

Laura Moffat MP: To ask the Secretary of State for Trade and Industry if he will make a statement on his plans in respect of parents' right to take Parental Leave

The Government is committed to helping parents achieve a better balance between their home and work lives, in ways which enhance competitiveness for business. That is why we published the Green Paper "Work and Parents: Competitiveness and Choice", and have carried out extensive consultation with employers and their representatives, employees and their representatives, and family groups.

As part of these consultations we have, among other points, received representations on the existing right to parental leave. In the light of these responses I am today announcing three important decisions.

Firstly, we will increase from 13 to 18 weeks the amount of parental leave available to parents of disabled children. An increase on these lines was almost universally positively received by both parents and by employers.

Secondly, parental leave will remain unpaid. Parents gave more priority to other options in the Green Paper, and while paid parental leave was supported by some employee representatives and family groups, employers of all sizes maintained a high level of opposition to its introduction on grounds of cost and the impact of absence levels from the workplace. The cost of paying for parental leave would be excessive for both the State and employers.

Thirdly, we will extend entitlement to parental leave to parents of all children who were under five as at 15 December 1999, when the right was first introduced. Experience since then suggests that parental leave has created fewer practical problems for business than may first have been anticipated, and the time is now right to increase the number of parents who are able to exercise the right. Transitional arrangements will apply for parents of children who have since reached, or will soon reach, the age of five, to ensure that they are not disadvantaged.

A note on the regulatory costs of these measures has been put in the library of the House. We will publish the necessary draft statutory instrument before the Summer.

We will announce the further decisions taken as a result of the Green Paper as they are reached.

IMPACT OF ENHANCEMENTS TO PARENTAL LEAVE

This note considers the benefits and costs of proposals to enhance parental leave.

1. ADDITIONAL LEAVE FOR THE PARENTS OF DISABLED CHILDREN

Numbers affected

There are estimated to be about 330,000 disabled children under 16 in England and Wales. Adding in 16 and 17 year olds and Scotland might add 15% to these numbers, i.e. 380,000 children in total. Of their parents, 308,000 fathers and 76,000 mothers (12,000 full-time, 64,000 part-time) are estimated to be in employment¹.

Estimated take-up

Parents of disabled children are more likely than other parents to take parental leave, even if it is unpaid. There will be more occasions when they might need to spend time with their child, e.g. covering for vacations in specialist caring agencies. Take-up rates for additional parental leave are therefore assumed to be 50% for mothers of disabled children and 25% for fathers. In other words, 38,000 mothers and 77,000 fathers take additional parental leave.

Benefits

About 115,000 parents of disabled children would choose to use an increased entitlement to parental leave over the period until the disabled child reaches 18 years of age.

Parents with disabled children are more likely to need time off to cope with family difficulties. Furthermore, the need for time off is likely to persist throughout childhood. More time off for parents would enable them to contribute more time towards the care of their children where this was necessary (e.g. in familiarising themselves with specialised equipment) and to help their children at key transitions in their life (e.g. when they start or move schools).

¹ The source of the overall numbers and the employment rates for mothers is the OPCS disability survey of 1986, with a correction to allow for Scotland and 17-18 year olds. This is now quite dated although the broad findings are believed to be still reliable. Fathers of disabled children are assumed to have the same employment rate as men aged 35-49 as a whole.

More time off might also enable some parents of disabled children to re-enter the labour market. Employment rates for the mothers of disabled children are very low.

Costs

Parental leave is unpaid and there is no requirement for employers to keep records. Hence the cost to business of this change will be in covering for the additional absences².

As set out above, 77,000 fathers and 38,000 mothers are assumed to take an additional five weeks leave. In all cases, it is assumed that employers manage this through reallocation of work - rather than recruitment of temporary cover - and that the average cost of doing this is 9-15% of labour costs³. On this basis, the cost to employers is £53-88 for each week's leave taken by employed fathers and £20-34 for each week's leave taken by employed mothers (April 2000 prices)⁴.

The additional annual cost to employers is between £1 million and £2 million⁵.

