

Title: Impact Assessment: Restriction on deduction of union subscriptions from wages in the public sector IA No: CO 2006 RPC Reference No: N/A Lead department or agency: Cabinet Office Other departments or agencies: Business Energy and Industrial Strategy	Impact Assessment (IA)
	Date: 06/03/17
	Stage: Final
	Source of intervention: Secondary legislation
	Type of measure: Domestic
	Contact for enquiries: Lucy Reville (lucy.reville@cabinetoffice.gov.uk)

Summary: Intervention and Options	RPC Opinion: Not Applicable
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Cost of Preferred (or more likely) Option				
Total Net Present Value (10 years)	Business Net Present Value (10 years)	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£25.14m	-£65.88	£7.64m	Not in scope	Non qualifying provision

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, commonly referred to as "check-off". Administrative costs are incurred by employers to provide check-off facilities. The Government believes that there should be no cost burden to the taxpayer in the provision of check-off in the public sector and it should be funded by the trade union in receipt of the service. Not all public sector employers recover the cost of the service from trade unions and Government legislation is required to ensure that, where the service is provided, arrangements exist to ensure there is no cost to the taxpayer. Further, secondary legislation has the effect that any existing agreements which conflict with legislative requirements are void.

What are the policy objectives and the intended effects?

Section 15 of the Trade Union Act 2016 allows the relevant public sector employers to provide check-off services to trade unions only if; the trade union pays the employer a reasonable amount for this service (as defined); and, workers have the option to pay their subscriptions by other means (e.g. direct debit). The policy objective is therefore to ensure that there is no cost burden to the taxpayer in the provision of check-off services in the public sector. A further objective is to ensure employees have a choice about how they wish to pay for union membership. The provision in the Act enables Ministers to make regulations to this effect. The regulations will come into force approximately 12 months after they are laid to allow employers and trade unions adequate time to implement the requirements.

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

Option 1: Restriction on the deduction of union subscriptions from wages in the public sector: the preferred option.

Introducing a statutory duty through secondary legislation is the preferred option. It is the only option that will fully deliver the policy intent, by creating consistency of approach across the public sector, representing the best way to deliver value for money for the taxpayer through a standard cost recovery. It is also the most effective way of ensuring employees have choice about how to pay for union membership. This provision was included in the Trade Union Bill which became the Trade Union Act on 4th May 2016.

It replaced the original Government proposal to impose a prohibition on check-off (Option 2) because it addressed concerns about the possible practical impacts of a prohibition raised during the passage of the Bill through Parliament, whilst still preserving the policy aim of a solution that delivered value for money for the taxpayer and choice to employees.

Option 2: Prohibition on the provision of check-off arrangements in the public sector

Option 3: Do nothing

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:**

Does implementation go beyond minimum EU requirements?		No		
Are any of these organisations in scope?	Micro No	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 Minister: Ben Gummer Date: 08/03/17

Summary: Analysis & Evidence

Policy Option 1

Description: Restriction on the deduction of union subscriptions from wages in the public sector: the preferred option

FULL ECONOMIC ASSESSMENT

Price Base Year 2016	PV Base Year 2017	Time Period Years 10 Year appraisal	Net Benefit (Present Value (PV)) (£m)		
			Low: £7.88m	High: £42.4	Best Estimate: £25.14

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£7.78m	£3.89m	£41.23m
High	£8.85m	£7.77m	£75.76m
Best Estimate	£8.32m	£5.83m	£58.50m

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

The costs above refer to direct costs to public sector employers only. Relevant public sector employers will face one-off direct familiarisation and transition costs totalling between an estimated £7.78m - £8.85m. Going forward, they will face ingoing costs totalling between an estimated average £3.89m - £7.77m. The impact assessment also considered the possible indirect costs to trade unions and union members. Trade unions will incur one-off indirect familiarisation and transition costs estimated between £0.6m - £0.12m and ongoing costs of payment for check-off service where it is provided estimated between £6.61m - £8.68m. This will all be dependant on the take up of 'check-off' services after the legislation is implemented. There is no cost to individuals but if required to switch to alternative payment methods (direct debit) if monetised would represent less that £2 per member.

