

Final stage impact assessment

Title: Strengthening collective redundancy rights

Type of measure: Primary legislation

Department or agency: Department for Business and Trade

IA number: DBT-038-24-CMRR

RPC reference number: ...

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1. Summary of proposal

1. This policy change aims to change the threshold for collective redundancy consultation obligations. It will broaden the scope of the obligations by ensuring that they are triggered based on the total number of proposed redundancies made by the employer across all work sites or units, rather than at each individual site or unit. In doing so, this policy would strengthen existing redundancy rights and protections.

2. Strategic case for proposed regulation

2. Currently, employers must follow collective consultation rules if they are making 20 or more employees redundant within any 90-day period at a single establishment. In this context, a dismissal for redundancy means a dismissal for a reason/reasons not related to the individual concerned.
3. The start date of the consultation period prior to the first dismissal depends on the total number of proposed redundancies. Where an employer is proposing to make 20 or more employees redundant from one establishment in a 90-day period, the consultation must begin in good time and in any event:
 - At least 45 days before the first dismissal for 100 or more proposed redundancies at one establishment.
 - At least 30 days before the first dismissal for 20-99 proposed redundancies at one establishment.

4. These consultations should be carried out with a view of reaching an agreement (although they do not need to end in agreement) on the proposed redundancies, including options to avoid redundancies, reduce the number of employees to be made redundant, and mitigate the consequences of any dismissals.
5. Beyond consultations, any employer that proposes to dismiss as redundant 100 or more employees at one establishment must notify the Secretary of State at least 45 days before those dismissals take effect, and where an employer that proposes to dismiss as redundant 20 or more employees (but less than 100) at one establishment must notify at least 30 days before. Failure to do so is a criminal offence.

Problem under consideration

6. The current provisions in the Trade Union and Labour Relations (Consolidation) Act (TULRCA) require employers to collectively consult when proposing to dismiss as redundant 20 or more employees at one establishment within a period of 90 days or less.
7. This has led to situations where employers with multiple sites have been able to avoid collective consultation and notification obligations (whether deliberately or otherwise) by making fewer than 20 employees redundant at each individual establishment, even if the total number of redundancies across the business is significantly higher. This undermines the intention of the collective consultation provisions and fails to adequately protect employees' rights during large-scale redundancies.
8. The need for this change has been highlighted by situations where employees have not been adequately protected by the current legislation. In some cases, this has led to thousands of employees not being consulted on their redundancy because the employer did not pass the threshold of '20 or more employees at one establishment' and has allowed employers to avoid notification to the relevant secretary of state. This means that an employer can make significant redundancies whilst abiding by the law because redundancies are distributed, intentionally or otherwise, across multiple sites.

Rationale for intervention

9. The Government intervenes in the labour market to extend employment rights for efficiency and equity reasons. A well-functioning labour market, which provides necessary rights and protections, provides employees with high quality jobs whilst also empowering business to operate competitively.
10. Collective redundancy consultations aim to avoid the dismissals, reduce the number of employees to be dismissed, and mitigate the consequences of any dismissals. This can be achieved by opening voluntary redundancy or early retirement routes, not using casual labour, restricting recruitment, reducing or banning overtime, filling vacancies elsewhere in the business with existing employees, or considering short-time working or temporary lay-offs.
11. From an employee perspective, collective redundancy consultations help with the power imbalance between employers and their employees, can alleviate information asymmetry in a redundancy situation, and ultimately help provide employee protections during economic uncertainty and corporate restructuring.

12. From an employer perspective, collective redundancy consultations can help achieve a more efficient means to reduce costs or adapt to changing circumstances. Redundancy is often not a first preference for employers because in doing so, the employer loses factors of production thereby harming its longer-term productive potential. Should the business wish to increase production in future, it would need to hire new employees and incur recruitment costs. Furthermore, productivity may be harmed via a loss of human capital and negative effects on morale.
13. Ultimately, consultations can help arrive at a more optimal outcome for both employees and employers.
14. Notification requirements serve to inform the Government of significant job losses. As such, the Government can prepare to offer support and resources to affected employees. The obligation also serves as a deterrent for employers to break their collective consultation requirements as failure to inform the Secretary of State is a criminal offence.
15. The policy intention is to change the threshold for collective redundancy consultation and notification obligations, ensuring that these obligations are triggered based on the total number of proposed redundancies made by employer across all work sites or units, rather than at each work site or unit. This will help ensure that the protections and benefits offered by collective redundancy consultations are enjoyed by all employees and employers, regardless of how redundancies are allocated across locations.

Impact of no intervention

16. As above, the current legislation has led to situations where employers with multiple sites have been able to avoid collective consultation and notification obligations by making fewer than 20 employees redundant at each individual establishment, even if the total number of redundancies across the business is significantly higher. This undermines the intention of collective consultation provisions and fails to adequately protect employees' rights during large-scale redundancies. No intervention would keep the door open to such situations, including further high-profile cases.

3. SMART objectives for intervention

17. The primary policy intention is to expand the threshold for collective redundancy consultation and notification obligations, ensuring that these obligations are triggered based on the total number of proposed redundancies made by the employer across all work sites or units, rather than at each individual site or unit.
18. The intended outcome is to expand the collective redundancy protections and benefits to more employers and employees.
19. SMART objectives:
 - A reduction in the number of employers making 20 or more employees redundant without a collective redundancy consultation each year.
 - An increase in the number of employees consulted when their employer is considering making 20 or more people redundant each year.

20. Link to growth: Overall, we would expect limited to no effect on economic growth.
- a. **Productivity**: This policy would offer increased protection for employees against collective redundancies. Collective redundancy consultations can lead to the retraining of employees and a potentially more efficient allocation of labour within a firm compared to redundancy situations. Improving job security may also improve morale. This policy may therefore improve the marginal productivity of labour, with knock-on effects on business profitability and economic growth. See cross-cutting economic narrative for further information on the link between job security and productivity.
 - b. **Consumption**: An individual's consumption varies closely with income. Aware of the risk of redundancy, employees may begin searching for new employment during the consultation period. In doing so, the time they spend unemployed may be reduced, which is a period where income drops significantly. Furthermore, consultation may provide alternatives to redundancy and therefore prevent unemployment. This may therefore support consumption and aggregate demand in the economy.
 - c. **Insolvency**: A small number of businesses may face insolvency from the additional costs incurred by fulfilling consultancy obligations. This would have negative effects on economic growth.

4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

21. The preferred option would strengthen existing legislation to ensure collective redundancy obligations are triggered based on the total number of redundancies made by the employer across all work sites or units, rather than at individual workplaces/units. This would strengthen existing legislation, thereby expanding collective redundancy protections and benefits to more employers and employees.

