

<b>Title:</b> <b>Proposals for the introduction of a new employment right to neonatal care leave &amp; pay</b>	<b>Regulatory Impact Assessment (RIA)</b>
	<b>Date:</b> June 2024
	<b>Type of measure:</b> Primary Legislation
<b>Lead department or agency:</b> <b>Department for the Economy</b>	<b>Stage:</b> Initial
	<b>Source of intervention:</b> Domestic NI
<b>Other departments or agencies:</b> Department for Communities Department of Health Department of Finance His Majesty's Revenue & Customs Department for Business and Trade	<b>Contact details:</b>
	goodjobsconsultation@economy-ni.gov.uk

## Summary Intervention and Options

### What is the problem under consideration? Why is government intervention necessary?

One of the most pressing work-family issues confronting men and women is how to balance work and home time in the first few months following the birth of a child. The work-family conflict has become more pressing as the labour force participation of women has risen sharply in recent decades, and women have become much more likely to work continuously over their lifecycle.

The ability of parental leave to mitigate the pressures and barriers that confront parents in balancing work and home time in the months following the birth of a child is essential to help ensure a more engaged, productive and healthy workforce. Workplace policies which facilitate parental leave from work are seen as one way to resolve the tension created between labour market participation and achieving a work-life balance, particularly in relation to supporting working parents when a child is born, through for example, maternity, adoption, paternity and shared parental leave.

Groups representing the views of parents of premature, sick and multiple (PSM) babies argue that current statutory entitlements (e.g. maternity and paternity leave and pay) for these parents are inadequate. The proposed introduction of neonatal care leave and pay will play a key role in helping parents manage the challenge of having a baby in neonatal care as well as ensuring parents maintain their connection to the labour market.

In the north of Ireland, a number of babies born each year are admitted to neonatal care as a result of being born prematurely, with congenital conditions, complications at birth or experiencing serious health issues shortly after birth. Later sections of this report provide a detailed breakdown on the number of babies admitted to neonatal care. A number of these babies will be discharged within 7 days - 45% of babies admitted to a neonatal unit, and 94% of those admitted to a ward setting; across all settings this figure is 83%. Fewer than 1% (across both neonatal units and ward settings) will stay longer than 12 weeks. 55% of babies admitted to a neonatal unit and 6% of babies admitted to a ward setting will have a stay of between 7 days and 12 weeks (all percentages are approximate) and during this time parents can face significant challenges in order to spend time with their new baby (or babies).

Currently, parents in these circumstances rely on existing statutory leave entitlements to be with their child in care. This means a considerable proportion of their leave may be used while the baby is still in hospital. Further, some parents reported that they felt they had to return to

work whilst their baby was still in care due to financial pressures or to safeguard their jobs. Some reported leaving the workplace altogether.<sup>1</sup> Government intervention is therefore necessary to provide better support to working parents whose baby receives neonatal care.

**What are the policy objectives and the intended effects?**

The proposed introduction of neonatal care leave and pay aims to:

- enable eligible parents to take time out of work to deal with the immediate challenges of having a baby in neonatal care/receiving inpatient care within the first 28 days following birth and to provide time to care for and bond with the child at home, on discharge, which will provide a sure foundation for the future;
- provide a benefit to wider society associated with a more engaged, productive and healthy workforce, allowing parents to maintain a continued attachment to the labour market.<sup>2</sup>
- help create a minimum standard for an issue which may be difficult for employers and employees to manage. In the absence of standard minimum requirements, with the provision of leave at the discretion of individual employers, some of the wider potential benefits may not be realised.

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

**Option 1** – Do nothing. Ruled out based on Ministerial commitment to introduce neonatal care leave and pay in NI.

**Option 2** – Non-regulatory approach: raise awareness among employers and/or issue guidance to encourage them to voluntarily offer provisions to employees in these circumstances. Ruled out as employers may not offer consistent support and the wider benefits mentioned above may not be realised.

**Option 3** - Introduce legislation to provide a statutory minimum for employees in these circumstances. This will be a new statutory right therefore regulation is required – no alternative to regulation is appropriate. Guidance for employers and employees will also be produced.

<b>Will the policy be reviewed?</b> It will be reviewed	<b>If applicable, set review date:</b> Post Consultation
---	--

Cost of Preferred (or more likely) Option		
Total year 1 cost for business £	Total annual cost to business per year (year 2 and beyond) £	Annual cost to exchequer £
£474k	£368k	£282K

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

**The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.**

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

<sup>1</sup> It's not a game: the very real costs of having a premature or sick baby in Northern Ireland Bliss/TinyLife Report 2014

<sup>2</sup> Family friendly working policies and practices: Motivations, influences and impacts for employers. UK Government Equalities Office/University of Warwick report 2019

## Summary: Analysis and Evidence

## Policy Option 3

Description: Proposals for the introduction of a new employment right to neonatal care leave & pay

### ECONOMIC ASSESSMENT (business and government costs)

Costs (£k)	Total Transitional (Policy)	Average Annual (recurring) (excl. transitional)	Total Cost
<b>Low</b>	£106k	£256k	£363k
<b>High</b>	£106k	£769k	£875k
<b>Best Estimate</b>	£106k	£650k	£756k
<b>Description and scale of key monetised costs by 'main affected groups'</b>			
<p><b>Costs to Businesses:</b></p> <ul style="list-style-type: none"> <li>- one-off familiarisation costs for businesses with more than 50 employees: £106,105. See Table 5 &amp; Box 3.</li> <li>- recurring reorganisation / absence costs: £331,073 calculated using a weighted contribution applied to all businesses. See Table 7 &amp; Box 4.</li> <li>- recurring wage-like costs: £17,357; as above, see Table 8 &amp; Box 5.</li> <li>- recurring annual costs of administering the leave/pay for all organisations (including an element of familiarisation for businesses with fewer than 50 employees): £19,245. See Table 6.</li> </ul> <p><b>Exchequer:</b></p> <ul style="list-style-type: none"> <li>- One-off costs to HMRC relating to IT system changes: nil, if policy &amp; legislation is to be implemented on same basis as for England, Scotland &amp; Wales (ESW).</li> <li>- recurring annual cost of statutory payment: £282,000. See Table 9 &amp; Box 6.</li> </ul>			
<b>Other key non-monetised costs by 'main affected groups'</b>			
<b>Description and scale of key monetised benefits by 'main affected groups'</b>			
<p>Additional statutory payments to eligible parents who take neonatal care leave and pay of £299k. See Table 4 &amp; Box 2.</p> <p>There will be a benefit to small businesses as they can reclaim 103% of the statutory payment.</p>			
<b>Other key non-monetised benefits by 'main affected groups'</b>			
<ul style="list-style-type: none"> <li>•Employed eligible parents will have access to leave and/or pay to replace the weeks their child spends in neonatal care, up to a maximum of 12 weeks. This will be particularly beneficial to fathers/partners who have a maximum of two weeks' statutory paternity leave (where eligible) and would previously have been forced to return to work while their baby is in neonatal care, take unpaid and /or annual leave, or leave work altogether.</li> <li>•This leave will enable parents to benefit from having additional time to bond with their child at home once it has been discharged from hospital. It will subsequently support infants in their very early days with social, developmental and emotional needs, as parental contact in the first few weeks after birth is important for children's development.</li> </ul> <p>This leave entitlement will create a minimum standard across all businesses and provide clear direction and guidance for employers and employees when faced with these difficult circumstances. It will also provide employment protections for those seeking to / taking up the</p>			

entitlement.

**Key Assumptions, Sensitivities, Risks**

The policy intention is to introduce neonatal care leave and pay on the same basis as for England, Scotland and Wales (ESW). We have adopted the same approach & assumptions in completing this regulatory impact assessment as for the one completed for its introduction in Britain. See footnote 7. A key uncertainty for this assessment is the number of people who will take up the leave. We have followed the approach adopted for assessing the impact of implementation in ESW which assumed a take-up rate of 75% for fathers/partners and 50% for mothers in their best estimation, which is tapered every four weeks by 10%. To account for this uncertainty, different take-up rate scenarios have been created to give a low, best and high estimate of the costs and benefits. There is also uncertainty in the assumptions on how employers manage employee absence over long periods.

**Cross Border Issues (Option 3)**

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

If the neonatal care leave and pay legislative provisions are introduced this will compare favourably to similar leave and pay available in other countries, including Ireland.

