

Title: Proposals to amend NI Paternity Leave entitlements	Regulatory Impact Assessment (RIA)
	Date: June 2024
	Type of measure: Secondary Legislation
Lead department or agency: Department for the Economy	Stage: Initial
	Source of intervention: Domestic NI
Other departments or agencies: Department for Communities Department of Finance His Majesty's Revenue & Customs Department for Business and Trade	Contact details:
	goodjobsconsultation@economy-ni.gov.uk

Summary Intervention and Options

What is the problem under consideration? Why is government intervention necessary? (7 lines maximum)
 The 2019 ¹Parental Rights Survey found that 59% of all fathers/partners took paternity leave after the birth or adoption of their child and 21% took some other form of leave. This rises to 70% of fathers who are employees and therefore likely to be entitled to statutory paternity leave and pay. Among the 22% of fathers that did not take their full entitlement, 62% reported they could not afford to. Beyond financial reasons, respondents to a 2019 consultation on high level options for reforming parental leave and pay also suggested there is a need for more flexibility around when statutory paternity leave and pay can be taken. Paternity leave in Britain has been amended as of April 2024 to make it more flexible.

Core objectives

The proposed reforms aim to:

1. Enable fathers/partners to play a stronger childcare role by increasing the flexibility of how and when statutory paternity leave and pay can be taken.
2. Make it easier for fathers/partners to take paternity leave² at the most appropriate time for their families by reducing notice requirements for leave periods.

What are the policy objectives and the intended effects? (7 lines maximum)

- allowing paternity leave and pay to be taken as two non-consecutive blocks of a single week as well as a single block of two weeks; Currently paternity is to be taken in one block.
- Allowing leave and pay to be taken at any time within the first 52 weeks following birth or adoption; Currently leave has to be taken within the first 8 weeks following birth or the date of the child's placement with the adopter.
- reducing the notice requirements for paternity leave related to birth and surrogacy to 28 days for each period of leave as opposed to 14 weeks.
- Making paternity leave a day 1 right, currently a father/partner must be employed for 26 weeks by the end of the 15th week before the baby is due

¹ https://www.employment-studies.co.uk/system/files/resources/files/Parental_Rights_Survey%202019.pdf

² Where "paternity leave" is written this refers to paternity leave with or without statutory pay.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum)

Option 1 – Do nothing. This option is ruled out as it will not improve the uptake of paternity leave due to limited flexibility.

Option 2 - Amend the Paternity and Adoption Leave Regulations (Northern Ireland) 2002, Paternity and Adoption Leave (Adoption from Overseas) Regulations (Northern Ireland) 2003 and the Paternity, Adoption and Shared Leave (Paternal Order Cases) Regulations (Northern Ireland) 2015 by way of legislation.

This option proposes to reform current policy (leave and pay) to be more flexible. The existing entitlement consists of one or two consecutive weeks of paid leave in the eight weeks after birth/or adoption. We are proposing to amend this to allow fathers/partners to take two non-consecutive weeks of paid leave at any point in the first year, with reduced notification periods. We are also proposing that the right to paternity leave should be available from the first day of employment. To be eligible for statutory pay, individuals will be required to have been in employment for 26 weeks.

Will the policy be reviewed? It will be reviewed

If applicable, set review date: Post-Consultation

Cost of Preferred (or more likely) Option

Total outlay cost for business £	Total net cost to business per year	Annual cost for exchequer
£160k	£143k	Year 1 - £806k (includes £710k upfront one-off costs) Year 2 - £186k (includes £90k one off HMRC costs) Year 3 and beyond - £96k

Does Implementation go beyond minimum EU requirements?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>		
Is this measure likely to impact on trade and investment?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>		
Are any of these organisations in scope?	Micro Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Small Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Medium Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Large Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

ECONOMIC ASSESSMENT (Business and government cost)

Costs (£m)	Total Transitional (Policy) Years	Average Annual (recurring) (excl. transitional)	Total Cost
Low	£818k	£0	£818k
High	£818k	£478k	£1,295k
Best Estimate	£818k	£239k	£1,057k

Description and scale of key monetised costs by ‘main affected groups’ Maximum 5 lines
 Making paternity leave more flexible will create wage-like costs for some businesses due to the fact that some employers reclaim 92% of Statutory Paternity Pay (SPP) from Government, unless they qualify for Small Employers’ Relief (if they pay £45,000 or less in Class 1 National Insurance contributions) in which case they can reclaim 103% of statutory costs. The statutory weekly rate of Paternity Pay is currently £184.03, or 90% of the employee’s average weekly earnings (whichever is lower)³.

Other key non-monetised costs by ‘main affected groups’ Maximum 5 lines

- There could be additional costs associated for business, as father/partners will use their leave entitlement over the course of a year, increasing the likelihood of absence.

Description and scale of key monetised benefits by ‘main affected groups’ Maximum 5 lines
 The key monetisable benefit is in the form of statutory payments for individuals.

Other key non-monetised benefits by ‘main affected groups’ Maximum 5 lines
 The majority of the benefits are non-monetisable, including individual benefits, reputational benefits, and benefits to the wider economy as a result of more engaged fathers/partners. The potential benefits include more fathers/partners taking paid paternity leave fathers/partners will have increased flexibility around when to take statutory paternity leave and pay, allowing them to benefit from their full entitlement over a longer time period increasing involvement in their children’s lives and the knock-on impact of supporting increased female labour market participation.

Key Assumptions, Sensitivities, Risks Maximum 5 lines
 Estimated costs are sensitive to assumptions of take up rate and individuals’ responses to the policy reforms, in particular the number of fathers / partners that will take unpaid leave or take additional weeks of leave due to additional flexibility. We also make key assumptions on business costs such as time taken to familiarise themselves with the policy reforms. The Department for Business and Trade has predicted that similar changes to paternity leave in Britain will see leave in week 1 remain the same with a potential increase of 4% (medium) and 8% (high) in fathers/partners taking leave in the second week⁴.
 It should be noted that all fathers / partners will be entitled to take leave from day 1; however to be entitled to paid leave it is assumed that fathers / partners have to be in employment for six months. We have no statistics on the number of individuals who will take unpaid leave; however we have assumed that 8% of the working population have been with their employer for less than six months and will therefore not be entitled to paid leave.

