

EMPLOYMENT ACT 2002

EXPLANATORY NOTES

FINANCIAL EFFECTS OF THE ACT

155. **Overview** - The predicted impact of the provisions relating to each individual policy is dealt with separately below in terms of costs to the Exchequer:
156. **Paid paternity leave** – the costs to the Exchequer are estimated to be £63 million in the financial year 2003/4.
157. **Paid adoption leave** – the costs to the Exchequer are estimated to be £9 million in the financial year 2003/4
158. **Increase in rate of statutory maternity pay and maternity allowance** - the costs to the Exchequer are estimated to be £355 million in the financial year 2003/4. This cost assumes that 85% of eligible women take advantage of the extended period. Around 305,000 pregnant women receive SMP each year and around 51,000 receive MA each year. It is estimated that around 90% of SMP recipients will benefit in full from the new measures so that each woman in comparison with the level of SMP currently paid will be entitled to £1253.60 more in SMP payments.
159. **Introduction of partner work-focused interviews** - Initial estimates indicate that the costs to the Exchequer are likely to be around £35 million. The impact on benefit expenditure of increased numbers of partners of benefit claimants taking up work cannot be estimated at this stage. Such behavioural changes cannot be predicted with any certainty until the new system has been operated and evaluated.
160. **Power to make wasted costs awards** – it is estimated that this will lead to a reduction in caseload, leading to savings for the Exchequer of a little under £1 million.
161. **Removing procedural traps** – it is estimated that this change will lead to net costs to the Exchequer of £2 and £5 million.
162. **Fixed period of conciliation** – the savings to the Exchequer of introducing fixed periods of conciliation are estimated at between £2 and £3 million.
163. **Three steps procedures (including mitigation of awards and removal of the small business exemption on written particulars)** - savings for the Exchequer are estimated to be negligible in year one as the system settles in but growing to between £11 and £15 million from year two onwards.
164. **Equal Pay questionnaire** - the savings to the Exchequer in terms of reductions in tribunal cases is estimated at £0.1 million.
165. Measures with no significant financial effects

The following measures in the Act are not expected to have any significant financial effect. Minor increases in operational expenditure, for example as a result of changes required to forms and process will be managed within existing allocations.

- Use of employment and training information

*These notes refer to the Employment Act 2002
(c.22) which received Royal Assent on 8 July 2002*

- Union learning representatives