Theory of change

22. **Input**: Legislation to change the threshold for collective redundancy consultation and notification obligations based on the total number of proposed redundancies made by the employer across all work sites or units, rather than at each individual site or unit.
23. **Outputs**:
- Strengthens collective redundancy consultation obligations so that they apply regardless of whether redundancies are taking place across multiple worksites or not.
 - Collective redundancy consultation must be held if an employer is proposing that 20 or more employees are to be made redundant within a 90-day period.
 - Notification to the Secretary of State when an employer is proposing that 20 or more employees are to be made redundant within a 90-day period.
24. **Outcomes**:
- An increase in the number of employees consulted when their employer is considering making 20 or more people redundant each year.

- An increase in the proportion of employers notifying the Secretary of State when proposing 20 or more redundancies.
- A reduction in the number of employers making 20 or more people redundant without a collective redundancy consultation each year.

25. **Impact:** A well-functioning labour market, which provides necessary rights and protections, provides employees with high quality jobs whilst also empowering business to operate competitively.

5. Summary of long-list and alternatives

26. This policy aims to address strengthen collective redundancy consultation obligations so that they apply regardless of whether the redundancies are taking place across multiple worksites or not. Alternatives such as non-regulatory reforms were considered however, were not deemed suitable.

- Do nothing:** The alternative to the proposed policy is to do nothing and maintain the current legislation. This would continue to allow employers to avoid consultancy and notification obligations by distributing redundancies across multiple sites or units. This option was discarded because it would mean that inadequate protection of employee’s rights in large-scale dismissal and redundancy situations would continue to persist.
- Code of Practice:** A non-regulatory alternative option would be guidance or a Code of Practice for employers considering redundancies. This guidance could recommend consultation when an employer is considering making more than 20 employees redundant, regardless of how these are allocated across the business. This option was discarded because current Gov.uk guidance on redundancies already states: “There are no set rules to follow if there are fewer than 20 redundancies planned, but it’s good practice to fully consult employees and their representatives. An employment tribunal could decide that you’ve dismissed your staff unfairly if you do not.” Additional guidance would therefore have limited impact on ensuring that collective redundancy benefits and protections are extended to all employers and employees.

6. Description of shortlisted policy options carried forward

Please see above.

Small and Micro business assessment

27. This policy should support fairer outcomes for smaller employers. Larger employers, which often operate in multiple locations, may currently be exempt from collective redundancy consultation obligations to a greater extent than smaller employers - see the table below as an illustration.

Table 1: Average number of local units per enterprise in Great Britain by employer size

Employer size	0-4	5-9	10-19	20-49	50-99	100-249	250+	Total
Great Britain	1.07	1.32	1.54	1.86	1.94	1.91	1.15	1.16

Source: ONS (2023) UK Business, activity, size and location, 2023 data.

28. By amending current legislation which larger employers are more likely to benefit from, this policy is supporting fairer outcomes for smaller employers.
29. Micro businesses and small businesses with less than 20 employees would not be impacted by this policy change as they are out of scope and are not subject to collective consultation and notification obligations, which only apply where 20 or more employees are proposed to be dismissed as redundant.
30. Small businesses with more than 20 employees and medium-sized businesses are in scope of this policy but do not require mitigations. There will be a positive relationship between employer size and number of redundancies. Furthermore, as above, larger employers are more likely to operate in multiple locations. On average then, we would not expect disproportionate impacts to smaller employers in scope of this policy.
31. Overall, this policy measure is likely to reduce disparities in consultancy obligations across business size.

7. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
Description of overall expected impact	<p>This policy measure will broaden the scope of employers mandated to carry out collective consultations.</p> <p>The main objective of collective redundancy consultation is to reduce redundancies. By extending consultation obligations to more employers, we would expect a reduction in redundancies compared to the counterfactual, with employers finding alternative means to reduce costs or adapt to changing circumstances. In addition, there will be impacts from the process of consulting.</p> <p>This policy would have the following impacts:</p> <ul style="list-style-type: none"> • Benefit to households from a reduction in the number of redundancies. • Impact to business from a reduction in the number of redundancies. It is unclear if this impact would be a cost or a benefit. • Cost to business from running the collective redundancy consultation. • Cost to business from employing for longer those who would be made redundant. 	<p>Uncertain</p> <p>Based on all impacts (incl. non-monetised)</p>

	<ul style="list-style-type: none"> Benefit to households from additional income for those who are employed longer as a result of the consultation process. <p>We cannot monetise the impact of this policy due lack of data and the scale of uncertainty caused by this. More detail on this in the evidence base section.</p>	
<p>Monetised impacts</p>	<p>We lack information and data to robustly estimate the affected population and therefore cannot provide a monetised estimate for this policy.</p> <p>Please see the evidence base section for detail and discussion.</p>	<p>Uncertain Based on likely £NPSV</p>
<p>Non-monetised impacts</p>	<p>The main objective of collective redundancy consultation is to reduce redundancies. By extending consultation obligations to more employers, we would expect a reduction in redundancies compared to the counterfactual, with businesses finding alternative means to reduce costs or adapt to changing circumstances. This would generate a benefit to households whereas the impact on businesses is uncertain.</p> <p>There would also be positive impacts on the Exchequer. Unemployment increases Government benefit spend and reduces tax income. There may also be negative externalities generated by unemployment such as crime and poor health, which in turn generate a cost to Government.</p> <p>Because of the uncertain impact on businesses, it is not clear if the reduction in redundancies would generate a net positive or negative impact on total welfare.</p> <p>In addition, the process of consultation will have implications for businesses and households. Employees who are made redundant in both the counterfactual and the policy scenario will remain employed for the duration of the consultation period. Employing these people longer than in the counterfactual creates a cost to business (labour costs) and a benefit to employees (income).</p> <p>Furthermore, there will be a cost to business from running the collective redundancy consultation.</p> <p>We would expect the process of consultation to create a cost to business and a benefit to households with an overall positive impact on total welfare. This is because the cost to business will be partially offset by the output</p>	<p>Uncertain</p>

	<p>these employees produce from being employed for longer.</p> <p>The overall directional rating of this policy on total welfare is uncertain.</p>	
Any significant or adverse distributional impacts?	Distributional impacts are uncertain. We do not have sufficient evidence on business redundancy behaviour to estimate the impacts of this policy. See below for discussion of business distributional impacts.	Uncertain