³ [Get financial help with statutory pay: What you can reclaim - GOV.UK \(www.gov.uk\)](https://www.gov.uk/get-financial-help-with-statutory-pay-what-you-can-reclaim)

⁴ [Paternity leave Flexibility reform \(publishing.service.gov.uk - page 9 of document\)](https://publishing.service.gov.uk/paternity-leave-flexibility-reform)

Cross Border Issues (Option)

How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland) Maximum 3 lines

The introduction of this in the north of Ireland will provide similar paternity rights to those introduced in Britain in April 2024. We intend to make the right to leave available from the first day of employment in the north of Ireland, which will be an additional right not available in Britain.

Whereas in the Republic of Ireland (Paternity Leave and Benefit Act 2016), those entitled to paternity leave must provide 4 weeks' notice to their employer before taking leave, leave should be taken in a single block of up to two weeks in the first six months and requires between 26 and 39 weeks of PRSI to be paid in the previous 12 months. Paternity leave without pay is a day 1 right in the Republic of Ireland⁵.

⁵ [Paternity leave \(citizensinformation.ie\)](https://citizensinformation.ie/en/employment-and-work/parental-leave/paternity-leave)

Evidence Base

There is discretion for departments and organisations as to how to set out the evidence base. It is however desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing), with reference to the evidence base to support the option selection;
- Monetised and non-monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business;
- Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment)

Problem under consideration;

The law currently entitles an employee who has been continuously employed for a period of at least 26 weeks to qualify for statutory paternity leave and pay once 15 weeks' notice have been provided before baby is due.

The current paternity leave system is too rigid: leave must be taken in one block of no more than two consecutive weeks within a period of eight weeks after the child's birth and the employer must be notified 14 weeks beforehand. This system can be a barrier to parents, particularly fathers/partners, who want to take that leave due to their unique personal circumstances. In turn this can place an increased caring burden on the mother.

We wish to provide valuable additional flexibility in when and how paternity leave can be taken, making it easier and more useful for parents while putting minimal burdens on businesses. The proposed regulatory changes aim to create a more family-centric approach to paternity leave by recognising the importance of fathers/partners spending valuable time with their children in the first year following birth or adoption.

By providing increased flexibility and recognising the diverse circumstances of families, these changes are a positive step towards fostering a supportive and inclusive work environment and aim to make it easier for parents to take their full paternity entitlement.

Eligibility and qualifying conditions:

1. As with other family related pay entitlements, to qualify for statutory pay 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 criterion for statutory pay will remain unchanged⁶; however, we intend to remove the current 26 weeks qualification period for the leave entitlement.
2. As with other family related leave entitlements, paternity leave will remain available to employees only.
3. Furthermore, keeping the policy broadly consistent with how it currently works as well as being broadly reflective of other entitlements will make it comprehensible to employers and employees and ultimately help to reduce the familiarisation burden on businesses.

⁶ [Paternity and Adoption Leave Regulations \(Northern Ireland\) 2002 \(legislation.gov.uk\)](https://legislation.gov.uk)

The length of entitlement and when the entitlement can be taken:

4. Employed fathers/partners who are eligible for paternity leave and statutory paternity pay are currently entitled to take one or two consecutive weeks (their choice) of paid leave. statutory paternity pay is currently the lower of £184.03 per week or 90% of average weekly earnings both leave and pay must currently be taken in the first 8 weeks following the birth of their child (or placement for adoption) and special rules apply in cases where the child is born prematurely⁷.

Notice and evidence requirements:

5. Fathers/partners-to-be will no longer need to give their employer provisional dates of leave when they give their notice of entitlement at 15 weeks before birth. Instead, they will give notice of their intended leave dates 28 days before each leave period begins. The proposal will also allow fathers/partners to take a single block of 2 weeks leave or two blocks of one week each. Additionally it allows fathers/ partners to change the dates they plan to take leave (notice of the new leave dates must be given 4 weeks before the new leave period starts).
6. Introduction of paternity leave as a day 1 right means that fathers/partners are entitled to paternity leave on the first day of employment (it should be noted that this is without pay). Allowing those fathers/partners to avail of unpaid leave to support the mother and/or care for the baby at a crucial time in their lives.

Rationale for intervention:

Statutory paternity legislation sets out minimum employment rights which employers must offer to their employees. It is necessary for government to set minimum standards of statutory paternity leave and pay because wider society benefits from parents being able to care for their children whilst retaining their employment status. These reforms change those minimum standards.

If paternity leave and pay was left to individual employers, economic theory suggests that there might be a market failure. Individual employers may not provide socially optimal levels of paternity leave and pay because their calculations of how much leave to provide, who would be eligible and how they can take their leave would not take into the account the positive externalities, i.e. the social benefits arising from enhanced statutory paternity leave and pay, only the private benefits to the businesses (e.g., from improved morale, staff retention/ability to attract new recruits and PR).

There is inefficiency in the market when societal benefits are not realised, where private returns to an individual or firm from carrying out a particular action differ from the returns to society as a whole. Government intervenes in order to correct this inefficiency. For example, the reforms to statutory paternity leave and pay will help support more employee fathers/partners to increase the time they spend with children. Without minimum statutory entitlements in this area, 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 societal benefits of leave would not be realised.

There is also a difference between the parental leave entitlement available to mothers and fathers/partners. At present, mothers are entitled to take leave for up to one year following their child's birth, whereas fathers/partners have the first 8 week in which to take statutory paternity

⁷ [SPP | nidirect](#)

leave and pay of up to two weeks. Thus, by extending the window of time within which statutory paternity leave and pay can be taken to 52 weeks, we are bringing this entitlement onto an equal footing in relation to the length of time available to take the leave. This helps to balance the needs of employed parents and makes it easier for employers to understand the policy.

