 Regulatory Policy Committee	Validation of the One-in, Two-out Status and the Net Direct Impact on Business
Validation Impact Assessment (IA)	The Equality Act 2010 (Equal Pay Audits) Regulations 2014
Lead Department/Agency	Government Equalities Office
IA Number	
Origin	Domestic
Expected date of implementation (and SNR number)	SNR 8
Date of Regulatory Triage Confirmation	18 January 2013
Date submitted to RPC	29 January 2014
Date of RPC Validation	12 March 2014
RPC reference	RPC13-FT-GEO-1671(2)
Departmental Assessment	
One-in, Two-out status	Out of scope (no direct impact on business and civil society)
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	n/a
RPC assessment	VALIDATED
Background (extracts from IA) What is the problem under consideration? Why is government intervention necessary? <i>Women continue to experience substantial differences in pay compared to their male colleagues doing like work, equivalent work or work of the same value. Despite a legal framework on equal pay being in force since 1975, some employers are either still not familiar with the law, or are deliberately choosing to flout it by paying their female employees less. The effects of such inequality include the restriction of women's contribution to economic growth, and to some extent, the on-going gender pay gap. The 2013 ONS statistics estimated that women working full-time were still paid on average 10% less than their male counterparts. The Government aims to address this by introducing regulations under powers contained in the Equality Act 2010 ("the 2010 Act") which will be applicable <u>only</u> where an employer is found by an Employment Tribunal to have committed an equal pay breach (i.e. a breach of equal pay law and/or sex discrimination law relating to pay)</i> What are the policy objectives and the intended effects? <i>The overall objective of the regulations is to ensure that in the very rare cases where a tribunal makes a finding of an equal pay breach, employers will be required to fully consider their pay policies and structures and draw up an action plan to rectify any discriminatory pay differences that may exist. This will result in fewer future breaches and will consequently reduce the number of equal pay claims brought against employers. These regulations will supplement the</i>	

voluntary business-led approach to gender equality reporting as outlined in the Think, Act, Report¹ initiative which seeks to promote greater transparency on key issues in the workplace such as recruitment, retention, promotion and pay.

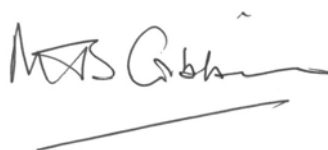
RPC comments

The proposal will result in some businesses being required to undertake an equal pay audit in certain circumstances, if they are found to be non-compliant with equal pay legislation.

Our opinion of 18 January 2013 questioned the Department's claim that the proposal would not result in an increase in costs for compliant businesses, through changing settlement behaviours, as a result of an increased risk of higher costs following a tribunal case. The Department raised this issue through the consultation process, and have provided further detail regarding the circumstances in which cases may have an equal pay audit imposed. As an equal pay audit will only be imposed in limited circumstances, the consultation responses supported the Department's assessment that the marginal increase in costs for non-compliant businesses was unlikely to create sufficient additional risk to change behaviours in compliant businesses and organisations. The IA would benefit from including further information on why the number of cases likely to be subject to a pay audit is estimated at 25% of successful equal pay claims against employers, however we recognise that this does not affect the assessment of the impacts on compliant businesses.

The Department's assessment is that the proposal does not have a direct impact on compliant businesses and civil society organisations and is, therefore, out of scope of One-in, Two-out. In light of the additional information provided and the responses to the consultation regarding the unlikelihood of behaviour change by compliant companies, the RPC confirms that the Department's OITO assessment can be validated.

Signed



Michael Gibbons, Chairman

¹ <https://www.gov.uk/government/policies/creating-a-fairer-and-more-equal-society/supporting-pages/think-act-report>