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# Additional Paternity Leave and Pay

Consultation on administration: integrated impact assessment

July 2007

# INTEGRATED IMPACT ASSESSMENT

## Additional Paternity Leave and Pay – Administration of Additional Statutory Paternity Pay (ASPP)

July 2007

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# 1. Introduction

- 1.1. The legislative framework for Additional Paternity Leave and Pay (APL&P) was established as part of the Work and Families (Northern Ireland) Order 2006<sup>1</sup>; APL&P is intended to respond to the needs of the growing number of fathers who want greater opportunities to care for their child during the first vital year of its life with the family.
- 1.2. This integrated impact assessment (IIA) considers the possible options and relevant costs, where appropriate, which are likely to be associated with the administration of the APL&P scheme (“the Scheme”). It deals specifically with the options for the Scheme’s administration rather than the wider, underlying policy.

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## **WHAT IS THE BACKGROUND?**

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### **Legislation**

- 1.3. The Work and Families (Northern Ireland) Order 2006 set out the broad legislative framework for a package of measures to give families more choice about their caring arrangements. Among the major provisions of the Order were powers to introduce a new entitlement for fathers to Additional Paternity Leave (APL) and Additional Statutory Paternity Pay (ASPP). It was left to subordinate legislation, in the form of regulations, to set out the detail of the Scheme.
- 1.4. Detailed policy proposals for these regulations first appeared in the APL&P consultation document published by the Department in April 2006 and were further discussed in the Departmental Response to that consultation, which was published in November 2006. Both documents drew on an earlier assessment of the costs and benefits estimated as a result of the introduction of the Work and Families Bill in Great Britain.

### **Effect on existing entitlements**

- 1.5. Since April 2003, working fathers of newborn children have been entitled to Statutory Paternity Pay and Statutory Paternity Leave (SPP and SPL). The introduction of APL&P will not affect these entitlements<sup>2</sup>. APL&P is a new entitlement for fathers<sup>3</sup> and will provide greater choice for parents in how they divide childcare responsibilities between them.

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<sup>1</sup> APL&P will be brought in alongside the extension of Statutory Maternity Pay (SMP), Statutory Adoption Pay (SAP) and Maternity Allowance (MA) from 39 weeks to 52 weeks. The earliest date proposed for this to take place is April 2009.

<sup>2</sup> However, existing forms of paternity pay and leave will be renamed Ordinary Statutory Paternity Pay (OSPP) and Ordinary Paternity Leave (OPL) respectively.

<sup>3</sup> APL&P is also available to partners and civil partners of mothers, and members of adopting couples who are employed, where there is an entitlement to Statutory Adoption Leave and Pay. See the accompanying consultation document for further details.

- 1.6. It should be noted that the proposals for APL&P concern statutory schemes only. If employers offer more generous occupational paternity leave or pay schemes, these will not be affected by these proposals.

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## ***RATIONALE FOR GOVERNMENT INTERVENTION***

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- 1.7. It is the Department's intention, as in Great Britain, to bring in Additional Paternity Leave and Pay alongside the extension of Statutory Maternity Pay (SMP), Maternity Allowance (MA) and Statutory Adoption Pay (SAP) from 39 to 52 weeks. Since that is the case, it is necessary to prepare to put the underlying rules and processes for the administration of the Scheme in place.

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## ***CONSULTATION***

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- 1.8. Previous consultations in February 2005 (*Work and Families: Choice and Flexibility*) and April 2006 (*Part II: Additional Paternity Leave and Pay Policy Consultation*)<sup>4</sup> have led to the development of a number of possible broad approaches that might be adopted for the administration of APL&P. This consultation is seeking views specifically on the issue of administering APL&P.
- 1.9. Given the intention that the Scheme will be implemented on Northern Ireland's behalf by Her Majesty's Revenue and Customs (HMRC) – as is consistent with similar systems for maternity, paternity and adoption pay – this document should be read in association with the partial Regulatory Impact Assessment prepared in respect of the proposals in Great Britain<sup>5</sup>.
- 1.10. Wider aspects of the design and implementation and the associated costs and benefits of APL&P have been dealt with in previous impact assessments<sup>6</sup>. A final integrated impact assessment encompassing all elements of APL&P will be produced alongside later consultation on draft APL&P regulations.