## 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 and NIGEAE)

### **Problem under consideration;**

1. One of the most pressing work-family issues confronting working parents is how to balance work and family life in the first few months following the birth of a child. The work-family conflict has become more pressing as the labour force participation of women has risen sharply in recent decades, and women have become much more likely to work continuously over their lifecycle.
2. Our economy in the North faces persistently high levels of economic inactivity, and female employment is lower compared to the rest of the UK. Parental leave is one policy tool that can promote mothers and fathers to retain their labour market attachment. If parental leave can be designed in such a way as to not detrimentally affect labour market outcomes after leave, then parental leave can be seen as an important policy solution to promote, and facilitate employment alongside raising a family.
3. The ability of parental leave to mitigate the pressures and barriers that confront parents in balancing work and family life in the months following the birth of a child is essential to help ensure a more engaged, productive and healthy workforce.
4. Parental leave is also vitally important in relation to the demographic shifts that are taking place in many countries, and the resultant ageing population problems that have arisen. In the UK, the fertility rate is well below the replacement fertility level needed for the UK to 'naturally' replace its population. Fertility in the UK has dropped dramatically, with women having fewer children, and this has occurred alongside rising economic activity and employment rates for women. It is in this context of rising female employment and falling fertility rates that workplace family-friendly policies are increasingly relevant and high on the political agenda. As a workplace family-friendly policy, parental leave is seen as one way to resolve the tension created between labour market participation and family life, particularly in the early years of raising children.
5. There are strong arguments in favour of parental leave policies: proponents will argue that parental leave can promote healthier children, improve the position of women in the workplace, help households address the increasing conflict between work and family, and promote within-family gender equality in terms of labour market attachment. These social and economic benefits are behind the adoption of parental leave policies in many countries.

However, of fundamental importance to the success of parental leave policies is their design. In particular, the key elements of a parental leave policy in terms of generosity and length will be crucial in determining how successful parental leave policies are in achieving their social and economic goals. The proposed introduction of neonatal care leave and pay will play a key role in helping parents manage the challenge of having a baby in neonatal care as well as ensuring parents maintain their connection to the labour market.

6. Groups representing the views of parents of premature, sick and multiple (PSM) babies argue that current statutory entitlements (e.g. maternity and paternity leave and pay) for these parents are inadequate. They argue that current provisions do not support them in providing the care that babies need, as they are forced back to work too soon, leading some parents to drop out of the workforce altogether.<sup>3</sup>

## Statistical data

7. There is a range of evidence which indicates the number of neonatal babies across Northern Ireland. These range from data from the Department of Health, Queen's University and various reports from organisations such as TinyLife.
8. A neonate baby is defined as a baby which is 28 days or less. The policy intent is that, as long as a baby is admitted to neonatal care when 28 days old or under, employed parents (depending on other eligibility criteria) may qualify for neonatal care leave and/or pay. In England, Scotland and Wales (ESW), the maximum period of neonatal care leave and/or pay to be made available is anticipated to be 12 weeks and it is proposed that this approach will be followed here.
9. To estimate the number of parents who would be eligible to claim neonatal care leave and pay, we obtained statistics for 2022 from the Department of Health (DoH) (Hospital Inpatient System via Hospital Information Branch). These statistics show the number of episodes of admissions / readmissions of babies, within the first 28 days following birth, to neonatal care units and specialist wards, or being cared for in the same ward as the mother. The statistics are broken down by length of stay.
10. Table 1 presents the number of episodes of neonatal babies which were admitted / readmitted to neonatal and non-neonatal units (ward setting) in 2022, illustrating the number of babies that have a stay of less than one week (83% of total cases). Approximately 17% of babies are within the scope of the policy framework i.e. over 7 days and up to 12 weeks; this covers 55% of babies admitted to a neonatal unit and 6% of babies admitted to a ward setting. The consultation proposes that 12 weeks of leave and/or pay would be the maximum entitlement, so as to target those whose baby or babies have a stay in neonatal care between 7 days and 12 weeks and balance the needs of business (planning for an employee's absence) alongside the needs of parents. The financial analysis throughout this report is based on the DoH data, all other data presented is contextual to help indicate the scale of the issue.
11. It should be noted that the data in table 1 is based on the number of episodes a baby is admitted to neonatal care, rather than distinct individual babies. The 722 identified episodes is therefore the maximum and the number of individual babies is likely to be marginally lower. However, given the scale of the numbers involved, this is unlikely to present any material difference to the overall analysis.

---

<sup>3</sup> [Bliss' 2019 Survey Findings](#)

**Table 1: Number of episodes of neonatal babies admitted/readmitted into neonatal care units and non-neonatal care units (e.g. admission to specialist wards, other inpatient ward) by length of stay in Northern Ireland 2022** *Source: Hospital Inpatient System, DoH*

Weeks	Neonatal care units	Non-neonatal care units	Total number of episodes of neonatal babies
0 – 1 (0 to 6 days)	412	3,168	3,580
1	202	126	328
2	104	47	151
3	47	16	63
4	45	8	53
5	22	5	27
6	25	4	29
7	16	1	17
8	13	1	14
9	12	6	18
10	9	0	9
11	4	1	5
12	5	3	8
91+ days	7	1	8
<b>Total</b>	<b>923</b>	<b>3,387</b>	<b>4,310</b>
<b>Total 1 to 12 weeks</b>	<b>504</b>	<b>218</b>	<b>722</b>

*Source: Hospital Inpatient System, Hospital Information Branch, Information & Analysis Directorate, DoH, NI.*

<sup>1</sup>Numbers do not represent individual babies, so the same child may appear in different rows or columns within the same year.

Neonatal babies are those admitted into hospital within the first 28 days of their life.

Healthy babies were removed by excluding the ICD-10 code Z38 - "Liveborn infants according to place of birth", and by only using those under Paediatrics specialty.

<sup>2</sup>Admissions are approximated using deaths and discharges.

<sup>3</sup>Care Unit refers to the setting to which a baby was first admitted.

Neonatal Care Units were identified by each of the Health and Social Care Trusts as the following Ward on Admission Codes: Belfast HSCT - SCU, or specialty SCBU, in the Royal Maternity Hospital; Northern HSCT - SCBU, or SCBI in Antrim Area Hospital; Southern HSCT - NNU in Craigavon Area Hospital, or SCB in Daisy Hill Hospital; South Eastern HSCT - NNU in Ulster Hospital; and Western HSCT - 49 in Altnagelvin Area Hospital, or SNNU in South West Acute Hospital

### **Rationale for intervention:**

12. The Department believes that, where eligible, working parents of babies who receive neonatal care should be better supported by way of additional leave and pay entitlements. In general, provision of minimum standards ensures that benefits to wider society can be realised and without government intervention, they would not. There are benefits to the individuals affected and to society due to parents being able to take time away from work to start a family and develop a bond with their child. In providing minimum statutory provisions for neonatal care leave and/or pay time away from work can help parents deal with the immediate challenges of having a baby in neonatal care, to support the other parent and to

provide time to care for and bond with the child at home once it has been discharged from hospital, all of which will provide a sound foundation for the future. Neonatal care leave and/or pay will also provide benefits, to businesses and society, associated with a more engaged, productive and healthy workforce, and enabling parents, who might otherwise have exited the workplace, to remain in work.

13. If the provision of neonatal care leave and pay is left at the discretion of employers, some of these benefits may not be realised. In the absence of standard minimum requirements for neonatal care leave and pay both employers and employees could find it difficult to know how to respond when faced with this difficult situation; plus, if provision of leave and pay is left to employers' own discretion, this has the potential to lead to inconsistencies in the support provided across businesses and even within the same business.
14. In 2019 Bliss conducted a survey (see footnote 3) of over 700 parents and found that 66% of 'dads' and partners had to return to work while their baby was still receiving specialist neonatal care. 77% of these parents felt like their parental leave was not long enough, with this figure rising to 90% of parents whose baby spent 10 or more weeks in neonatal care, and 95% of dads. This new neonatal care leave entitlement will allow these parents to properly bond with their baby and care for their child whilst they are in hospital. This is particularly the case for 'dads' whose statutory paternity leave entitlement is 2 weeks and therefore, can be solely used up whilst their baby is in hospital. The survey highlighted that, 36% of 'dads' resorted to being signed off sick in order to spend time with their baby in the neonatal unit and 24% of these 'dads' said they were concerned for their job if they asked for more time off. In addition to giving parents time to properly bond with their baby, this new entitlement is likely to reduce the number of parents leaving work to care for their new child. The Bliss survey highlighted that 11% of parents left their jobs due to having insufficient leave after their baby was admitted to neonatal care.
15. Research supports the benefits of family-friendly workplace policies which bring benefits for both employers and employees. According to a literature review of various studies over the years it would appear that there are very few examples of negative outcomes from the introduction of family-friendly workplace policies, with the majority of studies presenting positive outcomes<sup>4</sup>. These can be demonstrated via a broad and diverse range of direct and indirect benefits associated with work-life balance policies and practices. These include: improved corporate reputation; improved recruitment; improved retention rates; reduced absenteeism and sick leave; improved customer service; more flexible or longer operating hours; improved productivity or performance; lower salary requirements; lower office space and energy costs; improved job satisfaction, motivation, engagement or commitment/loyalty; reduced levels of stress; reduction or mitigation of the effects of practices such as long working hours, presenteeism or work intensification.<sup>5</sup>
16. If parents are not supported in the workplace there may be negative impacts for the organisation which could have implications for efficiency and productivity. Unsupportive work environments can add significantly to the pressures parents face when coping with a baby who is in neonatal care. Supportive workplaces, on the other hand, are likely to help parents and make an employee's return to work easier and more sustainable.
17. This statutory leave entitlement will support working parents during this difficult time and will also compensate for the time a child has spent in neonatal care, which is likely to improve an employee's experience as they return to work; they are likely to feel more

---

<sup>4</sup> [Family friendly working policies and practices: Motivations, influences and impacts for employers. UK Government Equalities Office/University of Warwick report 2019](#)

<sup>5</sup> [Costs and Benefits to Business of Adopting Work Life Balance Working Practices: A Literature Review June 2014](#)



valued, more committed to the organisation, and are likely to be more productive than they would otherwise have been as a result.

