

The background of the entire page is a photograph of construction workers in silhouette, carrying a long wooden beam across their shoulders. They are walking in a line on a sloped surface, possibly a roof or a ramp. The lighting is a warm, golden-yellow, creating a strong silhouette effect. The workers are wearing hard hats and work clothes. The overall mood is one of teamwork and industry.

dti

**SUCCESS AT WORK**

Increasing the holiday entitlement – an initial consultation

JUNE 2006



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# Foreword



Since 1997, the Government has put in place a fair employment framework, including rights on a minimum wage, on working hours and on holiday. Holidays are a key component in both work-life balance and in our overall quality of life. They give us the opportunity to spend time with our friends and families, to explore other interests, to gain new experiences and to relax. There are strong business benefits as well, helping improve motivation, productivity and staff retention. The benefits to business of holiday are widely recognised, and many companies already offer their staff more holiday than the statutory minimum leave as part of the reward package.

The introduction in 1997 of the right to four weeks' holiday gave two million workers paid holiday for the first time and enabled many more to benefit from increased holiday entitlement. Yet some, particularly the lowest paid, have to include time taken off on bank holidays against their annual holiday entitlement. This is unfair, and the Government is committed to ending this anomaly by making paid leave for bank holidays additional to the existing holiday entitlement.

This consultation seeks views on how we can achieve that objective, balancing the needs of staff for time away from the workplace and the needs of business for a motivated and productive workforce. In particular, it considers the benefits and impacts of the proposals, and asks for views on flexibilities that both staff and businesses may find helpful to enable them to make best use of their holiday.

In consulting on this important measure, I am keen that we hear the views of all those affected – from the individual to the large business. I hope that you will read the document and give us your reactions and views. I look forward to your comments.

A handwritten signature in black ink, appearing to read 'Jim Fitzpatrick', with a stylized flourish at the end.

**Jim Fitzpatrick**

Minister for Employment Relations & Postal Services

# Executive Summary

- 1.** The ability to spend time away from the workplace is an important component of work-life balance and helps reduce stress. It is, however, anomalous that generally the lowest paid have bank holidays included in their annual holiday entitlement. There are 8 permanent bank and public holidays in Great Britain. The Government proposes to increase the current statutory minimum holiday entitlement from four weeks to 5.6 weeks (maximum 28 days), to implement its commitment to make paid time off for bank holidays additional to the current four-week holiday entitlement. Raising the holiday entitlement to 5.6 weeks is equivalent to an increase from 20 days to 28 days for someone working a five-day week.
- 2.** Views are sought from businesses, trades unions, representative bodies, individuals and others on the implementation of this change, including the timescale over which the additional holiday entitlement is introduced, and flexibilities over how the additional holiday can be treated.
- 3.** As the implications for the lowest paid are significant, the interaction with the National Minimum Wage will play a key part in the development of this policy. We will, therefore, make the information gathered through this consultation available to the Low Pay Commission. This consultation relates to England, Wales and Scotland. The Department for Employment and Learning, Northern Ireland is consulting on similar proposals for Northern Ireland.

# Details of the Consultation

## How to respond

4. This consultation will close on 22 September 2006. A response can be submitted by letter, fax or email to:

Peter Stephens  
Annual Leave Entitlement, Employment Relations  
Department of Trade and Industry  
Bay 3140, 1 Victoria Street  
London, SW1H 0ET  
Tel: 020 7215 3813  
Fax: 020 7215 0227  
Email: [annual.leave@dti.gsi.gov.uk](mailto:annual.leave@dti.gsi.gov.uk)

5. When responding please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. A copy of the Consultation Response form is enclosed.

## Additional copies and contact details

6. You may make copies of this document without seeking permission. Further printed copies of the consultation document can be obtained from:

DTI Publications Orderline  
ADMAIL 528  
London, SW1W 8YT  
Tel: 0845 015 0010  
Fax: 0845 015 0020  
Minicom: 0845 015 0030  
Web: [www.dti.gov.uk/publications](http://www.dti.gov.uk/publications)

7. An electronic version of this document can be found at <http://www.dti.gov.uk/employment/holidays/index.html>, as can a Welsh version. Other versions of the document in Braille, other languages or audio-cassette are available on request.