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<sup>4</sup> See the Department's consultation archive at [www.delni.gov.uk/consultation-zone](http://www.delni.gov.uk/consultation-zone).

<sup>5</sup> [www.dti.gov.uk/files/file39397.pdf](http://www.dti.gov.uk/files/file39397.pdf)

<sup>6</sup> See in particular the *Work and Families: Choice and Flexibility* Regulatory Impact Assessment, August 2005 and the Integrated Impact Assessment accompanying the Departmental Response to the consultation on Additional Paternity Leave and Pay, November 2006.

## 2. Options

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### **SUMMARY OF OPTIONS**

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- 2.1. A summary of the proposed options for the administration of APL&P is given below:
- **OPTION 1:** *do nothing;*
  - **OPTION 2:** *self-certification of eligibility by the father and mother; and*
  - **OPTION 3:** *self-certification combined with confirmation by the mother's employer.*

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### **OPTION 1: DO NOTHING**

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- 2.2. Doing nothing is not a viable option and will not be explored further in this assessment. For APL&P to be effective, there will need to be in place an underlying system of administration that strikes an appropriate balance between being easy to use, minimising burdens on employers and Government, and ensuring that the spending of taxpayers' money is subject to effective checks to prevent misuse.

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### **OPTION 2: SELF-CERTIFICATION BY THE MOTHER AND FATHER**

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- 2.3. Consultation to date with stakeholders has highlighted the preference for a 'light touch' approach to administration, resulting in a simple and straightforward, yet robust, process. With this in mind we believe that the administration should build on existing arrangements for employees who take up maternity, paternity and adoption leave and pay entitlements.
- 2.4. The Department's preferred approach is for the father and mother to self-certify to the father's employer key personal facts affecting the father's eligibility. **The onus would therefore be on the parents** to provide the necessary information within the set timescales<sup>7</sup>.

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### **THE RISK OF FRAUDULENT CLAIMS**

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- 2.5. Attempts to reduce the likelihood of successful fraud must be sensible and proportionate to the risks. Although checks with third parties may prove useful, the frequency of these must take into account the financial implications of always involving HMRC<sup>8</sup> and/or the mother's employer in the verification process. Instead of an approach involving

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<sup>7</sup> The Department has proposed that an employee be required to give a minimum of eight weeks' notice of his intention to take APL&P. This will mirror the minimum notice period required by a mother to indicate that she wishes to return to her work early from her maternity leave. See the consultation document for more information on the proposed process and timelines.

<sup>8</sup> Formerly the Inland Revenue.

checks in every case, it is envisaged that HMRC will introduce a combination of random and risk-based checks on employers and employees. The costs of this have been estimated separately below.

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### ***OPTION 3: SELF-CERTIFICATION COMBINED WITH CONFIRMATION BY THE MOTHER'S EMPLOYER***

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- 2.6. Option 3 largely mirrors the self-certification by the parents under Option 2, but with the additional requirement that the mother's employer plays an integral role in the administration process.
- 2.7. Under this option the mother would be required to give the completed self-certified form (or a part of it) to her employer, who would then verify the information on the form (in relation to the mother) and return it to her for her to pass on to the father. The father would then pass the form on to his own employer.
- 2.8. This arrangement avoids direct interaction between the respective employers of the mother and the father/partner. This is advantageous, as the need for direct interaction would result in additional administrative costs for employers and increase the risk of delays in the process. It would also jeopardise the minimum notification periods required for the father to take up APL&P.
- 2.9. We do not believe that a greater degree of interaction between the parents' employers would significantly reduce the risk or likelihood of fraudulent activity. Hence, the benefits of such an approach would be outweighed by the costs.

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### ***OUTSTANDING POLICY ISSUES: CHANGE IN CIRCUMSTANCES***

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- 2.10. The consultation document which accompanies this integrated impact assessment also discusses other outstanding policy issues, namely last minute changes in circumstances which could affect a father's entitlement after he has given notice that he wishes to take APL&P but before he has actually taken up the entitlement<sup>9</sup>.
- 2.11. It is assumed in this impact assessment that the number of such cases will be small and therefore the costs are not quantified here.

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<sup>9</sup> See Chapter 4 of the consultation document for further discussion.