**Policy objective:**

18. The introduction of neonatal care leave and pay aims to:

- enable eligible parents to take time out of work to deal with the immediate challenges of having a baby in neonatal care/receiving inpatient care within the first 28 days following birth and to provide time to care for and bond with the child at home on discharge, which will provide a sound foundation for the future;
- provide a benefit to wider society associated with a more engaged, productive and healthy workforce, allowing parents to maintain a continued attachment to the labour market; and
- help create a minimum standard for an issue which may be difficult for employers and employees to manage. In the absence of standard minimum requirements, with the provision of leave at the discretion of individual employers, some of the wider potential benefits may not be realised.

**The main options being considered are:**

Option 1 - Do nothing.

19. This option would mean the decision to offer parents of babies that spend a prolonged time in neonatal care additional time off work to balance their care and work responsibilities would be at the discretion of employers, with an inconsistent approach across the labour force and in some cases a complete absence of provision which would force parents to take sick days, other forms of leave or fall out of the workforce entirely. This option therefore is not conducive to supporting working parents and encouraging affected parents to stay in the workforce. Also, this option would not reflect the strong Ministerial and broader Assembly interest in supporting parents of neonatal babies.

Option 2 – Non-Regulatory

20. There is no specific guidance in place on workplace support for parents with premature or sick babies. However, it is anticipated that guidance on its own would have limited impact without a statutory right to underpin it. In addition, how any such guidance is implemented may result in inconsistencies in levels of support across businesses and even within a business. Legislative change is therefore necessary to provide the additional entitlement that is needed to support neonatal parents.

Option 3 – A statutory entitlement to neonatal care leave paid at the statutory rate of pay

21. It is recognised that current leave and pay entitlements do not adequately support parents where the baby (or babies) need to spend a prolonged period in neonatal care. In particular fathers and partners face significant difficulties when a baby is admitted into neonatal care. Following the birth of their child, eligible fathers and partners are currently able to take a single block of 1 or 2 weeks (their choice) of paternity leave and pay in the 8 weeks following the birth. Currently, both parents rely on their statutory leave entitlements to enable them to be off work whilst the baby is in hospital. This means that for mothers/adopters, a proportion of their 52 weeks of maternity leave is spent with the baby

in hospital; and for fathers and partners, typically their whole 2 weeks of paternity leave is spent with the mother and baby in hospital. As a result, these parents are unable to spend time caring for their child normally at home for at least a proportion of their maternity or paternity leave. Where the baby has been in neonatal care for a prolonged period, fathers and partners often rely on annual leave entitlements or unpaid leave to be with the mother and baby in hospital after their statutory paternity leave has been exhausted.

22. We propose giving each eligible parent one week of neonatal care leave and/or pay for every week that their baby is in neonatal care, up to a maximum of 12 weeks. Where a parent has multiple births, the maximum entitlement to neonatal care leave and/or pay will not increase, i.e. having more than one baby in care at any one time will still give rise to only one entitlement to leave and/or pay.
23. Access to neonatal care leave and pay will be available to eligible parents of babies who have been in neonatal care for at least 1 week (7 continuous days) up to a maximum of 12 weeks. This will ensure the provision for neonatal care leave and pay supports affected parents for the longer period and having an upper limit will provide some certainty to employers in planning for employee absences. The minimum and maximum cap, 7 days and 12 weeks respectively, results in:
  - 17% of neonatal babies spending between 7 days and 12 weeks in a neonatal unit/ward setting coming within scope of the policy.
  - 83% of neonatal babies that require care for less than 7 days in a neonatal unit/ward setting; and
  - 0.2% of neonatal babies that stay more than 12 weeks in neonatal unit/ward setting.

### **Policy summary:**

24. The policy will be finalised after consultation and analysis but at this point the proposed policy is as follows. 1 week of neonatal care leave and/or pay for each week (comprised of 7 continuous days) the baby is in neonatal care up to a maximum of 12 weeks. The baby must have a stay in neonatal care of seven continuous days for parents to be eligible. Other eligibility criteria will also apply, including having a parental relationship with the child and responsibility for caring for it had it not been admitted to hospital.
25. To qualify for the leave entitlement, a parent would need to be an employee, therefore the self-employed are not eligible. Employees on the first day of their employment are eligible for neonatal care leave. To qualify for the pay, employees would also need to have continuous service of 26 weeks with their employer and meet the minimum earnings threshold.<sup>6</sup>
26. This entitlement will be paid at the statutory rate (currently £184.03 per week or 90% of average weekly earnings, whichever is lower) as per other family-related statutory pay (maternity, paternity, adoption, bereavement, shared parental pay etc.). Throughout this

---

<sup>6</sup> The neonatal care leave element would be available to eligible employees that meet the conditions for entitlement. For the purpose of the leave element, an employee is defined in Article 3 of the Employment Rights (Northern Ireland) Order 1996.

For the purpose of the proposal for the statutory pay element of neonatal care, the term “employee” extends to eligible employees and workers. Both workers and employees would have to satisfy the earnings and continuous employment requirements that are long established in the framework for Statutory Payments (Maternity, Adoption, Paternity, Shared Parental and Parental Bereavement).

analysis we apply the £184.03 cost on the basis that the vast majority of parents will qualify for that.

## **Monetised costs and benefits**

### **Modelling approach:**

27. We have estimated the costs and benefits of introducing this new statutory entitlement of neonatal care leave and pay using the latest information available for the North and following the Department for Business and Trade's (DBT) (formerly the Department for Business, Energy and Industrial Strategy (BEIS), Britain) model<sup>7</sup> (as closely as possible) for implementation in ESW, where the cost and benefit estimates were arrived at via engagement with various stakeholder groups, including businesses, parents and charities likely to be affected by the legislation. The estimated costs will start to arise when the legislation comes into effect.
28. In order to estimate the costs and benefits for the North, we first estimate the number of parents eligible for leave and pay in a given year. A take-up rate assumption is made and then applied to the eligible population over the leave period. For Exchequer costs, we first calculate the cost of providing paid leave at the statutory rate (£184.03 for 2024/25). We make an adjustment to these costs to reflect the fact that employers cover a proportion of the statutory payments (small businesses can reclaim 103% of statutory payments and large businesses 92%). As the intention is to mirror implementation of neonatal care leave and pay in England, Scotland and Wales, there will be no one-off implementation costs to HMRC regarding changes to IT systems for including the North. Regarding employer costs, we estimate the cost of absence resulting from employees taking leave, the wage-like costs (proportion of statutory payments not covered by the Exchequer) and recurring administrative costs of processing leave requests. In addition, we model the one-off familiarisation costs incurred as employers spend time to understand the new legislation in the first year the policy comes into force.

### **Eligible parents:**

29. As with other family-related leave entitlements, there are also additional qualifying conditions the individual must meet in order to receive the leave and pay. To qualify for the leave entitlement, a parent would need to be an employee, therefore the self-employed are not eligible. Employees would be entitled from the first day of their employment to take the leave. To qualify for the statutory pay for this leave, employees would also need to have continuous service of 26 weeks with their employer ending with the 'relevant week' and meet the minimum earnings threshold. The consultation document provides further detail on the 'relevant week'.
30. The statutory leave and pay entitlement would be restricted to parents whose baby or babies have spent a minimum of seven continuous days in neonatal care (admission into neonatal care must be within the first 28 days following birth).
31. To estimate the number of parents who would be eligible to claim neonatal care leave and pay, we obtained statistics for 2022 from the Hospital Inpatient System via Hospital Information Branch, Department of Health, of the number of episodes of admissions / readmissions of babies, within the first 28 days following birth, to neonatal care units and

---

<sup>7</sup> [Neonatal Care Leave and Pay GB Impact Assessment](#)

specialist wards, or being cared for in the same ward as the mother broken down by length of stay.