(2) Expected impacts on businesses

Description of overall business impact	<p>This policy expands the population of employers that are subject to collective redundancy consultation obligations. Employers that could previously make staff redundant without needing to fulfil these obligations will now have to undergo this process for which there are associated costs. The main cost to businesses would be the prolonged retention of staff that would otherwise be immediately dismissed under the existing legislative framework. There is also a cost from running the consultations and a familiarisation cost.</p> <p>As above, we would also expect a reduction in redundancies. The impact of this is uncertain – both in direction and scale. Because of this uncertainty, it is not possible to assess the business impact.</p>	Uncertain
Monetised impacts	<p>As above, we cannot estimate the impact of this policy due to lack of information. The below aims to provide insight on the impacts per business while the evidence base section contains detail.</p> <p>The below provides a breakdown of the costs of running the collective redundancy consultation process based on the GB median wage. The impact varies for 20-99 potential redundancies and 100+ redundancies because this influences the minimum consultation requirements.</p> <p>Cost to business from employing for longer those who will be made redundant:</p> <ul style="list-style-type: none"> • For 20-99 potential redundancies: £2,286 per redundancy • For 100+ potential redundancies: £3,437 per redundancy 	Negative Based on likely business £NPV

	<p>Cost to business from running the collective redundancy consultation:</p> <ul style="list-style-type: none"> • For 20-99 potential redundancies: £33.48 per employee consulted • For 100+ potential redundancies: £66.97 per employee consulted <p>Finally, we estimate a familiarisation cost of £1.3 million which occurs in year one only.</p>	
<p>Non-monetised impacts</p>	<p>In addition to the above costs of the collective redundancy consultation process, we would expect business impacts from the subsequent reduction in redundancies compared to the counterfactual. The impact of this on business is ambiguous.</p> <p>In a situation where lack of consultation leads to excessive redundancy in the counterfactual, reducing the number of redundancies would provide a benefit to business. Here the business would gain the output of employees unnecessarily dismissed and save the redundancy pay they would have provided. In this situation, break-even analysis suggests relatively few redundancies would need preventing to offset the cost of engaging in collective redundancy consultation - only an 11%-13% reduction in redundancies would be required to offset the direct costs of consultation, should a reduction in redundancies generate a benefit to business.</p> <p>Conversely, collective redundancy consultation could prevent redundancies where this is the optimal course of action for the business. Here, the output of these employees would not offset labour input costs, thereby causing a cost to business.</p> <p>Separately, it is possible that the additional collective redundancy costs incurred by businesses may drive some firms towards insolvency. We lack sufficient data to estimate the proportion of businesses that may become insolvent as a result of this policy but expect this impact to be small given the scale of costs.</p>	<p>Uncertain</p>
<p>Any significant or adverse distributional impacts?</p>	<p>Uncertain distributional impacts.</p> <p><u>Business Sectors</u></p> <p>Data on collective redundancies indicates that among employers engaging in collective redundancy consultation in the year to May 2024, banking and finance employers represented the largest share (27%),</p>	<p>Uncertain</p>

	<p>followed by employers in the distribution, hotels and restaurants sectors (17%), followed by employers in the transport and communication sectors (16%). The sector with the fewest employers engaging in collective redundancy was the energy and water sector (1%).</p> <p>However, it is unclear how this might evolve as a result of this policy. We do not have enough information on business redundancy behaviour to understand how this policy might affect different sectors, even assuming no behaviour change.</p> <p><u>Regional impacts</u></p> <p>Currently, employers in London accounted for the largest share of those engaging in collective redundancy consultation, with 25% in the year to May 2024. It is a strong outlier, followed by the South East of England with 13%. Most other regions sit in the 7-9% range, with the exception of Wales (4%) and the North East of England (3%).</p> <p>As above, it is not clear how this might evolve as a result of this policy.</p>	
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(3) Expected impacts on households

<p>Description of overall household impact</p>	<p>This policy extends the benefits and protections of collective redundancy consultations to all employees. As a result, fewer employees should be made redundant thereby preventing the loss of income caused by unemployment.</p> <p>For those made redundant, they would benefit from their unemployment being delayed, thereby earning during the consultation period compared to the counterfactual. The time they spend unemployed may also reduce as a result of the additional forewarning of possible unemployment.</p> <p>Overall, this policy is expected to generate net benefits to households.</p>	<p>Positive</p> <p>Based on all impacts (incl. non-monetised)</p>
<p>Monetised impacts</p>	<p>As above, this impact assessment does not provide an estimate of the impacts to households.</p> <p>The below provides a breakdown of impacts based on the GB median wage. The impact varies for 20-99 potential redundancies and 100+ redundancies because this influences the minimum consultation requirements.</p> <p>Benefit to households from a reduction in the number of redundancies:</p>	<p>Positive</p> <p>Based on likely household £NPV</p>

	<ul style="list-style-type: none"> • £30,707 per employee avoiding redundancy <p>Benefit to households from additional income for those who are employed longer as a result of the consultation process:</p> <ul style="list-style-type: none"> • For 20-99 potential redundancies: £3,778 per employee • For 100+ potential redundancies: £5,682 per employee 	
<p>Non-monetised impacts</p>	<p>Preventing redundancy has a direct positive impact on households – it prevents the loss of income that accompanies unemployment. In addition, redundancy may have negative health and wellbeing effects caused by the stress of losing employment and anxiety around future finances. Those made redundant may also suffer from wage scarring. There is evidence that interruptions to employment not only bring the loss of current income during the period of unemployment but inflict a longer term ‘scar’ through increased future incidence of unemployment and lower subsequent earnings in employment.</p>	<p>Positive</p>
<p>Any significant or adverse distributional impacts?</p>	<p>Uncertain distributional impacts.</p> <p>The assessment of sector and regional distributional impacts to households is identical to that to business. The current sector and regional splits for collective redundancy potential redundancies are in line with those to business. Although there is a minor change in the value of the potential redundancy sector and regional splits compared to the sector and regional employer splits, these are almost identical and follow the same ordering. To avoid repetition, please see the business distributional impacts section.</p> <p>There is no evidence on the extent to which different groups are affected by collective redundancy.</p>	<p>Uncertain</p>

Part B: Impacts on wider Government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	Overall, we would expect the measure to have no or very limited impacts on the ease of doing business in the UK. This policy may reduce employer flexibility in reducing their labour input costs. However, the extent and impact of this is very limited. As a result, we would expect no impact on the attractiveness of the business environment, no impact on barriers to entry, no impact on the scope for businesses to bring innovative products and services to market, and no to very limited impact on market concentration and competition.	Neutral
International Considerations: Does the measure support international trade and investment?	We do not expect this policy to have any direct impact on trade and investment. It has no impact on UK international obligations.	Neutral
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	We expect that there is no or negligible impact on the environment, natural capital, and decarbonisation as a result of this policy. The policy change does not directly relate to environmental or decarbonisation goals.	Neutral