## 3. Regulatory Impact

- 3.1. The costs and benefits for Options 2 and 3 are presented below. These are based on the estimated number of fathers taking up APL&P which were derived in our earlier IIA.
- 3.2. It should also be noted that the estimates for recurring administrative costs to employers are based on calculations made by HMRC reflecting the position in Great Britain. To arrive at estimates for Northern Ireland, this assessment scales the GB figures down proportionately. Methodologies for calculating the GB figures can be found in the Annexes to the Department of Trade and Industry document *Additional Paternity Leave and Pay – Administration of Additional Statutory Paternity Pay (ASPP) – Partial Regulatory Impact Assessment* published in May 2007<sup>10</sup>. Northern Ireland methodologies are footnoted throughout the text.

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### **NUMBER OF BENEFICIARIES**

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- 3.3. The IIA published alongside the Departmental Response in November 2006 estimated that around 7,000 fathers who had completed 60 weeks' continuous service with their employer would be eligible for APL&P. It is estimated that initial take-up will be between 4% and 8% of eligible fathers. It should be noted, however, that the experience in other countries which have introduced post-maternity leave for fathers is that take-up gradually increases over time. Initial estimated take-up is shown in *Table 1* overleaf.
- 3.4. Originally, take-up estimates were presented on the basis of fathers having completed either 26 or 60 weeks' continuous service with their employer. Following the 2006 consultation, it was decided that for a father to be eligible for APL, he will have to have been eligible for Ordinary Paternity Leave (OPL) with the same employer and still be in employment with that employer. Of the 3 options under consideration, it was thought that this would be the simplest to deliver and would be the least disruptive to employers, mainly because in most cases the employer would already have checked employment history when the father took OPL and would therefore avoid having to carry out a second qualification check. As such, the estimates presented in *Table 1* are based on the preferred eligibility criterion of 60 weeks' service.

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<sup>10</sup> See [www.dti.gov.uk](http://www.dti.gov.uk).

**Table 1: Estimated initial take up by eligible fathers of Additional Paternity Leave and Pay<sup>11</sup>**

	<b>Number of eligible fathers taking up APL&amp;P</b>
<b>Minimum (4%)</b>	280
<b>Maximum (8%)</b>	560

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## **COSTS**

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- 3.5. The November 2006 IIA identified some initial cost estimates relating to the administration of the APL&P system. In broad terms, these could be categorised as set out below.
- **Administrative costs to employers.** *These will arise from one-off changes to systems and human resource (HR) practices. The November 2006 IIA assumed that these costs would be borne by larger employers only. There will also be recurring costs due to administering the father's pay and leave arrangements. These will apply to all employers.*
  - **Administrative costs to the Exchequer.** *These will arise from both one-off and recurring IT and operational costs. It should be noted however, as mentioned in the November 2006 IIA, that administrative costs will be borne UK-wide by HMRC. It is simplest and most cost-effective for statutory payments to continue to be administered on this basis given the considerable cost and administrative implications that would arise if Northern Ireland were to attempt to introduce a separate system.*
- 3.6. This assessment sets out in greater detail the costs associated with each of the proposed options for the actual administration of ASPP. The figures quoted are based on current 2007 cost models, with estimates based on the anticipated number of fathers taking up APL&P in any one year, as set out in *Table 1*. It should be noted that these estimates may change and hence the administration costs would change accordingly.

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## **ADMINISTRATIVE COSTS TO EMPLOYERS**

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### **One-off transitional costs**

- 3.7. *Table 2* shows the estimated cost of administration borne by employers of mothers and fathers who make use of the APL&P entitlements. It is assumed the one-off administrative costs to employers are the same under both Options 2 and 3.

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<sup>11</sup> The number of NI employees is derived by applying NI's proportion of the GB population (2.9%) to GB estimates of eligible fathers i.e.  $2.9/100 \times 239,000 = 7,000$  (to the nearest thousand). Minimum and maximum take-up estimates are calculated as 4% and 8% of this figure respectively.

