

Final stage impact assessment

Title: Day 1 right to paternity leave and unpaid parental leave

Type of measure: Primary Legislation

Department or agency: Department for Business and Trade

IA number: DBT-042-24-CMRR

RPC reference number: ...

Contact for enquiries: ERDAnalysisEnquiries@businessandtrade.gov.uk

Date: 21/10/2024

1. Summary of proposal

1. The Government's Plan to Make Work Pay included a commitment to make Parental Leave a day one right.
2. The Government intends to include basic individual rights from day one for all employees, ending the current system that leaves employees waiting either 26 weeks for Statutory Paternity Leave or 12 months for Unpaid Parental Leave.
3. Currently, Paternity Leave and Unpaid Parental Leave are not available from 'day one' in a new job, which is inconsistent with other parental leave entitlements. These reforms will:
 - Remove the 26-week continuity of service requirement (up until the 15th week before the due date) for Paternity Leave ¹
 - Remove the one-year continuity of service requirement for Unpaid Parental Leave.
 - Remove the restriction preventing Paternity Leave and Pay from being taken after Shared Parental Leave and Pay.
4. The primary legislative action to achieve this is to use the Employment Rights Bill to remove the ability of the Secretary of State to set continuity of service requirements for Statutory Paternity Leave and Unpaid Parental Leave. Secondary legislation will also be required to remove existing provisions relating to qualifying periods in the Maternity and Parental Leave etc (MAPLE) and Paternity and Adoption Leave (PAL) Regulations. The Bill will also remove

¹The qualifying criteria for Statutory Paternity Pay will remain in place: [Paternity pay leave eligibility](#)

the restriction preventing Paternity Leave and Pay from being taken after Shared Parental Leave and Pay.

2. Strategic case for proposed regulation

Problem under consideration

5. Currently, fathers and partners are only eligible for statutory Paternity Leave if they have been employed in their job for six months. Similarly, parents are only eligible for Unpaid Parental Leave if they have been employed in their job for a year. These minimum continuity of service requirements are problematic for several reasons. Parental responsibilities stay constant regardless of how long a parent has been employed. Balancing these responsibilities with work can lead to stress². Stress is proven to negatively impact employees and their productivity³. Further to this, Paternity Leave and Unpaid Parental Leave are the only parental leave entitlements with qualifying periods (other than Shared Parental Leave). This can lead to confusion and make it harder for both employers and employees to comprehend. By making Paternity and Unpaid Parental Leave day one rights, we would be simplifying the parental leave system which would facilitate better employer and employee understanding of parental rights.
6. Furthermore, minimum continuity of service requirements may be a factor in restricting job mobility, as some parents may hesitate to change jobs to avoid losing their parental leave entitlements. This is an issue as job changes are associated with an increase in average hourly wage⁴. Bringing Paternity and Unpaid Parental Leave in line with other leave entitlements and making them a day one right will help to resolve the problems outlined.
7. Statutory Paternity and Unpaid Parental Leave legislation sets out minimum employment rights which employers must provide to their employees. Without minimum statutory entitlements, there may only be weak incentives for employers to provide similar entitlements due to the costs they would face, and no legal obligation to do so. In these circumstances, the full individual and societal benefits of this leave would not be realised. Government intervention corrects this inefficiency by helping parents to bond with and care for their children, support the other parent in childcare and support children in settling into new childcare arrangements and schools. Enabling further take-up of parental leave will continue to provide a social benefit associated with a more engaged, productive, and healthy workforce, which allows parents to maintain a continued attachment to the labour market. Legislation is needed to enhance previous interventions in this area to provide a minimum standard for a wider range of employees.

3. SMART objectives for intervention

8. The proposed reforms to Statutory Paternity Leave and Unpaid Parental Leave aim to:
 - Allow more parents to play a greater role in caring for their children, through allowing a wider population of parents to take leave.
 - Bring Paternity and Unpaid Parental Leave onto the same footing as other parental leave entitlements, simplifying the parental leave system for both employee parents and employers.

² [Work life balance management and working parents](#): Employee Benefits, September 2018

³ [Workplace stress statistics](#): Ciph, 2024 and [Working days lost in GB](#): Health and Safety Executive, 2022/23 and [The Impact of work related stress](#): Institute of Directors, April 2023

⁴ [Job changers and stayers, UK](#): ONS, April 2012 to 2021

9. The intended outcomes of the reforms include an additional population of parents being eligible for and subsequently taking up Parental Leave and Unpaid Parental Leave.

4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

10. Two options have been carried forward for the purpose of the analysis.
11. **Option 0: Do Nothing**
 - “Status Quo” or “no change” option from the current system, keeping the current qualifying periods in place for Paternity and Unpaid Parental Leave.
12. **Option 1: Make Statutory Paternity Leave and Unpaid Parental Leave ‘day one’ rights (preferred)**
13. Making Paternity Leave and Unpaid Parental Leave ‘day one’ rights will require primary and then secondary legislation. Clauses for the primary legislation will be included in the Employment Rights Bill.
 - Use the Employment Rights Bill to remove the ability of the Secretary of State to set continuity of service requirements for Statutory Paternity Leave and Unpaid Parental Leave.
 - Secondary legislation will also be required to remove existing provisions relating to qualifying periods in the Maternity and Parental Leave etc (MAPLE) and Paternity and Adoption Leave (PAL) Regulations.
14. At the same time, the restriction preventing Paternity Leave and Pay from being taken after Shared Parental Leave and Pay will be removed.
15. The preferred option achieves the objectives by ensuring that employees have statutory entitlement to Paternity and Parental Leave from day one and can bring claims to ACAS and the Employment Tribunal if they experience any detriment for taking such leave.

5. Summary of long-list and alternatives

16. Given that there is further policy development and consultation to come, our IA at this stage provides high-level analysis of the impacts that could follow from primary powers and are not assessments of a specific implementation approach. Nevertheless, consideration was still given to non-regulatory options and the inclusion of small and micro businesses.
17. The qualifying period for Paternity Leave and Unpaid Parental Leave is set out in separate legislation. As a result, a non-regulatory reform would be unlikely to meet the intended objective of the policy to ensure employees have appropriate access to leave from day one.
18. In order to meet the objective of bringing the eligibility criteria for Paternity Leave and Unpaid Parental Leave onto the same footing as other existing parental leave rights, lower impact options, such as to reduce the continuity of service requirements to say three months for Paternity Leave and 6 months for Unpaid Parental Leave, were not considered.
19. The preferred option is expected to be applied to businesses of all sizes, including small and micro businesses, in line with the principle that all employees deserve access to parental leave, irrespective of the size of the organisation they work for. While it is recognised that smaller businesses may face disproportionate challenges due to their limited resources, the

broader societal benefits of increased worker security and fairness in the labour market justify the policy's scope. A full Small and Micro Business Assessment can be found in the evidence base section of this IA.

6. Description of shortlisted policy options carried forward

20. Two options have been carried forward for the purpose of the analysis:

21. Option 0: Do Nothing

- “Status Quo” or “no change” option from the current system, keeping the current six months and 12 months qualifying periods for Paternity Leave and Unpaid Parental Leave, respectively.

22. Option 1: Make Paternity Leave and Unpaid Parental Leave a day one right.

23. Making Paternity Leave and Unpaid Parental Leave ‘day one’ rights will require primary and then secondary legislation. Clauses for the primary legislation will be included in the Employment Rights Bill.

- Use the Employment Rights Bill to remove the ability of the Secretary of State to set continuity of service requirements for Statutory Paternity Leave and Unpaid Parental Leave.
- Secondary legislation will also be required to remove existing provisions relating to qualifying periods in the Maternity and Parental Leave etc (MAPLE) and Paternity and Adoption Leave (PAL) Regulations.

Small and Micro Business Assessment (SaMBA)

24. The preferred option is expected to be applied to businesses of all sizes. Including small and micro businesses is in line with the principle that all employees deserve parental leave on day one, irrespective of the size of the organisation they work for. Despite us recognising that smaller businesses may face disproportionate challenges due to their limited resources, the broader societal benefits of increased worker security and fairness in the labour market justify the policy's scope.

25. Analysis of DBT’s 2023 Business Population Estimates⁵ finds that overall, 96.5% of businesses in Great Britain are small and micro businesses (fewer than 50 employees) and these businesses account for 29.0% of all employees. No accurate estimate can be made of the size of employers impacted by this policy reform (employee parents of children aged under 1) using the Annual Population Survey or Labour Force Survey as they ask respondents how many employees work at their *workplace* rather than across the *organisation* as a whole. Instead, we use Parental Rights Survey⁶ data to estimate that 28.2% of employee fathers and 38.1% of employee mothers work for small businesses. This is based on a question in the survey asking parents about the size of the business (at an organisational level) they worked for just before having a child. Overall small and micro businesses are expected to bare 28.1% and 35.4%⁷ of the costs associated with extending Paternity Leave and Unpaid Parental Leave, respectively. Small and micro businesses are expected to bare a proportionate share of overall costs for Paternity Leave reforms and a

⁵ [Business Population Estimates](#): Department for Business and Trade, 2023

⁶ [Parental Rights Survey](#): Institute for Employment Studies, 2019. A representative survey involving more than 3,300 parents: and referenced here [SPL Evaluation](#)

⁷ Note these numbers differ from the 28% of employee fathers and 38% of employee mothers reported above as these figures reflect costs rather than parents.

slightly disproportionate share of costs for Unpaid Parental Leave reforms. Given that these costs are comparatively small, and that the policy must be applied to all businesses to achieve its aim, no mitigations are being made for small and micro businesses in regard to the Unpaid Parental Leave reforms.

7. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
Description of overall expected impact	<p>Impact on businesses is expected to be net negative and driven by the costs associated with employee absence as a small additional population of employees will be taking up Paternity Leave and Unpaid Parental Leave each year.</p> <p>Impact on employees (and households) is expected to be net positive as a small additional population of employees benefit from Paternity Leave and Unpaid Parental Leave from the first day of new employment each year.</p> <p>Although unmonetized, individuals who choose to take unpaid leave must value it, at least, to the level of their normal pay. The difference between the value employees attach to their leave and the salary foregone represents the net benefit they receive from taking time off. However, the extent to which it exceeds forgone wages is uncertain due to a lack of evidence.</p> <p>There might be wider positive economic impacts associated with parity across parental leave entitlements (a common qualifying period) and removing a potential barrier to employees moving jobs. However, quantifiable evidence is limited.</p>	<p>Uncertain</p> <p>Based on all impacts (incl. non-monetised)</p>

<p>Monetised impacts</p>	<p>Due to a lack of reliable evidence, we have not been able to monetise impacts for households.</p> <p>For businesses we have calculated the following costs:</p> <ul style="list-style-type: none"> • Administrative costs – Paternity Leave reforms (£0.2m per year) • Administrative costs – Unpaid Parental Leave reforms (£1.0m per year) • Reorganisation costs – Paternity Leave reforms (£5.9m per year) • Reorganisation costs – Unpaid Parental Leave reforms (£17.6m per year) <p>Total Net Present Social Value (NPSV) is expected to be between -£178.2m and -£247.9m. In our central case we estimate it to be -£212.6m. The monetised £NPSV does not include significant non-monetised benefits to employees and households.</p>	<p>Negative</p> <p>Based on likely £NPSV of between -£178.2m and -£247.9m</p>
<p>Non-monetised impacts</p>	<p>Non monetised impacts include wellbeing benefits to employees and wider economic impacts, such as potential impacts on job mobility and wages. Given that the policy reforms are expected to mean that 1.5 million employees will have access to statutory leave, the unquantified benefits are potentially significant.</p>	<p>Positive</p>
<p>Any significant or adverse distributional impacts?</p>	<p>While we haven't identified significant or adverse distributional impacts, there are some small impacts. The policy reform will initially primarily affect parents aged 30 to 44. Additionally, the proportion of disabled parents affected by the reform is more than twice that of the general parent population.</p>	<p>Uncertain</p>

(2) Expected impacts on businesses

<p>Description of overall business impact</p>	<p>There will be additional costs to employers in the form of ongoing re-organisation associated with employees taking time off work for Paternity Leave and Unpaid Parental Leave.</p> <p>Familiarisation costs are expected to be nil/negligible as the vast majority of employers will already be familiar with the existing Paternity Leave and Unpaid Parental Leave requirements. Bringing a small additional population of employee parents into scope will not substantively change the existing familiarisation requirements on business.</p> <p>Any impact to employers in terms of costs associated with a slightly wider population of employees coming</p>	<p>Negative</p>
--	---	------------------------

	into scope of parental leave and needing to enforce their rights using ACAS and Employment Tribunal resources is expected to be nil/negligible.	
Monetised impacts	<p>Total Business Net Present value is expected to be between -£178.2m and -£247.9m. In our central case we estimate it to be -£212.6m</p> <p>Equivalent Annual Net Direct Cost to Business: £24.7m</p> <p>Business costs are expected to include:</p> <ul style="list-style-type: none"> • Administrative costs – Paternity Leave reforms (£0.2m per year) • Administrative costs – Unpaid Parental Leave reforms (£1.0m per year) • Reorganisation costs – Paternity Leave reforms (£5.9m per year) • Reorganisation costs – Unpaid Parental Leave reforms (£17.6m per year) 	<p>Negative</p> <p>Based on likely business £NPV of between -£178.2m and -£247.9m</p>
Non-monetised impacts	Non-monetised impacts include those associated with potential improved output as a result of a less stressed and more motivated parental workforce. This could also benefit employers by reducing employee absence rates and increasing retention rates. However, more evidence is needed.	Uncertain
Any significant or adverse distributional impacts?	<p>There are not any disproportionate impacts on specific business sectors or regions.</p> <p>Small and micro businesses are expected to be slightly disproportionately impacted by Unpaid Parental Leave reforms. They are estimated to bare 35.4% of the costs while only employing 29.0% of employees. For Paternity Leave reforms the cost is not expected to be disproportionate following the changes.</p>	Negative

(3) Expected impacts on households

Description of overall household impact	The policy is expected to have a positive wellbeing impact on households with employee parents for those with under 1 year tenure. Employees with less than 1 year of employment might also benefit from increased wages if the policy results in higher labour mobility for those workers by removing potential barriers to changing jobs.	Positive
Monetised impacts	As these reforms extend access to unpaid leave, households that take leave will experience a loss of income. However, as the leave is discretionary, we assume that the benefits to the employee must be equal	Positive

	to or greater than the cost associated with the loss of wages. Due to a lack of evidence indicating how much more individuals/households value their leave compared to their normal pay we are unable to monetise the benefits.	
Non-monetised impacts	Overall, impact on households is expected to be net positive. Employees will benefit from being able to spend more time with their children, allowing them to enjoy a better work-life balance, thereby improving their well-being. The policies could also improve children's life quality as parents are able to take on greater caring responsibilities.	Positive
Any significant or adverse distributional impacts?	Our analysis finds that the 61.9% of employee parents coming into scope (those with less than 12 months service at current employer) are aged between 30 and 44, suggesting that those in that age group could, on introduction, particularly benefit from the policy. Moreover, 16.1% of the population being brought into scope are classified as disabled according to the definition set out by the Equality Act. This is more than double the rate reported among parents in the parental rights survey, indicating that disabled parents could be disproportionately benefiting from the changes. Finally, there is a risk that individuals who are in lower income groups may be unwilling to take unpaid leave and therefore may disproportionately fail to benefit from the reform. Where individuals do take unpaid leave, we assume that the benefit outweighs the cost (lost income) of doing so.	Positive

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	There is limited evidence to suggest the policy will have significant impact on business investment. The newly eligible population for parental leave is small in comparison to the population already eligible and will have a negligible impact on the burden for businesses.	Neutral

<p>International Considerations:</p> <p>Does the measure support international trade and investment?</p>	<p>From a legal standpoint, the policy does not impact international trade as it is compliant with international obligations and does not have any implications for trade partners or foreign businesses operating in the UK.</p> <p>Furthermore, the preferred option will not introduce requirements on foreign-owned companies that go above and beyond those which are UK-owned.</p>	<p>Neutral</p>
<p>Natural capital and Decarbonisation:</p> <p>Does the measure support commitments to improve the environment and decarbonise?</p>	<p>We expect that there is no or negligible impact on the environment, natural capital, and decarbonisation as a result of these reforms. The regulation does not directly relate to environmental or decarbonisation goals.</p>	<p>Neutral</p>

8. Monitoring and evaluation of preferred option

26. The Government intends to undertake proportionate monitoring and evaluation of this measure. However, since policy design detail and implementation will be determined through subsequent secondary legislation it is not possible to lay out the timings and basis for this review at this stage.
27. Ahead of secondary legislation, the Government will determine the nature of the post-implementation review to develop more detailed plans for data collection and evaluation. This will include monitoring the impact of the change to assess whether the preferred option is meeting the objective(s) laid out in Section 4.
28. The intended outcomes of the reforms include an additional population of parents being eligible for and subsequently taking up Parental Leave and Unpaid Parental Leave. This can be measured via a survey of parents, following a similar approach to the 2019 Parental Rights Survey⁸ (published in 2023) and the Employee Rights Survey (publication forthcoming). This will need to be undertaken after a sufficient period of time allowing for the policy changes to take effect. HMRC collect administrative data on the number of individuals in receipt of statutory pay but as the 26-week criteria remains in place for paid leave this data cannot be used to provide an assessment of an increase in Paternity Leave or Unpaid Parental Leave.
29. Beyond information captured by quantitative survey, further indicators of success will be captured through feedback from stakeholders (primarily representatives of employer and parent groups) on questions assessing satisfaction, awareness and level of understanding of the reforms, how changes have been communicated, whether the reforms have improved clarity and simplicity, and if parents are able to take leave that was otherwise unavailable to them.
30. Basis of the review:
31. The date these reforms are implemented is not yet known. A review of the changes would likely take place five years after implementation, when the reforms have had time to be sufficiently established.

⁸ [Parental Rights Survey](#): Institute for Employment Studies, 2019. A representative survey involving more than 3,300 parents: and referenced here [SPL Evaluation](#)

32. Review objective: The objective of the review would be to assess the effectiveness of the policy in achieving the following:
- Allow more parents to play a greater role in caring for their children, through allowing a wider population of parents to take leave;
 - Remove a barrier to job mobility by enabling parents to move employers in the period before starting a family without losing eligibility to their rights;
 - Bring Paternity and Unpaid Parental Leave onto the same footing as other parental leave entitlements, simplifying the parental leave system for both employee parents and employers.

Review approach and rationale:

33. Considering the comparatively small number of parents that come into scope following these reforms, it would be disproportionate to dedicate specific resource to survey individuals who have directly come into scope as a result of the reforms. Therefore, we will focus our monitoring and evaluation plan on including questions in wider surveys of parents.
34. We recently undertook extensive surveys of parents and employers as part of the Shared Parental Leave evaluation (published in 2023). The Parental Rights Survey (formerly known as the Maternity and Paternity Rights Survey) is part of a series dating back to the 1970s. There are no confirmed plans to repeat this survey at the moment, however, it typically operates in 5 to 10-year cycles. In addition, the Government has committed to review the Parental Leave scheme more broadly and it is likely that overall eligibility and take-up will form a key aspect of that review. A future survey represents the best opportunity to collect detailed data from parents assessing their awareness, eligibility, take-up and wider impacts of taking parental leave.
35. In addition, we will seek evidence (both qualitative and quantitative) from key stakeholders including employer organisations and groups representing parents to assess the effectiveness of the legislation against the policy objectives.

Baseline:

36. The previous surveys in this area provide a baseline to compare whether take-up has increased among the newly eligible group.
37. Success Criteria:
- Evidence that parents with less than 6 months and 12 months are sufficiently aware they are eligible to Paternity and Unpaid Parental Leave;
 - Evidence that parents with less than 6 months and 12 months are taking up Paternity and Unpaid Parental Leave.

Monitoring information arrangements:

38. To ensure the legislation is effective and proportionate, quantitative and qualitative data will be monitored post implementation via survey and informal stakeholder feedback. This will allow us to review whether the predicted take-up is achieved based on the number of parents who become eligible following the reforms.

9. Minimising administrative and compliance costs for preferred option

39. The administrative burden on businesses from these reforms is expected to be low as businesses already have access to guidance and advice to prevent disputes on parental leave from escalating to tribunal. Compliance with the legislation may also be easier for employers as they will no longer have to consider the length of time an employee has been working with them before offering parental leave. This may help to simplify their policies and support improved communications and awareness among line-managers.

Summary: Analysis and evidence

Price base year:

2023

PV base year:

2025

	1. Business as usual (baseline)	3. Preferred way forward (if not do-minimum)
Net present social value (with brief description, including ranges, of individual costs and benefits)	Used as baseline for the analysis	Total £ NPSV is expected to be -£212.6 million in the best estimate scenario. In the low and high scenario, it is expected to be -£178.2 million and -£247.9 million respectively. The monetised £NPSV does not include non-monetised benefits to employees and employers.
Public sector financial costs (with brief description, including ranges)	Used as baseline for the analysis	Total public sector financial costs are expected to be nil/negligible, as the impact on ACAS and the Employment Tribunal system, in terms of caseload, is assumed to be small. There may be some small public sector costs associated with administering leave requests for the new population brought into scope. However, these are small at the whole economy level and there is evidence that job tenure in the public sector tends to be longer ⁹ . Therefore, these costs are likely to be smaller than if they were calculated based on the public sector share of employment.