8. Monitoring and evaluation of preferred option

32. The policy is expected to be implemented through primary legislation. Reforms delivered through primary legislation fall outside of the statutory review requirements under the Small Business Enterprise and Employment Act 2015.
33. Nevertheless, to determine whether the policy has met its objectives, we will be monitoring its impacts and will consider undertaking a proportionate non-statutory Post-Implementation Review (PIR) of this policy within 5 years following introduction. The PIR will summarise the evidence that we gather on the policy's effectiveness, as well as any learnings that can be applied to future policymaking.
34. The forthcoming collective redundancies protective cap award consultation will collect information to begin alleviating the evidence gaps which prevent us from monetising the impact of this policy. We will then consider undertaking further stakeholder engagement or research to fully address these.
35. The Insolvency Service collects data on collective redundancy consultations from submitted HR1 forms. We would expect this policy to increase the volume of HR1 submitted and

information such as the reasons for redundancies to evolve. We will monitor this data and discuss insights with Insolvency Service colleagues.

36. In addition, the Ministry of Justice collects data on Acas claims and Employment Tribunal (ET) applications which can be monitored to assess the extent to which the policy has led to additional claims. By extending collective redundancy consultation obligations to a greater population, we might expect effects on Acas claims and ET applications.
37. The extent to which the policy has met its objectives can be further tested via surveys, including impacts on employees (to test perceived impacts on job security and identify any unintended consequences) and employers (to understand behavioural responses and test impact on business costs). Further evidence will be captured through feedback from stakeholders (primarily representatives of employer and employee groups as well as Acas) on questions assessing behavioural responses, satisfaction with the reforms, and areas for improvement.
38. The review will also consider wider economic impacts of the policy, including on redundancy rates, employment rates, productivity and labour mobility, as well as unintended consequences. Where possible, the review will aim to test distributional impacts, including on SMEs and protected characteristics.

9. Minimising administrative and compliance costs for preferred option

39. As a result of this policy, employers which may otherwise have avoided collective redundancy consultation obligations will need to notify the Secretary of State for Business and Trade by completing an advance notification of redundancies form (HR1) and submitting it to the Insolvency Service. This form is brief and clearly structured to gather key information which will be distributed to appropriate Government departments and agencies that offer job brokering services and/or training services so that they can help affected employees.
40. This administrative cost is minimal. Furthermore, as above, this policy strengthens collective redundancy consultation obligations so that they apply regardless of whether the redundancies are taking place across multiple worksites or not. This ensures a fairer application of the rules across all employers.

Summary: Analysis and evidence

Price base year:

N/A

PV base year:

...

	1. Business as usual (baseline)	3. Preferred way forward (if not do-minimum)
Net present social value (with brief description, including ranges, of individual costs and benefits)	Used as baseline for the analysis.	Not monetised
Public sector financial costs (with brief description, including ranges)	Ibid.	This policy will not generate any public sector financial costs outside the costs of any public sector employers fulfilling their collective consultation obligations.
Significant un-quantified benefits and costs (description, with scale where possible)	Ibid.	Please see section 7.

Key risks (and risk costs, and optimism bias, where relevant)	Ibid.	It is not possible to estimate the impact of this policy due to lack of data and information on employer redundancy behaviour. Because of this, we cannot provide an assessment of the total welfare impact of this policy.
Results of sensitivity analysis	Ibid.	N/A

Evidence Base

41. The analysis in this impact assessment uses 2024 ONS Labour Force Survey redundancies data, 2023 ASHE wage data, unpublished 2024 IDBR business population data and HR1 data from the Insolvency Service Redundancy Payment Services Database extracted in September 2024. We additionally draw on assumptions based on logic and internal analysis produced by the Department for Business and Trade, including insights from the 2013 impact assessment on consultation obligations¹.

Redundancies and collective redundancies

42. Based on 2023/24 LFS redundancies data published by the ONS, the estimated number of total redundancies in Great Britain was 386,918 in the year to May 2024.

Collective redundancies

43. While the LFS does not identify the proportion of total redundancies that are related to collective redundancies, the Insolvency Service collects data via the HR1 forms submitted in the event of a possible collective redundancy situation. HR1 forms are used by employers who need to notify the Insolvency Service's Redundancy Payments Service of potential redundancies.

44. The HR1 dataset published by the ONS provides a breakdown of the number of potential redundancies from HR1 forms by region and combined industry as well as the number of employers submitting HR1 forms by region and combined industry. The total number of potential redundancies for the year to May 2024 in Great Britain was 279,006. Please see below the breakdown by region and by combined industries.

Table 2: Number of potential redundancies from HR1 forms by region, year to May 2024

North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland
7,818	19,005	25,866	21,711	21,711	19,030	64,438	28,981	17,047	11,969	22,033

Source: HR1: Potential Redundancies, Office for National Statistics.

Table 3: Number of potential redundancies from HR1 forms by combined industry, year to May 2024

Manufacturing	Energy and Water	Construction	Transport and Communication	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Services
44,354	[c]	9,864	45,086	49,089	73,746	41,324	[c]

[C] used to denote where estimates have been suppressed on disclosure grounds.

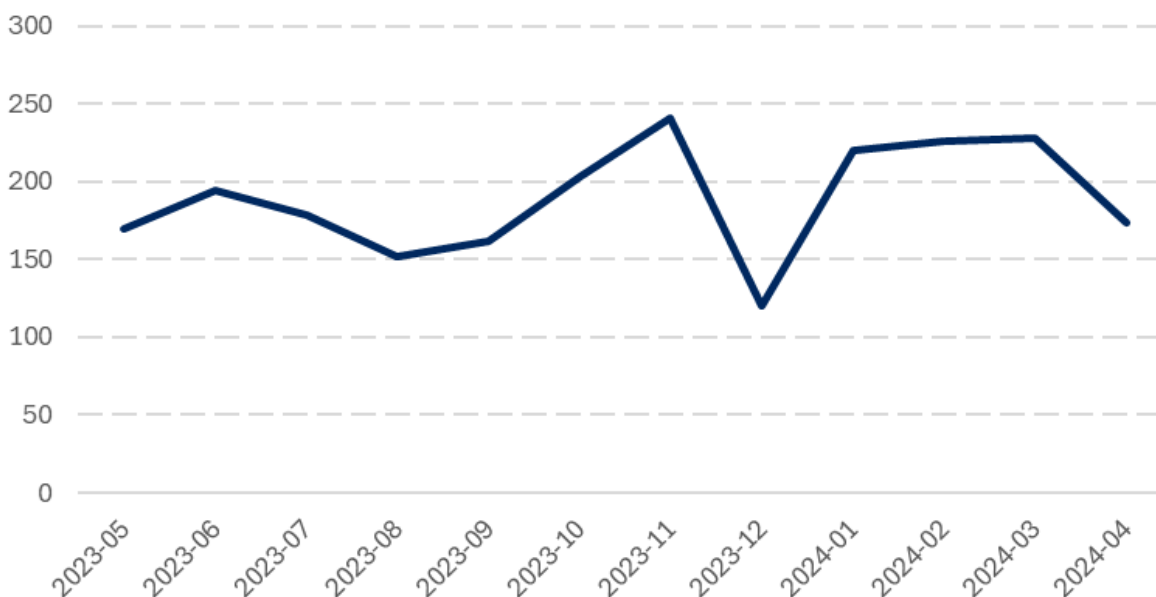
Source: HR1: Potential Redundancies, Office for National Statistics.