32. Table 1, presented earlier, shows the number of episodes of neonatal babies admitted / readmitted to neonatal and non-neonatal units (ward setting) in 2022. In total there are 722 episodes estimated to be within the scope of the proposed policy.
33. In our consultation we propose that the entitlement would be restricted to those individuals who would have had the main responsibility for caring for the child, had it not been admitted to neonatal care. Thus, both the mother and father/partner of the baby or babies would be eligible for the entitlement. In addition, other groups of parents such as the mother's spouse, the intended parents in a surrogacy arrangement or intended parents in cases of adoption would also be eligible.
34. The policy stipulates that the minimum period in neonatal care to be eligible for neonatal care leave and/or pay is 7 continuous days. All financial analysis excludes those babies in the period 0-6 days (3,580), therefore the babies in scope of this report covers the period 1 to 12 weeks (i.e. 722 babies, see Table 1).
35. Box 1 below shows how we have derived the eligible population for both mothers and fathers/partners, accounting for the different labour market characteristics across gender. We have taken the decision not to reduce the eligible population for father/partners to account for sole birth registrations as the eligibility criteria for neonatal care leave and pay will not exclude those who are not registered on birth certificates. The methodology outlined below follows that adopted within the model for ESW, with the above caveat iro sole registrations.

### Box 1: Eligible population

#### Mothers

No. of infants spending at least one week in neonatal care = 722

No. of employed mothers =  $722 \times 80.5\% = 581.21$

No. of employee mothers (with a dependent under 1 years old) =  $581.21 \times 93\% = 540.5253$   
**(eligible for Leave)**

No. of employee mothers working at least 26 weeks (with a dependent under 1 years old) =  $540.5253 \times 86.9\% = 470^*$  **(eligible for Pay)**

#### Fathers/partners

No. of employed fathers/partners =  $722 \times 93.1\% = 672.18$

No. of employee fathers/partners (with a dependent under 1 years old) =  $672.18 \times 88.2\% = 592.86$  **(eligible for Leave)**

No. of employee fathers/partners working at least 26 weeks (with a dependent under 1 years old) =  $592.86 \times 90.4\% = 536^*$  **(eligible for Pay)** .

## **Total eligible population**

This data estimates that 65% of mothers and 74% of father/partners who have a child in neonatal care will be eligible for neonatal care pay. In total it is estimated that the scope of the eligible population is 1,006 (470 mothers and 536 fathers).

<b>Length of stay (weeks)</b>	<b>No of babies</b>	<b>No of employed / eligible mothers</b>	<b>No of employed / eligible fathers</b>	<b>Total eligible parents</b>
1	328	213	243	457
2	151	98	112	210
3	63	41	47	88
4	53	34	39	74
5	27	18	20	38
6	29	19	22	40
7	17	11	13	24
8	14	9	10	20
9	18	12	13	25
10	9	6	7	13
11	5	3	4	7
12	8	5	6	11
<b>Total</b>	<b>722</b>	<b>470</b>	<b>536</b>	<b>1,006</b>

\*Eligible figures are rounded to the nearest whole number

All employment related % figures provided by NISRA based on the April-June 23 Labour Force Survey household dataset

## **Take-up**

36. Estimating how many parents will take up neonatal care leave and pay is complex and influenced by multiple factors such as the nature of the care the child requires, availability of other leave rights (including annual leave), household income and even workplace culture. Take-up will also depend on each individual parents' personal circumstances (support networks etc). There is no direct, immediately applicable, evidence on likely take-up rates for this leave so we offer a broad range of take-up rate assumptions to capture the uncertainty.
37. Following the model for ESW, we have assumed the same lower and upper range for both mothers and fathers (25% to 75%) noting that there is evidence that different take-up rates will emerge as a result of the differing availability of existing parental leave entitlements and the time when the leave will be taken. We anticipate that fathers/partners will be the main affected group; a Bliss survey in 2019 (see footnote 3 ) found that 95% of fathers/partners whose baby spent 10 or more weeks in neonatal care felt the leave currently available was not long enough; 66% had to return to work while their baby was still receiving care; 36% were signed off sick in order to spend time with their baby in the neonatal unit; and 24% said they were concerned for their job if they asked for more time off.
38. In its best estimate, the model for ESW has used a take-up rate of 75% for men and 50% for women. The proposed 75% take-up rate for men is similar to the take-up rate seen for paternity leave, as shown by the DBT (formerly BEIS) analysis of the Parental Rights

Survey 2019<sup>8</sup> (published in 2023) (i.e. 74% of fathers/partners eligible for Paternity Leave take it up in the first week, this falls to 66% for the second week). The Impact Assessment for ESW assumes that men are more likely to take neonatal care leave, as fathers/partners currently only have access to 2 weeks of statutory paternity leave/pay<sup>9</sup>, compared to 52 weeks of statutory maternity leave for mothers (39 weeks of which are paid, 6 weeks at 90% and 33 at the flat rate). Therefore, it is likely fathers/partners will need additional weeks of leave, as they may have spent the whole of their paternity leave while the baby was still in hospital. Furthermore, fathers/partners will typically take this leave nearer to the point at which the leave need is greatest (i.e. after 2 weeks paternity has come to an end and within the first 56 days of birth) compared to mothers who are most likely to take it following maternity/adoption leave. For these reasons, the model for ESW estimate uses the top of the range for fathers/partners but is in the middle of the range for mothers.

- 39. It is likely that the take-up rate will change over time i.e., it will be different for parents whose baby has been in neonatal care for 1 week compared to parents of babies in neonatal care for 12 weeks. This is because parents may start to feel financial pressures after taking long periods of leave at the statutory rate. Evidence from the Parental Rights Survey (as noted in the ESW Impact Assessment) shows that 24% of fathers/partners taking paternity leave did not take their full entitlement mainly because they could not afford to.
- 40. As previously mentioned take-up of statutory paternity leave is around 74% in the first week and falls to 66% for the second week but there is limited evidence of how the take-up rate changes over a longer period of leave so, in the absence of evidence, the model for ESW cautiously tapered the take-up rate for neonatal care leave and pay by 10% for every four weeks that a baby is in neonatal care (see Chart 1).
- 41. Table 2 below shows the take-up rates used for this analysis, the range is broad for both mothers and fathers/partners to reflect the uncertainty in ex-ante estimation for this type of leave. Based on their research DBT (formerly BEIS) believe there is evidence to suggest that take-up will be at the higher end of the range for fathers/partners and in the middle of the range for mothers.

