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SME REGULATION EXEMPTION LEAVES BUSINESSES IN THE DARK

George Osborne's announcement yesterday that small businesses of up to ten employees will be exempt from new legislation for three years has left SMEs in the dark about the new paternity leave rules due to come into effect 3rd April, says uSwitchforbusiness.com. With business owners up in arms about the impact of the new paternity rules on their business, SMEs need clarification as quickly as possible over whether the new exemption rules will apply to paternity regulations too:

- **39% of SME owners believe small businesses should be exempt from new paternity leave rules effective from 3rd April 2011 - just 21% think that the new rules should apply equally to SMEs^[1]**
- **Unconvinced: only a tiny minority of SME owners (1%) believe that the paternity leave rules will be a positive for their business^[2]**
- **Uncompetitive: the ruling means that 3 in 10 SME owners will now think twice about the staff that they hire^[3]**
- **Unconfirmed: George Osborne was reported to have been announcing an exemption for SMEs in the budget^[4], but paternity leave was left out.**

James Constant, Director of uSwitchforbusiness.com, says: "The Government needs to clarify this point as a matter of urgency as many small business owners will have been left scratching their heads. If the exemption doesn't include the new paternity leave regulations then that will be a blow. But even if it does, it will still mean that only very small businesses of up to ten people will be exempt – this will be a blow to the wider SME community.

"Clearly from yesterday's announcement the Government recognises that small businesses are being strangled by red tape and politically correct regulation, but is still not prepared to do enough about it. This is short-sighted as our research shows that SMEs are prepared to change their hiring policy as a result of what many see as punitive new paternity leave rules. The rules

were designed to create more flexibility, but in fact may be forcing SMEs into a corner and could potentially lead to a less competitive job market.

“This confusion comes at a time when SMEs face tough trading conditions and many business owners are working hard to keep their business afloat. Legislation will have an impact on the cost of running a business, so it’s important that business owners keep a close eye on other costs and overheads to try to compensate.”

For more information visit www.uswitchforbusiness.com or call 0800 051 5343

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Notes to editors:

Unless otherwise stated, all research is taken from a uSwitchforbusiness.com poll, undertaken online with 240 key owners and financial decision makers of businesses with between 1 and 50 employees during January 2011.

1. New paternity rules due to come in on the 3rd April, please see <http://www.bis.gov.uk/files/file52940.pdf> . From the research, when asked ‘Should SMEs be exempt from the new paternity leave rules?’ 39.1% said ‘yes’, 20.8% said ‘no’, while 40.1% said ‘don’t know’. According to the Department for Business, Innovation and Skills in October 2010 there were 4.8 million SME business in Britain (http://stats.bis.gov.uk/ed/sme/Stats_Press_Release_2009.pdf). 39.1% of 4.8 million is 1,872,000 (1.87 million) and 40.1% is 1,920,000 (1.92 million)
2. When asked ‘will the proposed changes to paternity leave have an impact on your business?’, 1.4% answered ‘Yes, but in a good way’
3. When asked ‘Will the new paternity ruling make you think twice about the staff that you hire?’, 32.2% said ‘Yes’. 32.2% of 4.8 million is 1545600 (1.54million)
4. It was reported that the Treasury was to announce exemptions to the paternity rule for SMEs at the budget, for instance [here](#).

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