¹ Department for Business, Innovation and Skills, '[Collective Redundancy Consultation: Government Response](#)', December 2013 (Accessed October 2024)

Population in scope

45. This policy measure will broaden the scope of employers mandated to carry out collective consultations. A key analytical question is therefore to estimate the population affected by this policy change. This cannot be robustly estimated due to lack of data.
46. According to IDBR data, in Great Britain 19,390 businesses with 20+ employees operate in one location only while 67,575 businesses with 20 + employees operate in more than one location. The latter represents the absolute maximum number of employers that can potentially avoid collective redundancy consultation obligations and therefore affected by this policy change.
47. In reality, this policy change will affect a much smaller subset of employers. Firstly, only a subset of these employers would make 20 or more people redundant in a 90-day period. This is likely to occur under circumstances including, but not limited to, changes in organisational structure, closure of establishment, introduction of new technology, lower demand for products and services, and insolvency.
48. Secondly, it is likely that among businesses operating in more than one location and making 20 or more employees redundant in a 90-day period, many would make these redundancies at a single site (for example, if a single site was unprofitable). In this instance, they would engage in a collective redundancy consultation even in the counterfactual without policy change.
49. This is the crux of the difficulty in estimating the population affected by this policy change. HR1 data captures employers operating at a single location and employers operating at multiple locations but does not distinguish between the two.
50. A possible approach to estimating the number of employers affected by this policy could be to derive a propensity for single-location employers to engage in collective redundancies, then apply this to the number of multiple location employers.
51. We attempt to “clean” the HR1 data for multi-location employers. First, where the same employer appears more than once in a particular month, we assume that this relates to a form resubmission. For example, employers may make errors in their initial submission and then resubmit with amendments – this should not be treated as two separate instances of collective redundancy. We remove these duplicate entries from the data. This is consistent with Insolvency Service methodology.
52. Then, we assume that for a given year, any employers that appear more than once in the data operates across multiple sites. For example, where the same employer appears in the data in January and in May, we suggest that it is unlikely that they have made redundancies in excess of 20 employees at the same site or unit within this period. Instead, we assume that each instance relates to redundancies in excess of 20 employees at separate sites (the redundancies in January being at a different location to those in May).
53. This approach produces an estimate of 2,269 single-location employers in the year to May 2024.

Figure 1: Estimated number of single-location employers submitting HR1s by month, year to May 2024



Source: Insolvency Service Redundancy Payment Services Database

54. With this figure, we estimate a propensity to engage in collective redundancies. Here we divide our estimate for single-site HR1 collective redundancies by the number of employers with 20+ employees operating in one location only.
55. This results in a 10% propensity – in other words, per year, one in ten employers will make 20 or more employees redundant within a 90-day period. Based on our intelligence, this appears to be implausibly high, and we therefore suspect multi-location employers to remain in the HR1 data.
56. An alternative, although mathematically equivalent, approach to estimate the number of employers affected by this policy would be to estimate the collective redundancies by single-location employers and scale this up to reflect the larger population of multi-location employers.
57. In both cases, we lack a data point to extrapolate from. The table below illustrates part of the problem. We do not have access to business-level data on redundancies which would permit us to estimate the column to the right. As above, we also do not have data which permits us to split the HR1 data by single- and multi-location employers.

Table 4: Single-location and multi-location collective redundancies

	Single-site collective redundancies	Multi-site collective redundancies	Total
Total	HR1 data	Unknown number	Unknown number
Single-location employer	100% of single-location business collective redundancies	0%	Unknown number
Multi-location employer	Unknown proportion of multi-location business collective redundancies	Unknown proportion of multi-location business collective redundancies	Unknown number

58. Not only are we missing data points to extrapolate from HR1 data to estimate the number of employers making 20 or more people redundant within a 90-day period, the theory underpinning this method would not be correct. The reasons and circumstances for which an

employer would make 20 or more redundancies at a single site will be different to those for which an employer makes 20 or more redundancies across multiple sites.

59. For multi-location employers, focusing 20 or more redundancies at a single site is a clear indication that a specific site must cut costs or adapt to changing circumstances. When these are dispersed across sites, we would often expect it to reflect normal churn within a business and it be a product of the size of the business. Employers may also disperse redundancies as a means to avoid collective redundancy consultation obligations, although we do not have evidence on the extent to which this occurs
60. Meanwhile, single-location employers have no choice. They make any and all redundancies at their single site. Simply extrapolating from single-site collective redundancy data would therefore not be accurate because it would not reflect business behaviour. This would bias any results.
61. Due to lack of information on business redundancy behaviour, we cannot robustly estimate the number of employers affected by this policy.
62. There is a further lack of evidence on the number or proportion of redundancies which realise after collective redundancy consultation. A 2013 impact assessment² states “At least 50 per cent, and possibly up to 80 per cent of those employees subject to collective consultation are not actually made redundant” however, we do not have access to the underlying evidence to support this statement. Further, we would expect this evidence to relate to EU-wide insights, given the use of EU data in the impact assessment. While this provides an assumption which we could use for the analysis, it further compounds the scale of uncertainty. It is also unclear if the “potential redundancies” data captured in HR1 reflects the number of employees consulted and at risk of redundancy or the number which the employer is considering making redundant.
63. Drawing the above together, the Department for Business and Trade currently lacks evidence on collective redundancies and business redundancy behaviour. These are evidence gaps which it will seek to alleviate, including via consultation on the doubling of the protective award cap.
64. It is therefore not possible to robustly estimate the population affected by this policy. Given all the evidence and data gaps, the scale of uncertainty is too high to undertake assumption-based analysis, especially considering the importance of these three assumptions in driving the order of magnitude of impacts (proportion of multi-location in HR1, business redundancy behaviour assumption, proportion of redundancies which realise following consultation).
65. This impact assessment therefore does not provide a monetised estimate of the impacts of this policy. The remainder of this impact assessment continues exploring the impacts of the policy. It provides monetary estimates where possible but stops short of estimating an aggregate impact.