There are benefits to the individual affected and to society generally from more fathers/partners being able to take more time away from work to start a family and develop a bond with their child. In particular, time away from work can help fathers/partners care for their children, bond with their child, and support the other parent in childcare. By enabling statutory paternity leave and pay to be taken more flexibly, it 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 help facilitate the cultural change required where more fathers/partners take statutory paternity leave and pay, owing to the greater flexibility in how they can take it. Therefore, there is a need to legislate to enhance previous government intervention in this area and raise the minimum standard for employees, with the welcome understanding that many employers will go further than legislated.

Benefits

The benefits of amended paternity leave can be both economic and societal. We believe amending the timescales for taking paternity leave can offer benefits to both the employer and their employees and therefore wish to encourage and facilitate its uptake.

The 2019 Parental Rights Survey showed that 59% of all fathers (increasing to 70% among those who were 'employees' before the birth of their child) took paternity leave after the birth of their child and 21% took some other sort of time off. The Parental Rights Survey⁸ also shows the primary reasons preventing fathers from taking leave are affordability with 35% of fathers that did not take any statutory leave doing so because they could not afford to and 62% of those that did not take their full entitlement also citing affordability. Beyond financial reasons, responses to a 2019 consultation on high level options for reforming parental leave and pay also suggested there is a need for more flexibility around when statutory paternity leave and pay can be taken.

Evidence from Scandinavia⁹ suggests that giving fathers increased parental leave leads to a more equal division of household chores and childcare. Fathers who spend time with their child in their first year, particularly parenting on their own, are also more likely to be involved with their children subsequently. There is also evidence that increased involvement of fathers improves outcomes for children. In Northern Ireland 21.3% of families were lone parent families in 2020, this was the highest in UK, where the average was 14.7%¹⁰.

The proposed reforms to paternity leave will increase the flexibility of the current system. This will allow both parents to bond with their children at any point in the first year, taking leave at times most beneficial to the family, and establish their childcare roles, including helping facilitate a mother's return to work.

The leave entitlement will improve flexibility and encourage more fathers/partners to take their available leave. The existing system requires statutory paternity leave and pay to be taken in one block (of either one or two weeks) which can act as a barrier to some fathers/partners taking it. Currently statutory paternity leave and pay must end within 8 weeks of the birth (or

⁸ [Parental Rights Survey 2019 | Institute for Employment Studies \(IES\) \(employment-studies.co.uk\)](https://www.employment-studies.co.uk/publications/parental-rights-survey-2019)

⁹ Kotsadam, A. and Finseraas, H. (2011) – The state intervenes in the battle of sexes: Causal effects of paternity leave.

¹⁰ [Families and households in the UK - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/people-in-the-uk/families-and-households)

due date if the baby is early). These reforms will mean the leave can be taken, in up to two blocks of one week, during the first 52 weeks of the child's life.

Policy objective:

7. The amendment to Paternity Pay and Adoption Leave aims to:

- Allow more fathers/partners to play a greater role in caring for their children; through allowing fathers/partners to take their leave non-consecutively and up to 52 weeks after the birth, encouraging greater paternal involvement including solo parenting.
- Increase flexibility and affordability for fathers/partners on when they can take their paternity leave. Fathers/partners can take their two weeks of leave non-consecutively, allowing them to benefit from their full entitlement, whilst balancing work commitments and spreading out the weeks of reduced pay for those entitled may alleviate some financial pressure.

The main options being considered are:

- **Option 1: Do nothing**

8. This option would involve maintaining the status quo where employees must take leave in consecutive weeks within 8 weeks of the birth. This would mean that fathers/partners across the labour force continue to face barriers, which may result in fathers/partners not utilising their full leave entitlement or taking none at all. Some fathers/partners may continue to rely on annual leave or other forms of leave to take time off after the birth of their child.

- **Option 2: Changes to the flexibility of Paternity Leave and Pay**

9. Making paternity leave and pay more flexible involves a number of changes to the way that paternity leave can currently be taken.

10. Extending the window to take leave from 8 to 52 weeks – This change increases flexibility for fathers allowing them to take leave when they feel most suitable within the first 52 weeks. This also has the potential to encourage solo parenting by allowing fathers/partners to take their leave when the mother is back at work – rather than limiting it to the first 8 weeks when the mother is far less likely to have returned to work. Removing the 26 week qualifying period before leave can be taken will also enable new employees to take the leave to support their partners.

11. Allowing fathers/partners to take their leave in two non-consecutive weeks –Department of Business and Trade (DBT) analysis of the Paternal Rights Survey 2019 (Britain) shows that 74% of fathers/ partners who take paternity leave only use 1 weeks leave and 66% use 2 weeks.¹¹ Data shows the primary reasons preventing fathers from taking their full entitlement are affordability and being too busy at work. Enabling fathers/partners to take their two weeks of leave non-consecutively would allow them to benefit from their full entitlement whilst balancing work commitments and spreading out the weeks of reduced pay may alleviate some financial pressure.

12. Adjustments to the notice period – fathers/partners to-be will no longer need to give their employer provisional dates of leave when they give their notice of entitlement at 15 weeks

¹¹ [Parental Rights Survey 2019 | Institute for Employment Studies \(IES\) \(employment-studies.co.uk\)](https://www.institute-for-employment-studies.co.uk/publications/parental-rights-survey-2019)

before birth. Instead, they will give notice of their intended leave dates 28 days before each leave period begins.

13. Making paternity leave a day 1 right, fathers/partners will be entitled to paternity leave from their first day of employment. To be eligible for statutory paternity pay employees will require the current 26 weeks of continuous employment with their employer. Providing the opportunity for leave, while unpaid, allows fathers/partners the option of time off to care for their child and support their partner with the security of relevant statutory protections.