- 3.8. Estimated take-up of APL&P is comparatively low (between 4% and 8%) as a proportion of the male working population and, as a result, it is assumed that many employers, particularly small employers, will not adjust their HR systems immediately once the legislation is passed. Rather, individual employers are likely to amend their HR practices gradually as cases appear, on a 'needs basis' (although payroll software developers are likely to update their packages from 'day one').
- 3.9. The aggregate cost of implementation is therefore expected to be both small and ongoing, as large employers taken together make the necessary one-off payroll and HR changes over a period of years, as needs require. Smaller employers are not expected to face such one-off costs since it is assumed that they operate more informal payroll practices. Employers, whatever their size, will have access to clear guidance to ease the implementation as much as possible.
- 3.10. In Great Britain, in 2005, there were 36,980 businesses with 50+ employees. The corresponding figure for Northern Ireland was 995, which equates to 2.7% of the GB total<sup>12</sup>. For the purposes of this assessment, it is assumed that one-off costs in Northern Ireland will apply to these businesses, and will therefore amount to approximately 2.7% of those reported in the DTI's Partial RIA.

**Table 2: Estimated transitional costs to employers in NI due to the introduction of Additional Paternity Leave and Pay<sup>13</sup>**

<b>One-off changes to systems and HR practices (larger employers only, based on 60 weeks' service)</b>	<b>Cost</b>
<b>Minimum (2.7% of £1.53m)</b>	£41,000
<b>Maximum (2.7% of £4.50m)</b>	£121,000

### ***Recurring costs to employers***

- 3.11. This change to current statutory payments policy will impact on the overall compliance burden of employers who have employees that choose to take up APL&P as a number of additional obligations will be imposed.
- 3.12. The compliance costs summarised here focus on the areas that are likely to be the most significant in terms of additional employer burdens. To identify the net cost likely to accrue to employers it is useful to set out the additional processes in which employers will be involved if any of their employees take up APL&P. These are outlined in *Table 3*.

<sup>12</sup> [www.dtistats.net/smes/sme/smestats2005.xls](http://www.dtistats.net/smes/sme/smestats2005.xls). GB figures relating to the number of businesses in a given sizeband are calculated by subtracting the relevant NI figures from those for the UK as a whole.

<sup>13</sup> Totals are calculated as 2.7% of DTI estimates (£1.53 and £4.50 million respectively – see DTI Partial RIA, p. 7). Northern Ireland estimates are to the nearest thousand.

**Table 3: Additional processes required by employers**

Process for father's employer	Actions / Notes
<b>Option 3 only</b>	
Receive and retain certification by the mother's employer: <ul style="list-style-type: none"> <li>of the date that she will be returning to work; and</li> <li>that the data she has provided to calculate unused SMP is accurate.</li> </ul>	Employer certification form to be completed by the mother's employer.
<b>Options 2 and 3</b>	
1. Confirm employee's: <ul style="list-style-type: none"> <li>entitlement to APL and ASPP, and</li> <li>timing / duration.</li> </ul>	<ul style="list-style-type: none"> <li>Receive SC3 Form from employee.</li> <li>Establish whether the individual has worked enough to qualify and meets other eligibility criteria (using new employer checklist).</li> <li>Notification of employee eligibility.</li> <li>Notification of non-eligibility.</li> </ul>
2. Calculate ASPP entitlement.	<ul style="list-style-type: none"> <li>Establish the average weekly earnings in the Set Period (i.e. does the employee earn enough?)</li> <li>This period ends with the last normal payday on or before the end of the 15th week before the week the baby is due, and starts with the last normal payday at least eight weeks before that. In the eight weeks prior to the date of the end of the Set Period the employee's average earnings need to be at or above the Lower Earnings Limit (LEL).</li> </ul>
3. Calculate the amount of ASPP due.	The lesser of £112.75 per week or 90% of average weekly earnings (whichever is less).
4. Calculate the amounts recoverable by deduction from monthly / quarterly PAYE and NICs.	<ul style="list-style-type: none"> <li>Small employers (£45,000 or less in Class 1 NICs in previous year) – entitled to 100% recovery plus 4.5% compensation.</li> <li>Larger employers (over £45,000 in Class 1 NICs in previous year) – entitled to 92% recovery only.</li> </ul>
5. Deduct amounts recoverable by deduction from monthly / quarterly PAYE and NICs.	
6. Calculate the amounts recoverable by advance funding claim (where deduction from monthly / quarterly PAYE and NICs does not cover full amounts recoverable).	
7. Application for advance funding.	Employer completes the request online or clerically and submits it to the Accounts Office.
8. Pay ASPP to the employee, net of payroll deductions.	Make net payments to employees each pay period.
9. Pay Income Tax and NICs and other payroll deductions and contributions.	<ul style="list-style-type: none"> <li>Employee Income Tax and NICs etc deductions on the amount paid.</li> <li>Employer NICs to be paid (also employer pension contributions etc).</li> </ul>
10. Keep and maintain in-year records.	<ul style="list-style-type: none"> <li>P11 deductions working sheet.</li> <li>P30(BC) payslip booklet.</li> <li>P32 employer's payment record.</li> <li>ASPP2 record sheet for recording payments of ASPP.</li> <li>Employer to complete P14 and P35 forms.</li> </ul>
11. End of year returns.	