## Confidentiality & Data Protection

8. Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.
9. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.
10. The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

## Help with queries

11. Questions about the policy issues raised in the document can be addressed to:

Peter Stephens  
Annual Leave Entitlement, Employment Relations  
Department of Trade and Industry  
Bay 3140, 1 Victoria Street  
London, SW1H 0ET  
Tel: 020 7215 3813  
Fax: 020 7215 0227  
Email: [annual.leave@dti.gsi.gov.uk](mailto:annual.leave@dti.gsi.gov.uk)

- 12.** If you have comments or complaints about the way this consultation has been conducted, these should be sent to:

Mary Smeeth  
Better Regulation Team  
Department of Trade and Industry  
1 Victoria Street  
London, SW1H 0ET  
Email: [mary.smeeth@dti.gsi.gov.uk](mailto:mary.smeeth@dti.gsi.gov.uk)  
Tel: 020 7215 2146  
Fax: 020 7215 8303

- 13.** A copy of the Code of Practice on Consultation is attached.

# The Proposal

14. The ability to spend time away from the workplace is an important component of work-life balance and can help reduce stress. In 1998, the Government introduced a statutory entitlement to paid holiday for the first time. The statutory entitlement of four-weeks' holiday may include time off for bank and public holidays and some staff receive only four weeks' holiday in total, including when they are required or wish to take time off for bank holidays.

John works five days a week and so has a statutory holiday entitlement of 20 days. However, his employer includes time off for bank holidays in that entitlement. This leaves John with only twelve days of leave a year which he can take at a time of his choice.

15. It is, however, anomalous that it is generally the lowest paid that have bank holidays included in their annual holiday entitlement. The Government has committed to make paid leave for bank holidays additional to the current holiday entitlement, bringing this disadvantaged group into line with the majority of the workforce. Although many employers do give their staff bank and public holidays off, there is no statutory right to have leave on these days. Time off, or additional pay for working on a bank or public holiday is a contractual matter between the employer and member of staff.

## Increasing the holiday entitlement

16. The Government proposes to extend the current statutory holiday entitlement to reflect the number of permanent bank and public holidays. There are 8 permanent bank and public holidays in Great Britain. Under the Working Time Regulations 1998, staff are entitled to four weeks' paid holiday each year. The Government proposes to increase that entitlement to 5.6 weeks, pro rata for part-timers and expressed as weeks to reflect the differing work patterns that many staff work where daily patterns of work may vary considerably. The statutory right to paid holiday will be subject to a maximum of 28 days' paid leave per year.

- 17.** In an increasingly globalised world market, many businesses require some or all of their staff to work on bank and public holidays. There are also a number of variations in bank holidays between England & Wales, Scotland and Northern Ireland. Employers may give staff the right to time off, or to payment for working on bank holidays, but that is something to be agreed between employer and staff in their employment contract. The Government does not propose to introduce a statutory right for the paid holiday to be taken on a bank or public holiday.

A member of staff working five days a week is currently entitled to 20 days' paid holiday per year. Increasing the statutory entitlement to 5.6 weeks would increase their entitlement to 28 days.

A member of staff working part time two and a half days a week is currently entitled to 10 days' (four weeks') holiday per year. Increasing the statutory entitlement to 5.6 weeks would increase their entitlement to 14 days per year.

A member of staff working six days a week is currently entitled to 24 days' holiday per year. Whilst increasing their holiday entitlement to 5.6 weeks would equate to 32 days' leave per year, the statutory entitlement will be capped at 28 days' per year. Their employer may, of course, grant extra holiday above the new statutory 28 days in the employment contract.

### **The benefits for staff of increased holiday**

- 18.** The Government believes that taking holiday is an important component of work-life balance and for the wider well being of society. Taking holiday enables families to spend time together, as well as working and contributing to family income. It gives people the opportunity to explore other interests and new experiences, often bringing back useful skills into the workplace. It enables staff to balance the demands of their work with the need for rest. Achieving a positive work-life balance reduces stress levels and increases levels of staff retention, motivation and productivity. Many businesses already recognise the importance of holiday for staff and make provision for holiday over and above the legal entitlement.

### Question 1

As a member of staff, what are the **three** most important benefits an increased holiday entitlement would give you?

Please tick no more than **three** boxes.

