Title: Prohibition on deduction of union subscriptions from wages in public sector **IA No:** **Lead department or agency:** Cabinet Office **Other departments or agencies:** BIS	**Impact Assessment (IA)** **Date:** 18/01/2016 **Stage:** Development/Options **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries:** Melissa Quignon-Finch (melissa.finch@cabinetoffice.gov.uk)

Summary: Intervention and Options

RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
31.34	0.00	0.00	No	NA

What is the problem under consideration? Why is government intervention necessary?

The majority of public sector employers (over 90%) currently provide trade unions with a service to collect union subscriptions directly from members' salaries at source, a service often referred to as "check off". Union subscriptions can easily be paid by alternative means, such as direct debit, whereas check off was introduced when employees routinely did not hold bank accounts, and is no longer necessary. Public sector employers should not intermediate the subscription relationship, or carry the administrative and legal burden or providing such a service. Without legislation, some employees may have a contractual right to check off, and an employer would be unable to legally remove the service without risking a breach of contract claim.

What are the policy objectives and the intended effects?

The Government introduced a new clause to the Trade Union Bill to prohibit relevant public sector employers from providing a 'check off' service to trade unions. The amendment will enable Ministers to make regulations prohibiting relevant public sector employers from providing such a service, allowing a twelve-month transition period to enable trade unions to contact their members to switch to direct debit. This will remove the administrative burden and legal burden from public sector employers, and ensure that trade unions have a direct subscription relationship with their members, like any other modern members' organisation. Members will benefit from consumer protection under the Direct Debit Guarantee.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0: Do nothing.
Option 1: Prohibit public sector employers from providing a check off service for their trade unions.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 01/2021

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: ______________________ Date: ______________

Summary: Analysis & Evidence — Policy Option 1

Description: Prohibit public sector employers from providing a check off service for their trade unions

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2014	2016	10	**Low:** 0.73	**High:** 61.94	**Best Estimate:** 31.34

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	4.2	1	2.8	**28.3**
High	6.1		5.1	**49.4**
Best Estimate	5.2		4.0	**38.8**

Description and scale of key monetised costs by 'main affected groups'

The costs across public sector employers are estimated at a one-off familiarisation and payroll adjustment cost of £1.9m (less than £100 per public sector employer). Trade unions incur one-off familiarisation and transition cost of £0.15m, and ongoing costs of direct debit charges of £4.4m p.a. Trade union members have a £3.1m one-off cost to switching to other payment methods for their subcriptions.

Other key non-monetised costs by 'main affected groups'

Costs to public sector employers may include some loss of goodwill with employees and trade unions. Due to lack of data and difficulty in valuing goodwill, it was not possible to monetise this cost at this time.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0.0		5.9	**50.1**
High	0.0		10.7	**90.2**
Best Estimate	0.0		8.3	**70.2**

Description and scale of key monetised benefits by 'main affected groups'

A saving to public sector bodies of £7.2m per annum is estimated. This will stem from the reduction of administrative burdens related to check off. Trade Unions will save £2.0m per annum from not reimbursing the public sector for check off.

Other key non-monetised benefits by 'main affected groups'

Public sector employers will no longer be at risk of being taken to tribunal for incorrectly deducting a union subscription. Trade unions will have a monthly, up to date list of members to assist their internal data collection and a much more direct relationship with their members. Consumer protection will be available for members under direct debit, where the member will be notified of any changes to amount, date or frequency, which has not been required under check off since 1998.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5%

Key assumptions center on the number of staff using check off. Whilst data on this is not available, we estimate that 90% of public bodies provide the facility, so 90% of staff is selected as the upper boundary (50% low). Changing this assumption affects the key ongoing costs and benefits in the same direction: fewer staff currently using check off means that the total benefit of not providing this will be lower, but the future cost of to trade unions of alternative payments will also be lower.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	**Benefits:** 0.0	**Net:** 0.0	No	NA

Evidence Base (for summary sheets)