Source: HMRC

3.13. A summary of the basic data used to assess the additional administrative and compliance burden imposed on employers from the introduction of ASPP are set out in the following section.

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### ***CALCULATION OF THE POTENTIAL COMPLIANCE IMPACT***

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3.14. The following section outlines the estimated increase in compliance burdens resulting from the core elements of the two proposals, and also the key assumptions around each. The additional burden to Northern Ireland employers has been calculated proportionally on the basis of GB figures. Calculations are explained beneath *Table 4*. Details of the GB calculations are given in the GB Partial RIA.

#### ***Option 2: Costs to employers of self-certification***

##### **The administrative burden**

3.15. The costs that are presented in the following section reflect changes to the employer administrative burden baseline as measured by HMRC's Standard Cost Model<sup>14</sup>. The individual cost elements considered here are:

- *changes to the P11 form*
- *changes to the P14 and P35 forms*
- *recovery of ASPP from HMRC*
- *advance funding from HMRC*
- *changes to current compliance and audit checks*

##### **The wider compliance burden**

3.16. There are several areas of employer compliance for statutory payments that are not covered by the Standard Cost Model. Although these obligations are not legislative requirements they still form part of the employer compliance regime and as such require costing as part of the wider employer compliance burden:

- *payments deductions records – P30BC / P32 forms*
- *application for ASPP from employee to employer*
- *employer checklist*
- *ASPP2 record sheet*

3.17. The cost estimates are summarised in *Table 4*. On the basis of the assumptions used in the analysis, Option 2 would amount to additional compliance costs for employers of between £6,100 and £25,500.

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<sup>14</sup> For information on the SCM, see [www.cabinetoffice.gov.uk/regulation/reform/simplifying/scm.asp](http://www.cabinetoffice.gov.uk/regulation/reform/simplifying/scm.asp)

### **Option 3: Costs to employers of certification by the mother's employer**

- 3.18. Option 3 would add to the employer burden set out above, as the mother's employer would be required to check and certify the information provided by the mother on the form self-certifying
- *her intention to return to work; and*
  - *unused Statutory Maternity Pay (SMP).*
- 3.19. In effect this would require the mother's employer to complete an additional form.
- 3.20. For mothers who are paid Maternity Allowance (MA) rather than SMP, it is the Department of Social Development (DSD) which bears the administrative cost as MA is paid directly to the mother. Therefore, costs estimates are made on the basis of only those mothers in receipt of SMP<sup>15</sup>, so that the number of employed mothers potentially affected ranges from around 235 to 470<sup>16</sup>.
- 3.21. Under Option 3 it is estimated that overall employer burdens would increase to between £7,000 and £29,900.

### **Summary of recurring administrative costs to employers**

- 3.22. *Table 4* overleaf provides a summary of all the additional costs of both options for introducing Additional Statutory Paternity Pay. Since Option 3 would require the mother's employer to carry out further administration, the 'upper limit' column records the likely additional costs associated with this work.
- 3.23. Costings for Options 2 and 3 were initially worked out on a Great Britain basis and derive from HMRC figures. Methodologies are given in Annexes B and C to the GB Partial RIA.
- 3.24. Methodology for calculating NI costings is given in the footnotes associated with *Table 4*. Total costs in Northern Ireland could range between £6,100 and £25,500 for Option 2 and between £7,000 and £29,900 for Option 3. These costings would, of course, be subject to change should the estimated number of employees claiming ASPP increase significantly above the initial estimates set out in *Table 1*.

