

## **EMPLOYMENT ACT 2002**

### **EXPLANATORY NOTES**

#### **SUMMARY OF REGULATORY IMPACT ASSESSMENT**

##### *Summary Table*

##### *Quantifiable Costs*

221. All amounts in £m, rounded to nearest million except where amounts are less than £1m

	<i>To employers</i>	<i>To individuals</i>	<i>To the taxpayer</i>
Dispute resolution	46-86 (one-off)	3-5	1-3
	44-94 (recurring)		
Paternity leave and pay	10 (one-off)		63 (recurring, transfer)
	39-64 (recurring)		
Adoption leave and pay	1 (one-off)		9 (recurring, transfer)
	2-3 (recurring)		
Maternity pay	20		305 (transfer)
Duty to consider flexible working	38 (one-off)		
	286 (recurring)		
Union learning reps	7 (year 1)		
	26 (year 8)		
Fixed term work	61 -136 (recurring)		

222. The total one-off costs to employers of the changes proposed amount to £95-135 million. These reflect principally the costs of setting up disciplinary and grievance procedures and changes to personnel systems arising from paternity and adoption leave and pay and the duty to consider requests for flexible working from the parents of young children.

223. Recurring costs to employers amount to £459-629 million. The principal costs arise from greater use of workplace procedures, covering for paternity and adoption leave and longer periods of maternity leave, supporting ULRs, and improving the pay and pensions of FTC employees. Costs will increase over time as ULRs become more widespread.

224. The proposals also benefit employers. Many of these benefits - such as improved morale, skill utilisation and better employment relations - cannot be quantified. Some, however, have been quantified. These include recruitment savings from more mothers returning to work after maternity leave, a reduction in costly Employment Tribunal cases, and greater productivity through ULRs. Initially, these benefits are quantified

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

at £196-239 million. However, they will increase over time as ULRs become more widespread and more effective. It is possible that quantified benefits could exceed quantified costs to employers within a reasonable period of introduction - even leaving to one side the unquantified productivity benefits<sup>1</sup>.

225. Individual workers benefit by almost £453-527 million from enhanced maternity pay and paternity pay and adoption pay and improved pay and pensions for FTC employees. There are also modest financial benefits to individual applicants arising from the dispute resolution procedures that are roughly offset by costs arising from other elements in this package. But while this part of the Act may be broadly neutral in its financial effects, improved dispute resolution has broader but unquantified benefits.
226. Costs to the taxpayer are expected to be around £380 million per year and arise almost entirely from maternity, paternity and adoption pay. The dispute resolution proposals should produce net savings to the taxpayer once the effect of the proposals has fed through into reduced Tribunal applications.

---

<sup>1</sup> Using the range provided in the RIA for ULRs, total benefits to employers could be in the range £100-230 million after eight years.