

**IMPACT ASSESSMENT**

European Commission proposal for a  
directive to implement revised  
Framework Agreement on Parental  
Leave

NOVEMBER 2009

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## Summary: intervention and options

<b>Department/agency:</b> BIS	<b>Title:</b> Impact Assessment of European Commission proposal for a directive to implement revised Framework Agreement on Parental Leave.	
<b>Stage:</b> Final	<b>Version:</b> Final	<b>Date:</b> 29 October 2009
Available to view or download at:		
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### What is the problem under consideration? Why is government intervention necessary?

The Parental Leave Directive (96/34/EC) was adopted in 1995 and sets out the minimum requirements for parental leave to support the reconciliation of parental and professional responsibilities for working parents. The original Directive was based upon a Framework Agreement by the European Social Partners. In December 2007, the European Council called on the Commission to evaluate the legal framework supporting this reconciliation of work, family and private life and any need for improvement. The social partners strongly felt that any review of the original agreement should be carried out by them and formal negotiations with a view to revising the Directive began on 11 September 2008.

### What are the policy objectives and the intended effects?

The revision of the Directive is a step towards the Commission's objective of achieving more gender equality in labour market participation rates and allowing women and men to achieve a better reconciliation of their professional, private and family lives. The Commission's overall objective in amending the Directive is to improve and build upon the common minimum standard of protection already in place across all Member States for parents with young children.

### What policy objectives have been considered? Please justify any preferred option

- (i) No action;
- (ii) Non-binding measures such as communication and exchange of information;
- (iii) Legally binding measures – directive or regulations.

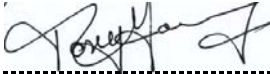
Once a directive has been agreed at EU level, the UK must implement the necessary changes. This assessment assesses the impact of the proposals on UK provisions.

### When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The outcomes of the policy will be assessed in a reasonable period after new entitlements have been implemented.

### Ministerial sign-off for consultation stage Impact Assessment

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options

Signed by:  .....

Date: 02 November 2009

[Lord Young]

## Summary: analysis & evidence

Policy option	Description			
	Additional Parental Leave			
Costs				
<b>ANNUAL COSTS</b>		Description and scale of key monetised costs by 'main affected groups'		
<b>One-off</b>	<b>Yrs</b>	Administrative costs of managing a request for parental leave (£636,000 to £1.3m)		
(transition)				
£0m	1	Costs to employers for covering absence (£4.0m to £13.2m)		
<b>Average annual cost</b>				
(excluding one-off)				
£4.6m-£14.5m		<b>Total cost (PV)</b>	£45m-£125m	
<b>Other key non monetised costs by 'main affected groups'</b>				
Very small cost in employers becoming aware of the new provision. Negligible costs for the right to request flexible working for employed agency workers.				
Benefits				
<b>ANNUAL BENEFITS</b>		Description and scale of key monetised benefits by 'main affected groups'		
<b>One-off</b>	<b>Yr</b>			
£				
<b>Average annual cost</b>		No evidence is available to quantify benefits.		
(excluding one-off)				
£		<b>Total Benefit (PV)</b>	£	
<b>Other key non monetised benefits by 'main affected groups'</b>				
Improved balance between work and family responsibilities, lower turnover of employees and greater commitment; greater connection of women to workplace; reduced gender gap in employment; wider social and economic benefits.				
<b>Key assumptions/sensitivities/risks:</b>				
Estimated take-up of five weeks' additional parental leave will be between 6% and 12% of eligible parents. Amount of time taken is unlikely to be the full five weeks, more likely to be one or two weeks.				
Price base year: 2009	Time period (years) 10	Net benefit range (NPV) £	Net Benefit (NPV best estimate) £	
What is the geographic coverage of the policy/option?			GB	
On what date will the policy be implemented?			The proposal suggests the directive would be implemented two years after it is adopted	
Which organisation(s) will enforce the policy?			Tribunals Service	
What is the total annual cost of enforcement for these			£ N/A	
Does enforcement comply with Hampton principles?			Yes	
Will implementation go beyond minimum EU requirements?			Yes	
What is the value of the proposed offsetting measure per year?			£ N/A	
What is the value of changes in greenhouse gas emissions?			£ N/A	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro £1.77	Small £10.98	Med £57.67	Large £1,090.00
Are any of these organisations exempt?	No	No	N/A	N/A
Key	Annual costs and benefits: constant prices		(Net) Present Value	