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<sup>15</sup> Data from the Department for Work and Pensions (DWP), which is the counterpart in Great Britain of the Department for Social Development, indicate that around 84% of employed mothers receive SMP with the remainder receiving MA. See the Work and Families Bill: Choice and Flexibility RIA (DTI, October 2005). No comparable figures are available for Northern Ireland. The assumption is therefore made that rates here broadly correspond to those in Great Britain.

<sup>16</sup> i.e. 84% of the estimated 280 to 560 fathers taking up APL&P.

**Table 4: Summary of estimated recurring costs to employers under Options 2 and 3<sup>17</sup>**

	280 recipients		560 recipients	
	Main estimate	Upper limit	Main estimate	Upper limit
<b>Option 2 Costs</b>				
Changes to the P11	£468*	£468	£940 <sup>†</sup>	£940
Changes to the P14 & P35	£1,112	£1,112	£2,222	£2,222
Recovery of ASPP	£470	£470	£943	£943
Advance funding of ASPP	£17	£17	£32	£32
Partial advance funding of ASPP	£143	£143	£286	£286
Payments Deductions records – P30BC / P32 forms	£804	£804	£1,603	£1,603
Employee application for ASPP	£176	£176	£354	£354
Employer checklist	£1,350	£4,869	£2,700	£9,738
Employer checklist (additional enquiries)	£412	£1,350	£825	£2,700
ASPP2 record sheet	£960	£2,523	£1,919	£5,046
Changes to current compliance and audit checks	£160	£795	£318	£1,592
<b>Option 2 Total Costs<sup>18</sup></b>	<b>£6,100</b>	<b>£12,700</b>	<b>£12,100</b>	<b>£25,500</b>
<b>Option 3 Costs</b>				
Certification by the mother's employer	£806	£2,120	£1,612	£4,238
Postage costs	£81	£81	£156	£156
<b>Option 3 Total Costs<sup>19</sup></b>	<b>£7,000</b>	<b>£14,900</b>	<b>£13,900</b>	<b>£29,900</b>

Source: HMRC cost model (see GB RIA), scaled down for Northern Ireland.

<sup>17</sup> Low estimate (NI) / low estimate (GB) x projected cost (GB) = projected cost (NI). For example:

\* 280 / 10,000 x £16,700 = £467.60

<sup>†</sup> 560 / 19,000 x £31,900 = £940.21.

Totals are rounded to the nearest pound. GB projections can be found on p. 12 of the GB Partial RIA.

<sup>18</sup> Rounded to the nearest hundred.

<sup>19</sup> Rounded to the nearest hundred.

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## **ADMINISTRATIVE COSTS TO THE EXCHEQUER**

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- 3.25. Administrative costs will also be borne by HMRC, which has responsibility for the administration of statutory payments of this kind on a UK-wide basis. HMRC will be responsible for the following operational costs:
- *employer support and guidance;*
  - *any development of forms, including impacts on systems for processing employers' end of year return data;*
  - *processing employers' claims for advance funding of ASPP.*
- 3.26. In addition, DSD may have some involvement where mothers are in receipt of MA as they may be required to provide information for the father's employer.
- 3.27. The associated Exchequer costs are presented in *Table 5* overleaf.
- 3.28. All setup costs, as well as all ongoing IT costs, are assumed to be the same for both options. Overall setup costs in Great Britain amount to £6 million in the first year and ongoing IT costs are estimated at £0.42 million per annum. Ongoing operational costs to HMRC are estimated to be £0.25 million annually under Option 2 but £0.3 million under Option 3. The additional cost under Option 3 reflects the additional work needed each year for supporting mothers' employers and dealing with associated disputes and compliance.
- 3.29. The share of these costs associated with Northern Ireland is likely to be small. If Northern Ireland's population *vis à vis* that of Great Britain can be taken as a guide, then administrative costs can be assumed to be an additional 2.9% on top of the GB total (see *Table 5*). IT costs are assumed to be negligible because the overall cost of establishing and maintaining new systems is unlikely to be materially affected by the need to process the small additional percentage of Northern Ireland cases.