⁹[Tenure and skill level of public and private sector employees in the United Kingdom](#): Office for National Statistics (2017)

<p>Significant un-quantified benefits and costs (description, with scale where possible)</p>	<p>Used as baseline for the analysis</p>	<p>We are expecting positive non-monetised impacts on households. Employees will benefit from being able to spend more time with their children, allowing them to enjoy a better work-life balance, thereby improving their wellbeing.</p>
<p>Key risks (and risk costs, and optimism bias, where relevant)</p>	<p>Used as baseline for the analysis</p>	<p>Estimating take-up rates is inherently difficult. Therefore, we have grounded our evidence in a range of evidence, but uncertainty remains. Moreover, the population of parents we are bringing into scope with these reforms is based on Annual Population Survey data. For Paternity Leave, the population was based on a sample of less than 50 but more than 30, on the boundary of statistical reliability. As take-up rates and eligible population directly impact the number of people utilising these policies, our cost analysis is therefore also slightly uncertain. Moreover, our estimates for reorganisation costs might be slightly high. This is because we based them on survey data of costs to businesses arising from sickness absence costs which are often short and unplanned, while paternity and Unpaid Parental Leave are planned.</p>
<p>Results of sensitivity analysis</p>	<p>Used as baseline for the analysis</p>	<p>Sensitivity analysis has been undertaken to account for the uncertainty in the estimate of take-up of (unpaid) Paternity Leave. Assumptions have been taken from previous Impact Assessments and tested with relevant stakeholders. Where possible evidence gaps will be tested during consultation.</p>

Evidence base

Problem under consideration, with business as usual, and rationale for intervention

40. The strategic case for the proposed regulation (page 2) outlines the problems associated with minimum continuity of service requirements - employees unable to balance childcare and work may experience stress, different eligibility criteria can cause employer and employee confusion/non-compliance, it may restrict job mobility, may prevent employees from taking leave and maintaining a positive labour market attachment.
41. To be eligible for Statutory Paternity Leave you must be taking time off to look after the child for which you are responsible¹⁰, be an employee¹¹ and have been continuously employed by your employer for at least 26 weeks up to any day in the 'qualifying week'¹². The 2019 Parental Rights Survey¹³ found that, of fathers who did not take statutory leave, 27% said they were not entitled to any statutory leave. This included those who fail to meet the definition of an 'employee'¹⁴ and those who do not have the required continuity of service (i.e. employed for less than 26 weeks with their current employer). The same survey found that 59% of all fathers took Paternity Leave after the birth of their child (70% of fathers who are employees specifically) and 21% took some other type of time off work. Together this demonstrates that there is scope to increase the current take-up of Paternity Leave.
42. Research undertaken by University Central London, University of East Anglia and NatGen (2018) in relation to Paternity Pay specifically (which also has a 6-month continuity of service requirement) found that 27% of employed fathers who have had a child in the last year were not eligible for Statutory Paternity Pay. This was due to being in self-employment (20%) and employed less than 6 months (7%) rather than failing to reach the earnings threshold. Among potential parents (men aged 20-49 years), 8% do not meet the continuous employment requirement¹⁵.
43. TUC analysis of the Labour Force Survey found that more than one in four men who became fathers in 2016 (over 157,000 new fathers) did not qualify for Paternity Leave or pay, of which 44,000 were ineligible because they had not been working for their employer for long enough¹⁶.
44. The Parental Rights Survey found that of fathers who took no leave at all or took other leave that was not statutory, 27% reported that they did not believe they were entitled to leave with 15% of fathers reporting they were not sure of their entitlements.¹⁷ While some of this is likely to relate to ineligibility due to not being an 'employee', it potentially also includes those who do not have the required length of employment.
45. An extensive evaluation of Shared Parental Leave (SPL) was published in 2023 to assess the implementation and take-up of Shared Parental Leave and the extent to which it

¹⁰ Either the father, the husband or partner of the mother (or adopter), the child's adopter or the intended parent in a surrogacy arrangement

¹¹ [Employment Status](#): GOV.UK - An employee is someone who works under an employment contract and is distinct from a 'worker' and 'self-employed' in employment law

¹² The 'qualifying week' is the 15th week before the baby is due. This is different if you adopt.

¹³ [Parental Rights Survey](#): Institute for Employment Studies, 2019. A representative survey involving more than 3,300 parents

¹⁴ Ineligibility due to being a 'worker' will be addressed in the separate and wider review of parental leave and planned work on employment status.

¹⁵ [Inequalities in Access to Paid Maternity & Paternity Leave & Flexible Work](#): UCL, 2017

¹⁶ [Fathers and the workplace, footnote 62](#): Parliament, 2018

¹⁷ [Parental Rights Survey, report](#): Institute for Employment Studies, 2019

achieved its anticipated objectives. Many of the findings from that evaluation are directly relevant to Paternity Leave and Unpaid Parental Leave including:

- Survey evidence showed several key factors affecting parents' decision to take-up leave. Positive factors driving take-up include support from partners, support from employers, desire to spend more time with the child in their first year and desire to work flexibly.
- Factors moderating take-up include financial constraints and access to enhanced pay, as well as attitudes towards sharing leave and childcare responsibilities. Decisions to take-up and share parental leave were often based on trade-offs between the benefits of leave and the anticipated financial loss.
- The main reason cited amongst those who took leave (Shared Parental Leave) but did not take their full entitlement, was that they could not afford to.
- Survey data shows that fathers who took leave reported that their leave had made a difference to how they intend to arrange childcare responsibilities going forward, and that parents with experience of Shared Parental Leave have reported its benefits for their work life balance, including providing them with more choice and flexibility over their work and caring arrangement and facilitating fathers' take-up of childcare responsibilities.
- The provision of family-friendly policies and parents' increased satisfaction with their work-life balance has a positive relationship with their commitment to their employer and may lead to a more productive workforce in the long-term.¹⁸ Survey evidence on Shared Parental Leave and job retention (Parental Rights Survey 2019)¹⁹ shows that just under three quarters of parents who took Shared Parental Leave (72%) returned to the job they had before the birth of their child and remained there.

Policy objective

46. The proposed reforms to Statutory Paternity Leave and Unpaid Parental Leave aims to:
 - Allow more parents to play a greater role in caring for their children, through allowing a wider population of parents to take leave.
 - Bring Paternity and Unpaid Parental Leave onto the same footing as other parental leave entitlements, simplifying the parental leave system for both employee parents and employers.
47. The intended outcomes of the reforms include an additional population of parents being eligible for and subsequently taking up Parental Leave and Unpaid Parental Leave. This can be measured via a survey of parents, following a similar approach to the 2019 Parental Rights Survey (published in 2023) and the Employee Rights Survey (publication forthcoming) and undertaken after a sufficient period of time allowing for the policy changes to take effect (see monitoring and evaluation plan for more detail). HMRC collect administrative data on the number of individuals in receipt of statutory pay but as the 26-week criteria remains in place for paid leave this cannot be used to provide an assessment of an increase in Paternity Leave or Unpaid Parental Leave.
48. A small technical change is also being made to remove the restriction on taking Paternity Leave after Shared Parental Leave which will support the reforms made in early 2024 that made Paternity Leave more flexible.
49. Further indicators of success will be captured through feedback from stakeholders (primarily representatives of employer and parent groups) on questions assessing satisfaction with the reforms, awareness and level of understanding, how these have been communicated, whether it has improved clarity and simplicity to the parental leave system and if parents are able to take leave that was otherwise unavailable to them.

¹⁸ [Family-friendly working practices](#): Warwick and Government Equalities Office, 2019

¹⁹ [Parental Rights Survey](#): Institute for Employment Studies, 2019

50. These objectives align with the wider Government objective to give employees the security to change jobs. While it remains difficult to directly quantify the impact of these reforms on job mobility, the Government recognises that the rate at which people move jobs has been declining, posing risks to productivity, because the lengthy wait for basic rights means the risk of moving jobs falls too heavily on the individual. This is a problem for employees, because evidence suggests that switching jobs is on average associated with higher wage growth.²⁰ It's also a problem for businesses because they may not be able to hire the best possible candidate. Providing basic individual rights from day one, will end the current arbitrary system that leaves employees waiting up to 12 months to access basic parental leave rights and create improved conditions for job mobility.
51. In addition, these reforms support the Government agenda around supporting working people and economic growth. While recognising that many employers already provide good, family-friendly conditions for their workers because they know that doing so improves productivity, morale and retention. By improving the baseline eligibility to family-friendly rights means that working people can enjoy a better work-life balance that benefits their wellbeing and productivity. This supports the objective around tackling inactivity and getting more people into work by ensuring that employers have strong talent pools to hire from to grow the economy.

Description of options considered

52. Option 1: Make Statutory Paternity Leave and Unpaid Parental Leave 'day one' rights

53. Making Paternity Leave and Unpaid Parental Leave 'day one' rights will require primary and then secondary legislation. Clauses for the primary legislation will be included in the Employment Rights Bill.
 - Use the Employment Rights Bill to remove the ability of the Secretary of State to set continuity of service requirements for Statutory Paternity Leave and Unpaid Parental Leave.
 - Secondary legislation will also be required to remove existing provisions relating to qualifying periods in the Maternity and Parental Leave etc (MAPLE) and Paternity and Adoption Leave (PAL) Regulations.
54. Use the Employment Rights Bill to remove the power enabling the Secretary of State to set continuity of service requirements for Statutory Paternity Leave and Unpaid Parental Leave.
55. The preferred option achieves the objectives by:
 - Ensuring that employees have statutory entitlement to parental leave from day one and can bring claims to ACAS and the Employment Tribunal if they are experiencing any detriment for taking such leave.

Summary and preferred option with description of implementation plan

56. The preferred option will be delivered through primary and secondary legislation. We anticipate that the new arrangements will apply to babies born or adopted after the provisions come into force, therefore transitional arrangements will not be required.
57. The changes will enable a parent to give notice of their intention to take Paternity and Unpaid Parental Leave from their first day in a new job. This will decrease the period of employment required before these leaves can be taken. The separate technical change to remove the restriction on taking Paternity Leave after Shared Parental Leave will support reforms made in early 2024 which made Paternity Leave more flexible. The impact of this

²⁰ [Changing Jobs](#): Resolution Foundation, 2022

specific reform is captured by the Paternity Leave flexibility reforms impact assessment²¹ published in Jan 2024, which modelled the impact of Paternity Leave take-up increasing by up to 4 percentage points in the second week reflecting reforms to allow Paternity Leave to be taken more flexibly.