- Give me an opportunity to spend more time with my family & friends
- Reduce the amount of days off I have to take (as sick leave or emergency leave, for example)
- Enable people to pursue other leisure interests (such as hobbies, sport, shopping, voluntary work etc)
- Give me the opportunity to earn more money in a second job/overtime
- Give me the opportunity to earn more money by receiving money in lieu of taking holiday, if my employer allows it
- Enable me to take another holiday away from home
- Give me more choice over when I take my holiday
- Help me feel refreshed and motivated when I'm back at work
- I already receive at least 28 days' holiday (or equivalent for part-time staff)
- Other (please describe):.....

### The impact on business of increased holiday

19. Many staff already receive at least the equivalent of 5.6 weeks' paid holiday. Due to the wide range of flexible and non-standard working patterns that exist today it has been difficult to obtain accurate figures for the potential impact on business of increasing the statutory holiday entitlement. Whilst one of the significant impacts of the proposals may be cost, there may be other non-financial impacts and as yet unquantified benefits.

- 20.** An initial Regulatory Impact Assessment is being published within this consultation document. The Government is currently conducting a survey of current arrangements to assess the number of staff likely to benefit from the increased holiday entitlement, with complete survey data available for publication by November 2006. Quantification of the costs will be completed shortly thereafter and a revised Regulatory Impact Assessment will be published towards the end of the year.
- 21.** As the implications for the lowest paid are significant, the interaction with the National Minimum Wage will play a key part in the development of this policy. We will, therefore, make the information gathered through this consultation available to the Low Pay Commission.

### Question 2

As a business, what do you believe may be the **main** impact on your business of increased holiday entitlement?

Please tick **one** box only.

- No impact – staff already receive at least 28 days' (5.6 weeks') holiday
- Cost of recruiting extra staff to cover holiday periods
- Loss of key staff on holiday periods
- Staff more productive and motivated
- Harder to roster staff to ensure full cover
- Other (please describe):.....

## Employment contracts

22. The statutory holiday entitlement is the minimum paid holiday a worker is entitled to by law. Under an employment contract, however, an employer may give more holiday than the legal entitlement, as many do at present. The statutory holiday entitlement may or may not include time off for bank and public holidays, again subject to the contract of employment. These proposals would not alter the relationship between the statutory entitlement and any contractual provision in this respect. The only change would be an increase in the statutory entitlement.

### Question 3

What working practices (such as shift patterns, annualised hours or flexible benefits) may face difficulties if the proposed approach of extending the statutory holiday entitlement from 20 to 28 days (4 weeks to 5.6 weeks) were implemented?

Please explain: .....

## Requesting holiday and enforcement of entitlement

23. Under the current Working Time Regulations, staff must give their employer notice of wishing to take holiday and an employer may decline that request or require staff to take holiday at certain times (such as for plant shut-downs or over bank holidays). The Working Time Regulations and associated sector-specific regulations also deal with a number of related matters such as how the right is enforced. With a view to making existing arrangements as simple as possible for businesses and their staff, the Government does not propose to change any of these existing arrangements in increasing the holiday entitlement.

**Carrying holiday over to the following holiday year**

- 24. Under the European Working Time Directive, staff are entitled to take four weeks’ paid holiday each year. As a general rule, none of that four-week entitlement should be carried over into the following holiday year. The proposed increase from four weeks to 5.6 weeks’ holiday (up to 28 days) would not be subject to the requirements of the European Directive and the legislation could provide an option to carry over the additional 1.6 weeks (8 days for a five day week) to the following holiday year, subject to the employment contract.
- 25. Providing this option would increase the complexity of the regulations and potentially add to the administrative burden for businesses and the complexity for staff. However, it may give businesses greater flexibility in managing holiday requests and may enable staff to ‘bank’ holiday to take an extended holiday, something staff might value. Question 8, after paragraph 28, asks which of the potential flexibilities around annual holiday would be most helpful to mitigate the impact on business.

**Question 4**

Flexibilities on holiday may help businesses and staff manage the additional holiday, although this would increase the complexity of the regulations and add to administrative burdens for business.

Should there be an option to carry over some or all of the additional 8 days’ (1.6 weeks’) holiday from one holiday year to the next?

Yes

No

Comments:.....