**Table 5: Estimated operational costs to HMRC associated with the introduction of Additional Paternity Leave and Pay<sup>20</sup>**

	<b>GB Option 2</b>	<b>GB Option 3</b>	<b>NI Option 2</b>	<b>NI Option 3</b>
<b>ONE-OFF COSTS</b>				
Administrative set-up	£330,000	£330,000	£9,600	£9,600
IT	£5,670,000	£5,670,000	Negligible	Negligible
<b>RECURRING COSTS</b>				
Administrative	£250,000	£300,000	£7,300	£8,700
IT	£420,000	£420,000	Negligible	Negligible
<b>TOTAL COSTS</b>				
<b>One-off (first year)</b>	<b>£6,670,000</b>	<b>£6,720,000</b>	<b>£16,900</b>	<b>£18,300</b>
<b>Recurring (year 2 onwards)</b>	<b>£670,000</b>	<b>£720,000</b>	<b>£7,300</b>	<b>£8,700</b>

Source: HMRC cost model (see GB Partial RIA), scaled down for Northern Ireland.

## ***BENEFITS***

3.30. The November 2006 IIA described a number of wider benefits expected to arise from APL&P, including:

- *providing both parents with more flexibility over their childcare arrangements;*
- *providing an opportunity for fathers to take more time off work to spend with their children, thus responding to the growing number of fathers who want greater opportunities to care for their child;*
- *greater connection of women to the workplace;*
- *reduced gender gap in employment.*

3.31. Quantifiable benefits that may be derived directly from the choice of ASPP administration system are likely to be negligible. The options proposed recognise that some form of administration system for ASPP is required, and try to balance efficiency with effectiveness in combating potential fraudulent claims. The options have been

<sup>20</sup> Sample calculation:  $2.9 / 100 \times £330,000 = £9,570$ . Northern Ireland figures are rounded to the nearest hundred.

designed to be as light touch as possible so as to avoid undue burdens for employers and the Exchequer.

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### **SMALL FIRMS' IMPACT TEST**

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- 3.32. It was noted in the November 2006 IIA that, compared to larger businesses, small businesses may experience a disproportionate impact on their workload when an individual takes leave, particularly where small businesses do not have a dedicated HR function.
- 3.33. As a group, small businesses are as likely to encounter requests for APL&P as larger businesses, though individual small businesses will be less likely to be affected by the new entitlements as they have fewer employees per business.
- 3.34. It should also be noted, however, that smaller employers are entitled to receive 104.5% reimbursement for any ASPP payments they make, compared to a 92% reimbursement for larger firms. To some extent this will offset the disproportionate impact on small firms.
- 3.35. To assist small (and all other) businesses in dealing with the introduction of APL&P, the Department will develop clear and comprehensive guidance on APL&P.

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### **COMPETITION ASSESSMENT**

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- 3.36. As mentioned in the November 2006 IIA, the proposed changes will apply to all firms and so are unlikely to affect the competitiveness of any particular sector. However, for occupations that are traditionally male-dominated, a greater impact may result. While such employers may have experience in administering paternity leave and pay, they are less likely to have managed longer absences (such as maternity leave). In terms of absences, the costs and difficulties could be greater if the employer operates in a skilled area where there is a shortage of temporary workers.
- 3.37. With the total number of paternity cases per year expected to be low, however, the likelihood of any particular employer being affected by a case is low.

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### **SUMMARY OF COSTS AND BENEFITS**

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- 3.38. A summary of the estimated quantifiable costs and benefits associated with the administration of APL&P is given in *Table 6* overleaf.

**Table 6:** Summary of costs and benefits for the administration of Additional Paternity Leave and Pay

	Estimated additional costs and benefits	
	Option 2	Option 3
<b>COSTS (year 1)</b>		
Exchequer admin cost <sup>21</sup>	£16,900	£18,300
Employer one-off costs (min) <sup>22</sup>	£41,000	£41,000
Employer one-off costs (max)	£121,000	£121,000
Employer recurring costs (min) <sup>23</sup>	£6,100	£7,000
Employer recurring costs (max)	£25,500	£29,900
<b>Total quantifiable costs (year 1) (min)</b>	<b>£64,000</b>	<b>£66,300</b>
<b>Total quantifiable costs (year 1) (max)</b>	<b>£163,400</b>	<b>£169,200</b>
<b>COSTS (year 2)</b>		
Exchequer admin cost	£7,300	£8,700
Employer one-off costs (min)	£41,000	£41,000
Employer one-off costs (max)	£121,000	£121,000
Employer recurring costs (min)	£6,100	£7,000
Employer recurring costs (max)	£25,500	£29,900
<b>Total quantifiable costs (year 2) (min)</b>	<b>£54,400</b>	<b>£56,700</b>
<b>Total quantifiable costs (year 2) (max)</b>	<b>£153,800</b>	<b>£159,600</b>
<b>BENEFITS</b>		
<b>Total benefits</b>	<b>Quantifiable benefits arising directly from the choice of administration system are assumed to be negligible.</b>	

<sup>21</sup> See Table 5.