## Evidence Base (for summary sheets)

### A: Strategic Overview

1. The Government is committed to helping parents and carers to achieve a better balance between their home and work responsibilities. The benefits can include a happier, more motivated and productive workforce as well as wider social benefits and family cohesion. The difficulties faced by parents in reconciling the demands of work and family responsibilities generate wider economic and social costs, and can lead to social exclusion. Working parents may feel that their children are not receiving adequate care; while people who are forced to give up work may be at risk of becoming detached from the labour market.
2. The Government has developed a strong record in bringing forward measures to provide this support to parents, including generous maternity leave and pay provisions, paid paternity and adoption leave; a right to request flexible working; and, more widely, a substantial increase in childcare provision as well as parental leave.
3. Domestic provisions for parental leave implement the provisions of the Parental Leave Directive (96/34/EC) ("the Directive"). The Directive implemented the original 1995 social partner Framework Agreement on Parental Leave.
4. The European Social Partners began negotiations with a view to revising the original agreement in September 2008. The revised Framework Agreement was completed by the European Social Partners in June 2009. In July 2009, following a request by the Social Partners, the European Commission published a proposal for a Council Directive implementing a revised Framework Agreement on parental leave.
5. The revised Framework Agreement calls for changes to the minimum provisions of the existing directive, including extending parental leave to four months, of which one month must be non-transferable between parents; and a right to request flexible working on return from parental leave.

### B: The Issue

6. The Directive (96/34/EC) sets out minimum requirements for parental leave to support the reconciliation of parental and professional responsibilities for working parents. The Directive currently provides for a minimum of three months' leave per parent, to take care of a child up to a given age up to eight years. Member States set the conditions of access and detailed rules for this leave, including the notice period, qualifying period and whether it is granted on a full time, part-time or piecemeal basis.

7. The proposal calls for the following substantive changes to the Parental Leave Directive (96/34/EC):

- **Period of leave**  
Clause 2 of the Framework Agreement would extend the minimum period of parental leave from three to four months per child. The general principle is that parental leave is an individual right and should not be transferred from one parent to another. The Agreement requires that at least one of the four months of parental leave must be given on a non-transferable basis. Clause 5 makes it clear that decisions on pay or income during parental leave are to be taken by the Member States and/or by social partners at national level.
- **Application**  
Clause 1 sets out that parents should not be excluded solely because they are fixed-term, part-time or agency workers. Member States and/or social partners are called on to assess the need for adjustments to address the needs of parents of children with a disability or long-term illness and for additional provisions to address the needs of adoptive parents.
- **Employment rights and non-discrimination**  
Clause 5 requires Member States to ensure that parents are protected from dismissal and other unfair treatment related to parental leave. Article 2 of the proposed Directive additionally includes provision that would require that Member States should not set an upper limit for compensation in cases where rights under the Directive are infringed.
- **Right to request flexible working**  
Clause 6 would provide parents returning from parental leave with a right to request changes to their working hours or patterns for a set period of time. Employers must consider and respond to these requests taking account of both the parent's and employer's needs