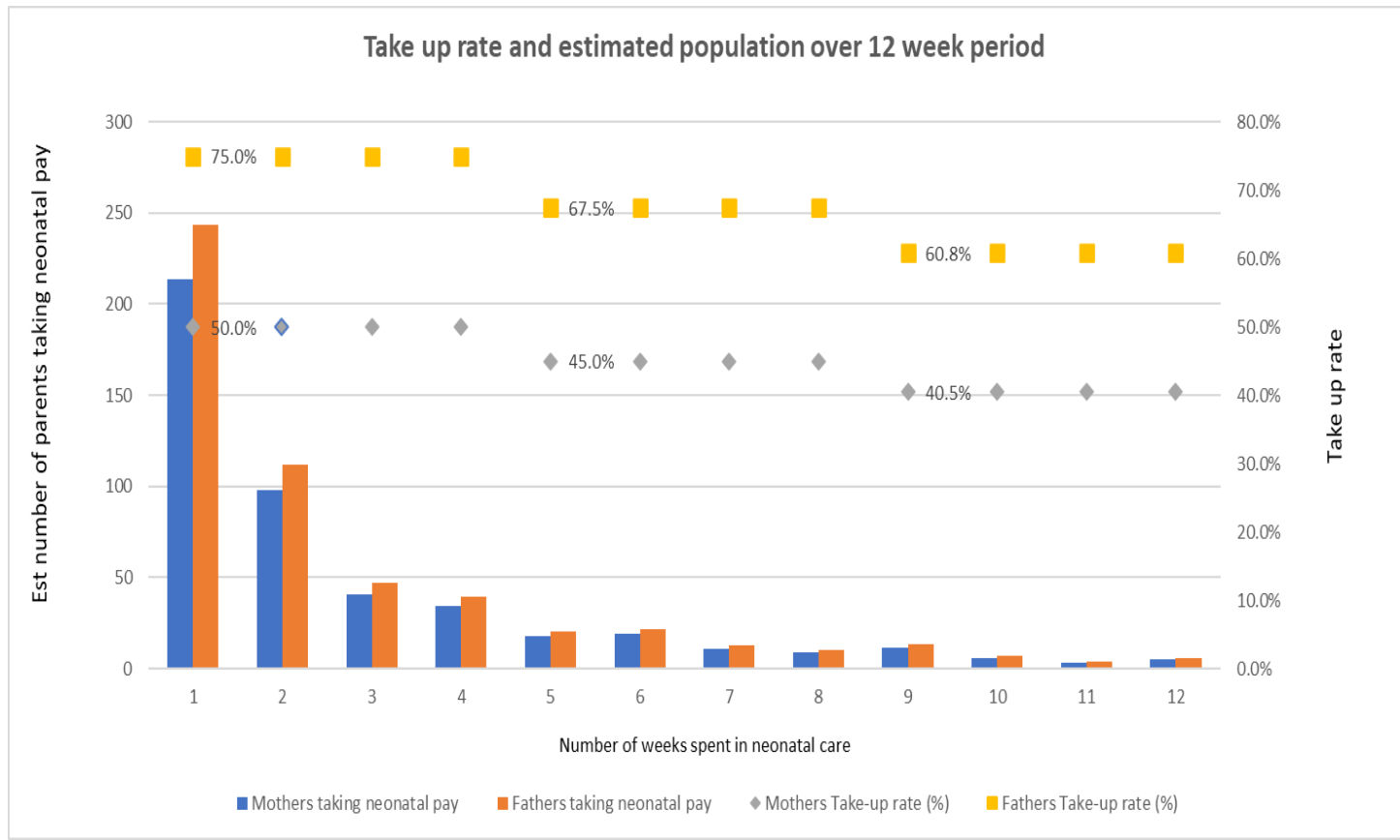
**Table 2: Take up scenarios**

Scenarios	Mothers	Fathers/partners
<b>Best</b>	<b>50%</b>	<b>75%</b>
Low	25%	25%
High	75%	75%

<sup>8</sup> [Parental Rights Survey, 2019](#)

<sup>9</sup> Father/partners/partners can gain access to additional weeks of leave via the Shared Parental Leave scheme, but this requires mothers to curtail their Maternity Leave to free up weeks of leave for father/partner to take.

**Chart 1: Estimated number of parents who will take up Statutory Neonatal Care Pay and assumed take-up rate, over the 12-week period**



The take up rates shown in this table are applied to the project costs in later sections of this report.

**Costs and benefits**

42. Both the costs and benefits identified in this Impact Assessment are categorised in the table below.

**Table 3: Classification of costs and benefits**

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	Employers must familiarise themselves with the new policy to understand how this affects their business.

Administrative costs	Employers incur administrative costs as they administer requests for neonatal care leave & pay through their HR systems.
HMRC/Exchequer costs	HMRC must update their IT systems to facilitate introduction of the policy; however, as this will be done for implementation of neonatal care leave and pay in ESW, and the policy intention is to introduce it here in the North on the same basis, there will be no additional costs regarding IT system changes. The Exchequer is responsible for the cost of statutory neonatal care pay 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).
Employee benefits	Employees will have a direct benefit from the statutory payment they receive for the amount of paid leave taken.

## Monetised benefits

### Statutory payments to employees

43. A monetary benefit to affected parents will be the statutory payments made by employers to employees, who are eligible for the entitlement and take it up. The benefit is equivalent to the annual Exchequer costs of the statutory payments and the proportion of these payments, which businesses contribute to (wage-like costs). Due to the simplifying assumption that there are no deadweight costs, benefits are additional, and the full value of the statutory payments accrues to the individual. Table 4 below shows the estimated benefits flowing to employees in the form of statutory payments per annum. Box 2 shows how the statutory payments to individuals were calculated.

**Table 4: Statutory payments to individual**

	Low Estimate (£)	Best Estimate (£)	High Estimate (£)
Proposed policy option	£118,133	£299,251	£354,451



## Box 2: Statutory payments to individuals

The amount of neonatal pay received by employees is determined by the amount of time their child spends in care. Neonatal payments are calculated across cases for a given week using the DoH data using the following formula:

$$\text{Statutory Payments (£)} = \text{No. Eligible mothers and fathers (X)} \times \text{Statutory rate (£184.03)} \times \text{No. weeks(Y)}$$

The tables below provide a summary of the best, high and low estimate costs for the proposed policy. The costs within all three tables are based on 722 episodes of babies in neonatal care, which are then adjusted to account for eligible parents and the estimated take up rates.

### Best estimate

Length of stay (weeks)	No of babies	No of employed / eligible mothers	No of employed / eligible fathers	Total eligible parents	Mothers Take-up rate (%)	Fathers Take-up rate (%)	*No. eligible mothers who take-up the entitlement	*No. eligible fathers who take-up the entitlement	Statutory Rate (weekly)	Additional Weeks	Mothers cost (£)	Fathers cost (£)	Total costs (£)
1	328	213	243	457	0.5	0.75	107	183	£184.03	1	19,635	33,606	53,241
2	151	98	112	210	0.5	0.75	49	84	£184.03	2	18,079	30,942	49,020
3	63	41	47	88	0.5	0.75	20	35	£184.03	3	11,314	19,364	30,678
4	53	34	39	74	0.5	0.75	17	30	£184.03	4	12,691	21,721	34,412
5	27	18	20	38	0.45	0.675	8	14	£184.03	5	7,273	12,448	19,722
6	29	19	22	40	0.45	0.675	8	15	£184.03	6	9,375	16,045	25,419
7	17	11	13	24	0.45	0.675	5	9	£184.03	7	6,411	10,973	17,384
8	14	9	10	20	0.45	0.675	4	7	£184.03	8	6,034	10,328	16,362
9	18	12	13	25	0.405	0.608	5	8	£184.03	9	7,855	13,455	21,311
10	9	6	7	13	0.405	0.608	2	4	£184.03	10	4,364	7,475	11,839
11	5	3	4	7	0.405	0.608	1	2	£184.03	11	2,667	4,568	7,235
12	8	5	6	11	0.405	0.608	2	4	£184.03	12	4,655	7,974	12,628
<b>Total</b>	<b>722</b>	<b>470</b>	<b>536</b>	<b>1,006</b>			<b>230</b>	<b>393</b>			<b>110,353</b>	<b>188,898</b>	<b>299,251</b>

### High estimate

Length of stay (weeks)	No of babies	No of employed / eligible mothers	No of employed / eligible fathers	Total eligible parents	Mothers Take-up rate (%)	Fathers Take-up rate (%)	*No. eligible mothers who take-up the entitlement	*No. eligible fathers who take-up the entitlement	Statutory Rate (weekly)	Additional Weeks	Mothers cost (£)	Fathers cost (£)	Total costs (£)
1	328	213	243	457	0.75	0.75	160	183	£184.03	1	29,453	33,606	63,058
2	151	98	112	210	0.75	0.75	74	84	£184.03	2	27,118	30,942	58,060
3	63	41	47	88	0.75	0.75	31	35	£184.03	3	16,971	19,364	36,335
4	53	34	39	74	0.75	0.75	26	30	£184.03	4	19,036	21,721	40,757
5	27	18	20	38	0.675	0.675	12	14	£184.03	5	10,910	12,448	23,358
6	29	19	22	40	0.675	0.675	13	15	£184.03	6	14,062	16,045	30,106
7	17	11	13	24	0.675	0.675	7	9	£184.03	7	9,617	10,973	20,590
8	14	9	10	20	0.675	0.675	6	7	£184.03	8	9,051	10,328	19,379
9	18	12	13	25	0.608	0.608	7	8	£184.03	9	11,792	13,455	25,248
10	9	6	7	13	0.608	0.608	4	4	£184.03	10	6,551	7,475	14,027
11	5	3	4	7	0.608	0.608	2	2	£184.03	11	4,004	4,568	8,572
12	8	5	6	11	0.608	0.608	3	4	£184.03	12	6,988	7,974	14,962
<b>Total</b>	<b>722</b>	<b>470</b>	<b>536</b>	<b>1,006</b>			<b>344</b>	<b>393</b>			<b>165,554</b>	<b>188,898</b>	<b>354,451</b>

