

Checklist for analysis on EU proposals

<p>Title of EU proposal: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on work-life balance for parents and carers and repealing Council Directive 2010/18/EU</p> <p>Lead dept/agency: Department for Business, Energy and Industrial Strategy (BEIS)</p> <p>Other depts/agencies with an interest: HMT, HMRC</p> <p>Date: 3 July 2017</p>	<p>Lead policy official: Kim Wager, Kim.wager@beis.gov.uk 0207 215 6661</p> <p>Lead lawyer: Faye Penlington Aoife.Egar@beis.gov.uk 0207 215 3414</p> <p>Lead economist: Alex Shirvani Alex.shirvani@beis.gov.uk 0207 215 0238</p> <p>Lead UKRep desk officer: Nicola Dissem Nicola.dissem@fco.gsi.gov.uk</p>
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What are the potential impacts of the Commission proposal on the UK?

The proposal is intended to support better work-life balance for men and women with caring responsibilities and a more equal use of leave and flexible work arrangements. It does this by creating a right for the following leave and pay entitlements for employed persons:

- At least 10 working days of paid paternity leave on the birth of a child – currently in the UK there is a right for employed dads (or a mother’s partner), who meet certain continuity of employment conditions, to take up to 2 weeks’ continuous paternity leave within 8 weeks of the birth or adoption of a child. Where certain minimum earnings conditions apply, the paternity leave is paid at the lower of 90% of salary or £140.98 a week. Where a father or mother’s partner works part-time, the entitlement to 10 days leave under the EU Proposal may translate to mean that part-time workers potentially receive more than the current 2 weeks’ leave in domestic legislation which is applied on a *pro rata* basis;
- At least 4 months of parental leave per eligible parent per child up to the age of at least 12 years, paid at least at the rate of sick pay – this provision replaces the provision for 4 months of unpaid leave in Directive 2010/16/EU on Parental Leave, which is to be repealed). Currently, employed parents who have worked for their employer for more than 12 months are entitled to 18 weeks of unpaid parental leave up until the child’s 18th birthday;
- At least 5 working days of carers’ leave a year for employed persons providing care or support in the case of serious illness or dependency of a relative, paid at least at the rate of sick pay; time off work in case of an emergency. There is currently no entitlement for carers’ leave in the UK; and
- The right to request flexible working for parents and carers. Currently in the UK all employees who have been with their employer for at least 26 weeks are entitled to make one statutory request for flexible working in a 12 month period and to have the employer respond to the request in a reasonable way.

The rights will accrue to all employed persons who are parents or carers, subject to any qualifying conditions. There are no specific sectoral or regional effects from the proposals as they will apply to all employed parents/carers.

The paternity proposals are likely to affect only a small number of people as the changes will only affect new fathers who work part-time. We estimate the number to be below 10,000 each year. (Labour Force Survey 2016)

The parental leave proposals will give new paid leave entitlements to all employed parents with a child up to the age of 12. We estimate that there are around 9 million parents in employment in the UK, with at least one child aged up to 12, either in a couple or lone parent family (ONS 2014 Families in the Labour Market).

The carers' leave proposals will give new paid leave entitlements to employed persons that provide care or support in the case of serious illness or dependency of a relative. We estimate that there are between 2 and 3 million carers in employment in Britain (2011 Census England and Wales; 2011 Census Scotland), although this may not exactly represent the full population of employed persons within scope of the new rights.

The cost of the proposals would be highly sensitive to the rate of take-up amongst the eligible population. As taking leave at statutory rates often involves a salary sacrifice, the number of individuals taking up the entitlements may be considerably lower than the full eligible population, particularly in the case of parental leave proposals where couples with only one parent working may be less likely to take up the entitlement. We are still gathering evidence to help estimate the likely rate of take-up of these proposals.

COSTS & BENEFITS:

No impact assessment has yet been carried out by the UK government relating to these proposals, the indications below are based on an initial scoping of the likely implications of implementing the proposals. These indications have not been through independent scrutiny via the Regulatory Policy Committee and so will be subject to revision as new evidence is collected and the specifics of the policy are decided.