Problem under consideration

1. The Government introduced a new clause, Clause 14: *Prohibition on deduction of union subscriptions from wages in the public sector*, to the Trade Union Bill to prohibit public sector employers from running a 'check off' service on behalf of the trade unions, as part of the manifesto commitment to modernise industrial relations.
2. Check off is a service by which an employer deducts a trade union subscription direct from the trade union member's salary at source, and then sends the collected subscription amounts to the relevant trade union.
3. The most recent data available suggests that the majority of public sector employers (over 90%) provide a check off service on behalf of their trade unions, but of those offering this service, less than a quarter (22%) are reimbursed by the relevant trade union for the administrative burden.
4. There is no statutory obligation for an employer to provide such a service but some employees may have a contractual right to check off and an employer would be unable to legally remove the service without risking a breach of contract claim. Some unions and public sector employers have chosen to already modernise their arrangements and move entirely to direct debit. But where an employer continues to provide a check off service, they put themselves under a legal obligation to provide the service in a certain way.

Rationale for intervention

5. Check off dates from an era when many people did not have bank accounts and direct debit did not exist, but is no longer necessary for a modern workforce, at a time when the average consumer already has six direct debits.
6. Public sector employers have no business in being an intermediary in the subscription relationship, which should be directly between the union and its members, like any other modern member-based organisation.
7. Where employers are funded by the taxpayer, they should not provide unnecessary services which place a burden on the public sector. Only the minority (22%) of public sector employers are currently reimbursed for the provision of a check off service. These modest payments (a median of 2.5% of the subscriptions collected) still represent the administrative burden carried by publicly funded employers, and even where reimbursement takes place, it remains the employer's responsibility to ensure it makes check off deductions in accordance with the legal requirements of doing so. If the employer fails to meet these requirements, for example by accidentally deducting a subscription where the member has chosen to end their membership, they can be taken to an Employment Tribunal for unlawful deduction of earnings.
8. Direct debits payment are an obvious alternative, and some unions chose to modernise their subscriptions by moving entirely to direct debit years ago, and the majority of Civil Service departments no longer offer this service. Direct debits offer members consumer protection under the Direct Debit Guarantee, entitling them to be notified of any change to the amount, frequency or date of their payments at least 10 working days in advance. This protection has not been available under check-off since 1998.
9. The majority (80%) of people in the UK already have a direct debit, with the average consumer having six. Many private companies see direct debit as the most preferable way to be paid, such as utilities companies who offer customers a discount if they pay in this way. It is unlikely that any trade union does not already pay with, or accept some payments by, direct debit, and the largest unions in the public sector – Unite, Unison, GMB and PCS – all already accept direct debit as a method by which to pay union subscriptions. Members paying by direct debit do not have to switch payment methods if leaving their employer, which could be without notice, and so would be guaranteed continued membership under direct debit.

10. The process of moving to direct debit is a quick, simple process which can be done by post, online, or even on a mobile 'phone. Union websites currently say the process "only takes a few minutes". Direct debits do not incur a cost to the members, and will allow members to pay the same amount, at the same frequency, for the same membership benefits, with only the method of payment to change.

11. Removing the check off provision is not expected to have a negative impact on industrial relations. Where government departments have signalled their intent to end check off, they have consulted with their trade unions and given reasonable notice, allowing the unions sufficient time to sign up their members through direct debit instead. The impact of transition on trade unions should be minimal. Those that still rely on check off will be able to collect subscriptions using the established method of direct debit and the employer will not be an unnecessary third party to the arrangement.

12. Removing public sector employers as an intermediary to the subscription relationship will help unions foster more direct relationships with their members. A PCS spokesman said their union could end up stronger as a result [of removing check off] because it would know its members were absolutely committed to retaining their membership and the union would have more contact with them (http://www.bbc.co.uk/news/uk-politics-33798700). This intervention will give individuals greater control in choosing which unions will best represent them.

Policy objective

13. New Clause 14 of the Trade Union Bill seeks to prohibit public sector employers, who are funded by the taxpayer, from providing a check off service.

14. This will have the effect of removing the administrative and legal burden on employers, and create a modernised, direct-debit based subscription relationship between a member and their chosen trade union, without the public sector playing an unnecessary intermediary role.

15. This should have a minimal effect on members and unions, who will have a twelve-month transition period in which to contact their members and move to direct debit.

Description of options considered

16. Option 0: Do nothing. While some unions encourage their members to sign up to direct debit, there is still a large dependence on check off in the public sector. No intervention would only have a very slow and minimal effect, likely over many decades. Prohibiting the provision of check off for new starters only is similarly likely to have a slow and minimal effect.