58. The date these arrangements will come into effect has yet to be confirmed.
59. DBT will be responsible for the operation of this entitlement with ACAS and the Employment Tribunal service assisting with enforcement.
60. As these changes are minor and technical our approach to implementation will be simple and straightforward. We do not believe pilots will be necessary.

NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)

61. Impact on businesses is expected to be net negative and driven by reorganisation and smaller administration costs.
62. The impact on households is expected to be net positive and driven by wellbeing benefits arising from those employees taking the Paternity and Unpaid Parental Leave they require.
63. There may be wider economic impacts (both positive and negative). Overall, we expect the impact to be uncertain. Although unmonetised, individuals who choose to take unpaid leave (therefore experience the cost of lost wages) must value it, at least, to the level of their normal weekly pay but it is not known by how much more. While we expect wider benefits to the entire household not just the employee of taking leave (for example, benefits to children from possibly increased quantity and quality of care) it is not known if benefits will outweigh the costs experienced by employers.

Costs and benefits to business calculations

Eligibility Criteria

Paternity Leave

64. As with other family related leave entitlements, Paternity Leave is available to employees²² only. Currently, to qualify for Statutory Paternity Leave the employee needs to have been working for their current employer for 26 weeks at the 15th week before the baby is due. This means that the parent must have been employed by their current employer at the point the mother became pregnant. This is the criteria that will be changed through these reforms. However, this criteria will remain in place for Statutory Paternity Pay, therefore in order for fathers/partners to be entitled to two weeks Paternity Leave, paid at the Statutory Paternity Pay flat rate of £184.03 (in 2024/25) or 90% of average weekly earnings (whichever is lower)²³, 26 weeks of service with their current employer is still required.
65. Keeping the policy broadly consistent with how it currently works as well as other entitlements will make it simple for employers and employees to understand and ultimately help to reduce the familiarisation burden on businesses.

Unpaid Parental Leave

²¹ [Paternity Leave Flexibility Reform Impact Assessment](#): Department for Business and Trade, 2024

²² [Eligibility Criteria for Paternity Leave](#): HM Government

²³ We have used the 2024/25 flat rate for this analysis, and all wage costs in this Impact Assessment are costed using the most recent Annual Survey of Hours and Earnings (ASHE) 2023 data.

- 66. Parents (both mothers and fathers/partners) of children up to the age of 18 are entitled to unpaid leave of up to 18 weeks leave per parent per child. Employees are limited to a maximum of four weeks leave per year and the leave must be taken in whole weeks (for example 1 week or 2 weeks) rather than individual days but does not have to be taken all at once.
- 67. Employees qualify if they have been employed with their current employer for 12 months and provide the correct notice period (21 days before the intended start date).
- 68. Parental leave is unpaid unless employers choose to offer pay. Unpaid Parental Leave is not focussed on caring for the child in the first year following birth or adoption, allowing it to be used for a range of reasons relating to looking after the child’s welfare as they grow up. An individual might take parental leave to be with their child so they can:
 - spend more time with their children;
 - look at new schools;
 - settle children into new childcare arrangements;
 - spend more time with family, such as visiting grandparents.

Estimated Population

Paternity Leave

- 69. To estimate the number of individuals in scope we make use of data from the Annual Population Survey (Jan-Dec 2023)²⁴, which collects information on employment circumstances of individuals in the UK, and identify male employees with dependent children under 1 (to represent fathers who have recently had a child) in Great Britain specifically (as this change will not apply to Northern Ireland, whose employment law is reserved).
- 70. Paternity Leave consists of two weeks of leave which can be taken together or separately. The Annual Population Survey estimates that the vast majority, 92.4%, of employee fathers/partners with a child under one (equivalent to 394,800 fathers/partners) already meet the existing 26-week qualifying period. Making it available from ‘day one’ will bring approximately an additional 32,300 fathers/partners into scope. We assume the 2023 estimates of eligible population are representative of the eligible population for the appraisal period.

Table 1: Number of employee fathers/ partners with a dependent child under 1 years old by employment length

Number of employee fathers/partners (child under 1) who have been employed with same employer for <u>6</u> months or more	Number of employee fathers/partners (child under 1) who have been employed with same employer for <u>less than 6</u> months	Total number of employee fathers (child under 1)
394,800	32,300	427,100

Source: DBT analysis of Annual Population Survey (Jan-Dec 2023)

Table note:

- i. All figures are rounded to the nearest hundred.
- ii. Fathers/partners have been defined in the Annual Population Survey as males who are either the ‘Head of family’ or ‘Partner of head of family’ with a dependent child aged under 1.

²⁴ DBT access to Annual Population Survey (Jan to Dec 2023) microdata.

Unpaid Parental Leave

71. To estimate the number of parents in scope we again make use of the data from the Annual Population Survey (2023) in much the same way as the analysis for the Paternity Leave population but this time assessing both male and female employees with a dependent child under the age of 18 who have been employed with their current employer for less than 12 months.
72. The Annual Population Survey estimates that 85.4% of employee parents with a child under 18 (equivalent to 8.9m parents) already meet the existing 12-month qualifying period. Making it available from ‘day one’ will bring approximately an additional 1.5m parents (equivalent to 14.6%) into scope of Unpaid Parental Leave eligibility.

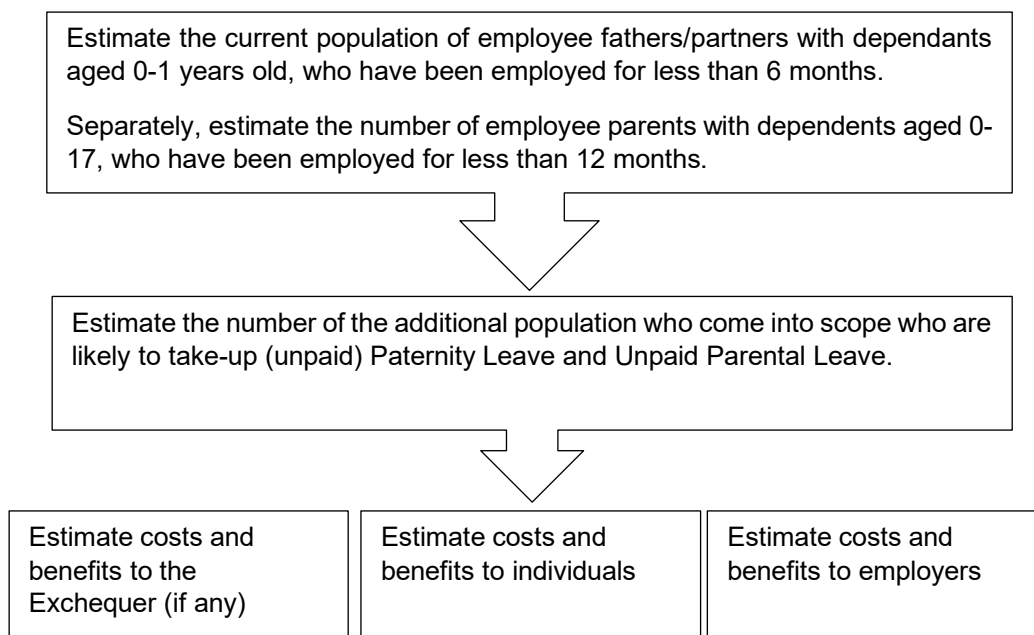
Table 2: Number of employee parents with a dependent child under 18 years old by employment length

Number of employee parents (child under 18) who have been employed with same employer for more than 12 months	Number of employee parents (child under 18) who have been employed with same employer for less than 12 months	Total number of employee parents (child under 18)
8.9m	1.5m	10.4m

Source: DBT analysis of Annual Population Survey (Jan-Dec 2023)

73. Table 2 summarises the estimated eligible population for making Parental Leave and Unpaid Parental Leave, day one rights. No allowance is made for a change in the number of employee parents due to either demographic changes (birth rates) or behavioural change (e.g. individuals switching from self-employed to becoming employees). We are engaging a cautious approach to the data, which shows that although the birth rate in the UK has been broadly stable since the 1970s, there has been some falls over the last 5 years²⁵. However, we assume that the population of parents eligible for the policy is stable in the short to medium term.

Modelling Approach to Paternity Leave and Unpaid Parental Leave reforms



²⁵[Births in England and Wales](#): ONS, 2022

74. We have modelled the costs to the exchequer, to businesses, and have qualitatively discussed benefits to individuals from making Statutory Paternity Leave and Unpaid Parental Leave a day one right. We have not monetised the benefits to individuals and businesses of the policy in this IA because of the challenges in being able to capture and monetise the benefits to the full extent. However, individuals will benefit from now being eligible to take leave and better balance their work and childcare responsibilities.
75. The costs only arise upon the implementation of the policy reforms. We have adjusted our key assumptions and estimates using the latest available Annual Population Survey, Annual Survey of Hours and Earnings and ONS labour market statistics data and have reflected stakeholder evidence to ensure the assessment of costs of the policy are as accurate as possible.

Paternity Leave

76. For the counterfactual, we assume employees are only entitled to Statutory Paternity Leave if they have 26 weeks continuous service with their employer. We also assume all other eligibility criteria and the way that leave can be taken remains the same.
77. The model first attempts to build the target population that would be affected by making Statutory Paternity Leave a day one right by calculating the number of fathers/partners with less than 6 months continuous service and then model the impact of different take-up rate scenarios. These take-up rates are informed by evidence from the Parental Rights Survey 2019²⁶, international evidence²⁷ and the Employee Rights Survey (publication forthcoming) and are discussed further below.
78. The costs to business are driven by the reorganisation costs of absent employees and administrative costs from processing leave requests. We estimate the costs of absence resulting from additional fathers taking leave and recurring administrative costs of processing additional leave requests.
79. There are no exchequer costs with respect to statutory payments as the existing criteria for Statutory Paternity Pay remain in place.

Unpaid Parental Leave

80. The modelling approach for Unpaid Parental Leave is identical to that set out for Paternity Leave with the exception of the eligible population and the take-up rate assumption. The population of employee parents with children up to the age of 18 is much larger than that for Paternity Leave (which is for fathers/partners and has to be taken in child's first year) and the existing continuous employment requirement of 12 months means a greater proportion of employees do not qualify – an estimated 14.6%, equivalent to over 1.5 million parents (see paragraph on estimated population of Unpaid Parental Leave). DBT's Employee survey (publication forthcoming) evidence suggests Unpaid Parental Leave has a low take-up at 5% of parents (slightly higher at 6% among mothers compared to 3% among fathers) and the majority of those who had taken Unpaid Parental Leave, took up to one week off (74%).

