

## Equal Pay

### Equality and Human Rights Commission

**RPC rating: validated**

The assessment is now fit for purpose as a result of the department's response to the RPC's initial review. As first submitted, the assessment was not fit for purpose.

#### Description of proposal

The Equality and Human Rights Commission (EHRC) has recently published summary guidance on equal pay, which covers:

- the interpretation of 'equal pay';
- the legal provisions contained in the Equality Act 2010 pertaining to equal pay and the target audience's legal responsibilities;
- the identification of risky practices and how to limit them;
- the step-by-step process of undertaking an equal pay audit; and
- proposed policies and systems to implement to achieve equal pay internally.

Guidance measures will be relevant to all employers.

#### Impacts of proposal

##### Familiarisation costs:

A total of approximately 1.3 million businesses are estimated to be in scope of the legislation to which the guidance refers; however, the regulator assumes that those businesses which currently undertake equal pay audits will already be familiar with the guidance and will not undertake further familiarisation. Additionally, businesses are not required to read the guidance, and the guidance does not change the underlying legal requirements.

The regulator assumes that 558 businesses will familiarise themselves with the guidance each year over the ten-year period of the assessment. This assumption is based on the 233 times the guidance was downloaded in a five-month period.

Familiarisation will also include dissemination for large firms; however, the regulator has assumed the additional cost of dissemination to be minimal and so it is not

factored into the overall familiarisation cost. The total one-off cost associated with familiarisation is estimated to be approximately £41,500.

#### Policy Costs:

Upon familiarisation, businesses may change internal work practices in line with recommendations in the guidance. The guidance does not alter existing regulatory provisions, so the regulator assumes that any costs incurred as a result of such changes will be at least equalled by the benefits of the changes. The net impact of implementing the different actions is therefore assumed to be zero.

#### Policy benefits:

The regulator expects that the existence of the guidance may reduce the level of external legal advice that employers seek on their obligations under the Equality Act. However, it has been unable to quantify these savings due to data limitations.

### **Quality of submission**

The original assessment of the impact of this guidance included an attempt to quantify savings from legal advice, which were estimated to have resulted in substantial savings to business. However, these estimates were not based on sufficient evidence. Following the RPC's initial review, the EHRC was asked to seek further evidence or external validation to support the high level of expected savings. Specifically, more robust evidence was required to support the estimated compliance rate, which was used to calculate the legal savings.

The assessment does not quantify the savings from legal advice due to the lack of evidence. The assessment would have benefitted from an attempt to gather data from businesses to quantify the saving. However, the regulator argues that it would not have been proportionate to consult on the legal savings, given the small size of the impact. It would have been helpful if the regulator could have supplied a clearer justification for this position, and for its similar assertion on familiarisation costs.

The assessment also assumes that the number of businesses accessing the guidance, 558 per year over the ten-year period, will remain constant. The assessment would have benefitted from further justification of this assumption, perhaps from trends in annual views of existing EHRC guidance. An explanation of why the legal savings are not expected to be at least equal to familiarisation costs

would also have been helpful. Despite the unsupported assumption that the number of businesses familiarising themselves with the guidance each year is constant, it is likely that the EANDCB remains accurate. The total cost of familiarisation is estimated to be £41,500, and is rounded to zero in EANDCB terms. If the number of businesses familiarising themselves with the guidance decreases as more businesses become familiar, the net cost of the policy will still round to zero in EANDCB terms.

### Departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£1.3 million (initial estimate) Zero (final estimate)
Business net present value	Zero

### RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated <sup>1</sup>	Zero
Business impact target score <sup>1</sup>	Zero
RPC rating (of initial submission)	Not fit for purpose



**Anthony Browne**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.