17. Option 1: Prohibit public sector employers from providing a check off service for their trade unions.

    This option would deliver the policy objectives of removing the administrative burden from taxpayer funded employers, modernising the membership relationship and members will have customer protection under the Direct Debit Guarantee should they choose to switch their payments to this method. Members would have a reasonable amount of time (twelve months) in which to undertake the simple process of switching to direct debit.

18. Prohibiting public sector employers from providing a check off service for their trade unions unless the trade union reimburses the cost to the employer of doing so was also considered.

    The purpose of this legislation is to remove the administrative burden and legal implications of providing a check off service in the public sector. The public sector should not provide unnecessary services which place additional burdens on processes and services. Check off also makes the public sector an unnecessary intermediary to the subscription relationship, which should be directly between the union and its members. Members also do not have the right to be notified of changes in the amount of frequency of payments, as they would under the Direct Debit Guarantee.

    Allowing check off to continue in the public sector, where the union subsidises the administrative burden of doing so, would not deliver all of the policy objectives. Even with a modest fee in place, which is currently typically around 2.5% of subscriptions collected, the public sector would still be playing an unnecessary intermediary role, carrying the administrative and legal burden. The employer administering a charge to the trade union to cover the cost of providing a check off service is likely to increase rather than lessen the administrative burden. Members would not benefit from consumer protection, and membership arrangements would not be modernised.

19. The option of requiring public sector employers to identify and report on the costs of check off was also considered but similarly would not deliver all of the policy objectives. This option would not modernise arrangements with the employer still an intermediary to the subscription relationship. It would also add to an employer's administrative burden as the total cost of check off is often hidden as it is buried in the computer systems that have been set up by employers.

Costs – Option 1

Transition costs to public sector bodies

Familiarisation and dissemination (direct cost) – all public sector bodies

20. The introduction of this legislation will result in one-off familiarisation costs to all public sector employers. Table 1 below sets out the numbers of bodies in each category.

Table 1

Number of organisations affected*	
Ministerial departments, non-ministerial departments, agencies and other public bodies	408
State funded primary and secondary education	20,086
Local Authority District	380
Police	48
Fire	51
Acute trust England	161
Clinical commissioning groups	212
Mental health trusts	59
Health and care trusts	19
Ambulance trust	10
Area Team	38
Special health authority	12
Transport	10
Total	**21,494**

*note that the precise number of public sector bodies changes as bodies are closed and/or new ones introduced. The figures in this table should therefore be treated as estimates.

21. For each public sector body, a limited number of staff will need to be made aware of the impacts the proposed legislation would have on their operations. We assume that the amount of time taken to become familiar with the proposals will be small as changes introduced in the Bill are straightforward.

22. Familiarisation may include activities such as one official in each public body reading and understanding the proposed regulatory change, learning how it impacts their operations, producing a note for senior management/leadership. This information may then be disseminated widely in public sector bodies, e.g. through an email or face to face meetings, and to trade unions affected.

23. For the purposes of this impact assessment, we assume that the type of staff involved on familiarising themselves with these proposed regulations will be public sector administrative officials. Using the Annual Survey of Hours and Earnings data (2014 provisional), the basic hourly median pay for 'administrative occupations: government and related organisations' (the closest available job category) is £10.93. Uprating by 19.8% to reflect non-wage costs (Eurostat) the total hourly cost for an administrative official will be approximately £13.09 (2014 prices).

24. Assuming that the above familiarisation and dissemination activities take at most half a day (3.5 hours) of an official's time, the familiarisation cost per public sector organisation will be around £46 (£13.09 x 3.5 hours), with a total of **£1m across all public sector bodies** (£46 x 21,494 bodies).

Payroll adjustment (direct cost) – all public sector bodies using check off

25. Following familiarisation, it is expected that public sector bodies' payroll/finance departments will need to make one-off adjustments to payroll arrangements to reflect the regulatory changes, i.e. to stop collecting trade union members' subscriptions and paying the total to unions.