Effects of the policy

66. This policy measure will broaden the scope of employers mandated to carry out collective consultations.

² Department for Business, Innovation and Skills, '[Collective Redundancy Consultation: Government Response](#)', December 2013 (Accessed October 2024)

67. There will be impacts from the process of consulting. Here we expect a cost to business from running the collective redundancy consultation, a cost to business from employing for longer those to be made redundant, a benefit to households from additional income for those who are employed longer as a result of the consultation process. See impacts from consultation process for detail.
68. Furthermore, the main objective of collective redundancy consultation is to reduce redundancies. By extending consultation obligations to more employers, we would expect a reduction in redundancies compared to the counterfactual, with employers finding alternative means to reduce costs or adapt to changing circumstances. This would generate a benefit to households from a reduction in the number of redundancies. The impact on business is ambiguous – see impacts from a reduction in redundancies for detail.

Impacts from the consultation process

69. There will be impacts from the process of consulting. Here we expect the largest impact to be generated from delaying the redundancy for those made redundant in the counterfactual and in the policy scenario. This would generate a cost to business and a benefit to households. There would be further costs generated from running the collective redundancy consultation, as well as a familiarisation cost.

Labour costs to business from employing those made redundant for longer

70. As above, it is not possible to robustly estimate the size of this population. However, we can estimate the unit costs to businesses from employing those to be made redundant for longer.
71. The median wage across industries from ASHE is used to calculate the labour costs to firms, uprating this figure by 21% to account for non-wage costs. A breakdown of these costs by industry groupings used in HR1 data is shown in the table below.

Table 5: Labour cost inputs

	Manufacturing	Energy and Water	Construction	Transport and Communication	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Services	GB median wage
Wage	£16.66	£21.71	£17.42	£18.77	£12.26	£18.43	£17.19	£13.17	£15.96
Estimated labour cost	£20.16	£26.27	£20.86	£22.71	£14.84	£22.31	£20.79	£15.94	£19.31

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

72. We account for the proportion of cases where employers would be unable to pay employees their full wages because they face bankruptcy or closure. While the type of insolvency situation will determine what happens to employment contracts and payment of wages, we simply reduce the estimated labour costs by the proportion of collective redundancy cases due to insolvency.

73. We assume 13% of collective redundancies are a result of insolvency and reduce estimated labour costs by 13%. This is based on HR1 reason for insolvency data – see table below³. Note that figures do not sum to 100 % as more than one reason can be cited on one form.

Table 66: HR1 form submissions by reason(s) for submission

Reason for submitting HR1	As a proportion of all HR1s (%)
Changes in work methods or organisation	34%
Closure of Establishment	31%
Introduction of new technology / plant / machinery	4%
Lower demand for products or services	48%
Transfer of work to another site or employer	17%
Completion of all or part of contract	8%
Insolvency	13%

Source: Insolvency Service Redundancy Payment Services Database

74. From this, we calculate the gross labour costs from employing those made redundant for the duration of the consultation period. We estimate the duration of the consultation as 36.9 days for employers considering 20-99 redundancies and 55.49 days for employers considering 100+ redundancies. This is based on evidence from the 2013 BIS impact assessment⁴ which explored the impacts of reducing the minimum required length of consultation for businesses proposing 100+ redundancies. In this, they estimated an average reduction of 34.51 days in the length of consultations from the proposed policy change compared to the previous 90-day minimum, based on consultation responses. This suggested an average consultation period of 55.49 days for businesses with 100+ proposed redundancies which is 23% greater than the statutory 45 days. We apply this 23% to the 30 days statutory for 20-99 redundancies to account for instances where this takes longer.

75. Using these figures for the length of consultations, figures for the gross labour cost are given by multiplying the hourly labour cost by the hours worked throughout the consultation period, adjusting for the expected percentage of businesses facing insolvency. Results are shown in the table below.

Table 77: Gross labour costs from keeping those made redundant employed for longer

	Manu- facturing	Energy and Water	Constr- uction	Transport and Communica- tion	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Servic- es	GB median wage
20- 99 redu- ndan- cies	£4,772	£6,218	£4,938	£5,375	£3,513	£5,280	£4,923	£3,772	£4,572
100+ redu- ndan- cies	£7,176	£9,351	£7,426	£8,083	£5,283	£7,940	£7,403	£5,673	£6,875

Rounded to the pound

³ Proportions calculated for January 2020 - August 2024 inclusive

⁴ Department for Business, Innovation and Skills, [‘Collective Redundancy Consultation: Government Response’](#), December 2013 (accessed October 2024)

76. However, we would expect these employees to continue producing output throughout the consultation period. This “gained” output would partially offset the cost of employing those made redundant for longer.
77. Here, it is important to consider the different reasons why collective redundancy situations arise. We begin with the assumption that in the 13% of collective redundancy cases due to insolvency, there will be zero output produced. For the remaining 87%, we would expect output to vary between the extremes of 0% and 100% of labour costs. The intuition behind this assumption is that if these employees were going to be made redundant, this implies that they incur a loss to the business such that output is lower than their input costs. At most, the two may be equivalent at which point the business would be indifferent to retaining or dismissing the employee. Because we have no evidence on the extent to which these businesses’ input is greater to their output, we assume a normal distribution and take 50% of labour costs per employee as the value of output per employee. This is in line with previous impact assessments green-rated by the RPC.
78. As a result, we estimate the following cost to business from employing those made redundant for the duration of the consultation period.

Table 88: Net Labour costs from keeping those made redundant employed for longer

	Manufaturing	Energy and Water	Constru ction	Transport and Communicati on	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Service s	GB median wage
20-99 redund ancies	£2,386	£3,109	£2,469	£2,688	£1,757	£2,640	£2,461	£1,886	£2,286
100+ redund ancies	£3,588	£4,676	£3,713	£4,042	£2,642	£3,970	£3,701	£2,836	£3,437

Rounded to the pound

Benefit to households from being employed for longer

79. Employees to be made redundant would benefit from their unemployment being delayed, thereby earning throughout the consultation period. In the counterfactual, they would suffer a loss of income and not receive their usual pay. The method to estimate this benefit is equivalent to that to estimate the gross labour costs above, although wages are not uplifted for non-wage costs.

