



Employer-supported childcare during maternity leave

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The Government has recently announced a new scheme for working parents to save money on their childcare through tax relief. This will be introduced in 2015 and will gradually replace employer supported childcare schemes. This information will be updated when further details are available.

This resource contains information for employers about the payment of employer-supported childcare during maternity leave.

Although this resource refers to childcare vouchers, the same entitlements also apply to other forms of employer-supported childcare – including directly-contracted childcare and workplace nurseries – during maternity leave.

In this resource we also refer to maternity leave, but the same changes also apply to parents taking adoption leave.

Impact on employers

The information in this resource affects you if you offer your employees non-cash benefits as part of their contractual agreement. Childcare vouchers, directly-contracted childcare, and workplace nurseries are all classed as non-cash benefits.

Do I have to provide childcare vouchers during my employee's maternity leave?

According to the Equality Act 2010, you are required to provide non-cash benefits throughout both Ordinary and Additional

Maternity Leave for all employees who were receiving the benefits before Maternity Leave.

Can I claim the amount of the childcare vouchers back from my employees' maternity pay?

If you provide childcare vouchers as part of a salary sacrifice scheme:

- Statutory Maternity Pay (90% of average earnings for 6 weeks, then £138.18 for 33 weeks) cannot be sacrificed.
- You can continue to apply the agreed salary sacrifice to contractual maternity pay that is paid over and above Statutory Maternity Pay.

In other words, you must continue to provide the non-cash benefits even if your employee has no salary available to sacrifice (the National Minimum Wage rules and rates do not apply to any statutory payments, including Statutory Maternity Pay). In this case, you will be responsible for covering the cost of the vouchers for your employee during her maternity leave.

Should I continue to operate a childcare voucher scheme?

When setting up your salary sacrifice scheme, consider whether employees need to join the scheme for a fixed period, and whether you offer 'opt in' and 'opt out' clauses. If you offer an 'opt out' clause, some women may voluntarily leave the scheme around the time of maternity leave to

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maximise their Statutory Maternity Pay and because they are better off receiving tax credits.

- In assessing the implications of these changes for your organisation, keep in mind the benefits of employer-supported childcare in the longer term, which include:
- Better recruitment and retention of staff: HM Revenue and Customs (HMRC)* found that 30% of employers who provided childcare schemes reported a positive effect on staff turnover after introducing the scheme.
- Reduced absenteeism: HMRC¹ found that 30% of employers felt that introducing a childcare scheme had a positive effect on absence rates.
- More motivated workforce: HMRC² found that 47% of employers reported increased productivity in the workplace after the introduction of a childcare scheme.
- Financial savings through a lower tax and national insurance bill: Department for Business Innovation and Skills estimate that the additional cost of paying for childcare vouchers during additional maternity leave will cost UK employers £3.4 million per year compared with the £120 million per year saving they make by operating voucher scheme.

For example, if your company offers full pay for the first 6 weeks of maternity leave, half pay for the next 20 weeks and then Statutory Maternity Pay for 13 weeks, an employee on maternity leave who is a member of a salary sacrifice scheme would be paid:

- Her full salary at the reduced rate agreed when she joined the salary sacrifice scheme (of which 90 per cent is Statutory Maternity Pay) + childcare vouchers in weeks 1–6.
- Half her salary at the reduced rate agreed when she joined the salary sacrifice scheme (of which £138.18 is Statutory Maternity Pay) + childcare vouchers in weeks 7–26.
- Statutory Maternity Pay of £138.18 + childcare vouchers in weeks 27–39.
- Childcare vouchers only in weeks 40–52.

Endnotes

1 Monitoring of the reform of the income tax and national insurance rules for employer-supported childcare, HMRC 2006.

2 Ibid

The content of this module has been written to inform and guide member organisations, and should not be taken as advice specific to your organisation

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