowest earners are more likely to identify as having little control. This group, already marginalised in the labour market, appear to be further disenfranchised by their lack of influence. Encouragingly, however, flexible working was clearly linked with an individual's feeling of autonomy – parents who were working flexibly were twice as likely to feel they had control over working arrangements as those not working flexibly.

## Working above and beyond

Almost three quarters of parents on lower incomes said they were regularly working beyond their contracted hours, with younger parents and ethnic minorities the most likely to be doing so. The fact that the majority are working additional hours, and yet so many are still under financial strain, suggests that families are not able to claw themselves out of the situation alone.

Their predicament could be due to some parents on a low income working additional hours unpaid. Men in the survey were more likely to say they did this because of workplace cultures that prioritise presenteeism and reward long hours. Not only does this have an impact on stress, but also on the ability of families to manage childcare. It also undermines gender equality as the childcare responsibilities whilst men work additional hours fall to women.

# Recommendations

## The big picture

Employment policy should ensure that shift workers have greater job security and advance notice of schedules so that parents don't have to settle for insecure work.

## How we can achieve this:

- Employers should provide at least 4 weeks' notice for shift patterns so that working parents can arrange childcare.
- Employers should ensure all their employees earn enough each week to access the 30 Hours Free Childcare Entitlement for 3- and 4-year-olds.
- Employers should consider the impact of the cost of lost earnings for employees, especially during the cost-of-living crisis, and be mindful of this if they decide to cancel work arrangements at short notice.
- Alongside the Living Wage Foundation, we are calling for employers to pay workers a real Living Wage.
- Employers should avoid setting expectations that people work over their contracted hours – instead, they should ensure that roles can be done in the contracted hours. Performance should be monitored based on outputs rather than presenteeism.



**“When I returned to work my application for flexible working hours was denied, meaning I had to drop my hours, work nights instead of days, and later started a second job for the hours I’d lost.”**

Survey respondent

# Working Families

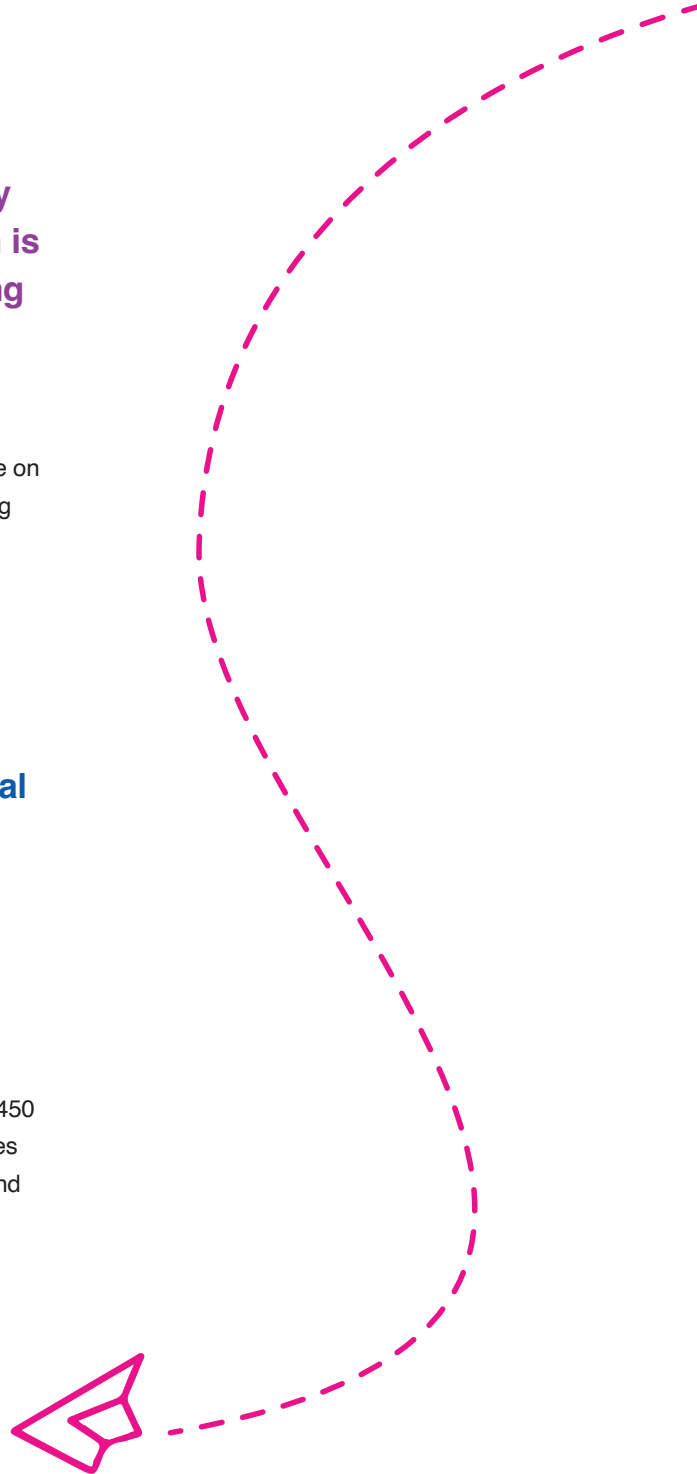
**Working Families is the UK's national charity for working parents and carers. Our mission is to remove the barriers that people with caring responsibilities face in the workplace.**

We provide free legal advice to parents and carers on their rights at work. We give employers the tools they need to support their people while creating a flexible, high-performing workforce. And we advocate on behalf of the UK's 17.5 million working parents and carers, influencing policy through campaigns informed by ground-breaking research.

# Pinsent Masons

**Pinsent Masons is a purpose-led professional services business with law at the core. We recognise that our clients rarely have legal problems; they have commercial challenges and opportunities.**

That's why we combine legal expertise with a wide range of complementary professional disciplines - enabled by process and technology – to address our clients' most pressing needs. With over 450 partners and more than 3300 people operating globally from 26 offices around the world, our people champion change, promote progress and enable everyone to make business work better for people.



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For more information on our work and mission, please visit

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