### ***Current UK arrangements***

#### *Period of Leave*

8. The current Directive has been implemented in the UK through the Employment Rights Act 1996 and the Maternity and Parental Leave etc Regulations 1999 and corresponding legislation specific to Northern Ireland. Employed parents in the UK have a right to 13 weeks' parental leave for each child to be taken up to the child's fifth birthday. When a child is adopted, the leave may be taken up to the fifth anniversary of the child's placement for adoption (or the child's 18th birthday if that is sooner). Parents of disabled children may take up to 18 weeks' parental leave up to their child's 18th birthday. To be eligible parents must have been continuously employed for one year by the time they want to take the leave.
9. Parents and employers are encouraged to agree how parental leave will be taken. Where there is no local agreement the Government's fallback

scheme applies. Under this scheme parents must give 21 days' notice of when they want to take parental leave. The leave must be taken in blocks of one week up to a maximum of four weeks in a year. Employers may postpone parental leave for up to six months if it would unduly disrupt their business. They must agree a new date with the employee.

10. There is no statutory entitlement to pay during parental leave. Parents may be able to receive Income Support during parental leave. A period of parental leave may also increase entitlement to child tax credits.
11. The social partners' Framework Agreement would require an additional month's parental leave for each parent. Parental leave has been provided as an individual entitlement in the UK – it cannot be transferred between parents. Employees are not excluded from the right because they are part-time or fixed-term employees or employed agency workers.
12. This impact assessment assumes that parental leave in the UK will be increased from 13 weeks to 18 weeks. The UK government would carry out a consultation on implementation of the new directive in due course

#### *Right to Request Flexible Working*

13. The UK has had in place a right for employees to request flexible working since 2003 and its introduction has been a great success – it has contributed towards a culture change where working patterns are discussed more openly and freely. The UK right allows mothers and fathers of children aged 16 or under (children aged up to six in Northern Ireland) or of disabled children under 18 and carers of adults to request a flexible working pattern. The vast majority of UK parents covered by the Parental Leave Directive will already benefit from the existing domestic right to request flexible working as this is available to employees with 26 weeks' service with their employer. Employed agency workers are not currently covered by the statutory right to request flexible working but would become entitled to make a request on return from parental leave as a result of the directive. We estimate the number of employees affected by this change will be small (fewer than 2,000).

#### *Employment Rights and non-discrimination*

14. Parents who consider they have suffered a detriment or have been dismissed for reasons relating to taking or seeking to take parental leave can make a complaint to an employment tribunal. They may also make a complaint if their employer has prevented or attempted to prevent them from taking parental leave or unreasonably postponed their leave. Where an employment tribunal decides such a complaint is well-founded it may make an award of compensation which it considers just and equitable in all the circumstances, having regard to the employer's behaviour and any loss sustained by the employee which is attributable to the matters complained of.

## **Consultation**

15. The Commission carried out a two-stage consultation with the social partners on measures to support the reconciliation of work and family life. In the first stage consultation, those social partners who responded acknowledged the importance of reconciliation, the majority of organisations considered that further action was needed but views differed on what should be done and at what level. In the second stage consultation the Commission sought the social partners' views on a number of legislative and non-legislative options, including changes to parental leave and maternity protections as well as new provisions relating to filial leave, adoption leave and paternity leave. The response of the social partners to the second stage consultation on the wider agenda is set out in Annex II to the Commission's Impact Assessment which accompanied the Pregnant Workers Directive proposal<sup>1</sup>. Broadly, employer's organisations were against further regulation while trade unions would welcome the introduction of new types of leave.
16. On 11 September 2008, the social partners informed the Commission that they would open formal negotiations with a view to revising Directive 96/34/EC. Negotiations were concluded on 18 June 2009 when a revised Framework Agreement on parental leave was signed by the Secretaries-General of Business Europe, UEAPME, CEEP and ETUC. A request was made to the Commission to submit the Agreement to the Council for a decision making it binding on all Member States. This proposal takes that process forward. The Framework Agreement is annexed to the Directive.
17. In reaching the revised agreement on parental leave the TUC, the CBI and CEEP UK undertook the role of the UK representatives in the European Social Partner negotiations.