26. Costs associated with these adjustments are expected to involve mainly staff time. It is expected that payroll systems used in the public sector allow amendments to be made across a number of employees in bulk, and making amendments should therefore not be time-consuming even in bigger organisations. Anecdotal evidence from a number of larger public sector bodies supports

this, although in small bodies with a small number of staff payroll adjustment pay be carried out for each employee individually. Conservatively assuming that payroll adjustment takes 3.5 hours of a payroll officer's time, and using the ASHE basic hourly median pay for 'administrative occupations: government and related organisations', the one-off cost associated with payroll adjustment is estimated at £46 per public sector body (£13.09 x 3.5 hours).

27. Since only 90% of public sector bodies currently provide check-off, the total cost is estimated at **£0.9m** (£46 per body x 21,494 bodies x 0.9 proportion who provide check off).

28. Employees are likely to face some costs associated with setting up direct debit payments to unions. It is estimated that these costs will be low as direct debit set-up can be done online or on a mobile phone and only takes a small amount of time. Some trade unions chose to move to direct debit previously, and others are currently actively encouraging their members to switch on their websites.

Transition costs to trade unions (indirect)

29. Transition costs to trade unions are considered indirect as the proposed measure only directly regulates public sector bodies.

Familiarisation

30. It is expected that trade unions would also have to familiarise themselves with this proposed legislative change. Familiarisation costs to trade unions are expected to be low because public sector bodies are expected to disseminate this information to trade unions as they terminate check off arrangements. It is expected that trade unions will consider check off as they familiarise themselves with the impact of further, more substantial provisions in the Trade Union Bill. Based on this, it is expected that it would take between 30 minutes and two hours (1 hour best estimate) of a union senior director's time to understand the implications of the legislative change and disseminate this information.

31. To estimate the labour costs we use median gross hourly wages data from the Annual Survey of Hours and Earnings (ASHE). For senior directors of trade unions we use the median hourly wage figure for functional managers and directors: £21.56, and uplift for non-wage labour costs by 19.8% of wage costs, based on Eurostat data[1], meaning a total hourly cost of £25.83. The cost per union of time spent on familiarisation is therefore the labour costs for the senior directors multiplied by the hours spent on familiarisation: a best estimate of £26, with a range between £13 (low) and £52 (high).

32. We estimate 64 unions will need to familiarise themselves with the proposed changes. This is based on identifying Trade Unions that operate in the public sector from the list of 163 registered Trade Unions. Familiarisation costs are therefore estimated as **£1,700** (£26 x 1 hour x 64 unions, best estimate), ranging between **£800** (£26 x 0.5 x 64, low) and **£3,300** (£26 x 2 x 64, high).

Moving members to direct debit

33. Trade Unions will incur a one-off transition cost from moving their members from check off to direct debit payments. The dissemination of information regarding check off is expected to be mostly handled by individual public bodies through existing communication channels (e.g. through staff newsletters, emails and intranet pages) therefore costs for public bodies are likely to be minimal. However, trade unions are likely to issue additional information with regard to check off and the transition to direct debit, e.g. pointing staff to instructions on their websites on how to pay through direct debit.

34. We have assumed that administration related to processing members details and communication with members will result in 4 hours of a Trade Union official's time per 1,000 trade union members. The wage cost of a Trade Union official is taken as the median hourly wage excluding over time, for officers of non-government organisations from the 2014 Annual Survey of Hours and Earnings. We add 19.8% to the wage figure to account for non-wage labour costs based on 2014 Eurostat data. This gives an hourly labour cost of £13.68. Four hours of time would be worth £54.72. There are estimated to be between 50% and 90% of the 3.8m public sector union

[1] Eurostat, Labour costs per hour in EUR, 2004-2014, whole economy excluding agriculture and public administration, http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png

members affected by check off. This equates to between 1.9m and 3.4m trade union members affected. Based on the above assumptions this leads to an estimated one-off transition cost of **£103,000 to £185,000. Best estimate of £144,000.**

Legal advice

35. Whilst it is expected that trade unions will be obtaining legal advice on other, more complex provisions in the Trade Union Bill, the change in check off facility provision is very straightforward and clear, and it is a regulation of public sector organisations rather than of trade unions. It is therefore not expected that trade unions will be seeking a considerable amount of legal advice on this issue.

<u>Ongoing costs to trade unions (indirect)</u>

36. Ongoing costs to trade unions are considered indirect as the proposed measure only directly regulates public sector bodies.