## Low estimate

Length of stay (weeks)	No of babies	No of employed / eligible mothers	No of employed / eligible fathers	Total eligible parents	Mothers Take-up rate (%)	Fathers Take-up rate (%)	*No. eligible mothers who take-up the entitlement	*No. eligible fathers who take-up the entitlement	Statutory Rate (weekly)	Additional Weeks	Mothers cost (£)	Fathers cost (£)	Total costs (£)
1	328	213	243	457	0.25	0.25	53	61	£184.03	1	9,818	11,202	21,019
2	151	98	112	210	0.25	0.25	25	28	£184.03	2	9,039	10,314	19,353
3	63	41	47	88	0.25	0.25	10	12	£184.03	3	5,657	6,455	12,112
4	53	34	39	74	0.25	0.25	9	10	£184.03	4	6,345	7,240	13,586
5	27	18	20	38	0.225	0.225	4	5	£184.03	5	3,637	4,149	7,786
6	29	19	22	40	0.225	0.225	4	5	£184.03	6	4,687	5,348	10,035
7	17	11	13	24	0.225	0.225	2	3	£184.03	7	3,206	3,658	6,863
8	14	9	10	20	0.225	0.225	2	2	£184.03	8	3,017	3,443	6,460
9	18	12	13	25	0.2025	0.2025	2	3	£184.03	9	3,928	4,481	8,409
10	9	6	7	13	0.2025	0.2025	1	1	£184.03	10	2,182	2,490	4,672
11	5	3	4	7	0.2025	0.2025	1	1	£184.03	11	1,333	1,521	2,855
12	8	5	6	11	0.2025	0.2025	1	1	£184.03	12	2,327	2,656	4,983
<b>Total</b>	<b>722</b>	<b>470</b>	<b>536</b>	<b>1,006</b>			<b>115</b>	<b>131</b>			<b>55,176</b>	<b>62,957</b>	<b>118,133</b>

## Non-monetised benefits

### Employee benefits

44. By providing a new leave entitlement, which is paid at statutory rates, most affected parents will have access to some financial support for the period in which they are absent from work. Having a dedicated right to neonatal care leave may mean they do not have to resort to using other forms of leave (annual) for this purpose. In this period, parents will be able to spend time together with their child during or after a very stressful period, where they have used up their existing entitlements. In taking this time off, parents may not feel they have to choose between leaving their job and attending to their child and thus the parent is more likely to return to work and remain in employment. They will also have the benefit of employment protections when seeking to take and taking up the leave entitlement.
45. In addition, this new entitlement could also help to alleviate some of the stress and anxiety arising from having a baby spending time in neonatal care, ultimately improving the physical and mental health of the parents.<sup>10</sup>

### Employer benefits

46. There is evidence showing that workplaces offering a range of extensive family-leave related policies are more likely to have above average performance relative to workplaces without such practices. Whilst the report<sup>11</sup> on family-friendly working policies focuses on the costs and benefits to business adopting flexible working practices and family-leave related pay policies<sup>12</sup> a similar argument could be made for neonatal care leave and pay, which would fall into the same category and would allow parents to temporarily leave the workplace to bond with their child and the same right to return to the workplace as other parents on family-related leave.
47. Reputational benefits could accrue to employers if they enhanced their support to employees to go beyond the statutory minimum. In going beyond what is required under

<sup>10</sup> <https://www.bliss.org.uk/parents/support/impact-mental-health-premature-sick-baby/is-it-common-for-parents-to-struggle-with-mental-health>

<sup>11</sup> Gray, H. (2002) [Family-Friendly Working: What a Performance! An Analysis of the Relationship Between the Availability of Family-Friendly Policies and Establishment Performance \(lse.ac.uk\)](https://www.bliss.org.uk/parents/support/impact-mental-health-premature-sick-baby/is-it-common-for-parents-to-struggle-with-mental-health). CEPDP, 529. Centre for Economic Performance, London School of Economics and Political Science, London, UK.

<sup>12</sup> Maternity, Paternity and Parental leave policies

the legislation, employers would be able to distinguish themselves from other employers, which could help make them attractive to prospective and current employees. This would help employers appeal to a wider talent pool, which could yield further labour market benefits in the long term.

## **Benefits to neonates**

48. Parents of neonates experience higher levels of anxiety, depression and post-traumatic stress compared to parents whose children are born at term and this can affect the quality of the early parent-child relationship with long-term implications for the health of both the parent and child.<sup>13 14</sup> Reducing parent stress whilst the baby is in neonatal care and on taking their baby home can improve outcomes for parents and their children (improved cognitive outcomes, language development, reduce length of stay in neonatal units and reduce readmissions).<sup>15</sup> It is therefore important that babies and their parents are supported during this time to promote attachment and to support the child's development.

## **Costs to Business**

### **One-off familiarisation costs**

49. The new policy will mean that businesses will have to spend time familiarising themselves with the legislation. In following the model for ESW we anticipate that small and medium size businesses will only familiarise themselves with the legislation at the point in which they have to i.e., when an employee seeks to avail of the new entitlement. At the point the legislation is introduced, businesses with fewer than 50 employees may opt to spend a short time viewing online guidance but little beyond this. On the other hand, larger businesses with dedicated HR departments, responsible for understanding and disseminating knowledge of employment law will likely invest time in familiarisation at the point the legislation comes into effect. These businesses will also have a higher probability of an employee claiming neonatal care leave and pay due to higher number of people they employ.
50. The legislation will be similar to that of existing family-related leave and pay including being paid at the statutory rate, and mirroring key eligibility criteria, therefore we would expect that the familiarisation process would not be too onerous. Some of the familiarisation could include understanding how employer's own leave schemes interact with a statutory provision 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.
51. Again, following the model for ESW, we distinguish between small and large businesses in how they 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 manager, director or senior official will be responsible for familiarisation and will spend 3

---

<sup>13</sup> Guillaume S, et al. [Parents' expectations of staff in the early bonding process with their premature babies in the intensive care setting: a qualitative multicenter study with 60 parents | BMC Pediatrics | Full Text \(biomedcentral.com\)](#) 2013;13(1):18.

<sup>14</sup> [Life After Neonatal Care 2021 Report, The Smallest Things](#)

<sup>15</sup> [Parent-to-parent support interventions for parents of babies cared for in a neonatal unit—protocol of a systematic review of qualitative and quantitative evidence | Systematic Reviews | Full Text \(biomedcentral.com\)](#) com/articles/10.1186/s13643-018-0850-2#Sec44

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.

52. Across all companies, resource costs are estimated using data from the Annual Survey of Hours and Earnings (ASHE) 2023.<sup>(16)</sup> For businesses with 50 employees or more we assume a manager/director/senior official will lead on familiarisation. Using ASHE ('managers, directors and senior officials' data), the median hourly wage of a manager/director/senior official is £25.85 per hour. Similarly to the methodology employed within the model for ESW, 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**

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***

$$= \textit{Average wage rate per hour} \text{ (Manager, director or senior official)} \times \textit{time spent on activity} \times \textit{no. businesses affected} \times \textit{frequency}$$

$$\underline{\underline{\pounds 30.49 * 3 \text{ hours} * 1,160 * 1 = \pounds 106,105}}}$$

53. Using business data from the 2023 Business Population Estimates 2023, we estimate total one off familiarisation costs to be £106,105.

<b>Table 5: One-off familiarisation costs for Neonatal Care Leave &amp; Pay</b>			
50 - 99	645	3	58,998
100 - 199	280	3	25,612
200 - 249	60	3	5,488
250+	175	3	16,007
Total	1,160		106,105

**Source:** Business population estimates 2023 and 2023 ASHE. Note that columns may not sum to total due to rounding.

**Administrative costs**

54. The cost of processing requests for neonatal care leave and pay are estimated based on the number of individuals taking up the entitlement. We assume that businesses with fewer than 50 employees will spend longer in processing an application to account for the lack of familiarity with the new policy compared to larger businesses. The simplifying assumption is small businesses will spend 1.5 hours processing a case (which includes one hour spent on familiarisation). This additional time for small businesses could include time in consulting with guidance (Labour Relations Agency will normally produce relevant guidance) or calling helplines for specialised advice. In contrast; we assume a large business (with more than

<sup>16</sup> [Employee earnings in NI 2023 | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](https://www.nisra.gov.uk/publications/employee-earnings-in-ni-2023) – Occupation SOC20 (2) Table 3(NI).6a

50 employees) will spend only 30 minutes processing a leave request, as they will already be familiar with the entitlement. Similarly, to familiarisation costs, we assume that for both large and small businesses a manager, director or senior official will process any claims.

55. Based on ASHE data from 2023, we use the uprated average wage (including non-wage labour costs) for managers, director and senior official to £30.49 per hour. The cap on the number of weeks available does not impact the recurring administrative costs. The costs are based on the number who would qualify for the leave entitlement.

**Table 6: Recurring Administrative Costs**

	Low Estimate (£)	Best Estimate (£)	High Estimate (£)
<b>No. parents eligible for paid leave entitlement</b>	1,006	1,006	1,006
<b>No. parents taking up paid leave entitlement</b>	246	622	737
<b>Large and Medium businesses</b>			
Employee in workplace with 50 or more people (%)	49%	49%	49%
Time per case (hrs)	0.5	0.5	0.5
Eligible parents in large businesses	119	302	358
Updated hourly rate of Manager/Director/Senior Official	£30.49	£30.49	£30.49
<b>Recurring cost</b>	1,821	4,611	5,462
<b>Small businesses</b>			
Employee in workplace with fewer than 50 people (%)	51%	51%	51%
Time per case (hrs)	1.5	1.5	1.5
Eligible parents in small businesses	126	320	379
Updated hourly rate of Manager/Director/Senior Official	£30.49	£30.49	£30.49
<b>Recurring cost</b>	5,777	14,634	17,332
<b>Total</b>	<b>7,598</b>	<b>19,245</b>	<b>22,794</b>
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.			