## **C. Objectives**

18. The aim of the Commission's proposal is to give legal effect to the revised Framework Agreement on parental leave. Implementation of the Agreement will contribute to better reconciliation of work and family life and promote gender equality in the labour market.

## **D: Options Identification**

19. Once a directive has been agreed at EU level, the UK must implement the necessary changes within the required timescale or risk infraction proceedings.
20. This Impact Assessment costs the proposal based on an extension of existing parental leave provisions. It assumes the same qualifying conditions will apply (i.e. employees who have one year's service with their employer and parental responsibility for a child under five, or a disabled child under 18). Alternatives are not costed.

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<sup>1</sup> SEC(2008)2526/2



## **E: Analysis of Options**

### ***Number of beneficiaries - Eligibility***

21. To be eligible to take parental leave, a person must satisfy the following criteria:

#### General

- Be an employee including part-time, fixed-term, or agency workers.
- Have worked for their employer continuously for 52 weeks.

#### Parents

- Have parental responsibility for a child under five, a disabled child under 18, or be an adopter of a child placed with them within the last five years.

22. The latest Labour Force Survey figures for Quarter 2 (April to June 2009) show that there are 3.4 million parents who are eligible for parental leave, in that they have been employed by their current employer for over a year and have a dependent child under the age of 5. This is split between 2 million men and 1.4 million women.

### ***Assumptions***

#### *Earlier impact assessment work*

<sup>23</sup>. The methodology adopted for estimating the costs and benefits associated with the extension of parental leave follows closely and builds upon that used for the development of earlier policy in this area. Specifically this relates to impact assessment work carried out in 1999 and 2001<sup>2</sup>

#### *Take-up of parental leave*

24. The statutory entitlement to parental leave is unpaid. The Regulatory Impact Assessment prepared in support of the original regulations assumed take-up of 10% for fathers and 50% for mothers. However, later survey evidence has found take up to be lower, particularly for mothers. Survey evidence collected by DTI in autumn 2000 found that 12% of employed parents who said their employers provided parental leave also said that they had taken parental leave since December 1999. Contrary to the assumptions made previously, take-up rates were identical for mothers and fathers.

25. More recent survey evidence indicates that these proportions have not changed greatly. The Maternity and Paternity Rights and Benefits survey

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<sup>2</sup> Parental Leave Regulations 1999, Regulatory Impact Assessment, Employment Relations Directorate, DTI, November 1999, and Parental Leave Regulations: changes to extend entitlement, Employment Relations Directorate, DTI, October 2001.

of parents in 2005<sup>3</sup> found that of mothers who had returned to work, 11% had taken parental leave since their maternity leave had ended. This represented a small increase on the 2002 figure of 8%. Of fathers, 10% describing themselves as entitled to parental leave took advantage of the provision in 2002 and 8% in 2005.

26. The most recent evidence is from a DWP survey of mothers. This found that the take-up figures were lower in this first 18 months. 31% of mothers said they had access to unpaid parental leave but only 6% had used it<sup>4</sup>. It should be noted that maternity leave and pay have increased over this period. The same survey found 88% of mothers take their full entitlement to paid maternity leave. This would reduce their need to use parental leave during the first year<sup>5</sup>.

27. These findings only relate to whether parental leave has been taken in the first 18 months after the birth of the child whilst parental leave is available up to the child reaching the age of 5. The Third Work Life Balance survey of employees asked all parents whether since starting their current job or in the last 12 months whether they had taken parental leave. The survey found that only six per cent of all parents of dependent children had taken parental leave<sup>6</sup>.

28. Given these later survey findings, it is assumed that take-up of parental leave will be in the range 6-12% of eligible parents. This would mean that 207,000-413,000 employees are likely take parental leave, 87-174,000 mothers, and 119,000-239,000 fathers.