Table 99: Benefit to households from being employed for longer

	Manufaturing	Energy and Water	Constru ction	Transport and Communicati on	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Service s	GB median wage
20-99 redund ancies	£3,944	£5,139	£4,081	£4,442	£2,903	£4,364	£4,068	£3,118	£3,778
100+ redund ancies	£5,931	£7,728	£6,137	£6,680	£4,366	£6,562	£6,118	£4,688	£5,682

Administrative costs from running the consultation

80. Additionally, there will be administrative costs from running consultations.
81. Due to current gaps in the evidence, we estimate the administrative costs of consultation as staff time from those participating in the consultation process but who are not made redundant. To calculate the costs per member of staff, we multiply the labour costs by an assumed duration length of consultation meetings. We assume two hours when 20-99 redundancies are being considered and four hours when 100+ redundancies are being considered.
82. We estimate the cost per employee using the same approach detailed above. The average administrative cost per employee is presented in the table below, adjusted for insolvencies once again.

Table 1010: Administrative cost of collective redundancy consultation

	Manu- facturing	Energy and Water	Constru- ction	Transport and Communicati- on	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Service s	GB median wage
20-99 redund- ancies	£34.95	£45.55	£36.17	£39.37	£25.73	£38.67	£36.06	£27.63	£33.48
100+ redund- ancies	£69.91	£91.09	£72.34	£78.74	£51.46	£77.35	£72.11	£55.26	£66.97

83. To note, there will also be an administrative cost from notifying the Secretary of State for Business and Trade by completing an advance notification of redundancies form (HR1) and submitting it to the Insolvency Service. This form is brief and clearly structured to gather key information which will be distributed to appropriate Government departments and agencies that offer job brokering services and/or training services so that they can help affected employees. We therefore assess this impact to be marginal.

Impacts from a reduction in redundancies

84. The main objective of collective redundancy consultation is to reduce redundancies. By extending consultation obligations to more employers, we would expect a reduction in redundancies compared to the counterfactual, with employers finding alternative means to reduce costs or adapt to changing circumstances.
85. Preventing redundancy has an evident direct impact on households – it prevents the loss of income that accompanies unemployment. Based on the GB median wage of £15.96 per hour and data working hours from the Annual Survey of Hours and Earnings (37 hours per week and 52 weeks per annum), the benefit from avoided redundancy would be £30,707 per full-time employee per annum.
86. In addition, redundancy may have negative health and wellbeing effects caused by the stress of losing employment and anxiety around future finances. Those made redundant may also suffer from wage scarring. There is evidence that interruptions to employment not only bring the loss of current income during the period of unemployment but inflict a longer term ‘scar’ through increased future incidence of unemployment and lower subsequent earnings in employment.

87. There would also be positive impacts on the Exchequer. Unemployment increases Government benefit spend and reduces tax income. There may be negative externalities generated by unemployment such as crime and poor health, which in turn generate a cost to Government.
88. The impact on business is more ambiguous. In a situation where lack of consultation leads to excessive redundancy in the counterfactual, reducing the number of redundancies would provide a benefit to business. On the flipside, collective redundancy consultation could prevent redundancies where this is the optimal course of action for the employer. Here, the output of these employees would not offset labour input costs, thereby causing a cost to business.
89. The employment effect of this policy has not been estimated in this impact assessment.
90. Nevertheless, we can undertake break-even analysis to estimate the proportion of suboptimal redundancies which would need preventing by consultation in order to offset the cost of consultation to business.
91. Based on the GB median wage, we estimate a benefit to business of £28,597 from avoiding a redundancy when it is the suboptimal course of action. Based on this and the costs of consultation described later in this impact assessment, we estimate that an 11% - 13% reduction in redundancies would offset the cost of consulting. The following subsection describes this break-even analysis.

Benefit from reducing a redundancy when suboptimal

92. The table at the end of this section provides output per job per annum, labour cost input per job per annum (wage & non-wage uplift), net output per job, avoided redundancy per employee and benefit to employer from a suboptimal redundancy prevented.
93. Output per job is drawn from ONS data⁵. For labour cost input per job, we use the GB median wage⁶, uplift this for non-wage costs by 21%⁷, and multiply by the number of paid working hours per annum (37 hours per week⁸ and 52 weeks). Net output per job is calculated by subtracting labour cost input per job from output per job.
94. As of 12/09/2024, statutory redundancy pay stipulates half a week for each full year employed under the age of 22, one week pay for each year employed between the ages of 22 and 41, and one and a half week's pay for each full year employed over the age of 41. For simplicity, we assume one week pay per year employed.
95. In addition, weekly pay is capped at £700. The Annual Survey of Hours and Earnings suggests a UK average of 7.4 working hours per day and therefore 37 hours per week for full-time workers. For the GB median wage, this cap does not bite as a week's totals £590.52.

⁵ Office for National Statistics (2024) '[Output per job, UK](#)' (Accessed October 2024)

⁶ Office for National Statistics (2023), 'Earnings and hours worked, UK region by industry by two-digit SIC: [ASHE Table 5](#)' (Accessed October 2024)

⁷ 'DBT (2024) analysis of ONS data: [UK sector \(S.1\): Employers' social contribution \(D.12\): Resources: Current price: £million: Not seasonally adjusted](#) and [UK sector \(S.1\): Wages and salaries \(D.11\): Resources: Current price: £million: Not seasonally adjusted](#)' (Accessed October 2024)

⁸ Office for National Statistics (2023), 'Earnings and hours worked, UK region by industry by two-digit SIC: [ASHE Table 5](#)' (Accessed October 2024)

96. We use OECD data on UK job tenure⁹ and assume the midpoint per each band for the number of weeks of redundancy pay.

Table 1111: UK job tenure

	Proportion	Number of weeks' pay assumed
<1 month	2%	0
1 to <6 months	5%	0
6 to <12 months	8%	0
1 to <3 years	18%	1.5
3 to <5 years	12%	4
5 to <10 years	20%	7.5
10 years and over	35%	15

97. From this, we estimate redundancy pay of £4,447.49 per person made redundant. To note, the redundancy pay provided to an individual made redundant could be higher than what is statutory. However, this is a business decision and not a direct impact of the policy. Therefore, we do not account for this in our analysis.