## Payment instead of taking holiday

- 26.** The entitlement to take four weeks' holiday in any holiday year, as described above, means that none of the four-week statutory holiday entitlement can be 'bought out', instead of actual leave being taken. As with carrying holiday over, the additional 1.6 weeks to be introduced would not be subject to the requirements of the European Working Time Directive. The Government could therefore in drafting the regulations provide an option for the additional 1.6 weeks to be 'bought out' by the employer – that is, a payment (at no less than 'single time' rate) made in lieu of the actual holiday being taken, subject to contract. Again, providing the option to give payment in lieu of taking holiday would increase the complexity of the regulations and increase the administrative burden on businesses. Question 8, after paragraph 28, asks which of the potential flexibilities around annual holiday would be most helpful to reduce the impact on business.

### Question 5

Flexibilities on holiday may help businesses and staff manage the additional holiday, although this would increase the complexity of the regulations and add to administrative burdens for business.

Should there be an option to 'buy out' some or all of the additional 8 days' (1.6 weeks') holiday, that is, give payment in lieu of taking leave?

Yes

No

Comments:.....

## Introducing the new entitlement

- 27.** Increasing the statutory holiday entitlement may have a greater impact on some businesses and sectors that have historically given less annual holiday to staff. To give time for businesses to adjust, the Government proposes to phase in the introduction of the additional holiday entitlement, with the statutory entitlement increasing from 4 weeks to 4.8 weeks (equivalent to 24 days' holiday for someone working five days a week) from 1 October 2007.

### Question 6

The Government proposes to phase in the introduction of the additional holiday, with the statutory entitlement increasing from 20 days to 24 days (4 weeks to 4.8 weeks) from 1 October 2007. Do you have any comments on this proposal?

Please explain: .....

- 28.** The timing of the introduction of the remaining additional holiday entitlement will be decided following this consultation. Of those businesses that do not already give 28 days, many give more than 20 days already, and therefore an increase to 4.8 weeks is likely to affect significantly fewer businesses than the increase from 4.8 weeks to 5.6 weeks. Whilst spreading out the remaining increase in holiday over time could give business more time to adjust to the changes, it would mean that the regulations governing annual holiday would change several times, increasing the administrative burden on business and increasing uncertainty for all involved. Views are sought on when and how the remainder of the additional holiday entitlement should be introduced.

### Question 7

Should the remaining increase in the annual holiday entitlement from 24 to 28 days\* (from 4.8 weeks to 5.6 weeks) be introduced:

- In one go, **one year** after the increase from 20 days\* to 24 days\* (from 1 October 2008)
- In one go, **two years** after the increase from 20 days\* to 24 days\* (from 1 October 2009)
- In two phases, increasing to 26 days\* on 1 October 2008 and 28 days\* from 1 October 2009
- The timing of the second increase should be reviewed after the implementation of the first increase from 1 October 2007
- Other (please describe):.....

\* for full-time staff; pro rata for part-time staff

### Question 8

As a business, which **one** measure would be most helpful in reducing the impact of increased holiday, bearing in mind that the administrative burden may be increased as a result?

Please tick **one** box only.

- The ability to buy out/pay in lieu of the additional holiday
- The ability to carry the additional holiday over to the following year
- A longer period to introduce the extra holiday entitlement
- Other (please describe):.....

**Question 9**

How should any particular carrying over (paragraph 24) or buying out of the additional holiday entitlement (paragraph 26) work in practice? For example, should it be subject to mutual agreement between employer and members of staff?

Comments:.....

**Question 10**

Do you have any other comments on the proposal to increase the holiday entitlement, as outlined above?

Comments:.....

# What Happens Next

- 29.** This consultation will close on 22 September and the Government's response to the consultation will be published within three months of this date. Depending on the outcome of this consultation, draft regulations will be published for further consultation by the end of this year before being debated by Parliament. A provisional timetable is as follows:

Close of initial consultation	22 September 2006
Government response published	December 2006
Draft regulations published for consultation	December 2006
Consultation closes	March 2007
Regulations debated in Parliament	April 2007
Regulations come into effect	1 October 2007

- 30.** In preparing this consultation, initial discussions have been held with the CBI, TUC, EEF and CIPD, as well as with representative organisations from the hospitality, construction, social care, retail and road freight sectors, which are believed likely to be particularly affected. As part of this consultation, we would welcome the opportunity to discuss these proposals with other representative organisations. To help the consultation process, a number of events are planned over the summer, further details of which will be placed on the consultation website ([www.dti.gov.uk/employment/holidays/index.html](http://www.dti.gov.uk/employment/holidays/index.html)). If you wish to be kept informed of these meetings and progress on the holiday entitlement proposals, please tick the box on the response form, giving your email address.
- 31.** The Government will make the responses to the consultation public unless respondents specifically request that their response be kept confidential. The response form attached to this consultation document includes a box to request that the response be treated as confidential.