**Table 1 Estimated eligibility for Parental Leave**

	Number of parents			
	Fathers		Mothers	
Eligible for parental leave	1,990,738		1,453,492	
Estimated take-up	6%	12%	6%	12%
	119,444	238,889	87,210	174,419

Source: BIS analysis of the Labour Force Survey,

### ***Timing and Duration of Parental Leave***

29. In assessing the timing of parental leave, there is no available evidence on when parents chose to take parental leave. It is possible that all 13

<sup>3</sup> Maternity and Paternity Rights and Benefits: Survey of Parents 2005, Deborah Smeaton and Alan Marsh, Policy Studies Institute, Employment Relations Research Series No. 50, 2005.

<sup>4</sup> Maternity Rights and Mothers Employment Decisions, Ivana La Valle, Elizabeth Clery and Mari Carmen Heurta, DWP Research Report No 496, 2008.

<sup>5</sup> Maternity and Paternity Rights and Benefits: Survey of Parents 2005, Deborah Smeaton and Alan Marsh, Policy Studies Institute, Employment Relations Research Series No. 50, 2005.

<sup>6</sup> Third Work Life Balance Employees Survey, Employment Relations Research Series No.58, DTI 2007.

weeks could be taken in one year if employers agree to the arrangement. However, it is more likely that, parents will take parental leave in shorter durations spread over the period up to the child's 5th birthday. In this IA we assume that the fall-back position is the norm and that leave is taken in blocks of one week up to a maximum of four weeks in a year.

30. There is some evidence to support this. Data from the 2005 Maternity Survey suggest that of the 11% of mothers who say they have taken parental leave, more than half took just one week, 12% to two weeks and 18% had taken 3 weeks or more. For fathers, time taken is less. The 2005 survey found that three-quarters took less than one week.
31. This survey however, is only looking at leave taken in the first 18 months of the child's life when parents have had access to maternity and paternity leave. It is likely that the need to use parental leave increases after this time when other forms of leave are no longer available.
32. It is clear from this data, that many parents who take parental leave, currently do not take the full 13 weeks available to them. For these parents, therefore, providing an extra month is unlikely to add to the numbers of weeks taken overall. There is a small proportion however, who do take more and for them, some of the extra weeks will be used.
33. For this IA we have assumed that of eligible mothers taking parental leave, only 30% are likely to use any of the extra month (between 26,000 and 52,000 mothers), and that they are only likely to take two of those weeks. For fathers, we have assumed that only a quarter (between 30,000 and 60,000 fathers) will use any of the extra month and will probably only take a week of the additional leave.

## **Costs**

### *Elements of costs of Parental Leave*

34. There are three elements of the recurring costs that employers are likely to face in dealing with Parental Leave:
  - administrative costs
  - cost of arranging cover for people on parental leave
  - defending applications to employment tribunals.

35. Previous IAs included a cost for additional tribunal cases. For this IA it is assumed the additional leave will not in itself generate more cases.

### *Administrative costs*

36. The bulk of the initial one-off administration costs were dealt with in the previous IAs in 1999 and 2001. However, there will be some one-off administrative costs in becoming familiar with the extension of the legislation. Larger organisations may have to make changes to record

keeping systems. We have not made an estimate of these costs as it is assumed that they will be negligible.

37. There will also be some small administration costs associated with managing additional requests for parental leave. For cases where the request is granted, the costs relate mainly to arranging for the individual's job to be covered. It has been assumed in this IA that managing a request would take half an hour of a personnel manager's time in large firms or managing director in small firms. Details of these costs are set out in table 2 below.

38. For those firms where a request is to be postponed, firms are required to write to employees and this requirement represents an administrative burden of compliance. In this case it again has been assumed that this would take half an hour of HR or manager's time. This is probably a generous estimate since a standard letter has been made available for employers to use on the Business Link website. We have assumed that 10% of requests will be postponed.