Banking charges

1. It is possible that Trade Unions will incur a banking transaction cost from receiving direct debit payments. This, however, depends on the bank account type that unions hold. A number of banks currently offer receipts of direct debit payments free of charge. We also assume that all trade unions are already integrated into the current direct debit banking system (as most offer the option of paying by direct debit). It is therefore possible that many trade unions will not incur any additional costs associated with banking transactions.
2. Where banks do charge for direct debit receipts, this is in the form of a transaction fee per payment in. The average banking transaction cost based on four major retail banks is £0.14 per transaction. Subscriptions are usually collected monthly so the annual banking charge per member would be £1.68. Throughout this impact assessment we assume 50% to 90% of 3.8m public sector trade union members affected. Multiplying the number of trade union members affected by £1.68 gives an estimated **£3.2m (low) to £5.7m (high) per annum. Best estimate is £4.4m.**
3. Note that since the transaction fee is related to member payments to unions, it is expected that any transaction fees would be passed on to union members in the form of higher fees. Given that the current membership fee is around £12-£14 per month, an increase of £0.14 (1% increase) should not be a significant burden per member (or a burden that is expected to make members terminate their membership). However, the cost associated with banking charges are counted in the EANCB calculation.

Administration

4. Most unions currently offer direct debit as an alternative to paying through check off. As such, there are already administration costs involved in checking that member payments have been received every month (both through direct debit and through check off). It is not expected that administration costs will rise when more members move to direct debit.

<u>Transition costs to trade union members (indirect)</u>

5. Transition costs to trade union members are considered indirect as the proposed measure only directly regulates public sector bodies.

Cost of switching payment method

6. We have estimated the cost that falls on members to switch away from check off to other forms of payment for their subscriptions. This is a one-off cost. We assume that it will take five minutes for trade union members to arrange an alternative payment method for subscriptions. The value of that time is measured at the median hourly wage for public sector workers taken from the 2014 Annual Survey of Hours and Earnings (£14.27). Of the 3.8m public sector trade union members 50% to 90% are assumed to be affected by check off. Multiplying the number of trade union members affected by the value of time gives an estimated **£2.2m to £4.0m one-off cost. Best estimate of £3.1m.**

Benefits – Option 1

Administrative saving (direct benefit) – public sector bodies

7. A key driver for introducing this regulatory change is the administrative burden to public sector bodies of providing check off facilities. The change in regulation would eliminate this (placing the burden of paying membership subscriptions on trade union members) and result in administrative savings.
8. Taxpayers' Alliance research in this area suggests that around 90% of public sector bodies provide check off facilities, but only a minority of bodies (22% of 1075 public sector organisations surveyed) currently charge for the service. In charging bodies, the median charge stood at 2.5% of subscription fees collected. Average trade union subscription fees stand at around £12-£14 for full-time employees (about 78% of union members), and £6-£8 for part-time employees (22% of union members). Since around 90% of public sector organisations currently provide check off facilities, it is assumed that at most 90% of public sector employees are currently paying union fees using the check off facility, with a 'low' assumption at 50%.
9. Using data on average fees (weighted average of full-time and part-time fees, £11.7) and check off usage (50% - 90% of the public sector's 3.8m union members), and assuming that the 2.5% average charge compensates public sector bodies for the administrative cost of check off, it is estimated that current check off costs stand at £0.5-£1m per month (£11.7 monthly fee x 2.5% charge x 3.8m members x (50% or 90%)), or £6.6m - £11.9m annually. Assuming only 22% of public bodies were previously compensated for the cost of check off, the proposed change in regulation would result in annual administrative savings to departments of around **£5.1m-£9.2m** (78% x (£6.6m or £11.9m)). **Best estimate of £7.2m per annum.**

Check off savings for Trade Unions (indirect benefit)

10. Check off savings to trade unions are considered indirect as the proposed measure only directly regulates public sector bodies.
11. Trade unions will no longer be compensating public sector bodies for check off services. Based on the above percentage of 22% of public sector bodies being reimbursed by Trade Unions for check off services. The benefit to Trade Unions based on the above methodology will be around **£1.4m-£2.6m** (22% x (£6.6m or £11.9m). **Best estimate of £2.0m per annum.**

Summary table of costs and benefits

Summary table of costs and benefits (best estimates)

	Group affected	Cost	Benefit
One-off transition			
Familiarisation	Public sector	£1,000,000	
Payroll adjustment cost	Public sector	£900,000	
Familiarisation	Trade Unions	£2,000	
Processing and communication	Trade Unions	£144,000	
Members switching payment methods	Trade Union members	£3,100,000	

Ongoing Administrative saving Check off reimbursement saving Banking transaction cost	 Public sector Trade Unions Trade Unions	 £4,400,000	 £7,200,000 £2,000,000

Deregulatory target

12. Trade unions are included within the deregulatory target. However, all costs and benefits incurred by trade unions are indirect, as the legislation only directly affects public sector bodies in prohibiting the provision of check off facilities. The EANCB is therefore zero.