Estimated take-up behaviour

81. Predicting the take-up rate for leave policies is inherently difficult and highly uncertain given the number of factors that drive decision-making including financial incentives, workplace culture and family circumstances.

²⁶ [Parental Rights Survey](#): Institute for Employment Studies, 2019

²⁷ [Fathers' household and childcare involvement in New Zealand](#): New Zealand Work Research Institute, 2022

Paternity Leave

82. DBT analysis of 2018-19 Parental Rights Survey data²⁸ shows that based on fathers who were employees before the birth of their child the take-up of Paternity Leave is 70%, with a slightly higher take-up (74%) for those taking one week only and 66% taking the second week. Note, that this take-up reflects both those taking paid and unpaid leave. Given the uncertainty in who would take unpaid leave only, we have used a low, central and high estimate for this policy option.
83. In the high take-up scenario, we use the 74% take-up rate observed in the Parental Rights Survey – this is considered an upper bound estimate as it captures some fathers/partners who are taking Paternity Leave paid at the statutory rate which is not part of these reforms (i.e. the criteria for Paternity Pay remains unchanged).
84. In the low take-up scenario, we take international evidence from New Zealand²⁹ which shows that 28% of fathers take paid leave, 22% unpaid leave, 54% take annual leave, 2% take sick leave and 3% take other types of leave (multiple categories can be selected in the data). Using this data, we see that 84% take paid leave (includes fathers taking paid, annual and sick leave) and 22% take unpaid leave. Applying a ratio of those taking paid leave to those taking unpaid leave (4:1) we derive that 21% of fathers/partners take unpaid leave. That percentage is then multiplied by the take-up rate of fathers using Paternity Leave generally (74%), to arrive at a take-up rate of 15.4%. We decided New Zealand was an appropriate comparative country as they offer up to two weeks of unpaid Paternity Leave depending on the amount of time spent working for an employer.
85. For the central case scenario, for simplicity we take the mid-point between the high and low assumptions.
86. To estimate length of leave taken we looked at data from the Parental Rights Survey³⁰ which finds that 8% of fathers/partners took only one week of Paternity Leave while 66% took two. To apply this to each take-up case we looked at the proportion of fathers taking only 1 week and those taking two weeks (1:8) and applied this ratio to the overall take-up.

Table 3: Estimated take-up rate of (unpaid) Paternity Leave by length of leave in low/medium/high scenario

	Low Estimate	Central Estimate	High Estimate
Total	15.4%	44.7%	74.0%
<i>Of which</i>			
<i>Take only 1 week off</i>	1.7%	4.8%	8.0%
<i>Take two weeks off</i>	13.7%	39.8%	66.0%

Unpaid Parental Leave

87. For Unpaid Parental Leave we take evidence from the Employee Rights Survey which estimates that 6% of mothers and 3% of fathers/partners take Unpaid Parental Leave each year. As this take-up finding is uncomplicated by the paid leave issue discussed for Paternity Leave, we can have more certainty that this represents a reasonable take-up rate, avoiding the need for lower and upper bounds.

²⁸ Internal analysis of data from the [Parental Rights Survey](#): Institute for Employment Studies, 2019. A representative survey involving more than 3,300 parents: and referenced here [SPL Evaluation](#)

²⁹ [Fathers' household and childcare involvement in New Zealand](#): New Zealand Work Research Institute, 2022

³⁰ [Parental Rights Survey](#): Institute for Employment Studies, 2019

Table 4: Estimated take-up rate of Unpaid Parental Leave by length of leave and sex of parent

	Male	Female	Total
Total	2.8%	5.6%	4.4%
<i>Of which</i>			
<i>Take only 1 week off</i>	2.2%	4.4%	3.5%
<i>Take 2 weeks or more</i>	0.6%	1.1%	0.9%

Table note:

- i. The Unpaid Parental Leave take-up rates in the table above are slightly different to those in the Employee Rights Survey which show 3% of males, 6% of females and 5% of employees overall took Unpaid Parental Leave in the last year as this analysis uses rates to 1 decimal point and the total take-up rate is derived from the gender breakdown. With the majority of those who had taken Unpaid Parental Leave taking up to one week off (74%), 19% taking over one week and 7% unsure of the duration. This analysis took the distribution between 1 week and 2 weeks and multiplied total take-up (3% and 6%) by the percentage of parents taking up that length (i.e. 74% for 1 week, 19% take 2 weeks+). Given the finding that 74% of employees take up to one week only and 19% take 2 or more weeks (unspecified) we opt to limit the analysis to two categories and assume that few employees take more than two weeks unpaid parental leave per year.

One off familiarisation costs: Paternity and Unpaid Parental Leave

88. New employment reforms typically introduce costs to business in having to familiarise with the new requirements. Previous parental leave impact assessments such as the Parental Bereavement Leave (PBL) Impact Assessment³¹ led to the view that small and medium businesses (fewer than 50 employees) tend to familiarise themselves with the legislation on a case-by-case basis and do little upon policy implementation (e.g. they may spend a short time viewing online guidance but little beyond this). While larger businesses are more likely to spend time in familiarising upon introduction and will have dedicated HR functions who routinely monitor wider changes to employment law. In addition, larger businesses have a higher likelihood of experiencing an eligible employee taking leave due to their workforce size and may want to spend time understanding how it interacts with their own occupation schemes.
89. However, these reforms simply bring into scope employees who do not meet the existing continuous employment criteria (less than 26 weeks in the case of Paternity Leave and 12 months in the case of Unpaid Parental Leave) and we assess it to be highly unlikely that business will be required to undertake any significant additional familiarisation following these reforms.
90. While this reform brings into scope an additional employee population (32,300 in the case of Paternity Leave and 1.5m in the case of Unpaid Parental Leave), the overwhelming majority of the 1.5m businesses in Great Britain (with at least 1 employee, based on Business Population Estimates for 2023³²) are already required to be familiar with Paternity Leave and Unpaid Parental Leave legislation, as their workforce is highly likely to contain those who have been employed for 26 or 52 weeks or more. Furthermore, any micro or recently formed businesses that exclusively employ those with less than 26 weeks or 12 months service will come into scope through the natural passage of time and incur these costs in the absence of the reforms. We will test this assumption further with stakeholders.
91. The proposed legislative changes to Paternity and Unpaid Parental Leave aim to simplify the parental leave framework and remove the different continuous employment eligibility criteria

³¹ [Parental Bereavement Leave and Pay IA](#): Department for Business, Energy and Industrial Strategy, 2018

³² [Business Population Estimates](#): Department for Business and Trade, 2023

across the suite of parental rights – this will serve to improve understanding, familiarisation and potentially compliance among employers. We, therefore, assume that these reforms will not introduce any significant additional familiarisation costs to business.

Recurring administration costs: Paternity and Unpaid Parental Leave

92. Recurring administrative costs refer to the cost of administering requests (i.e. receiving, responding and recording leave requests) for Paternity and Unpaid Parental Leave. Statutory Paternity Leave and Unpaid Parental Leave are widespread and established policies, so we expect business to already have established processes in place for administering parental leave. However, we estimate additional administrative costs associated with an additional number of leave requests (based on take-up assumptions discussed previously).
93. To estimate the number of businesses impacted we use DBT Business Population Estimates (2023) and strip out figures for Northern Ireland to ensure businesses in Great Britain only are captured. We also remove those businesses with zero employees³³.
94. We assume that large and small businesses will spend the same amount of time on processing requests and have estimated that to be half an hour per leave request. This is justified on the basis that most businesses will already have a process in place and the requirements for recording Paternity Leave can be as simple as sending the employee an email or letter to confirm the dates of leave. Based on ASHE data³⁴, we use average hourly earnings data (plus uprate to include non-wage labour costs) for an HR professional, to arrive at an estimate of £31.83 per hour. For firms with fewer than 50 employees, we estimate the wage for a Manager/Director (as smaller companies are less likely to have a dedicated HR function) to arrive at an estimate hourly wage rate of £28.86 per hour.
95. We then estimate the total cost to business based on the number of employees in those businesses that go on to take-up leave.

Figure 1: Recurring administration costs calculation

$\text{Additional employees requesting leave} \times \text{Time per case (per hour)} \times \text{HR Professional/ Manager or Director uprated average wage} = \text{Admin cost}$

Table 5: Administrative costs for Paternity Leave reform

	Low Estimate	Best Estimate	High Estimate
Eligible fathers/partners	32,300	32,300	32,300
Estimated overall take-up	15.4%	44.7%	74.0%
Large firms			

³³ The Business Population Estimates only provides a category for the public sector for businesses which combines businesses with zero or one employee. To remove those with zero employees, we have used the ratio of businesses with zero employees in the private sector and applied it to the whole economy. Private sector businesses make up the vast majority of the business population, so aggregate results are not strongly affected by this.

³⁴[Employee earnings in the UK](#): ONS

Eligible employees in workplace with 50 or more people taking Paternity Leave	3,600	10,400	17,200
Time per case	0.5	0.5	0.5
Uprated hourly rate of HR Manager	£31.83	£31.83	£31.83
Large business Total	£56,700	£165,000	£273,300
Small firms			
Eligible employees in workplaces with 49 or fewer people taking Paternity Leave	1,400	4,100	6,700
Time per case	0.5	0.5	0.5
Uprated hourly rate of Manager/Director	£28.86	£28.86	£28.86
Small business total	£20,200	£58,700	£97,300
Total Administration Costs	£76,900	£223,700	£370,500

Table 6: Administrative costs for Unpaid Parental Leave reforms

	Best Estimate
Eligible parents	1,500,000
Estimated overall take-up	4.4%
Large firms	
Eligible employees in workplace with 50 or more people who take-up Unpaid Parental Leave	43,400
Time per case	0.5
Uprated hourly rate of HR Manager	£31.83
Total admin cost to large business	£690,400
Small firms	
Eligible employees in workplaces with 49 or fewer people who take-up Unpaid Parental Leave	23,900
Time per case	0.5
Uprated hourly rate of Manager/Director	£28.86
Total admin cost to small business	£344,500
Total admin cost to large and small business	£1,000,000

Re-organisation costs: Paternity Leave and Unpaid Parental Leave (related to employee absence)

96. Re-organisation costs are those incurred by businesses due to employees in their organisation taking Paternity or Unpaid Parental Leave. Re-organisation costs attempt to capture the need to reallocate work among existing staff, which could drive-up costs, either because overtime is paid to maintain output or that in reallocating work, other work is dropped, resulting in a loss of output. For longer periods of leave, businesses may need to employ temporary cover which may be more expensive and/or less productive than the absent worker in the short-term – however that is unlikely in the case of a maximum of two weeks Paternity or 4 weeks Unpaid Parental Leave.