<sup>22</sup> See Table 2.

<sup>23</sup> See Table 4.

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## ***ENFORCEMENT, SANCTIONS AND MONITORING***

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### ***Enforcement***

- 3.39. In putting enforcement mechanisms in place, the Government is aware of the need to strike a balance between avoiding undue burdens on business and ensuring that employees can properly access their rights. Where statutory payments are concerned, there is also a need to consider the balance between these interests and protecting the taxpayer from payments made or claimed either in genuine error or fraudulently. We expect the compliance risks for the new Scheme to be low and the steps taken to ensure compliance will be appropriate and proportionate.
- 3.40. Advice for employers and employees about laws for working parents is available from the Labour Relations Agency (LRA). The HMRC Employers' Helpline provides advice to employers about statutory payments.

### ***Sanctions***

- 3.41. Support will be provided by HMRC, as well as by the LRA (in the form of its helpline) and the Department (by way of guidance) to make it easy for employers and employees to get things right. To discourage those who may not be so minded there will be financial penalties as a sanction. HMRC will conduct an appropriate level of compliance-checking, both for employees and for employers. In addition, third parties may bring to HMRC's attention any abuse of the Scheme by employees.
- 3.42. There may be cases where there is a dispute between the employee and the employer over eligibility for ASPP, its timing or amounts payable. Under existing maternity, paternity and adoption leave legislation, employees who believe their rights have been infringed may seek redress through a statutory dispute resolution mechanism and ultimately through an industrial tribunal. Employees who believe an employer's decision about a statutory payment is wrong are able to appeal to HMRC.
- 3.43. We do not anticipate a significant change in the number of enquiries to the LRA or in the number of tribunal applications as a result of the APL&P proposals.
- 3.44. A tribunal will be able to award an employee compensation if the employer does not comply with the legislation, or if the employee suffers a detriment or is dismissed for taking Additional Paternity Leave.

## 4. Social and Health Impact

- 4.1. As noted in the consultation IIA<sup>24</sup>, APL&P is intended to allow fathers to become more closely involved in the early stages of a child's life whilst avoiding undue risk to the health and well-being of mother and child. There are therefore positive social and health impacts – if small at first – to be derived from the introduction of the new right.
- 4.2. Longer-term benefits will depend, in part, on attitudinal and behavioural change around the role of fathers at home and in the workplace. To promote use of the Scheme, and thereby encourage such change, it is important that the Scheme is easy to understand and operate.
- 4.3. The Department's 'light touch' proposals, and its plans to ensure that straightforward guidance is available, mean that the method chosen for administering the Scheme should not affect the health or social well-being of its users.

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<sup>24</sup> See pp 70-71 of the consultation document 'Work and families: choice and flexibility – consultation on regulations and policy' (DEL, April 2006)

## 5. Equality Impact

- 5.1. The equality impact of the wider policy was set out in the IIA accompanying the 2006 consultation document<sup>25</sup>. The expected impacts were also summarised in the Departmental Response to the consultation<sup>26</sup>.
- 5.2. The administration of the Scheme will be kept as straightforward as possible to promote ease of access. Consistent with this approach, guidance will also be prepared, setting out clearly the steps that mothers, fathers and employers will have to take in order to take advantage of APL&P.
- 5.3. The projected impacts set out in the earlier equality impact assessments on APL&P therefore remain valid, and are not materially affected by plans for the administration of the Scheme.

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<sup>25</sup> Ibid., pp. 71-73

<sup>26</sup> 'Work and Families Consultation 2006, Part II: Additional Paternity Leave and Pay – Departmental Response', pp 36-38

## 6. Rural Impact

- 6.1. As the rights will apply to qualifying employees living in any part of Northern Ireland, whether urban or rural, no differential impact on rural areas is predicted as a result of the method chosen for administering APL&P.

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