

 Regulatory Policy Committee	Validation of the One-in, Two-out Status and the Net Direct Impact on Business
Validation Impact Assessment (IA)	Penalties on the non-payment of awards
Lead Department/Agency	Department for Business, Innovation and Skills
IA Number	-
Origin	Domestic
Expected date of implementation	6 April 2015 (SNR 9)
Date of Regulatory Triage Confirmation	24 January 2014
Date submitted to RPC	22 April 2014
Date of RPC Validation	2 June 2014
RPC reference	RPC14-FT-BIS-1997(2)
Departmental Assessment	
One-in, Two-out status	IN
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	£0.10 million
RPC assessment	VALIDATED
RPC summary comments	
The IA is fit for purpose. The analysis provides a reasonable estimate of the number of compliant businesses likely to incur costs as a result of familiarising themselves with the new penalties regime. As a result, we are able to validate the estimate of the equivalent annual net cost to business (EANCB) of £0.10 million.	
Background (extracts from IA)	
What is the problem under consideration? Why is government intervention necessary?	
<p><i>"Recent research commissioned by BIS has shown that 35% of employment tribunal rewards remain unpaid 6 months following judgment (with a further 15% only part paid)... A dispute resolution process with high levels of non-compliance risks a lack of credibility. People who have paid to access a tribunal can rightly expect some certainty that their award will be paid if a judge rules in their favour. Equally, businesses that are compliant need to feel that there is a level playing field when they observe the rules and address disputes in the lawful way."</i></p>	

What are the policy objectives and the intended effects?

"We intend to impose a financial penalty on non-compliant firms with the aim of encouraging compliance and prompt payment of awards. The penalty will be in proportion to the amount awarded at employment tribunal. It will be up to 50% of the award with a minimum penalty of £100 and a maximum of £5000... Non payment of awards is a complex issue that requires a number of different policy solutions, many of them are non-regulatory. These are being taken forward in tandem... Do nothing is not a viable policy option. Government now has evidence over a 5 year period that this is a problem that is not improving."

RPC comments

The proposal imposes financial penalties on those firms that have failed to pay an employment tribunal award 42 days following a tribunal judgment.

Compliant businesses will face some familiarisation costs when entering into an employment tribunal process. The analysis states that 29,568 compliant businesses (i.e. those not found to be in breach of employment law) will seek to familiarise themselves with the new penalties regime at the outset of an employment tribunal case. The Department estimates that it would take between five and fifteen minutes for a HR Manager, with an hourly wage cost of £27 including overheads, to become familiar with the new policy.

The mid-range estimate of the associated cost is therefore £133,500 each year. This results in an estimated equivalent annual net cost to business of £0.10 million. On the basis of this analysis, the RPC is able to validate the estimated EANCB figure.

Signed		Michael Gibbons, Chairman
---------------	---	----------------------------------