# Annex

## The Consultation Code of Practice Criteria

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

The complete code is available on the Cabinet Office's website (<http://www.cabinetoffice.gov.uk/regulation/consultation/index.asp>).

### Comments or complaints

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

Mary Smeeth  
Better Regulation Team  
Department of Trade and Industry  
1 Victoria Street  
London, SW1H 0ET

Telephone Mary on 020 7215 2146  
or email to: [mary.smeeth@dti.gsi.gov.uk](mailto:mary.smeeth@dti.gsi.gov.uk)

# Partial Regulatory Impact Assessment (RIA)

## Purpose and intended effect

### Objective

1. To increase the statutory annual leave (holiday) entitlement from four weeks to 5.6 weeks (subject to a maximum statutory entitlement of 28 days).

### Background

2. Everyone covered by the Working Time Regulations (whether part-time or full-time) is currently entitled to 4 weeks' paid annual leave. A weeks' leave is equivalent to an individual's working week – for example, if someone works a 5-day week, he or she is entitled to 20 days' leave; for a part-time member of staff working a 3-day week, the entitlement is 12 days.
3. Currently, the leave entitlement is not additional to bank and public holidays. This has led to some companies requiring their staff to count these holidays as part of their 4 weeks' leave entitlement. In order to make the annual leave entitlement additional to time off for bank holidays, the Government proposes to increase the statutory entitlement from four weeks (equivalent to 20 days for someone working five days a week) to 5.6 weeks (equivalent to 28 days for someone working five days a week). The statutory entitlement would be capped at 28 days.

### Rationale for Government intervention

4. In the Working Time Regulations 1998, the Government set minimum standards for working time, including annual leave entitlements, in order to implement the Working Time Directive. Whilst the labour market may determine contractual holiday entitlements above the statutory entitlement in order to attract and retain staff, it is appropriate that the Government regulates to ensure minimum standards on annual leave.

## Consultation

### Within government

5. The Department of Trade and Industry (DTI) will consult other interested departments, including the Department for Work and Pensions. It is believed that those most affected by these measures are likely to be the lowest paid, and that the industry sectors most affected will be those that typically pay close to the National Minimum Wage (NMW). The DTI will consult with the departments that sponsor those sectors to ensure that the potential impacts on those sectors are considered. Discussions have already taken place with the Department for Transport and the Department for Culture, Media and Sport on the potential impact on their sectors.
6. As the implications for the lowest paid are significant, the interaction with the National Minimum Wage will play a key part in the development of this policy. The DTI will, therefore, make the information and evidence gathered through this consultation exercise and generated in our assessment of the regulatory impact of this policy available to the Low Pay Commission and invite them to take account of our plans when recommending the NMW in future.

### Public consultation

7. This initial consultation exercise will enable the DTI to gain a better understanding of the impact and number of people that will be affected by the proposals. These discussions will assist with, and will inform, subsequent formulation of the details of the policy and provide a better indication of the likely costs and benefits. As well as a written consultation exercise, a number of events are planned, at which stakeholders can comment on the proposals.
8. Following this initial consultation, draft regulations will be prepared for formal consultation before being put before Parliament early next year.

## Options

9. There are a number of options that the Government could pursue with respect to annual leave:
  - a. **Do nothing.** The Government could maintain the status quo, where some staff, particularly the lowest paid, have leave for bank and public holidays included in their statutory leave entitlement, whilst most staff receive considerably more paid leave from their employer than the statutory minimum. The Government believes that the current situation is unfair and so has committed to make paid leave for bank and public holidays additional to the annual holiday entitlement.
  - b. **Introduce a statutory right to take leave on bank and public holidays.** With increased world trade, many businesses require some or all of their staff to work over bank and public holidays to cover extended business operating hours. The Government does not propose to introduce a statutory right for the paid leave to be taken on bank and public holidays.
  - c. **Increase the statutory holiday entitlement to reflect the number of bank and public holidays.** The Government believes that the most appropriate way of implementing its commitment is to increase the statutory annual leave entitlement to reflect the number of permanent bank and public holidays.
10. There are a number of further options that will be considered as part of the consultation process, including:
  - Whether the introduction of the additional leave should be phased and, if so, in what way;
  - Whether there should be an option to carry over some or all of the additional leave into the following leave year;
  - Whether there should be an option for employers to 'buy out' (give payment in lieu of taking leave) some or all of the additional leave, and;
  - How these flexibilities on carrying over or buying out the additional leave would be agreed between employers and staff.