2. EXTENSION OF PARENTAL LEAVE TO THE PARENTS OF CHILDREN UNDER 5 YEARS OF AGE AT 15 DECEMBER 1999

Numbers affected

There are estimated to be approximately 3.5 million⁶ children who were less than 5 years old at 15 December 1999. The proposed change would give all eligible parents of these children additional entitlements to parental leave, in total 1.7 million fathers and 1.1 million mothers⁷.

Estimated take-up

The statutory entitlement to parental leave is unpaid. The Regulatory Impact Assessment prepared in support of the original Regulations assumed take-up of 10% for fathers and 50% for mothers.

² Experience to date with the Parental Leave Regulations suggests that there would be negligible impact on Employment Tribunal caseloads.

³ The background to these assumptions is set out in Parliamentary Question 156752 and in the Regulatory Impact Assessment produced in response to Parliamentary Question 156754.

⁴ This is calculated by taking average earnings for men and women from the 2000 New Earnings Survey (£453 and £173 respectively - the latter is a weighted average of full-time and part-time average earnings which allows for the high proportion of mothers of disabled children who work part-time), adding 30% for non-wage labour costs, and then multiplying by 0.09 to 0.15.

⁵ Calculated as following:

Fathers = 77,000 x 5/18 x £53-88 = £1.1-1.9 million

Mothers = 38,000 x 5/18 x £20-34 = £0.2-0.4 million.

⁶ About 700,000 children are born each year.

⁷ Employees with dependent children aged under 5 years and with one year's service with their employer. Source: autumn 1999 Labour Force Survey. Some of these employees may already be entitled to parental leave arising from children born after 15 December 1999. They would now gain additional entitlements.

Survey evidence collected by DTI in autumn 2000 found that 12% of employed parents who said their employers provided parental leave also said that they had taken parental leave since December 1999. This equates to about 3% of all employed parents (the difference is because many respondents said their employers did not provide parental leave or were unsure of whether they did)⁸. Contrary to the assumptions made previously, take-up rates were identical for mothers and fathers.

Given these uncertainties and that take-up may increase over time, it is assumed that take-up will be in the range 3-12%, i.e. an additional 84-336,000 entitlements to parental leave will be generated, 33-132,000 for mothers, 51-204,000 by fathers.

However, an adjustment must then be made to account for cases where employers already extend parental leave arrangements to parents of children born before 15 December 1999. The DTI survey referenced above asked working parents who said their employers provided parental leave whether this applied to 'children born at any time' (which would include before 15 December 1999). Just over half of respondents said their employer did extend parental leave arrangements to this group - equivalent to about 15% of all employed parents.

It is therefore assumed that 20% of parents of children born before 15 December 1999 already receive parental leave. The additional number of employed parents gaining new entitlements to leave then becomes 67-269,000 (26-106,000 mothers, 41-163,000 fathers).

Benefits

It follows that between 67-269,000 employed parents will spend more time with their children during their early years. This will enable them to strengthen family relationships and cope better with key events such as settling into new childcare arrangements or finding schools.

Costs to employers

It is assumed that parents will, on average, take 2 weeks leave each year.

It is again assumed that all employers react by reallocating work within their organisations rather than by recruiting temporary replacements. The cost assumptions are as set out above except that the cost per week of covering for an employed mother's absence is estimated at £30-50 for each week's leave (April 2000 prices)⁹.

⁸ Further information on these survey results, and the design of the relevant survey, can be found in *Work and Parents: Competitiveness and Choice - Research and Analysis* available via www.dti.gov.uk/er/review.htm.

⁹ A high proportion of the mothers of disabled children who are in employment work part-time. For this costing, a more typical full-time/part-time split is used.

Combining length of leave assumptions by these average cost estimates implies that the annual additional cost to employers of this extension to the Regulations would be between £6 million and £39 million¹⁰.

¹⁰ Calculated as following:

Fathers = [41-163,000] x 2 x £53-88 = £4.3-28.7 million

Mothers = [26-106,000] x 2 x £30-50 = £1.6-10.6 million.