97. In order to monetise the impact of the proposed policies in terms of the costs of absence incurred by employers, we must estimate the cost of re-organising work. This is difficult to measure as some costs are not directly observed, such as loss of productivity. Our approach to estimating the weekly reorganisation costs is based on that used in various impact assessments (including Parental Bereavement Leave and more recently Neonatal Care Leave and Pay)³⁵.
98. Whilst studies seek to identify the cost of absence in general, including both planned and unplanned (and paid and unpaid absence), the absence covered in this IA is both unpaid and planned – for example, fathers/partners are required to give the correct notice to their employer before taking Statutory Paternity Leave.
99. To estimate the cost of reorganisation, we make use of the most recent absence cost estimates from survey on absence and workplace health published by the Confederation of British Industry (CBI). The survey found an average cost of absence of £720.00 per employee per year, based on an average of 5.2 days absence per employee³⁶. This figure reflects the wage costs of absence, as well as an estimate of the reorganisation costs and non-wage labour costs, such as National Insurance. Failing to account for the average weekly wage costs to include National Insurance and employers' pension contributions would implicitly assume that such costs only arise in the case an employee is absent (as they are included in the absence costs), but not when the employee is present at work.
100. Based on DBT analysis of ONS National Accounts data³⁷, we find that non-wage labour costs are 20.8% of wage costs. Including non-wage costs, we uplift the 2017 wage costs³⁸ (£434.30 according to ASHE data³⁹) by this percentage to derive total labour costs of £524.63 a week. Deducting this figure from the median absence cost estimate above yields a reorganisation cost of £167.67 per employee per week (32.0% of labour costs).
101. In order to convert these results to 2023 prices we multiply median weekly earnings retrieved from ASHE data⁴⁰ by the non-wage uplift for 2023 (21.0%)⁴¹. We then multiply that by the percentage found above. This results in weekly reorganisation costs per employee of £217.25.
102. The CBI figure refers to both unplanned and planned absences, whilst the leave considered by this policy proposal is considered to cover a short period of planned absence. Reorganisation costs due to planned absence are likely to be smaller as the employer is notified in advance and can plan ahead. Therefore, the approach set out above is likely to yield higher absences costs than those actually incurred. Furthermore, we assume that the reorganisation cost per week is a fixed percentage of the total labour costs.
103. Finally, we recognise that there may be variation in absence costs across businesses. This is not modelled in this IA for simplicity. In reality, we would expect some businesses to have re-organisation costs above the estimated average of total labour costs, while some businesses might face costs significantly below.

³⁵ [Parental Bereavement Leave and Pay IA](#): Department for Business, Energy and Industrial Strategy, 2018
[Neonatal Care Leave and Pay](#): Department for Business, Energy and Industrial Strategy, 2022

³⁶ [Summary of Front of Mind: Prioritising workplace health & wellbeing](#): CBI, 2018

³⁷ [UK National Accounts, The Blue Book](#): ONS, 2017

³⁸ 2017 wage costs are used to be on a comparative basis as the CBI survey on the cost of absence

³⁹ [Employee earnings in the UK](#): ONS

⁴⁰ [Employee earnings in the UK](#): ONS, 2023

⁴¹ This is based on internal analysis of the [UK National Accounts, The Blue Book](#): ONS; Note, this figure is different to the 20.8% reported in paragraph 97 which is referencing 2017.

Figure 2: Calculations of reorganisation cost per employee, per week

<p><i>Median Absence cost = £720 per employee (5.2 days per year)</i></p> <p><i>Median Absence cost per work week = [£720.00 per employee ÷ 5.2] × 5 = £692.31</i></p> <p>Reorganisation costs = Total Absence Costs - Total Labour Cost</p> <p><i>Total Labour Costs (2017) = Wage costs × nonwage uplift = £434.30 × 1.208 = £524.63</i></p> <p><i>Reorganisation Costs = £692.31 - £524.63 = £167.67 (32.0% of Labour Costs)</i></p> <p><i>Conversion to 2023 prices = Median weekly earning (2023) × non-wage uplift = £561.80 × 1.210 = £679.76</i></p> <p><i>2023 Reorganisation Costs = Total labour costs (2023) × 32.0% labour cost = £217.25</i></p> <p>Total reorganisation costs = <i>No. weeks</i> × <i>Weekly reorganisation costs</i> × (<i>Eligible parents</i> × <i>Take up rate</i>)</p>
--

104. We calculate the reorganisation costs using the weekly reorganising cost as fathers/partners and parents can only use Paternity and Unpaid Parental Leave in week blocks.

Figure 3: Total reorganisation costs

<p><i>Reorganisation costs</i> = <i>No. of employees taking paternity/unpaid parental leave</i> × <i>Reorganisation cost per week</i> × <i>No. of weeks</i></p> <p>Example for a father/partner taking 1 week of paternity leave:</p> <p><i>Reorganisation cost (where father/partner has taken 1 week of paternity leave)</i> = <i>population</i> × £217.25 (<i>Reorganisation cost per week</i>) × 1 (<i>No. of weeks</i>) = £x</p>

Table 7: Total re-organisation costs for Paternity Leave reform

	Low Estimate	Best Estimate	High Estimate
Eligible population	32,300	32,300	32,300
Reorganisation cost per week per employee	£217.25	£217.25	£217.25
Large Firms			
Estimated additional population taking leave	3,600	10,400	17,200
Total cost for large businesses	£1,500,000	£4,300,000	£7,100,000
Small Firms			
Estimated additional population taking leave	1,400	4,100	6,700
Total cost for small businesses	£575,100	£1,700,00	£2,800,000

Total	£2,000,000	£5,900,000	£9,800,000
--------------	-------------------	-------------------	-------------------

Table 8: Total re-organisation costs for Unpaid Parental Leave reform

	Best Estimate
Eligible population	1,500,000
Reorganisation cost per week per employee	£217.25
Large firms	
Estimated additional population taking 1 week leave	34,500
Estimated additional cost of taking 1 week leave	£7,500,000
Estimated additional population taking 2 weeks leave	8,900
Estimated additional cost of taking 2 weeks leave	£3,800,000
Total cost for large businesses	£11,300,000
Small firms	
Estimated additional population taking 1 week leave	19,000
Estimated additional cost of taking 1 week leave	£4,100,000
Estimated additional population taking 2 weeks leave	4,900
Estimated additional cost of taking 2 weeks leave	£2,100,000
Total cost for small businesses	£6,200,000
Total cost for large and small business	£17,600,000

Employment Tribunal impact: Paternity Leave and Unpaid Parental Leave

105. We expect the impact of the proposed changes to parental leave eligibility will be minimal on the justice system. If at all, we expect a negligible increase in applications to HM Courts and Tribunals Service. HMCTS data⁴² from 2014/15 to 2022/23 indicates there are 50 cases on average per year in relation to the “Suffer a detriment and/or dismissal due to requesting or taking leave for family and domestic reasons including maternity, paternity, adoption, parental bereavement, ante-natal care or carers leave or time off to assist a dependant.” jurisdiction which covers a broad population of parents eligible for Parental Leave (an estimated 8.9m parents).

106. We estimate that 7.6% of fathers/partners do not currently meet the continuous employment requirement (equivalent to 32,300 fathers/ partners) and will therefore come into scope. Given there are only very small Employment Tribunal case numbers seen for a much wider population than these reforms apply to, these changes are highly unlikely to lead to any significant increase in the number of Employment Tribunal Cases.

Employer benefits

107. Literature finds some evidence that suggests that workplaces who offer an extensive range of family-related support are more likely to have above average performance compared to workplaces without such practices⁴³. This review was focused on the costs and benefits to businesses adopting flexible working policies and family related pay policies, but similar arguments could be made for these reforms, which allow more parents to temporarily leave the workplace to support their family.

⁴² Available on request from HMCTS_Analysis_and@justice.gov.uk

⁴³ Gray, H. (2002) ‘Family-Friendly Working: What a Performance! An Analysis of the Relationship Between the Availability of Family-Friendly Policies and Establishment Performance.’

108. In addition, there is also evidence of a range of positive outcomes linked with firms providing policies designed to promote a good work-life balance⁴⁴. More specifically, the report examined the costs and benefits to business of adopting work-life balance working practices, such as flexible working and family friendly leave and pay policies⁴⁵. The literature review found evidence that a range of family related policies could reduce absence rates or better enable employers to prepare and manage absences, subject to formalised policies. Whilst the econometric evidence of this relationship was mixed, the authors concluded that these policies either significantly reduce absenteeism or are business neutral.

109. As well as helping improve staff retention, further reputational benefits could follow where businesses opt to provide parental support that goes beyond what competitors offer. Although not directly linked to this reform, supportive parental leave policies generally could help attract and retain staff from a wider talent pool, giving employers an additional edge when recruiting staff, as well as reputational benefits, yielding further labour market benefits in the long term.

Summary

110. Table 9 and Table 10 summarise all the monetised costs presented within the Impact Assessment for the proposed policy. The costs of this policy will be realised when the regulations come into effect.

Table 9: Summary of the costs and benefits for Paternity Leave reforms

	Low Estimate (£m)	Central Estimate (£m)	High Estimate (£m)
Recurring (annual) costs	2.1	6.2	10.2
<i>Of which reorganisation (absence) costs</i>	2.0	5.9	9.8
<i>Of which recurring admin costs</i>	0.1	0.2	0.4

Table 10: Summary of the costs for Unpaid Parental Leave reforms

	Total Business costs (£m)
Recurring (annual) costs	18.6
<i>Of which absence costs</i>	17.6
<i>Of which recurring admin costs</i>	1.0

Impact on small and micro businesses

Small and Micro – Business Assessment (SaMBA)

111. The proposed policy will affect businesses of all sizes, including small and micro-businesses. We do not intend to exempt small and micro-businesses from the extension to existing entitlements. Exempting them would not help in meeting the intended policy objectives for parents who happen to work in smaller businesses. Allowing for minimum statutory of employees to differ across employers would create problems in the overall delivery of statutory Paternity and Unpaid Parental Leave for employees in their job less than 6 and 12 months respectively and would undermine equal rights of employees. The policy needs to be consistent across employers for it work. Benefits described above such as allowing parents to play a greater role in caring for their children, removing barriers to job

⁴⁴ Smeaton D., Ray K., and Knight G. (2014) 'Costs and Benefits to Business of Adopting Work Life Balance Working Practices: A Literature Review'

⁴⁵ Maternity, paternity, parental leave and childcare support provision.

mobility and simplifying the parental leave system would mean a large chunk of these would not materialise in the event that small and microbusinesses were exempted from the policy. Whilst these benefits are yet to be quantified, where possible, their existence is independent of the size of the business.