Risk and assumptions

13. The key assumption in this analysis concerns the current usage of check off, which is then used to estimate administrative savings. This is made using anecdotal evidence from central government departments, combined with research by the Taxpayers' Alliance. Note that due to the small expected size of the transition cost (due to legislation being straightforward, and ease of payroll change), administrative savings over 10 years would outweigh transition costs even under more conservative assumptions on check off usage.

Short-term loss of revenue from membership fees – trade unions

14. It is possible that trade unions will face some temporary disruption in fee collection once check off has been prohibited. This is because members may take time to switch to direct debit or another method of subscribing, and miss payments as a result. Associated costs may include the need to write to members to remind them of outstanding fees.

15. This disruption should only be temporary, and members' fees due should be collectable within a short period of time (e.g. several months) of the change in regulation being implemented. Moreover, in preparation for this change, many trade unions have already been encouraging members to switch to direct debit, which should further lower any disruption. The associated costs have not been monetised as they are expected to be minimal.

Long-term loss of revenue from membership fees – trade unions

16. During the process of switching from check off to direct debit payments, some trade union members may decide to not continue in their membership. This will result in a loss of revenue to trade unions. This cost is considered indirect as it does not stem directly from the change in regulation, but from associated behaviour change of trade union members. This cost has not been monetised as sufficient data is not available to estimate the percentage of trade union members who may decide to not continue in membership.

Households without bank accounts

17. It is possible that the cessation of check off provision could have a negative impact on any workers without bank accounts who would not be able to pay membership fees by direct debit. However, this risk is considered to be minimal. According to the Financial Inclusion Monitoring Report (2014), the number of people without access to a bank account is at an all-time low, at 700,000 or 1% of all households. Public sector employees should need bank accounts to receive pay and it is therefore not expected that their ability to pay union subscription fees will be affected.

Small and Micro Business Exemption

37. The Annual Report of the Certification Officer for 2014-15 found that only 5.5% of trade union members across the whole economy belonged to a trade union with less than 10,000 members, and of that figure just 0.4% belonged to a trade union with less than 1,000 members. While there is, therefore, likely to only be a small minority of public sector trade union members belonging to a trade union which could be classed as either a small or micro business, we have duly considered whether these proposals would have a disproportionate impact on such organisations.

38. The purpose of this legislation is to remove public sector employers from being an unnecessary intermediary in the subscription relationship, which should be directly between a member and their chosen trade union. Public sector employers should not have to carry the burden of providing such a service, or be restrained by the legal obligations under which they must provide such a service. Exempting small unions would not achieve the aims of this legislation, as it is not the unions which must provide the service, but the employers, who would have to continue to offer a check off service for the minority of members who are currently a member of a small union. In effect, this could mean that a minority of trade union members retain the use of a check off service, but the number of public sector employers having to run such a service remains at the same levels, albeit for a smaller number of transactions.

39. Smaller unions within the Civil Service, where the majority of departments have now removed check off, have provided anecdotal evidence that they have found it easier to move their members to check off, as they typically have a flatter, less hierarchical structure which made communication with their members simpler. It is reasonable to expect that any active trade union would be able to communicate with all its members within the twelve-month transition period which will be provided to switch members to direct debit. Recent evidence of a small group of employees, the 362 PCS members of the Durham branch of the Land Registry, saw near 100% switch to direct debit between February and September 2015.

40. Small and micro business-sized employers within the public sector should find the process of discontinuing check off payments on their payroll a simple process, as their will be only a small number of payments to cancel going forward, and there will be in effect twelve-months of notice that they must make this change. Many small public sector organisations, such as small schools, do not operate their own payroll in any case, but rather are managed by the local authority.