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

This table shows how the eligible parents (622) have been calculated under the best case scenario. The same methodology has been applied for the low and high case scenarios.

Length of stay (weeks)	No of babies	No of employed / eligible mothers	No of employed / eligible fathers	Total eligible parents	Mothers Take-up rate (%)	Fathers Take-up rate (%)	*No. eligible mothers who take-up the entitlement	*No. eligible fathers who take-up the entitlement	Total eligible parents
1	328	213	243	457	0.5	0.75	107	183	289
2	151	98	112	210	0.5	0.75	49	84	133
3	63	41	47	88	0.5	0.75	20	35	56
4	53	34	39	74	0.5	0.75	17	30	47
5	27	18	20	38	0.45	0.675	8	14	21
6	29	19	22	40	0.45	0.675	8	15	23
7	17	11	13	24	0.45	0.675	5	9	13
8	14	9	10	20	0.45	0.675	4	7	11
9	18	12	13	25	0.405	0.608	5	8	13
10	9	6	7	13	0.405	0.608	2	4	6
11	5	3	4	7	0.405	0.608	1	2	4
12	8	5	6	11	0.405	0.608	2	4	6
<b>Total</b>	<b>722</b>	<b>470</b>	<b>536</b>	<b>1,006</b>			<b>230</b>	<b>393</b>	<b>622</b>

## Absence costs

56. These costs fall upon businesses as a result of employees taking neonatal care leave.

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

57. Reorganisation costs are incurred by employers regardless of whether the leave taken is paid or not. Following the model for ESW, we have made use of a CBI survey,<sup>17</sup> 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. Box 4 provides a description of the overarching approach to estimating the absence costs.

<sup>17</sup> [Time-for-employers-to-place-workplace-health-and-wellbeing-front-of-mind-cbibupahca-heathcare](#)

#### **Box 4: Reorganisation costs**

A key determinant of the magnitude of the overall reorganisation costs is the duration of leave taken, which is determined by the amount of time a parent's child has spent in neonatal care and the take-up rate of the policy. We calculate the reorganisation costs for a given number of weeks each parent is entitled to receive, which is capped at 12 weeks. This methodology and the reorganisation cost of £203.60 is based on the model for ESW.

$$\text{Reorganisation costs} = \text{No. Cases} \times \text{Reorganisation cost per week} \times \text{No. weeks}$$

Example for a baby who spends 1 week in Neonatal care:

$$\text{Reorganisation costs (where child has spent 1 weeks in care)} = 289 \times \text{£}203.6 \times 1 = \text{£}58,902$$

The total reorganisation cost is:

$$= 622 \text{ (population of parents who take Neonatal Leave and Pay)} \\ \times \text{£}203.6 \text{ (Reorganisation cost per week)} \times \text{number of weeks} = \text{£}331,073$$

A breakdown of this cost for the best estimate is shown below.

	Cost to business	Additional Weeks	Total cost
No total parents			
289	£203.60	1	£58,902.18
133	£203.60	2	£54,233.11
56	£203.60	3	£33,940.59
47	£203.60	4	£38,070.92
21	£203.60	5	£21,818.95
23	£203.60	6	£28,122.20
13	£203.60	7	£19,233.00
11	£203.60	8	£18,101.65
13	£203.60	9	£23,576.71
6	£203.60	10	£13,098.17
4	£203.60	11	£8,004.44
6	£203.60	12	£13,971.38
622			£331,073.28

**Table 7: Reorganisation costs for Business**

	Low Estimate	Best Estimate	High Estimate
Proposed option	£130,696	<b>£331,073</b>	£392,144

## Wage-like costs

58. Employers administer statutory payments 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 statutory payments made. Larger employers (defined as those with a National Insurance contributions liability of £45,000 or more) can recover 92% of statutory payments made to their employees, thus large employers face a cost of 8% of statutory payments made. Using Business Population Estimates we calculate an average contribution of 5.8% to statutory payments from employers (this is based on the methodology employed within the impact assessment for ESW).
59. In order to obtain the overall business contribution to statutory payments, we must first calculate the total value of statutory neonatal care payments made to employees and then apply the 5.8% figure to derive the average business contribution. This is calculated in the same fashion as the reorganisation costs, albeit with the statutory rate applied. See box 5 below for formula on costs.

### Box 5: Average business contributions towards the statutory payments

The amount of neonatal pay received by employees is determined by the amount of time their child spends in care and the level of the cap. Neonatal payments are calculated across cases for a given week using the DoH data using the following formula:

$$\text{Statutory Payments (£)} = \text{No. Cases (X)} \times \text{Statutory rate (£184.03)} \times \text{No. weeks(Y)}$$

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

$$\text{Business contribution (£)} = \text{Total cost} \times \text{average business contribution}$$

$$= £299,251 \times 5.8\% = £17,357$$

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

**Table 8: Wage-like costs for Business**

	Low Estimate	Best Estimate	High Estimate
Proposed option	£6,852	£17,357	£20,558

## Deadweight Costs

61. Deadweight refers to outcomes that occur without Government intervention. Within the context of this policy, deadweight could arise because:
- Some employers already provide a comparable leave entitlement to parents who are affected by their child spending prolonged periods of time in neonatal care i.e. “compassionate leave” or “special leave”.



ii) Some employers provide paid leave to employees affected by the circumstances outlined above either at or beyond the statutory rate.

iii) Employees use other forms of leave (annual leave)

62. In these circumstances, the introduction of the policy would not yield an additional cost to employers who were already providing a comparable right to neonatal care leave and pay but it would mean employers could reclaim the costs of statutory pay from the Exchequer. This would mean costs are transferred from business to the Exchequer with no additional benefit in terms of individuals taking neonatal care leave and pay. Furthermore, these benefits which accrue from neonatal care leave and pay will not be additional if employees use annual leave instead of this entitlement. Parents might have a preference to use annual leave as it is paid at full rate. Therefore, there is a financial disincentive to use neonatal care leave and pay over annual leave. However, employees have a finite amount of annual leave and requests can be delayed by the employer so annual leave may not be utilised.

63. We have assumed that all costs generated by the proposal would be additional, that is, there would be no deadweight costs. This policy gives eligible parents the right to take up to a maximum of 12 weeks' paid leave in addition to any maternity or paternity leave that might have been taken and therefore it is unlikely that businesses routinely offer extended periods of paid leave. Furthermore, employers may not recognise the need to offer additional leave to parents of babies in neonatal care, as they assume that maternity and paternity leave is sufficient.

## Costs to the Exchequer

### Statutory Payments

64. The introduction of a new entitlement means there will be additional costs for the Exchequer in the form of payments at the statutory rate (currently £184.03). However, this will somewhat be offset by the business contribution to statutory payments. Large employers can reclaim via HMRC 92% of the statutory payments they pay to employees. For smaller employers (defined as those with a National Insurance contributions Bill less £45,000) they can reclaim 103% of the statutory payments they pay to their employees. See box 6 below for further details on how Exchequer costs are calculated.

### Box 6: Calculating Statutory Payment costs to the Exchequer

Exchequer costs are based on the length of stay and aggregated across cases for a given amount of leave. Earlier analysis (Box 5) showed that businesses overall contribute 5.8% to the costs of statutory payments made to employees. The Exchequer is estimated to pick up the remaining proportion of these payments (94.2%). Then for each week a baby is in neonatal care, the Exchequer costs are calculated in the following fashion:

#### *Exchequer costs*

*= No. of people taking paid Neonatal leave*  
*× No. weeks spent in care × Statutory rate × 94.2%*

Best estimate = £299,251 \* 94.2% = £281,894

High estimate = £354,451 \* 94.2% = £333,893

Low estimate = £118,133 \* 94.2% = £111,281

65. Following the above approach, the estimated costs of statutory payments incurred by the Exchequer can be found in the table below.

**Table 9: Statutory payment costs for the Exchequer**

Option	Low Estimate	Best Estimate	High Estimate
Proposed option	£111,281	£281,894	£333,893

### One-off HMRC implementation cost

66. One-off HMRC implementation costs relating to IT system change will not be incurred as the policy intention is to introduce neonatal care leave and pay on the same basis that it has been introduced in England, Scotland and Wales and further system changes will not be required to be made. Should there be any change to this policy intention potential HMRC costs will need to be determined.