**Table 2: Estimated cost of administration from an additional period of Parental Leave  
£ (millions)**

	<b>Fathers (1 week)</b>		<b>Mothers (2 weeks)</b>	
	Low (6% take-up)	High (12% take-up)	Low (6% take-up)	High (12% take-up)
Cost of admin – request agreed	£305,000	£610,000m	£267,000	£534,000
Cost of absence – request postponed (10%)	£34,000	£68,000	£30,000	£59,000
<b>Total Cost</b>	<b>Low</b> £636,000		<b>High</b> £1.3m	

Source: BIS estimates

#### *Estimated costs of arranging cover*

39. Employers may decide to cover an employee's absence on parental leave either through recruitment of a temporary replacement or through re-arranging existing workloads and staffing. As parental leave is taken in short spells of one week, it is assumed that all employers react by reallocating work within their organisations rather than by recruiting temporary replacements<sup>7</sup>. The costs of internal reallocation are assumed to be 9 to 15 per cent of weekly labour costs<sup>8</sup>.

40. This additional cost depends on the number of parents who take advantage of the extra leave entitlements, and is based on the range presented in Table 1. Table 3 shows the cost of absence borne by

<sup>7</sup> See "Work and Families: Choice and Flexibility, Final Regulatory Impact Assessment on the Work and Families Bill, DTI (October 2005)" for a full explanation of the methodology employed here.

<sup>8</sup> We estimate that the mean weekly earnings for male employee jobs are £700.85 and for women is £443.02. This is based on ASHE 2008 data for mean weekly gross pay uprated for 2009 and including a 21% for non-wage labour costs.

employers due to fathers taking one extra week of leave and mothers taking two weeks.

41. Combining length of leave assumptions by these average cost estimates implies that the annual cost of the proposed extension to the Regulations would cost employers between (£4.0 million and £13.2 million a year .

**Table 3: Estimated cost of absence due to an additional period of Parental Leave  
£ (millions)**

	25% Fathers (1 week)		30% Mothers (2 weeks)	
	Low (6% take-up)	High (12% take-up)	Low (6% take-up)	High (12% take-up)
Cost of absence (9% wage cost – low)	£1.9m	£3.8m	£2.1m	£4.2m
Cost of absence (15% wage cost – high)	£3.1m	£6.3m	£3.5 m	£7.0m
<b>Total Cost</b>	<b>Low</b> £4.0m		<b>High</b> £13.2	

Source: BIS estimates

42. The range for the estimated cost of absence presented in Table 3 is wide as it incorporates both uncertainty about the number of parents who will take up their entitlement additional parental leave as well as uncertainty about the degree of costs that employers are likely to face.

### **Other Costs**

#### *Additional benefit expenditure by DWP/ Exchequer*

43. The introduction of parental leave may lead to increased payments of social security benefits. Lone Parents will be eligible for Income Support. Couples (with either one or two earners) who are currently in receipt of in work benefits (Working Families Tax Credit, Housing Benefit, Council Tax Benefit), will also be able to claim Income Support if they are on a low income due to parental leave.
44. However, against this it is possible that this measure could lead to greater labour market attachment among some groups, particularly lone parents. If it leads to a rise in the number of lone parents in employment this could generate savings to the Exchequer (less spending on Income Support and more on WFTC).

#### **Right to Request Flexible Working – Employed Agency Workers**

45. Employed agency workers are not currently covered by the statutory right to request flexible working but would become entitled to make a request on return from parental leave as a result of the directive.

46. Evidence from the Labour Force Survey suggests that the number of employed agency workers stands at around 100,000. In the absence of more accurate data, it is assumed that a similar proportion of employed agency workers would be eligible for parental leave as in the general population of employees. Assuming 13.6% of these agency workers are eligible, the total number would be 13,600. If similar proportions of take-up are applied, this suggests that between 1,200 and 1,600 are likely to take parental leave and so be eligible to request flexible working on their return. The number of employees affected by this change will be therefore be small (fewer than 2,000).
47. Of these, the numbers making a request for flexible working will be very small and so the costs have not been assessed.