Policy summary

14. Allow fathers/partners to take their paternity leave in non-consecutive blocks. Currently, only one block of leave can be taken which can be either one or two weeks. Our changes will remove this barrier by enabling fathers/partners to take two non-consecutive weeks of leave.
15. Allow fathers/partners to take their paternity leave at any point in the first year after the birth or adoption of their child (rather than only within the first eight weeks after birth or adoption). This gives fathers/partners more flexibility to take their paternity leave at a time that works for their family.
16. Shorten, in most cases, the notice period required for each period of leave and pay (for example from 14 weeks before the expected week of birth, to 28 days before each week of leave). The new measure will require an employee to give only four weeks' notice prior to each period of leave. This means that they can decide when to take their leave at shorter notice to accommodate the changing needs of their families.
17. Make paternity leave a day 1 right, providing employees with the option of unpaid paternity leave on their first day of employment.

Monetised costs and benefits

Modelling approach:

The model to develop the costs of this proposal is largely the same as that employed within the GB approach ([Paternity Leave Flexibility reform \(publishing.service.gov.uk\)](https://publishing.service.gov.uk))

Statutory take-up – Eligible fathers/ partners

18. The number of fathers eligible under the policy is shown below:

- Births in NI = 20,837¹²
- % fathers/partners at birth (96%) = 20,004
- NI male employment rate (75.4%) = 15,083
- Under the current policy it is assumed that 74% of eligible fathers will take 1 week leave and 66% will take two weeks leave
- Adjustment to account for 6 months work requirement = 8% * 15,083 = 13,876 is the eligible population. This proportion of the population is solely for the statutory payment element.

¹² [Registrar General Annual Report 2022 Births | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](https://www.nisra.gov.uk)

Paid Leave – 6 months	1 week leave	2 weeks leave
Fathers eligible for paid paternity leave	13,876	13,876
	74%	66%
Eligible fathers / take up rate	10,268	9,158

Current number of employed fathers/partners who take some form of leave:

- Number of fathers/partners who take 1 week of leave: $13,876 \times 74\% = 10,268$
- Number of fathers/partners who take 2 weeks of leave: $13,876 \times 66\% = 9,158$

The table below highlights the assumptions which are used to calculate the costs associated with taking unpaid leave.

Leave day 1 estimate		
	1 week leave	2 weeks leave
Fathers eligible for Paternity leave	15,083	15,083
Take up rate	74%	66%
Eligible fathers / take up rate	11,161	9,955
Estimated increase due to leave becoming day 1 right	892	797

Statutory take-up behaviour

19. Under current legislation, statutory paternity leave and pay can only be taken in one 'block' – i.e. fathers/partners can take either one or two weeks of leave, but they must be taken in consecutive weeks. However, the proposed reforms will allow this leave to be taken in separate blocks. We therefore make estimates on the changes in duration of leave taken by eligible fathers/partners given the reform.
20. The evidence on take-up rates from current statutory paternity leave and pay policy is based on estimates from the Parental Rights Survey (2019). This survey suggests 70% took paternity leave, 27% took other forms of leave (including Annual Leave) and 12% did not take any leave at all. For the changes related to making statutory paternity leave and pay more flexible, costs are calculated as additional to the estimated costs for the existing policy.
21. By making leave more flexible, it would enable more fathers/partners to take their available leave, thus indirectly increasing the amount of leave that fathers/partners will take. As such, the rates of take-up remain at between 70% and 74% for eligible fathers/partners.
22. It should be noted that all fathers / partners will be entitled to take leave from day ;, however, to be entitled to paid leave it is assumed that fathers / partners have to be in employment for six months. We have no statistics on the number of individuals who will take unpaid leave; however we have assumed that 8% of the working population are not in work for at least six months and will therefore not be entitled to paid leave.
23. We assume that there will be no additional take up of paternity leave in week one attracting a statutory payment, however we do assume there will be improvements in take up of the

second week of paternity leave due to the increased flexibility over a longer extension period.

24. We therefore estimate the average take-up rate to be 72% in the central case, 70% in the low case and 74% in the upper case. This is based on evidence from the Parental Rights Survey. We have assumed that the take up rates do not vary for day 1 leave or the 26 week paid entitlement.

Table 2: Take up assumptions

	Week 1	Week 2	Average
Current Take up of this week as leave/time off	74%	66%	70%
Expected take up of this week leave			
Low	74%	66%	70%
Central	74%	70%	72%
High	74%	74%	74%

25. Predicting the take-up rate for paternity leave following these proposals is highly uncertain given the number of factors involved, including financial incentives, workplace culture and family circumstances. Estimates of additional take up of paternity leave policy are approximate, due to the difficult nature of predicting how fathers/partners would respond to the proposals. As the reforms are targeted, we have assumed a proportionately small take up, based on survey responses from fathers/partners who have or have not taken paternity leave and their reasons. The take up assumptions relate to the number of fathers/partners who reported difficulty taking their statutory leave in terms of affordability and availability. We have therefore assumed that on average, leave taken will increase by 2 percentage points and 4 percentage points in the central and high scenarios, respectively. Our estimates of the proportion of additional working fathers/partners who take up paternity leave is outlined below.

Estimated additional population for statutory pay calculation		Week 1	Week 2	Average
Current uptake		10,268	9,158	9,713
Additional uptake	Low (74% and 66%)	0	0	0
	central (74% and 70%)	0	555	555
	High (74% and 74%)	0	1,110	1,110

Costs and benefits

Non-monetised benefits

26. 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.

Employee benefits

27. A key objective of this policy would be to increase the amount of leave fathers/partners take as statutory paternity leave and pay, over the first year of the child's life.

28. Financially, the ability to take weeks of leave at different points may help ease financial burdens on fathers/partners who only receive the statutory rate, allowing for better financial planning and less impact on monthly pay.
29. The current arrangements give mothers access to more weeks of parental leave than fathers/partners more parental leave leads to a more equal division of household chores and childcare¹³.
30. Fathers/partners who spend time with their child in their first year, particularly parenting on their own, are also more likely to be involved with their children subsequently. There is also evidence that increased involvement of fathers/partners improves outcomes for children¹⁴.