Table 1212: Redundancy pay

Redundancy pay	
Median wage	£15.96
Pay per week	£590.52
Redundancy pay	£4,447.49

98. Adding net output to avoided redundancy pay suggests a benefit of £28,597 per prevented redundancy when redundancy is the suboptimal course of action. See below:

Table 1313: Benefits from avoiding a suboptimal redundancy

Benefits from avoiding a suboptimal redundancy	
Output per job	£61,305
Labour cost input per job	£37,156
Net output per job	£24,149
Avoided redundancy per employee	£4,447
Benefit to business from avoiding a redundancy when it is the suboptimal course of action	£28,597

99. In a situation where 100 or more are to be made redundant, the cost of collective redundancy consultation is estimated at £6,874.69 per person made redundant and £66.97 per person consulted. In situations where 20-99 are to be made redundant, the cost is £4,571.57 per person made redundant and £33.48 per person consulted. Details on these estimates can be found below in the discussion of impacts from the consultation process.

⁹ OECD (2023) '[Labour Market Statistics: Employment by job tenure intervals: persons](#)' (Accessed October 2024)

100. To calculate the percentage reduction in prevented redundancies needed to offset the cost of collective redundancy:

$$\% \text{ reduction in redundancies to break - even} = \frac{\text{nbr to break-even}}{\text{nbr of redundancies which realise} + \text{nbr to break-even}}$$

where

$$\text{Number to break - even} = \frac{\text{Cost of collective redundancy}}{\text{Benefit per reduced redundancy}}$$

where

Cost of collective redundancy

$$= \text{nbr of redundancies which realise} * \text{cost of redundancies} \\ + (\text{nbr of people consulted} - \text{redundancies which realise}) * \text{cost of consulting}$$

and

$$\text{nbr of redundancies which realise} = \text{nbr of people consulted} \times \text{assumption on redundancies}$$

101. If we select an assumption on redundancies (proportion of redundancies which realise following consultation), we can estimate the number to break-even. The absolute value of the number to break-even will vary depending on the number of people consulted. However, the % reduction in redundancies to break-even stays constant for any number of people consulted, varying only from changes in the assumption on redundancies.

Table 14: Reduction in redundancies to offset the cost of consulting

Reductions in redundancies to offset the cost of consulting									
Assumption on redundancies	10%	20%	30%	40%	50%	60%	70%	80%	90%
% reduction in redundancies to break-even	13%	12%	11%	11%	11%	11%	11%	11%	11%
<i>Reduction in redundancies as a proportion of all consulted</i>	1%	3%	4%	5%	6%	7%	8%	10%	11%

102. Comparing these estimates to those of the estimated cost finds that, **should redundancy be a suboptimal course of action for the employer**, relatively few redundancies would need preventing by consultation to offset the cost of engaging in collective redundancy consultation.

Familiarisation costs

103. This policy would also generate a familiarisation cost. We assume all businesses with more than 20 employees would incur this cost in the year this policy is introduced. We take the number of businesses from the IDBR database and assume it takes an HR manager 30 minutes to familiarise at a wage rate of £26.31 as per the Annual Survey of Hours and Earnings. The projected impact is £1.3m in the year the policy is introduced.

Wider impacts

Insolvencies

104. As detailed above, our analysis suggests that 13% of HR1 submissions are due to insolvencies. It is possible that the additional costs incurred by businesses from the policy change may drive some firms towards insolvency. We lack sufficient data to estimate the proportion of businesses that may become insolvent as a result of this policy but expect this impact to be small.

Distributional impacts

Business Sectors

105. HR1 data suggests banking and finance accounted for the largest share of employers making 20 or more employees redundant in a 90-day period (27%), followed by distribution, hotels and restaurants (17%) and transport and communication (17%) in the year to May 2024. The sector with the fewest employers engaging in collective redundancy is the energy and water sector (1%).

Table 15: Proportion of HR1 form submissions by combined industries, GB

Manufacturing	Energy and Water	Construction	Transport and Communication	Distribution, Hotels and Restaurants	Banking and Finance	Public Admin, Education and Health	Other Services	Rest
16%	1%	5%	17%	17%	27%	14%	2%	1%

Source: HR1: Potential Redundancies, Office for National Statistics.

Regional impacts

106. The largest proportion of HR1 employers are found in London (25%), followed by the South East of England (13%) in the year to May 2024. The North East of England had the smallest proportion of HR1 businesses (3%). Overall, with the exception of London, there is relatively small regional variation in the distribution of HR1 businesses.

Table 16: Proportion of HR1 form submissions by region, GB

North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland
3%	9%	8%	7%	9%	8%	25%	13%	7%	4%	7%

Source: HR1: Potential Redundancies, Office for National Statistics.

Costs to the Employment Tribunal and ACAS

107. The relevant employment tribunal jurisdiction for this policy measure is 'redundancy-failure to inform and consult'. According to HMCTS data, there were 5,026 claims related to this jurisdiction in 2023.

108. The overall impact from this policy measure on Employment Tribunals and ACAS is ambiguous. Volumes of claims in the 'redundancy-failure to inform and consult' may increase or decrease depending on the behavioural response from businesses and households.

109. On one hand, we would expect that the population of employees having a legal basis for making an ET claim on the grounds of employers 'failing to adhere to consultancy requirements' would increase. This could lead to an increase in ET cases, incurring a cost to the Employment Tribunal and ACAS.
110. On the other hand, this policy may lead to a reduction in claims as employees that were previously dismissed without consultation will now be offered a consultation prior to dismissal. These consultations will be beneficial to employees in two ways: (1) reducing the number of employees made redundant and (2) improving the terms for those made redundant. Therefore, fewer employees may choose to make claims following redundancy as a result of consultation.
111. Given that these two effects counteract each other, we would expect the magnitude of impact to be small. The net impact would depend on which of these effects is more significant.

Awards and settlements

112. The costs of settlements and awards resulting from any additional claims would primarily affect non-compliant employers (although it should be noted that employees might choose to settle via early conciliation even if their actions were compliant). This may be partially offset by a reduction in the volume of claims due to additional collective redundancy consultations compared to the do-nothing scenario.
113. Given lack of data on median settlements for the relevant jurisdiction as well as uncertainties on the behavioural response from businesses, we are unable to estimate the potential costs from settlements and awards.
114. Nevertheless, given the low volume of cases currently seen, we estimate that this reform is likely to have, on balance, a negligible overall impact on the number of employment tribunals cases being brought.
115. Furthermore, we know that compensation was awarded in 37% of cases relating to 'redundancy-failure to inform and consult'¹⁰. Any costs to employers from awards and settlements would be net present value neutral given that they represent a direct transfer to employees.
116. Therefore, this policy would benefit individuals who achieve a settlement or a tribunal award. These benefits would be equivalent to the costs incurred to businesses from ACAS early conciliations and ET hearings where employees were granted awards.

¹⁰ Ministry of Justice, '[Tribunals statistics quarterly: July to September 2023](#)', published 14 December 2023 (Accessed October 2024)