### *Benefits*

48. It is expected that this legislation will ease the problems of many parents, giving them more choices over how they organise their time and thus widen employment opportunities. The benefits of parental leave will extend beyond employees to their partners and children, as well as to society as a whole.

### *Benefits to individuals and their families*

49. The option of parental leave, even if not taken up, will enable people to achieve a better balance between work and family responsibilities as it widens choices. It will also give those parents who need to use parental leave a wider choice of employers. It will thus promote higher labour market attachment. Some parents will be less likely to leave the labour market and others (such as lone parents) will be more likely to return. It will particularly benefit mothers for whom an interruption to their working life can reduce earnings potential later. If people expect to stay in work then employers and employees may be more willing to invest in training.

### *Benefits to the economy and society*

50. Employers are likely to see benefits from lower turnover (and so lower recruitment and training costs) and consequently higher commitment.
51. Parental leave, along with other family-friendly measures, may also confer wider social and economic benefits.
52. These include:
- contributing to sustaining family life and ensuring the next generation has the best possible start in life,
  - increasing the sustainable level of employment by promoting labour market attachment thus increasing the effective labour supply,

## F: Risks

53. The estimates of costs and benefits presented in this impact assessment are necessarily based upon a number of assumptions. We will continue to firm up out estimates for the final impact assessment as new data and information become available.

## G: Enforcement

54. In putting enforcement mechanisms in place, the Government is aware of the need to strike a balance between avoiding placing undue burdens on business and ensuring that employees receive their rights

55. Full guidance is available at [www.direct.gov.uk](http://www.direct.gov.uk) and [www.businesslink.gov.uk](http://www.businesslink.gov.uk). Advice for employers and employees about parental leave is also available from Acas.

56. Under existing parental leave legislation employees who believe their rights have been infringed may seek redress through a statutory dispute resolution mechanism and ultimately through an employment tribunal.

57. We do not anticipate a significant change in the number of enquiries to Acas or in the number of employment tribunal applications as a result of implementation of the proposal.

58. A tribunal will be able to award an employee compensation if the employer does not comply with the legislation, or if the employee suffers a detriment or is dismissed for taking parental leave.

## H: Summary Table of Costs and Benefits

**Table 4: Estimated cost and benefits of an additional period of Parental Leave (projection for 2011/12)**

	£ (millions)			
	Fathers (1 week)		Mothers (2 weeks)	
	Low (6% take-up)	High (12% take-up)	Low (6% take-up)	High (12% take-up)
Administrative costs (incl admin burden)	£339,000	£678,000m	£297,000	£594,000
Cost of absence (9% wage cost – low)	£1.9m	£3.8m	£2.1m	£4.2m
Cost of absence (15% wage cost – high)	£3.1m	£6.3m	£3.5 m	£7.0m
<b>Total Cost</b>	<b>Low</b> £4.6m		<b>High</b> £14.5	

Cost of right to request flexible working – agency workers - Negligible

Benefits – Not quantified

Source: BIS estimates

## **J: Monitoring and evaluation**

59. BIS conducts a number of key benchmark surveys across the diverse set of policy areas within Employment Relations to identify specific issues for both policy development and for monitoring and evaluation following implementation. Data from the latest maternity and paternity rights survey undertaken with DWP will be available in 2010. Information relating to this area should also be available from the next Work-Life Balance Surveys planned for 2010 and the next Workplace Employment Relations Survey (WERS) which will be conducted in 2011.