Employer benefits

31. Literature finds some evidence suggesting that workplaces offering a range of extensive family related policies are more likely to have above average performance compared to workplaces without such practices.¹⁵ 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 the statutory paternity leave and pay reforms, which would allow more fathers/partners to temporarily leave the workplace to bond with their child.
32. In addition, there is also evidence of a range of positive outcomes linked with firms providing policies designed to promote a good work-life balance¹⁶. More specifically, the report examined the literature on the costs and benefits to business of adopting work-life balance working practices, such as flexible working and family friendly leave and pay policies¹⁷. 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 more mixed, the authors conclude that these policies either significantly reduce absenteeism or are business neutral. The review also found a wide range of evidence supporting the relationship between labour market participation and maternity and parental leave, in part driven by the ability to return to the same employer. This option would also aid fathers/partners to use this entitlement instead of exhausting annual leave entitlements.
33. As well as helping improve staff retention, further reputational benefits could follow where businesses opt to provide paternity arrangements that go beyond what their competitors offer. This 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.

Social benefits

34. Evidence suggests that fathers/partners who take parental leave have more involvement in their children's lives. Evidence also suggests that increased paternal involvement in a

¹³ Kotsadam, A. and Finseraas, H. (2011) – The state intervenes in the battle of sexes: Causal effects of paternity leave

¹⁴ 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

¹⁵ Gray, H. (2002) Family-Friendly Working: What a Performance! An Analysis of the Relationship Between the Availability of Family-Friendly Policies and Establishment Performance. CEPDP, 529. Centre for Economic Performance, London School of Economics and Political Science, London, UK.

¹⁶ Costs and Benefits to Business of Adopting Work Life Balance Working Practices: A Literature Review, BIS,2014

¹⁷ Maternity, paternity, parental leave and childcare support provision

child's life will lead to better life outcomes for that child. Fathers/partners who are more involved with their children also report greater life satisfaction and better psychological well-being.

Economic benefits

35. 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 between nine months and three years post-childbirth if the father/partner is involved by sharing or doing the most childcare at these times.¹⁸
36. We acknowledge that the evidence above refers to a broad umbrella of family friendly policies rather than specifically to the policy reforms proposed, but we believe that many of these benefits would apply to the eligible population. Employers who support their organisation see benefits in multiple ways, so by raising the minimum standards of flexible statutory paternity leave and pay, we could reasonably expect similar benefits to be realised.

Monetised benefits

Statutory payments to employees

37. It is difficult to monetise the societal elements that make up most of the benefits associated with the statutory paternity leave and pay reforms. However, we can calculate the additional statutory payments that arise as a result of fathers/partners making use of the flexibility reforms. These are considered direct benefits to fathers/partners but, as they come at a cost to the Exchequer, they are a transfer from the Exchequer to eligible fathers/partners. The benefit is directly equivalent to the recurring Exchequer cost.
38. The eligible population of fathers/partners who can claim statutory paternity pay is estimated at 13,876 and the statutory pay rate is £184.03. The introduction of the proposed policy is predicted to have no impact on week 1; however it will increase the take up rate of paternity leave from 66% to 70% in week 2. This is estimated to result in an additional 555 individuals taking additional paternity leave. The cost of this is shown below.

Payments to eligible fathers/partners

Estimated fathers/partners taking additional paternity leave: 555
Statutory Rate £184.03

Statutory Payment Rate = Additional payments to eligible fathers x £184.03 x 555 = £102,144

Costs to business

39. In this section we explore the different costs relating to the impact of reforms to statutory paternity leave and pay. The classification of costs incurred by affected businesses are outlined in table 3 below.

Table 3: Classification of costs and benefits

¹⁸ https://blog.policy.manchester.ac.uk/growth_inclusion/2019/11/does-fathers-involvement-in-childcare-influence-mothers-employment-post-childbirth/

Type of cost/benefit	Further information
Absence costs	<p>Re-organisation costs: Employers have to re-organise work among current staff, provide temporary cover or accept a small fall in output in response to employees going on leave.</p> <p>Wage-like costs: larger employers can reclaim 92% of statutory payments. Smaller employers can reclaim 103% dependent on the size of their National Insurance Contributions liability. There is a resulting net cost to larger businesses associated with the statutory payments.</p>
Familiarisation costs	<p>Employers must familiarise themselves with the new policy to understand how this affects their business.</p> <p>HMRC must update their IT systems upon introduction of the policy</p>
Administrative costs	<p>Employers incur administrative costs as they administer requests for paternity leave & pay through their HR systems.</p> <p>Exchequer recurring administration costs: HMRC will incur a recurring admin cost from processing claims for pay.</p>
Exchequer costs	<p>Statutory payment cost: The Exchequer is responsible for the cost of SPP for each employee who qualifies for the paid element of the leave. This will be offset by the contribution employers make to these payments (wage-like costs).</p>
Employee benefits	<p>Employees will have a direct benefit from the statutory payment they receive for the amount of paid leave taken.</p>

One-off familiarisation costs

40. The amended policy will require businesses to familiarise themselves with the legislation. We anticipate that small and medium sized businesses will familiarise themselves with the legislation when an employee seeks to avail of the enhanced entitlements. At the point the legislation is introduced, businesses with fewer than 50 employees may opt to spend a short time viewing online guidance. Larger businesses with dedicated HR departments, responsible for understanding and disseminating knowledge of employment law will invest time in familiarisation at the point the legislation comes into effect. These businesses will also have a higher probability of an employee claiming the rights due to higher number of people they employ.
41. How the legislation operates will be broadly similar to that of existing paternity entitlements; therefore we would expect that the familiarisation process would be straightforward for most businesses. Some of the familiarisation could include understanding how employers' own policies interact with the statutory requirements and updating their internal guidance accordingly. How far employers go beyond understanding the statutory requirements, updating systems and raising awareness of the entitlement would be at their own discretion and therefore estimates do not account for this.