Impact on Families

41. Strong and stable families, in all their forms, play a vitally important role in our society. Supporting strong families is vital to help reduce the cost of social problems and build a secure economy for future generations. Since 2014, all new legislation need to complete the Family Test in order to ensure that any new policies do not adversely affect families and family life.

42. Prohibiting check off in the public sector will not adversely affect family formation or family life. Simply moving from a check off payment to a direct debit payment for public sector trade union members will not impact upon parenting, or other caring responsibilities, or have an adverse effect during periods or separation or family deterioration.

43. Similarly, families going through significant life events will not be adversely impacted. A twelve-month transition period will be place to assure that adequate notice is provided for union members to make their switch, which, even during more challenging periods of a family's life or during periods away from the workplace, will be adequate time to switch to direct debit. Switching to direct debit requires the completion of a direct debit form, which only takes a few minutes and in many cases can be completed online, or on a mobile 'phone, where the member wishes to do so.

44. In fact, families could benefit from this change of payment types, as public sector employees will no longer have to risk losing their union membership, and the benefits it provides such as legal cover in some circumstances, if they leave their employer. Employees being made redundant, dismissed, or temporary or seasonal workers coming to an end of a contract could be dismissed with no or minimal notice, and in most cases less than the twelve-month period required by this legislation, in a time which would be already challenging for family units.

Equality Impact Assessment

45. The Trade Union Bill will not impose costs directly on individuals. There will be some modest costs on trade unions, however these will not be of a scope likely to have serious financial or material impact on the relationship between a trade union and its members.

46. To consider the prohibition of check off, while the cost for some trade unions of receiving direct debits could be 1% of the received subscription costs (as a high estimate), the median payment to a public sector employer from a union for the provision of a check off service is 2.5%, and so in many cases, there will be a saving to pass on. However, the majority of unions do not pay for check off, and so it is not unlikely that an increase of up to 1% may be passed on to members. Average trade union subscription fees stand at around £12-14 for full-time employees (about 78% of union members), and £6-£8 for part-time employees (22% of union members). If the cost of direct debits were passed on in full, this would equate to an annual cost of less than £2 for a full-time member, and less than £1 for a part-time member.

47. This clause of the Bill will create procedural change in the operations of trade unions in respect to, in the public sector only, they will be required to have a direct subscription relationship with their members, and not one intermediated by the employer. Members will have consumer protection for their payments under the Direct Debit Guarantee, and be able to better manage their finances as they will be legally entitled to 10 working days' notice of any change to the amount, date or frequency of the payment, something which was withdrawn from check off in 1998. They will also not run the risk of missing payments, and losing their union membership and its benefits such as legal services in some circumstances, if they were to leave their employer with no or little notice.

48. While certain protected groups will experience the procedural changes of the Bill, and of the removal of check off, more than others, they will also benefit from the positive effects of moving to direct debit, as mentioned above, with more frequency. Due to the benefits of direct debit, and the twelve-month transition period in which to switch to direct debit, we have assessed that these changes are not adverse to any union members, and so there are no adverse equality impacts.

49. Since these changes will affect public sector trade union members, and with both the public sector and trade union membership representing certain protected groups at a higher level than that found in the general population, we have undertaken an assessment of union membership in the public sector to ensure that all possible equality impacts have been considered. A summary of these findings is presented below:

    • Trade union members are slightly more likely to be aged 35 or above than the general population of employees, as are public sector employees. The age distribution of union members in the public sector is broadly the same as that of the public sector as a whole;

    • 55% of trade union members are women, compared to around 50% of all employees. Women are more likely to work in the public sector. Union membership does not affect this materially;

    • The breakdown of people with disabilities is broadly comparable between union members and the general population of employees, and across all sectors. Union members are very slightly more likely to be disabled;

    • The composition of ethnic groups is also broadly comparable across all groups, with trade union members slightly more likely to be in the White ethnic group.

    • The breakdown of religion and belief amongst trade union members is broadly comparable to the general population of employees, with trade union members across all sectors marginally more likely to be Christian and slightly less likely to have no religion or be Hindu or Muslim.

50. A fuller analysis can be found in the published Trade Union Bill Equality Impact Assessment, as Clauses 12 and 13 of the Bill also relate to the same public sector workforce.

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