## Specific Impact Tests: Checklist

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	No
Rural Proofing	No	No

## Annex A: Specific impact tests

### Competition Assessment

#### *Business sectors affected*

60. Table 5, below, shows the distribution of parents across sectors and shows that there are no specific sectors more likely to be affected than others. Agriculture may be least affected having the lowest proportion of parents. Given the fairly low number of parents expected to take advantage of the extra leave, the overall impact on the sectors with higher proportions of parents, for example finance and energy, will remain small.
61. The proposed changes would apply to all firms and it is unlikely to affect the competitiveness of any particular sector, although for occupations that are traditionally female-dominated these proposals could have a greater impact since mothers are more likely to take parental leave for longer periods. Table 6 shows that this is particularly the case in the education, health and public administration sector and in distribution hotels and restaurants.
62. In terms of absences, the costs and difficulties could be greater if the employer operates in a skilled area where there is a shortage of temporary workers.

**Table 5: Sectoral employment by proportion of eligible parents (2009)**

Sector	Employees of over 52 weeks with a child under 5	Parents as proportion of all employed in this sector
Agriculture and fishing	6,277	5.9%
Energy and water	65,437	16.6%
Manufacturing	321,378	13.9%
Construction	193,098	14.7%
Distribution, hotels & restaurants	491,932	12.8%
Transport & communications	279,820	15.4%
Finance and business services	525,133	16.1%
Education, health and public administration	943,337	13.5%
Other services	135,736	14.0%

Source: Labour Force Survey Q2 (Apr to June) 2009

**Table 6: Sectoral employment by gender (2009)**

Sector	Employment (thousands)	Men as proportion of all employed in this sector	Women as proportion of all employed in this sector
Agriculture and fishing	792	51%	49%
Energy and water	197	74%	26%
Manufacturing	2,942	75%	25%
Construction	2,246	88%	12%
Distribution, hotels & restaurants	6,857	49%	51%
Transport & communications	1,845	75%	25%
Finance and business services	6,483	56%	44%
Education, health and public administration	8,145	30%	70%
Other services	1,981	50%	50%

Source: Labour Force Survey Q1 (Jan to Mar) 2009

### Small Firms Impact Test

63. Table 7 below indicates that small firms do not have a greater proportion of eligible parents compared with larger firms.

64. Small businesses may experience a disproportionate impact on the running of their business when an individual takes leave, compared to larger businesses, particularly where small businesses do not have a dedicated HR function. As a group, small businesses are as likely to encounter requests parental leave as larger businesses, though individual small businesses will be less likely to be affected by the new entitlements, as they have fewer employees per business.

65. Government recognises that absences could be more disruptive in a small firm. The existing Regulations provide firms with the maximum flexibility, and with provision for employers to delay leave (for up to six months) where the needs of the business make this necessary. Guidance on parental leave and model letter for employers to use are available through [Businesslink.gov](http://Businesslink.gov).

**Table 7: Size of workplace and proportion of eligible parents (2009)**

Workplace Size (employees)	Employed for longer than 1 year with child under the age of 5	Proportion
1-10	468,502	12.3%
11-19	242,183	13.9%
20-24	126,439	13.9%
don't know but under 25	44,763	13.0%
25-49	360,716	12.7%
50-249	706,433	14.1%
250-499	240,301	14.6%
don't know but between 50 and 499	94,654	16.0%
500 or more	671,557	16.8%

Source: Labour Force Survey Q2 2009

## Equality Impact Assessment

66. Overall, the proposal will enhance equity and fairness since they provide families with greater flexibility and choice.

67. It is important that the proposals outlined above do not have a disproportionate effect on any one ethnic group. Table 8 indicates that the proportions of eligible parents are slightly greater for some ethnic groups and so they will benefit more from the new provision.

**Table 8: Ethnicity by proportion of eligible parents**

<b>Ethnicity</b>	<b>Employed for longer than 1 year with child under the age of 5</b>	<b>Proportion</b>
White	2,569,073	13.4%
Mixed	18,347	13.0%
Asian or Asian British	215,234	24.1%
Black or Black British	93,303	22.4%
Chinese	8,988	11.7%
Other ethnic group	65,491	22.0%

Source: Labour Force Survey Q2 2009