42. Small and large businesses are differentiated in how they will familiarise with the policy by assuming that businesses with fewer than 50 employees will not spend time on familiarisation when the policy is introduced. Instead, we assume they will spend additional time when they are processing requests (recurring administrative costs) to account for their lack of familiarity but making it dependent on estimated case numbers. We assume that for employers with 50 or more employees, a HR manager/director will be responsible for familiarisation and will spend 0.5 hours on average, which will include: understanding the legislation, interaction with existing employer support, updating HR systems to process leave claims and updating any internal guidance for employees and managers.
43. Across all companies, resource costs are estimated using data from the Annual Survey of Hours and Earnings (ASHE) 2023. For businesses with 50 employees or more we assume a HR Manager/Director/Senior Official will lead on familiarisation. Using ASHE ('Managers, directors and senior officials' data), the median hourly wage of a HR Manager/Director/Senior Official is £25.85 per hour. Similarly to the methodology employed within the GB model, this salary is uprated by 17.95% to £30.49 per hour to include non-wage labour costs. Box 3 shows how we have calculated these costs in practice.

Box 3: Derivation of one-off familiarisation costs

Figure 3: Derivation of one-off familiarisation costs. The standard approach used in similar family-related leave entitlements to costing familiarisation has been used. Since these are one-off familiarisation costs, frequency is assumed to have value 1.

Familiarisation Cost

= Average wage rate per hour (HR Manager/Director/Senior Official) x time spent on activity no. of businesses affected x frequency

$$\mathbf{50-99\ business\ size = £30.49 * 0.5 * 645 * 1 = £9,833}$$

This is the cost for businesses within the bracket of 50-99 employees. The costs for the other business categories are presented below.

Business size	Number of businesses	Assumed time	Estimated cost to business
50 - 99	645	0.5	9,833
100 - 199	280	0.5	4,269
200 - 249	60	0.5	915
250+	175	0.5	2,668
Total	1,160		17,684

Source: BPE 2023 and 2023 ASHE. Note that columns may not sum to total due to rounding

Administrative costs

44. Statutory paternity leave and pay is widespread with a broadly stable and high take-up rate over time, so we expect businesses already to have established processes in place for administering paternity leave requests.
45. The changes to improve flexibility are expected to incur a greater administrative cost to businesses than the current policy because they contain multiple new components; however these are designed to mirror existing statutory provisions under Shared Parental Leave, and it is expected that this will mitigate the burden on businesses. The most impactful will be the change to allow for fathers/partners to take leave in non-consecutive blocks, as in theory this could mean employers may have to process a request for one employee a maximum of three times (pre-birth, pre block 1, pre block 2). Given evidence on the take-up of the block feature for Shared Parental Leave (very low, around 15%),¹⁹ and the relatively small drop off in take-up between weeks 1 and 2 of paternity leave, it is expected that only a small minority of fathers/partners will have requests for statutory paternity leave and pay that will need to be processed by their employers more than once.
46. The take up rates and eligible numbers are different for the administrative costs given that a higher proportion of the population will be entitled to take leave from day 1. The total number of fathers/partners eligible for leave from day 1 is 15,083 which is higher than the eligible paid leave population of 13,876 (which is 8% lower to reflect the requirement to have been in work for six months). The key assumptions are shown below.

Leave day 1		
	1 week leave	2 weeks leave
Fathers eligible for Paternity leave	15,083	15,083
Take up rate	74%	66%
Eligible fathers / take up rate	11,161	9,955

Estimated additional population		Week 1	Week 2	Average
Current		11,161	9,955	10,558
Flexibility	Low			
	central		603	603
	High		1,207	1,207

47. As with familiarisation costs, we assume that in small businesses, a senior official, manager or director will process requests for statutory paternity leave and pay and in large businesses a dedicated HR team will do this. Similarly, as with familiarisation costs, recurring administration costs for flexibility reform have been costed for the additional time taken for all those in scope – because changes will apply to all fathers/partners taking statutory paternity leave and pay.
48. For these changes, we therefore assume it will take 30 additional minutes of an HR professional's time in large firms to process requests, including any multiple requests from the same employee to take statutory paternity leave and pay in more than 1 block, and an additional 30 minutes of a manager's time in small firms to do the same when they need to do so (i.e. one hour for small firms less than 50 employees). Note that this is in addition to

¹⁹ <https://www.employment-studies.co.uk/resource/parental-rights-survey-2019>

processing time that is already accounted for the current policy. In line with the logic applied in other parental leave costings, processing time is not distinguished between large and small firms. It is the estimated time taken on average and there may be variance between firms based on level of automation, experience, nature of request etc.

49. Recurring administrative costs are assumed to be the cost of administering the additional requests for statutory paternity leave and pay. We estimate the number of additional leave requests by applying the level of take-up assumed to the estimated additional eligible population.

Recurring administration costs for Flexibility Reforms

$$\text{Additional employees} \times \text{Time per case (per hour)} \times \text{HR Professional uprated average wage} = \text{Admin cost}$$

Table 6: Recurring Administrative Costs (for paid and unpaid leave)

	Low Estimate (66%)	Best Estimate (70%)	High Estimate (74%)
No father taking up additional paid / unpaid paternity leave entitlement	0	603	1,207
Large and Medium businesses			
Employee in workplace with 50 or more people (%)	49%	49%	49%
Time per case (hrs)	0.5	0.5	0.5
Eligible employees in L&M businesses	0	293	586
Updated hourly rate of Manager/Director/Senior Official	£30.49	£30.49	£30.49
Recurring cost	0	4,470	8,939
Small businesses			
Employee in workplace with less than 50 people (%)	51%	51%	51%
Time per case (hrs)	1	1	1
Eligible employees in small businesses	0	310	620
Updated hourly rate of Manager/Director/Senior Official	£30.49	£30.49	£30.49
Recurring cost	0	9,456	18,911
Total	0	13,925	27,851

Sources: Employment shares are taken from the 2023 BPE, wage data from 2023 ASHE. Summary figures might not add up to the sum of components due to rounding.