### Summary

67. 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.

**Table 10: Summary of costs and benefits**

	Costs		
	Low Estimate (£k)	Best Estimate (£k)	High Estimate (£k)
<b>Business costs</b>			
One-off (familiarisation costs)	£106,105	£106,105	£106,105
Recurring (annual) costs	£145,146	£367,675	£435,496
of which reorganisation / absence costs	£130,696	£331,073	£392,144
of which wage-like costs	£6,852	£17,357	£20,558
of which recurring admin costs	£7,598	£19,245	£22,794
<b>Exchequer costs</b>			
One-off implementation cost*	Nil	Nil	Nil
Recurring statutory payment cost (discounted by amount covered by business)	£111,281	£281,894	£333,893
<b>Benefits</b>			
Recurring additional statutory leave payments to eligible parents	£118,133	£299,251	£354,451

\*these costs will be nil as the intention is that neonatal care leave and pay will be introduced in NI on the same basis as it will be introduced in England, Scotland & Wales.

## **Rationale and evidence that justify the level of analysis used in the impact assessment (proportionality approach):**

68. In conducting this impact assessment we have mirrored the approach/model adopted by DBT (formerly BEIS) for ESW and have drawn on evidence and sources used therein. In addition, we have made use of existing data sources available to us for the north of Ireland and drawn on relevant research to evidence our assumptions and policy development.
69. As well informed as these assumptions might be there is always a large degree of uncertainty around the take-up of such a policy. We propose a different take-up rate for fathers/partners and mothers (in the best estimate scenario) to reflect the different availability of existing parental leave entitlements and have identified that evidence from the impact assessment for ESW suggests fathers and partners are likely to be a key group for this leave. The proposed 75% take-up rate assumption for men is similar to the take-up rate seen for paternity leave as estimated by the Parental Rights Survey (74% of fathers/partners eligible for paternity leave take it up). We propose a lower take-up assumption for mothers (50%) as the qualitative evidence, as obtained by DBT, from stakeholders indicated that the policy is expected to support fathers/partners primarily. However, it is acknowledged that a good deal of uncertainty remains and we have attempted to address this by conducting sensitivity analysis by including a broad range of take-up rates covering 25% to 75%, as with the model for ESW.
70. In addition to this, we have tapered the take-up rate by 10% every four weeks as evidence obtained by DBT suggests that the take-up rate is different for parents whose baby has been in neonatal care for 1 week compared to parents of babies in neonatal for 12 weeks, as parents may start to feel financial burdens after taking large amounts of leave at the statutory rate. However, there is limited evidence of how the take-up rate changes over such a long period.
71. Estimating how many parents will take-up neonatal care leave and pay is complex and influenced by multiple factors such as the nature of the care the child requires, availability of other leave rights (including annual leave), household income and even workplace culture. Take-up will also depend on each individual parents' personal circumstances (support networks etc). Given the uncertainty associated with this, further analysis will be required upon completion of the consultation exercise to refine the project costs and to evaluate the policy options.

## **Data sources**

72. The evidence underpinning the population of neonatal parents in this impact assessment has been sourced from the Hospital Inpatient System, Hospital Information Branch, Department of Health. Data from NISRA Labour Force Survey and the Business Population Estimates and ASHE have also been used to develop the cost analysis.
73. In addition to this, we have used Labour Force Survey (LFS) microdata to estimate the percentage of neonatal parents who would be eligible for neonatal care leave and pay. The LFS dataset does not provide data on whether someone has a child in neonatal care and so we have used the employment rates of parents with a child under 1 year old – we believe that this is a reasonable approximation for neonatal parents in the absence of more specific data. Subsequently, we calculated the percentage of these parents who have employee status and have been in employment for more than 26 weeks. This data estimates that 65% of mothers and 74% of father/partners who have a child in neonatal care will be eligible for neonatal care leave and pay.

## Impact on Small and Micro Businesses

74. As with the model for ESW, we do not plan to exempt small and micro-businesses from this new entitlement. Exempting them would not help in meeting the policy objectives for parents of children who spend a prolonged period of time in neonatal care and happen to work in smaller businesses. 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.
75. Following the same approach as for ESW and using the latest data from the Business Population Estimates 2023, we estimate that around 97% of businesses affected are small and micro businesses<sup>18</sup>, with these businesses accounting for 51% of employees. We have no specific information on the size of the employer that parents of neonatal babies are employed in so instead we use a proxy, employee parents of children under the age of 1. We have little reason to believe these groups would have markedly different employment characteristics and use LFS data to identify how this group is split across small and large businesses. However, using LFS data we find that respondents are only asked how many employees are reported to work at the respondent's workplace instead of organisation. Using the former will underestimate the number of employees working at the organisation level, upon which the costs estimated throughout are based on. We therefore assume that 51% of eligible individuals are likely to work for small and micro-businesses.

**Table 11: Number of businesses and employers by Business Size**

<b>Business Size (no. of employees)</b>	<b>No. Businesses</b>	<b>No. Employees</b>
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
<b>Total businesses</b>	<b>39,205</b>	<b>463</b>
<b>Total in small and micro businesses (up to 49 employees)</b>	<b>38,045</b>	<b>238</b>
<b>Share in small and micro businesses</b>	<b>97%</b>	<b>51%</b>

Source: Business Population Estimates 2023  
No. of employees in thousands

76. Statutory payments will be made under the current framework, whereby employers make the payment and then claim back a proportion which is based upon the business' total National Insurance Contributions costs: i.e. >£45,000 – will receive 92% of the costs, and <£45,000 – will receive 103% of the costs. It should also be noted that due to this model of recouping

<sup>18</sup> Defined here as having fewer than 50 employees as per Eurostat (<https://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-statistics/sme>)

costs, the expected overall impact on businesses is likely to be negligible, as while larger businesses will be impacted by paying 8% of the payment, smaller businesses will be compensated for the administrative burden placed upon them. The overall costs and impact to business will be affected by any additional change to eligibility. Employers will also benefit from the provision of a statutory entitlement that creates a standardised process for managing paid leave in these difficult circumstances. It will also allow employers that have existing contractual arrangements with their employees for leave in these circumstances to be wholly or partially reimbursed.

## Risks and Assumptions

### Modelling risk and assumptions

77. 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 (these are based on the impact assessment for ESW):

78.

Assumption Log		
Assumption	Detail	Discussion
Eligible population – employment characteristics	The eligible population is determined using admin data on the number of episodes of neonatal babies admitted/readmitted to neonatal care each year. The number of parents eligible for this policy is calculated by applying an assumed employment rate and the proportion who have worked for 6 months or more to the initial data based on a proxy (all employee parents with a child under 1).	With limited information on the characteristics of parents of neonatal babies specifically we instead focus on parents with youngest children under 1 as a suitable proxy. We believe this to be an appropriate match for the population of interest but nevertheless there is a risk that the actual costs fall outside the range of the figures estimated. This proxy is supported by administrative data on the number of episodes of neonatal babies which provides a strong foundation for the analysis.
Take-up rate	Further to the steps outlined above, an assumed take-up rate is then applied which is tapered at a rate of 10%; our best estimate is 75% for fathers/partners and 50% for mothers.	The take-up rate assumption is based on evidence from measured take-up of other labour market policies such as the Paternity Leave entitlement. It is therefore uncertain and may not capture the true demand for this policy.
'Deadweight'	Deadweight in this scenario refers to the possibility that some employers are already providing comparable levels of leave to neonatal parents 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 current level of support employers provide to employees in this situation (beyond evidence obtained by DBT consultation indicating limited support), we make the simplifying assumption that employers do not have comparable policies to those under discussion (up to 12 weeks additional paid leave). 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 organisations with more than 50 employees, whereas they are included as part of admin costs	Due to the low numbers of babies going into neonatal care for over a week each year, it is likely that many businesses (especially small

	for those businesses with fewer than 50 employees (therefore familiarisation occurs when requests arise).	businesses) will not experience any employees seeking to use their entitlement to neonatal care leave and / or pay and therefore familiarisation will be relatively small. We will assess this assumption in any Post Implementation Review.
--	---	--

### Other key assumptions

79. The total number of episodes of neonatal babies in Northern Ireland with a neonatal stay of at least 7 days is estimated to be 722 in 2022. From this we have made the following key adjustments/assumptions:

- 80.5% of mothers and 93.1% of fathers are employed.
- Of which, 93% of employed mothers and 88.2% of employed fathers have a child under one;
- Of which, 86.9% of employee mothers and 90.4% of fathers have been continuously employed for 26 weeks or more.<sup>19</sup>

---

<sup>19</sup> Employment related % figures provided by NISRA based on the April-June 23 Labour Force Survey household dataset