112. Using Business population statistics⁴⁶, we estimate that around 96.5% of businesses affected are small and micro business and these businesses account for 29.0% of employees. Using the Parental Rights Survey⁴⁷ data we estimate that 28.2% of employee fathers and 38.1% of employee mothers work for small businesses. This is based on a question in the survey asking parents about the size of the business they worked for just before giving birth. Overall small and micro businesses are expected to bare 28.1% and 35.4% of the costs associated with extending Paternity Leave and Unpaid Parental Leave, respectively. Although the costs for the Unpaid Parental Leave reforms have a greater impact on small and micro businesses, the impacts themselves are relatively small, and Government already produces guidance for employers (including small and micro employers) directly and via intermediaries such as ACAS. No further mitigations or exemptions for small and micro businesses are currently proposed.

Table 11: A breakdown of firm size

Firm size (number of employees)	Number of firms (Great Britain only)	Number of employees (UK wide)
1	126,500	134,000
2-4	778,400	2,100,000
5-9	283,000	1,900,000
10-19	149,700	2,100,000
20-49	82,500	2,500,000
50-99	26,700	1,900,000
100-199	12,100	1,700,000
200-249	2,600	592,000
250-499	5,200	1,800,000
500+	5,600	15,400,000
Total	1,500,000	30,100,000
Total in small and microbusinesses	1,400,000	8,700,000
Percentage in small and micro-businesses	96.5%	29.0%

113. Table 12 shows how the total annual costs are split between different sized firms for Paternity and Unpaid Parental Leave separately⁴⁸.

Table 12: Share of re-organisation and administrative costs by business size for Paternity Leave and Unpaid Parental Leave reforms

	Small & Micro (fewer than 50 employees)	Medium/Large (at least 50 employees)
Paternity Leave	28.1%	71.9%
Unpaid Parental Leave	35.4%	64.6%

⁴⁶ [Business Population Estimates](#): Department for Business and Trade, 2023

⁴⁷ [Parental Rights Survey](#): Institute for Employment Studies, 2019. A representative survey involving more than 3,300 parents: and referenced here [SPL Evaluation](#)

⁴⁸ Table 12 shows small and micro employers bare 28.1% of costs even though Table 11 shows these SMEs employ 29.0% of all employees. This is due to the different assumptions in personnel who deal with admin costs in firms of different sizes and the Parental Rights Survey directly informing the estimate of fathers (rather than employees generally) working in SMEs.

Costs and benefits to households' calculations

Non-monetised benefits: Paternity and Unpaid Parental Leave

114. The key benefits that could flow from the policy reforms would take the form of improved health and wellbeing for both the parents and children. The outcomes are likely to be influenced by a range of different factors. We attempt to describe the benefits qualitatively, using existing literature and stakeholder engagement to support our arguments. Due to the uncertain nature of these benefits, monetising them would be challenging.
115. Although unmonetised, individuals who choose to take unpaid leave must value it, at least, to the level of their normal pay (which is likely greater than reorganisation costs experienced by business). These reforms are therefore to deliver a net positive total welfare impact.

Wider benefits to the Economy

116. Extending the scope of Statutory Paternity Leave and Unpaid Parental Leave to a larger number of parents (and fathers in particular) helps in meeting the core policy objective of making it easier for parents to take leave.
117. By raising the statutory floor, there is less variation across employers in terms of benefit entitlements and fewer barriers to employees in moving jobs/employers. This will aid in setting a minimum standard, allowing employers to build on this for more attractive contract terms.
118. Mothers typically take on the primary caring responsibilities after the birth of a child.⁴⁹ Reforming Paternity Leave and Unpaid Parental Leave may help to achieve a more equal division of childcare responsibilities, allowing mothers to return to work as they will know that their partner is available to support the child at home.

Benefits to individuals/households

119. A key objective of this policy would be to increase the amount of leave parents take as Statutory Paternity Leave and Unpaid Parental Leave, in both the first year of the child's life but also in later years (up to the child's age of 18 years old). Extending entitlement to Paternity Leave and Unpaid Parental Leave to all employee parents will help them achieve a better work-life balance. Policies that promote a healthier work-life balance can yield real benefits to employees, reducing stress and improving wellbeing overall.

Social benefits

120. A key objective of introducing this policy would be to better support parents at jobs for less than 6 months in managing their caring and work responsibilities. Evidence suggests that fathers/partners who take parental leave have more involvement in their children's lives.⁵⁰ Evidence also suggests that increased paternal involvement in a child's life will lead to better

⁴⁹ Kotsadam, A. and Finseraas, H. (2011) 'The state intervenes in the battle of sexes: Causal effects of Paternity Leave.'

⁵⁰ [What makes fathers involved in their children's upbringing?:](#) Fagan and Norman 2016: and [Working Better: Fathers, family and contemporary perspectives:](#) Equality and Human Rights Commission

life outcomes for that child⁵¹. Fathers/partners who are more involved with their children also report greater life satisfaction and better psychological well-being⁵².

121. The extension of Paternity Leave and Unpaid Parental Leave to all employee parents will also result in benefits to children of newly eligible employee parents. This is because parents are likely to be less stressed and tired from balancing caring and work needs. This will result in them providing better quality of care and possibly increase the quantity of care they provide.
122. Some of the benefits of Paternity Leave cited include⁵³:
 - Greater relationship stability, can potentially mitigate maternal postpartum depression outcomes;
 - Can influence parents' decisions about how to allocate future resources to childcare, domestic work and paid work;
 - Helping a spouse/partner's career.

Economic benefits to individuals/households

123. Removal of continuity of service requirements could encourage more workers to switch jobs as they will not lose statutory parental leave entitlements when moving. Although Paternity Leave for those with fewer than 6 months of employment is unpaid (no change to Statutory Paternity Pay), and Unpaid Parental Leave has low take-up, it is possible that some employees will no longer be deterred from moving jobs if they know they can take Paternity or Unpaid Parental Leave from the first day of new employment, albeit unpaid leave. Changing jobs is associated with higher wages and productivity growth as supported by ONS data⁵⁴ from April 2012 and April 2021 showing that average hourly earnings growth was consistently higher for workers who had changed jobs (6.5% vs. 2.1%). However, more work is needed to assess the extent to which making these parental leave policies a day one right would remove the disincentivise parents face when considering changing jobs.
124. There is evidence to suggest that fathers'/partners' involvement in childcare benefits mothers' labour market attachment. Mothers with pre-school children are twice as likely to return to employment at nine months and at three years post-childbirth if the father is involved by sharing or doing the most childcare at these times⁵⁵.
125. We acknowledge that the evidence above refers to a broad umbrella of family friendly policies rather than specific to the proposed policy reforms, but we believe that many of these benefits would apply to the eligible population. Employers who support their employees see benefits in multiple ways so by making Paternity and Parental Leave day one rights, we could reasonably expect similar benefits to be realised.

⁵¹ Norman, H., Fagan, C. and Elliot, M. (2017) *How can policy support fathers to be more involved in childcare? Evidence from cross-country policy comparisons and UK longitudinal household data*
Norman, H., and Davies, J. (2023) *What a difference a dad makes. Paternal Involvement and its Effects on Children's Education (PIECE) study*

www.fatherhoodinstitute.org/wp-content/uploads/2014/11/Why-paternity-leave-matters-for-young-children.pdf.

⁵² [Good Work Plan: Proposals to Support Families](#) Schindler. HM Government, 2019. See page 14.

⁵³ [A fresh look at Paternity Leave](#): McKinsey & Company, 2021

⁵⁴ [Job changers and stayers, UK](#): ONS, April 2012 to 2021

⁵⁵ [Does fathers involvement increase children's educational attainment at primary school?:](#) PIECE, 2021 summary available here - [Summary](#)

Business environment

126. There is limited evidence to suggest that the policy will have an impact on business investment. Some employers already provide many parental rights from day one of employment and extending the rights discussed here will simply bring these policies into line with other existing policies. Moreover, most employee parents already meet the continuity of service requirements and additional parents brought into scope represent a small percentage increase in the population eligible for these types of parental leave.

Trade implications

127. We assess that these policies do not legally impact international trade as they are compliant with the UK's international obligations. Moreover, we do not expect any implications for trade partners or foreign businesses operating in the UK.

Environment: Natural capital impact and decarbonisation

128. Our current assessment is that we expect there to be nil or negligible impact on the environment as a result of making unpaid Paternity and Unpaid Parental Leave a day one right. As per HMT Green Book guidance, we will also consider any potential environmental effects as part of our assessment of impacts.

Other wider impacts (consider the impacts of your proposals)

Labour Mobility

129. The relationship between employment rights/protections and labour mobility is complex. In principle, a lack of a day one right to parental leave may hinder labour mobility by making employees reluctant to change job and lose accrued benefits. Empirical evidence on this topic is limited but data from the Annual Population Survey⁵⁶ suggests that the majority of parents already meet the continuous employment criteria. This could indicate that employee parents seek to ensure they are established in a job and qualify for statutory entitlements (including Statutory Paternity Pay) and/or more generous occupational schemes before they start a family. It is not possible to reliably estimate how the impact of these reforms will change job mobility, but it is likely to have a modest effect particularly if employers retain qualifying conditions for access to paid leave.

Wages

130. Average earnings growth is consistently higher for workers who have changed jobs. More evidence is needed to understand how this policy will impact wages in the wider economy, but it is unlikely that these reforms in isolation will have a significant impact on wage growth for employee parents. Nevertheless, these policies, as part of the wider reforms in the Employment Rights Bill, will promote employee flexibility and labour market participation which may provide the right environment for economic growth, potentially contributing to wage growth.

Public Sector

131. As the types of leave considered are unpaid, there are no impacts on public sector costs.

⁵⁶ DBT access to Annual Population Survey (Jan to Dec 2023) microdata.

Public Sector Equality Duty

132. As part of the Equality Act 2010, the department for Business and Trade (as a public body) is legally obligated to have due regard for equality issues as part of the Public Sector Equality Duty (PSED). The PSED must have due regard to the need to:

- i. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- ii. Advance equality of opportunity between people who share a protected characteristic and those who do not.
- iii. Foster goods relations between people who share a protected characteristic.