Absence costs

50. These costs fall upon businesses as a result of more employees taking the full two week entitlement of paternity leave and pay. This is split into two elements:
- i) Reorganisation costs: These include the costs of employing temporary cover, which is likely to be more expensive in the short term and less productive than the absent worker. Costs could also include reallocating work among existing staff, which could also 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. Lastly, some work could be dropped altogether, which also leads to output loss.

- ii) Wage-like costs: This includes the cost of not being able to reclaim the entire amount of statutory payments made from the employer to the employee. Since large businesses cannot re-claim the full amount, this yields additional costs for some employers.

Reorganisation costs

51. Reorganisation costs are incurred by employers regardless of whether the leave taken is paid or not. As with the Parental Bereavement Impact Assessment, we have made use of a CBI survey to measure the cost of impact as a percentage of total weekly labour costs (wages and non-wages). Following this approach, we find that absence costs equate to 35% of total labour costs, which is then applied to the number of weeks an individual is on leave (see Annex of a full description on the methodology). Box 4 provides a description over the overarching approach to estimating the absence costs. The methodology and the reorganisation cost of £203.60 is based on the costs used in other recent RIAs. The reorganisation cost is calculated utilising the cost estimate of £203.60.

Box 4: Reorganisation costs

Reorganisation costs = No. Cases × Reorganisation cost per week

$$= 603 * £203.60 = £122,833$$

Reorganisation costs	Central	High
Fathers taking additional leave	603	1,207
Statutory rate	£203.6	£203.6
Total	£122,833	£245,666

Wage-like costs

52. Employers administer statutory pay on behalf of Government and small employers can recover 103% of statutory payments that they make to their employees from HMRC. This represents a benefit to small businesses of 3% of their statutory paternity pay. Larger employers (defined as those with a National Insurance contributions bill of £45,000 or more) can recover 92% of SPP made to their employees, thus large employers face a cost of 8% of their SPP. Using Business Population Estimates we calculate an average contribution of 5.8% to SPP from employers (this is based on the methodology employed within the GB RIA).

53. The table below shows the average contribution to statutory payments based on the 5.8% figure for each option.

Box 5: Average business contributions towards the statutory payments

Scenario	Wage like Costs
Central	£5,924
High	£11,849

The wage-like costs incurred by business is calculated by applying the average 5.8% contribution to the total value of statutory payments.

$$\text{Wage - like costs (£)} = \text{Statutory rate} \times \text{average business contribution}$$

Central scenario = £102,144 x 5.8% = £5,924

Deadweight Costs

54. Deadweight refers to outcomes that occur without Government intervention. Within the context of statutory paternity leave and pay, deadweight could arise because:
- Some employers may already provide paternity leave in a more flexible way than the current entitlement. An employer that currently chooses to do so would not be eligible to reclaim SPP from Government as money cannot be claimed if the employee is not eligible. However, the employer might voluntarily opt to offer this leave at their own cost.
 - Employees may choose to use other forms of leave such as annual leave or Shared Parental Leave to take leave which covers the first year following childbirth.
55. Evidence from the Management and Wellbeing Practices Survey²⁰ finds that relatively few employers choose to offer pay above the statutory level for paternity leave (17% of workplaces), whilst the Parental Rights Survey²¹ suggests that 58% of fathers/partners that took paternity leave received full pay, however the survey found little evidence that employers were offering leave in a more flexible way.
56. The introduction of the policy will not yield any additional costs to employers who are already providing flexibility.
57. We therefore assume the deadweight risk is close to zero, as the flexibility of the policy is changing rather than the amount of SPP, where there is a greater risk. We assume firms with policies that extend above and beyond the statutory minimum will continue to do so.

Costs to the Exchequer

One-off admin costs

There would be additional costs to the Exchequer in the form of a one-off admin cost, that would be incurred to make changes to the existing IT systems, such as amendments to allow employers to process 2 blocks of leave over the year. Changes are required to ensure that the system continues to process payments efficiently. The system is currently set-up for one block of pay so the fact that leave can now be claimed in two separate blocks will mean that the system needs updating.

Statutory Payments

58. By making statutory paternity leave and pay flexible we calculate the additional cost to the exchequer as a result of the additional weeks of leave taken by fathers/partners who otherwise would not have taken them if only allowed to be taken in one block.

²⁰ <https://www.niesr.ac.uk/projects/management-and-wellbeing-practices-survey>

²¹ <https://www.employment-studies.co.uk/resource/parental-rights-survey-2019>

59. There will be additional cost to the Exchequer in the form of payments at the statutory rate (£184.03). We assume there will be an extra 555 fathers/partners claiming for an additional week of paternity leave given the flexibility reforms.

Box 6: Calculating Statutory Payment costs to the Exchequer

Proposed Option	Low	Central	High
Number of additional fathers/partners	0	555	1,110
Cost of statutory payments	0	£102,144	£204,289

Type of cost	Cost (Central scenario)
Total value of statutory payment	102,144
Of which claimed back from exchequer by business	96,220
Business contribution	5,924

Summary

60. The table below summarises all the monetised costs and benefits presented within the Impact Assessment for the proposed policy. Both the costs and benefits of this policy will be realised when the regulations come into effect, which we expect would come in at 2025 at the earliest.

Table 10: Summary of costs and benefits

	Costs		
	Low Estimate	Best Estimate	High Estimate
Business costs			
One-off (familiarisation costs)	£17,684	£17,684	£17,684
Recurring (annual) costs			
Of which reorganisation / absence costs	£0	£122,833	£245,666
Of which wage-like costs	£0	£5,924	£11,849
Of which recurring admin costs	£0	£13,925	£27,851
Exchequer costs			
One-off implementation cost (this will be split over two years)	£800k	£800k	£800k
Recurring statutory payment cost (discounted by amount covered by business)	£0	£96,220	£192,440
BENEFITS			
Recurring additional statutory leave payments	£0	£102,144	£204,289

Rationale and evidence that justify the level of analysis used in the IA (proportionality approach):

Small and Micro Business Impact Test (SAMBIT)

Small and micro-businesses will not be exempt from these enhanced entitlements. Allowing for the provision of the entitlement to differ across employers would create problems in the overall delivery of the policy objectives. Benefits described above such as improving labour force

attachment and productivity savings would not materialise if some businesses were exempted from the policy.