- 11.** The consultation also seeks to complement other data collection on annual leave in considering:
- The perceived benefits and costs of increasing the annual leave entitlement;
  - The extent which time off in lieu is already granted to those who work on bank and public holidays, and;
  - Differential impacts on sectors and small and medium enterprises (SMEs).

### **Costs and benefits**

- 12.** DTI have commissioned an independent survey to obtain the data that is required to quantify the costs of this proposal. The survey will take the form of face-to-face interviews, conducted in four waves between April and October 2006. Thirteen questions will be asked in each wave, to 1800 working adults. Further questions will also allow for analysis by occupation and industry. The complete survey data will be available for publication by November 2006. Quantification of the costs will be completed shortly thereafter and included in the partial RIA accompanying the draft regulations for formal consultation.
- 13.** In order that the ongoing costs of this measure can be accurately monitored, a number of extra questions will be added to the Office for National Statistics Labour Force Survey in 2007. This will provide monitoring data from 2008.
- 14.** DTI officials are working closely with representative bodies in some of the sectors likely to be particularly affected to gain a better understanding of the sectoral impacts of the proposals.

### **Sectors and groups affected**

- 15.** The proposals are likely to have a greater impact in some sectors than others. At this stage it is possible only to consider a very preliminary analysis of the sectors most likely to be affected and these probably include hotels and restaurants, retail and leisure industries.

16. Estimating the numbers affected (including by sector) is very difficult. Different industrial sectors currently offer varying contractual arrangements to staff that work on bank and public holidays. At the moment there is little information to indicate the current arrangements by industry and no information on how these arrangements will be affected by the new proposal. As described above, DTI are pursuing better data and will consult with stakeholders in developing the proposal.

### **Benefits**

17. The ability to spend time away from the workplace is an important component of work-life balance and can help reduce stress. It is anomalous that generally the lowest paid have bank holidays included in their annual holiday entitlement. Extending the annual leave entitlement will ensure that individuals are provided with basic minimum holiday rights, bringing this disadvantaged group into line with the majority of the workforce. It is believed that the low-paid are less likely to receive more than the statutory minimum leave entitlement. This proposal is therefore likely to give benefit to the low-paid, including part-time workers, women and members of ethnic minorities. As part of the consultation exercise, bodies representing these groups will be consulted on the proposals and subsequent versions of the RIA will reflect the equality impact of the proposals in greater detail.

### **Costs**

18. Further work is in train to improve the quality and availability of data to underpin cost estimates (see paragraph under 'costs and benefits' above). This will allow quantified cost estimates to be published in Autumn 2006. The subsequent partial RIA will include these figures.

### **Small Firms Impact Test**

19. We consider that smaller businesses are less likely already to offer 4 weeks' annual leave additional to bank and public holidays. The sectors that are likely to be particularly affected are comprised of a high proportion of small businesses. It is likely, therefore, that the proposal will have a disproportionate impact on small businesses.
20. Our consultation and research will look particularly at the potential impact upon SMEs and how this might be reduced when the proposal is implemented. We will be working closely with the Small Business Service as we develop our proposals. The subsequent partial RIA will include the results of this consultation, including specific measures to consult small businesses and any Small Firms Impact Test that may be conducted. The extra data we are seeking will underpin our assessment of the impact of this proposal on smaller firms in greater detail.

### **Competition assessment**

21. The proposals may also affect some industries to a greater extent than others. Initial discussions with stakeholders suggest that the measure may reduce the competitive advantage enjoyed by some businesses in giving their staff no more than the statutory leave entitlement. The DTI will consult fully with stakeholders, including the Small Business Service and the Office of Fair Trading, so that any potential competition issues are identified. Subsequent versions of the RIA will assess the impact on competition in greater detail.

### **Enforcement, sanctions and monitoring**

22. As with the current entitlement to four weeks' leave, the new provision is likely to be enforced through Employment Tribunals. The implementation of the additional leave entitlement will be monitored through subsequent Labour Force Surveys, and through cases brought to Employment Tribunal.



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