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, particularly for those trade unions where a charging model for check-off has not been in place and they are in receipt of this service. 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	Optional	£9.72m	£83.64m
High	Optional	£9.72m	£83.64m
Best Estimate		£9.72m	£83.64m

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

A saving to public sector bodies of £9.7m per annum is estimated. This will stem from the remuneration for the administrative cost in administering check-off services across the relevant public sector employers. This will come in the form of cashable remuneration from trade unions for providing check-off services, and non cashable resource benefits if there is a reduction in demand for check-off services.

Other key non-monetised benefits by ‘main affected groups’

The policy will engender taxpayer faith that the Government is spending their money responsibly and avoiding unnecessary cost burdens to the public purse (value for money). We are also promoting choice in that it encourages individuals and unions to review how union subscription fees are paid to best suit individual preference and circumstance.

Key assumptions/sensitivities/risks

The key assumption in this analysis concerns the current usage of check-off, which is then used to estimate the amount that public sector employers will recover from charging for the provision of this service. This is made using anecdotal evidence from central government departments, combined with research by the TaxPayers Alliance. Due to the small expected size of the transition cost, savings over 10 years would significantly outweigh transition costs.

Discount rate

3.5%

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: £7.64m	Benefits: £0m	Net: -£7.64m	

Summary: Analysis & Evidence

Policy Option 2

Description: Prohibition on the provision of check-off arrangements in the public sector

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £76.5m
2016	2016	10			

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£6.7m	£0	£6.7m

Description and scale of key monetised costs by ‘main affected groups’

The costs above refer to direct costs only. Public sector employers will face one-off direct familiarisation and payroll adjustment costs. Trade unions will incur one-off indirect familiarisation and transition cost (est. <£100 per trade union in staff time), and ongoing costs of direct debit charges of £4.5m p.a. (total for all unions). There is no actual cost to individuals, who will only need five minutes to switch to direct debit, but if monetised would represent less than £2 per member.

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	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate	£0m		£9.72m	£76.93m

Description and scale of key monetised benefits by ‘main affected groups’

The monetised benefits above refer to direct benefits only. A direct saving to public sector bodies of £9.72m per annum is estimated. This will stem from the reduction of administrative burdens related to check off. Trade Unions will save £2.7m per annum from not reimbursing the public sector for check-off (indirect benefit).

Other key non-monetised benefits by ‘main affected groups’

The policy will engender taxpayer faith that the Government is spending their money responsibly and avoiding unnecessary cost burdens to the public purse (value for money). 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 direct subscription 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 is not a feature of check-off arrangements.

Key assumptions/sensitivities/risks (%)	Discount rate	3.5%
<p>Key assumptions concern the number of employees using check-off. Whilst data on this is not available, we estimate that 90% of public bodies provide a check-off facility, therefore 90% of staff is selected as the upper boundary. 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 to trade unions of alternative payments will also be lower.</p>		

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: £4.7m	Benefits: £2.74m	Net: -£1.97m	

Summary: Analysis & Evidence

Policy Option 3

Description: Do nothing

FULL ECONOMIC ASSESSMENT

Price Base Year 2016	PV Base Year 2016	Time Period Years 2016	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate	£0		£0	£0

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

In line with impact assessment guidance the do nothing option has zero costs or benefits as impacts are assessed as marginal changes against the do nothing baseline.

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

In line with impact assessment guidance the do nothing option has zero costs or benefits as impacts are assessed as marginal changes against the do nothing baseline.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate	£0		£0	£0

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

In line with impact assessment guidance the do nothing option has zero costs or benefits as impacts are assessed as marginal changes against the do nothing baseline.

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

In line with impact assessment guidance the do nothing option has zero costs or benefits as impacts are assessed as marginal changes against the do nothing baseline.