Using the latest Business population statistics²², we estimate that around 97% of businesses affected are small and micro businesses²³, with these businesses accounting for 51% of total employees within Northern Ireland. We have no specific information on the size of the employer that employees who already take some form of paternity leave can be aligned to. We have therefore assumed that the take up of the proposed policy will be proportionate across organisations of all sizes.

Table 11: Number of businesses and employers by Business Size

Business Size (no. of employees)	No. Businesses	No. Employees (000's)
1 to 9	32,120	119
10 to 19	3,725	52
20 to 49	2,200	67
50-99	645	45
100-199	280	39
200-249	60	13
250+	175	128
Total businesses	39,205	463
Total in small and micro businesses (up to 49 employees)	38,045	238
Share in small and micro businesses	97%	51%

Source: Business Population Estimates 2023

61. Based on the earlier view that small and micro-businesses familiarise on a case-by-case basis we include these costs as part of the recurring administrative costs and assess these to see if the smallest businesses bear a disproportionate burden.

62. We do not believe that small and micro businesses will be disproportionately impacted so as to justify their exemption from this policy. Small and microbusiness are already administering paternity leave and pay. Familiarisation costs will be reduced over time as employers become more familiar with the requirements. We therefore believe exempting small and microbusiness from the statutory requirements would make them less attractive to prospective employees.

Risks and Assumptions

Modelling risk and assumptions

63. The analysis within the Impact Assessment is dependent on a number of key assumptions. We have identified areas where the existing evidence base supporting these assumptions is very limited in places and outline the key risks to the model and estimated costs below:

Assumption Log		
Assumption	Detail	Discussion

²² Employment shares are taken from the Business Population Estimates 2023 Survey

²³ Defined here as having fewer than 50 employees as per Eurostat ([EU small and medium-sized enterprises: an overview - Products Eurostat News - Eurostat \(europa.eu\)](#))

Eligible population – employment characteristics	The eligible population is determined using stats from NISRA birthing statistics, including those that have sole registered births. Finally, we have used the NI male employment rate to provide a more accurate number of those eligible.	Without clear statistics on how many working fathers/ partners eligible for paternity leave in the North of Ireland we have made assumptions based on the male employment rate. Whilst it will not only be those of male gender that are eligible for paternity leave it provides a more accurate outcome, due to the benefit being predominantly used by males to date.
Take-up rate	The take up assumptions are modelled on how many respondents to the Paternal Rights Survey suggested they would take more leave with more support. In conjunction with NI Births (NISRA).	There is a risk the take up assumptions are too optimistic, however, without adequate data to support this, we have chosen an upper bound in order to ensure any potential increases in leave taken is accounted
'Deadweight'	Deadweight in this scenario refers to the possibility that some employers are already providing comparable levels of leave to fathers/partners at their own expense. Therefore, the introduction of the policy will see no additional take-up behaviour and a transfer of existing costs from business to the Exchequer (as they will now be able to reclaim)	With minimal evidence on the extent of support employers provide to new parents, we make the simplifying assumption that employers do not have comparable policies to those under discussion. This in effect means there would be no 'deadweight' costs and all estimated costs to business would be additional.
Familiarisation costs	Familiarisation costs are captured explicitly for large firms, whereas they are included as part of admin costs for small and medium firms (therefore familiarisation occurs when requests arise). This broadly mirrors the approach taken in Parental Bereavement Leave Impact Assessment and Neonatal Leave Impact Assessments (Britain)	Whilst the changes to the leave requirement are minimal, discussions with large firms have suggested that this cost may not be wholly representative of the time required to update internal policies appropriately. Therefore, there is a risk that the time captured for familiarisation costs may have been underestimated.

Annex A: Estimating absence costs to employers

64. The policy assessed in this impact assessment covers statutory paternity leave and pay reform legislation. This is likely result in absence costs to employers as additional fathers/partners would have the right to take statutory paternity leave and pay. This annex explains the underlying assumptions and derives re-organisation and wage-like costs.

Type of absence costs:

Wage costs - if the employee is paid by the employer despite being absent. While smaller employers will not incur such costs, larger employers will incur wage-like costs, since they cannot recover the entire statutory pay during the paid leave period.

Reorganisation costs

- Employing temporary cover, which is likely to be more expensive than the absent employee and may also be less productive.
- Re-allocating work among existing staff, which is costly because either additional overtime is paid so that output remains constant, or because in re-allocating work, some other work is dropped, resulting in a loss of output.

- Not covering the absent employee's work and accepting a loss of output.
65. The choice between different types of cover will be influenced by four factors: the duration of absences and their nature (planned or unplanned, with for example, firms less likely to employ temporary cover for shorter absences), the size of the company/workplace, the nature of the business, and the skills needed in the particular job. While we recognise that differences in these factors mean that employers may use different methods to cover absence in different cases, we consider that in terms of employer costs, the same assumptions apply in each case. While these might not describe the situation for each employer perfectly, we feel that this simplified approach describes the overall impacts on employers sufficiently well without overcomplicating this impact assessment.

Box 7: Derivation of Reorganisation costs

Median Absence cost = £720 per employee (5.2 days per year)

Median Absence cost per work week = [£720 per employee ÷ 5.2] × 5 = £692

Reorganisation costs = Total Absence Costs – Total Labour Costs

Total Labour Costs = Wage costs × nonwage uplift = £434 × 1.1975 = £512

Reorganisation Costs = £692 – £512 = £180 (35.1% of Labour Costs)

Reorganisation Costs in 2021 prices = 35.1% × Uplifted average 2021 wage = £203.60

Total reorganisation costs = No. weeks × Weekly reorganisation costs × (Eligible parents × Take – up rate)

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22. Employment shares are taken from the Business Population Estimates 2023 Survey

23. Defined here as having fewer than 50 employees as per Eurostat

(<https://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-statistics/sme>)