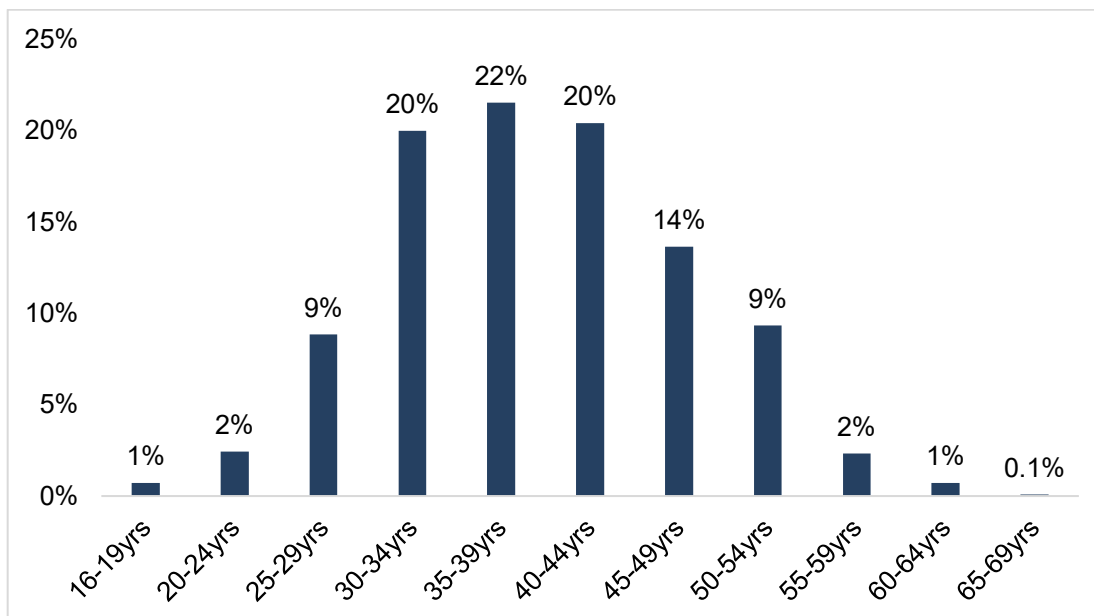
133. The protected characteristics consist of nine groups: age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation. This Equalities Assessment considers the potential equality impacts of the preferred option across as many of these characteristics as possible.

134. We have assessed whether the target population is significantly different from the whole population to see if the introduction unpaid Paternity and Unpaid Parental Leave as day one rights, disproportionately affects any group of people with protected characteristics.

Unpaid Parental Leave

135. For the impacts of Unpaid Parental Leave, we looked at the Annual Population Survey⁵⁷, focusing on demographics of employees with tenure of less than 12 months and a child under the age of 18.

Figure 4: Proportion of employee parents with tenure of less than 12 months, by age group, Jan-Dec 2023



Source: DBT analysis of the Annual Population Survey, Jan-Dec 2023

136. Figure 4 above shows that parents aged 30 to 44 are more likely to come into scope as a result of this policy change. They represent 62% of the total population who will become newly eligible for Unpaid Parental Leave under the reforms. This is somewhat consistent with findings of the Parental Rights Survey, which found that 51.9% of fathers and 43.4% of

⁵⁷ DBT access to Annual Population Survey (Jan to Dec 2023) microdata.

mothers were aged between 30 and 40, although it is hard to directly compare as there is no data available for those aged between 40 and 44.

137. There is some more variation when looking at ethnicity. Using the Annual Population Survey, we found that most parents who come into scope of this policy reform are 'White' (71%), followed by 'Asian' (14%) and 'Black, African, Caribbean or Black British' (9%). Overall, 29% of the parents brought into scope are from 'All other ethnicity groups combined (non-White)'. This differs slightly from the Parental Rights Survey which found that overall, 80% of parents are 'White', while 20% are from 'All other ethnicity groups combined (non-White)'. It appears that the reform disproportionately benefits, to a certain extent, parents that are from ethnic minorities.

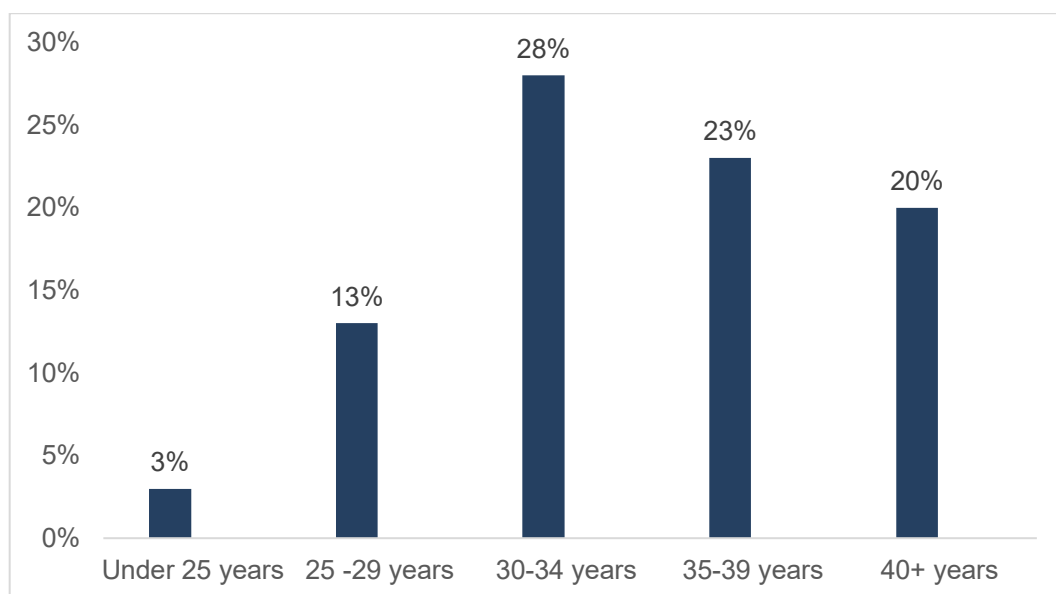
138. There is also some variation when looking at the sex and disability status of parents. Data from the Annual Population Survey finds that 59% of parents brought into scope will be female, while 41% will be male. This is compared to a more equal split of employee parents with children under the age of 18 overall (irrespective of length of employment).

139. The disability data from the Annual Population Survey suggests that 16% of parents brought into scope by these reforms are classified as disabled according to the definition set out by the Equality Act. This is more than double the reported rate in the Parental Rights Survey which found that only 7% of parents were disabled. One possible explanation for this, is that parents with disability find it harder to stay in the same job for a long time, so removing the 12-month qualifying period for Unpaid Parental Leave will potentially benefit them more.

Paternity Leave

140. For Paternity Leave, demographic data for employee fathers (dependent child under 1) exclusively with less than 6 months tenure is not available due to small sample sizes in the Annual Population Survey. Instead, we look at data from the Parental Rights Survey for all fathers.

Figure 5: Proportion of fathers, by age group, 2018



Source: Parental Rights Survey, 2018

141. We are unable to assess whether this specific policy change will have any significant distributional impacts on any of the protected characteristics set out in the Equality Act. However, we have attempted to estimate impacts on protected characteristics based on the

closest comparative group – all fathers. Figure 5 shows that according to the Parental Rights Survey, most fathers are aged 30-34 (28%) followed by those aged 35-39 (23%) and those aged 40 and over (20%). As for ethnicity of fathers, 70% of fathers surveyed are 'White', 17% are 'Asian' and 8% are 'Black'. Finally, for disability breakdown, 6% of fathers have a physical or mental health condition lasting or expected to last 12 months or more.

Risks and assumptions

Take-up rates

142. Predicting take-up rates is inherently difficult. In this case, it is particularly difficult as we are unable to isolate take-up for **unpaid** Paternity Leave specifically in survey data (the Parental Rights Survey only reports those who received more than the statutory vs those that received the statutory rate or less). Therefore, we supported the analysis with low, central and high take-up rates to capture the uncertainty. In the low scenario, we made use of data from New Zealand⁵⁸ where the statutory offer is up to two weeks of unpaid Paternity Leave to fathers, and we can attempt to estimate the proportion who take paid leave options (84%) vs those using unpaid leave (22%) – this makes New Zealand a useful comparator country to look at potential lower bound take-up of unpaid Paternity Leave in Great Britain. We estimate a lower bound take-up rate of 15.4%, for comparison, evaluation evidence finds a take-up rate of 5% of fathers taking Shared Parental Leave⁵⁹ (a less well-established policy entitlement) which provides some reassurance that estimation is congruent with external evidence.
143. For the high scenario, findings from the GB-specific Parental Rights Survey⁶⁰ are used but recognising this potentially captures take-up for Paternity Leave which, in some cases, attracts the statutory rate of pay it is considered an upper bound estimate. To determine the rates for the central case we took the midpoint between the two. In general, it is difficult to know how many fathers and partners will utilise this leave as other forms of leave (particularly paid leave such as Annual Leave) might also be available to employees which justifies a wide range of scenarios.
144. For Unpaid Parental Leave the estimation was more straightforward as we have direct survey evidence on the percentage of parents taking up Unpaid Parental Leave from the Parental Rights Survey, which provides more certainty.

Reorganisation costs

145. The reorganisation cost calculations outlined earlier are based on sickness absence costs⁶¹ which tend to be short and unplanned. Since both Paternity and Unpaid Parental Leave tend to be planned periods of absence there is a risk that the costs estimated in this analysis will be lower compared as employers have time to plan for their employee's absence.
146. Moreover, another factor that was not incorporated into our analysis is that fathers and partners who aren't entitled to Paternity Leave and instead work without having taken leave after they have a newborn may be working below their normal levels of productivity (due to the impacts of supporting their family and reduced sleeping time etc). Therefore, the reorganisation cost might again be overestimated, as the contribution employee fathers and partners make in the counterfactual would be lower than that of the average employee.

⁵⁸ [Fathers' household and childcare involvement in New Zealand](#): New Zealand Work Research Institute, 2022

⁵⁹ [Shared Parental Leave Evaluation](#): DBT, 2023

⁶⁰ [Parental Rights Survey](#): Institute for Employment Studies, 2019

⁶¹ [Summary of Front of Mind: Prioritising workplace health & wellbeing](#): CBI, 2018

Eligible population

147. Our population estimates for the number of parents that will become newly eligible for Paternity and Unpaid Parental Leave are based on analysis of the Annual Population Survey⁶² (Jan-Dec 2023). The population estimated in particular for Paternity Leave (employee fathers with a dependent child under 1 and less than 6 months employment) is based on counts of less than 50 but greater than 30. This means it is slightly less accurate than the other population figures. As the cost estimates are sensitive to the reliability of the Annual Population Survey figures, this is a risk to our analysis of costs.

⁶² DBT access to Annual Population Survey (Jan to Dec 2023) microdata.