Key assumptions/sensitivities/risks (%)	Discount rate	3.5%
There are no assumptions, sensitivities or risk associated with the do nothing option.		

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	Benefits: 0	Net: 0	

Evidence Base (for summary sheets)

Introduction

Strategic overview

- In the Trade Union Bill 2016 (the Bill), the Government introduced fundamental reforms to modernise trade union law and improve trade union practices and transparency, balancing the interests of unions with interests of the wider public sector. Measures introduced in the Bill will:
 - ensure that strike action only ever takes place on the basis of clear and representative mandates, through new thresholds that strike ballots must meet;
 - specify that members' agreement to a union's proposed industrial action will automatically expire 4 months after the ballot. It will also require 14 days' notice of strike action and give employers a greater chance to prepare for industrial action and put in place contingency plans. It will also remove the need to take industrial action in the first 4-8 weeks after a successful ballot;
 - tackle the intimidation of non-striking workers during a strike by requiring the appointment of a picket supervisor;
 - improve transparency of the operation of political funds;
 - improve transparency and oversight of trade unions through reforming the role of the Certification Officer;
 - reform trade union facility time in the public services by requiring public sector bodies to publish details of their resources used; and
 - restrict the deduction of union subscriptions from wages in the public sector (check-off).
- The Bill received Royal Assent on the 4th May 2016 and became the Trade Union Act 2016 (the Act). The measures within the Act will now be implemented in a systematic and proportionate way.
- This impact assessment relates to section 15 of the Act (restriction on deduction of union subscriptions from wages in the public sector). The current impact assessment has been produced following an initial impact assessment, *Prohibition on deduction of union subscriptions from wages in the public sector*¹, published in January 2016. The initial impact assessment reflects the development and consideration of policy options during the passage of the Bill

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494133/BIS-16-83-trade-union-bill-impact-assessment-prohibition-on-deduction-of-union-subscriptions-from-wages-in-public-sector.pdf

through Parliament. The purpose of the current impact assessment is to fully assess the impact of the final provision (section 15) included within the Act.

4. Section 15 of the Act directly affects only public sector organisations and therefore does not regulate business. As such, it falls outside the scope of the Better Regulation Framework but to aid transparency an impact assessment has been undertaken.
5. This impact assessment details the problem under consideration, the rationale for intervention and the policy objective. It also evaluates the monetised and non-monetised costs and benefits of the preferred option, as well as considering the risks and possible wider impacts.

Key definitions

6. Check-off: 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.
7. Relevant public sector employer: for the purpose of Section 15 of the Trade Union Act, the affected 'relevant public sector employers' will be listed in regulations.

Issue under consideration and rationale for Government intervention

8. The Government is committed to the responsible and transparent use of taxpayers' money. As such, the Government believes that check-off services should not be provided by public sector organisations on behalf of their unions at a cost burden to the taxpayer. Therefore, unions operating in the public sector, that collect their membership subscription fees through the use of check-off services, should be liable for the cost of that service. Further, the Government believes that public sector employees should be offered a choice about how to pay union subscriptions to best meet their needs and personal circumstances.

Scale of the problem

9. A TaxPayers' Alliance report, *Taxpayer funding of trade unions 2012-13*², published in 2014 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. However, it is unknown whether employers are reimbursed the full amount that is substantially equivalent to the actual cost of providing a check-off service.
10. The TaxPayers' Alliance is a grassroots campaigning group dedicated to reforming taxes, cutting spending and protecting taxpayers. Their research into taxpayer funding of trade unions was compiled using Freedom of Information (FoI) requests submitted to 1,074 public bodies, including: Quangos, regional governments, central government departments, local authorities, NHS trusts, fire services and police forces.
11. The report found that the total costs charged for providing check-off across the 213 public sector bodies who charged in 2012-13 was £1,773,526. If the other 759 bodies which provided the service in 2012-13 had charged at the same rate as the average for the 213 that did, it would have amounted to a further £6,319,748 being paid back into the public sector and a significant saving to the taxpayer.
12. In the absence of other research in this area, the TaxPayers Alliance report provides some indication of the extent and cost of taxpayer funded check-off services in the wider public sector. It is recognised that the report has some limitations, which are discussed in this impact

²<https://d3n8a8pro7vhmx.cloudfront.net/taxpayersalliance/pages/5083/attachments/original/1422278685/taxpayerfundingtradeunions2013.pdf?1422278685>

assessment but it does provide some evidence from which estimated monetised costs and benefits can be extrapolated.