The costs of the proposals will be shared between Government and business, and the benefits will go to employed persons who receive entitlement to paid leave and others such as children or those in need of care who are able to spend more time with those taking leave.

Impacts to government

Annual costs

The costs of statutory payments for paternity leave, parental leave and carers' leave would fall to the Exchequer. These payments are administered by employers and recovered from the Government. These costs would be recurring every year and be highly sensitive to the level of take-up amongst the eligible population. There will be considerable uncertainty about the level of take-up before the policies are brought in, and so a full impact assessment will model a wide range of take-up assumptions to estimate the potential range of costs. The costs will also depend on the statutory rate chosen, for instance if parental or carers' leave is paid at a higher rate than statutory

sick pay.

The annual cost to the Exchequer for making statutory payments for parental leave is likely to be tens of millions of pounds per year, and the cost for making statutory payments for carers' leave is likely to be over one hundred million pounds per year. The increased cost for statutory payments for paternity leave is likely to be relatively small.

There are also likely to be increased administrative costs to HMRC in order to process an increased number of statutory payments and ensure accurate record-keeping of entitlements, for instance keeping track of the amount of entitlement to carers' or parental leave remaining when an individual transfers from one employer to another.

One-off costs

HMRC will incur administrative costs associated with setting up a system to process new forms of statutory payment. Previous assessment of other policies involving new statutory payment estimated these costs at being a below ten million pounds.

Impacts to business

Annual costs

The entitlements for paid leave are likely to lead to a greater degree of staff absence, which will cause costs to employers such as having to reorganise shifts, cover or planned workload, or reductions in output leading to reduced income or profits.

The annual cost to business due to increased absence caused by additional take-up of parental leave is likely to be a hundred million pounds or more, and the annual cost due to additional take-up of carers' leave is likely to be in the tens of millions of pounds. The annual cost due to the additional paternity entitlements will be small.

Businesses will also face administrative costs associated with processing requests for leave and recovering statutory payment from Government. The costs associated with doing this for the proposals associated with parental and carers' leave are likely to be in the tens of millions each, and the costs due to the additional paternity entitlements will be small.

One-off costs

There will be some additional administrative costs associated with the requirements to familiarise with the new regulations. Familiarisation is typically a one-off cost although there will be some ongoing elements to ensuring staff remain trained and familiar with the regulations in future years.

The familiarisation cost is likely to be in the tens of millions of pounds for each of the proposals for parental and carers' leave, however it is likely to be lower for the proposals for paternity leave as many businesses may choose to familiarise only at the point at which a situation arises where a part-time father chooses to take up the entitlements.

Impacts to individuals

Individuals that are eligible for the new entitlements will benefit from the additional choice of being able to take leave in order to spend time with a child or dependent person, and receive compensation in the form of statutory pay.

There will be positive impacts to children or dependents who have greater access to parents or carers.

ENFORCEMENT: Current employment rights to leave and pay (such as maternity leave and pay, paternity leave and pay, adoption leave and pay, shared parental leave and pay) and the right of employees to request flexible working are enforced by means of redress to an employment tribunal (with appeals available to the Employment Appeal Tribunal, the Court of Appeal and the Supreme Court).

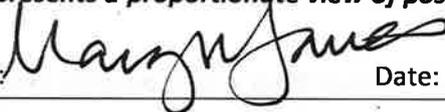
LEGAL IMPLEMENTATION/COPY-OUT:

New legislation will be needed to create a right for carers leave and pay; to create a right for parental pay and may also require, (subject to further clarification) a right to additional paternity leave for part time fathers or a mother's partner. Amendments to legislation will be required to reflect the repeal of Directive 2010/18/EU (Parental Leave Directive) Directive and the retention of existing rights and introduction of new rights under the Work Life Balance Directive.

Ministerial sign-off:

I have read the analysis above of the potential impacts of this proposal and I am satisfied that, given the significance of the proposal, the time and evidence available, and the uncertainty of the outcome of negotiations, it represents a proportionate view of possible impacts.

Signed by the responsible Minister:



Date:

6.7.17