		<b>Validation of the One-in, Two-out Status and the Net Direct Impact on Business</b>
<b>Validation Impact Assessment (IA)</b>	Defence Reform Bill: Part 3 - reserve forces	
<b>Lead Department/Agency</b>	Ministry of Defence	
<b>IA Number</b>	MOD0002 Part 3	
<b>Origin</b>	Domestic	
<b>Expected date of implementation (and SNR number)</b>	May 2014 (SNR7)	
<b>Date of Regulatory Triage Confirmation</b>	7/6/2013: RPC13-FT-MoD-1742(2) and 1743(2)	
<b>Date submitted to RPC</b>	19/8/2013	
<b>Date of RPC validation</b>	28/8/2013	
<b>RPC reference</b>	RPC13-MOD-1828	
<b>Departmental assessment</b>		
<b>One-in, Two-out status</b>	<b>IN</b>	
<b>Estimate of the equivalent annual net cost to business (EANCB)</b>	<b>£0.31m</b>	
<b>RPC assessment</b>	<b>VALIDATED</b>	
<b>Background (extracted from IA)</b>		
<b>What is the problem under consideration? Why is government intervention necessary?</b>		
<p>The reserve forces are a vital component of the armed forces. However, a number of problems have been identified which require legislative changes. To utilise reserves, the Government require increased mobilisation powers and to increase employment protection to reserves.</p> <p>The changes are intended to strengthen the reserves and allow greater integration as part of the 'whole force' required to meet future security challenges. They will have cost savings (though not all can be easily calculated for the IA) as the MoD utilises better the range of manpower (regulars, reserves, contractors and civil servants) available to it. The changes will deliver an improvement in the range of skills available to provide military capability where required.</p>		
<b>What are the policy objectives and the intended effects?</b>		
It is proposed that legislation is changed to:		
(a) expand the circumstances in which members of the reserve forces can be 'called out';		
(b) provide greater employment protection for reservists;		

(c) re-name the “Territorial Army” to the “Army Reserve” and the existing “Army Reserve” to the “Regular Reserve”;

(d) empower the Secretary of State (for Defence) to make incentive payments to employers of reserves.

The proposals will allow reservists to be called out to support a broader range of military tasks but the IA does not assume that more reservists will be used. As the proposals have the potential to increase the number of mobilisations, costs to business may increase. However, where reservists are mobilised, extensive processes and awards already exist to support and compensate employers (and reservists) throughout the period. Therefore it is not anticipated that the expanded call-out power will impose a significantly greater burden on business overall, or on small and micro-businesses in particular; and existing legislation enables reservists or their employers to seek deferral or exemption from call-out.

The proposals provide for an exemption from the statutory two-year qualifying period in bringing unfair dismissal claims, where the principal reason for dismissal is because the employee is a reservist. However, there are expected to be very few additional employment tribunal cases brought about by this measure.

The anticipated cost to business of these proposals is likely to be low and, the provision of additional incentive payments to employers to address unquantifiable disruption and lost opportunity costs caused by the absence of an employee will mean that they will have an overall net benefit to employers, and small and micro-businesses in particular.

### **RPC comments**

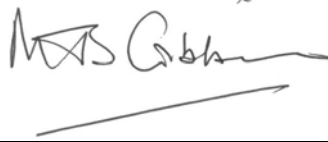
The validated EANCB figure relates only to expansion of the circumstances in which members of the reserve forces could be called out (£0.24m per year), and the provision of greater employment protection for reservists (£0.07m per year); renaming the Territorial Army has a negligible impact on business or civil society organisations.

Estimating the EANCB figure has taken into consideration the cost of one-off familiarisation with the changes and implementation (eg. changes to human resource systems), and any increased recurring administration and training (of temporary replacements) costs which are not reimbursed. For these costs, the IA’s central assumptions are that an additional 500 reservist deployments will take place per year, each resulting in seven hours familiarisation and training, and four hours administration (for both the reservist and replacement) for business.

Whilst the IA includes an assessment of the impact of the proposals relating to making incentive payments to employers of reserves, at this stage the Bill provides for an enabling power which itself has no impact on business, thus the measure is not reflected in the EANCB figure. It is proposed that the

scope and the qualifying criteria related to receipt of these payments will be set out subsequently in regulations, at which point a more precise assessment of their impact should be made. The Department should then consider the scope for inclusion of the impacts in the One-in, Two-out policy and, if appropriate, for an estimated EANCB figure to be submitted to the Committee for validation.

**Signed**

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal flourish extending to the right.

**Michael Gibbons, Chairman**