Rationale for Government intervention

13. Section 15 of the Trade Union Act allows check-off arrangements to exist between the employer and union, which many unions find a useful method by which to collect subscription fees from their members, but ensures unions pay reasonable and proportionate costs for this service. The policy approach that underpins this intervention will ensure that union subscriptions are deducted from wages (check-off) in a way that represents value for money to the taxpayer.
14. This intervention also ensures that, where check-off is offered by a relevant public sector employer, workers are given the option to choose payment by other means, which may better suit their individual circumstances. Direct debit payments are an obvious alternative and some unions have chosen to modernise their subscriptions by moving entirely to direct debit years ago. Direct debit offers 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. Similar protections are not a feature of check-off arrangements.
15. The majority (80%) of people in the UK already have a direct debit, with the average consumer having six. 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 - 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, avoiding a lapse in membership, guaranteeing continued membership under direct debit. This may be particularly valuable for fixed term workers and others fluidly employed on a series of short-term placements with different employers.
16. Without Government intervention there is no statutory obligation for an employer to provide such a service but some employees may have a contractual right to be provided with the check-off service. Therefore, without legislative intervention, an employer may have been unable to make changes to existing arrangements without risking a breach of contract claim, depending on the particular nature of existing contractual rights.

Policy objective

17. Section 15 of the Trade Union Act restricts how public sector employers, who are funded by the taxpayer, provide check-off services to trade unions. It specifies that a relevant public sector employer can only make deductions from its workers' wages in respect of trade union subscriptions if the trade union pays the employer a reasonable amount for this service and workers have the option to pay their subscriptions by other means.
18. This will have the effect of ensuring that there is no cost burden to the taxpayer in the provision of check-off services in the public sector and trade union members have the freedom to pay their subscriptions by an alternative method to best suit their personal needs.

Intended scope

19. Application of the policy is intended across those relevant public sector employers in England, Wales and Scotland to the extent they are specified in regulations.
20. Relevant public sector employers will be specified in The Trade Union (Deduction of Union Subscriptions From Wages in the Public Sector) Regulations 2017, which will be published on gov.uk at the same time as this impact assessment. The regulations reflect current policy intention to capture those public authorities that:
 - are employers;
 - are not levy funded by a discrete sector of society;

- are not predominantly commercially focussed; and
- are not devolved Welsh Authorities within the meaning of the Wales Act 2017

21. It is estimated that this policy will affect 26,453 public sector organisations. A summary list of affected employers can be found at **Annex A - Scope of the regulations: Number of public sector organisations affected**.

Devolved public bodies in Wales

22. Although devolved Welsh Authorities are not included within the scope of the regulations, because of the likelihood of future inclusion, we have assessed impacts for such Authorities on the basis.
23. The Wales Act 2017 will clarify that industrial relations are a reserved matter, and the UK Government will act at the earliest possibility opportunity, following commencement of the Wales Act, to ensure the legislation covers devolved public authorities in Wales.

Description of options considered

Option 1 - Restriction on the deduction of union subscriptions from wages in the public sector: the preferred option

24. The preferred option is to impose a statutory duty that requires relevant public sector employers to charge a reasonable amount for the provision of check-off, where they provide this service. Further, if check-off is offered, public sector employers must also offer an alternative method of subscription collection to provide union members with choice about payment method. This option will deliver the policy objectives of ensuring that check-off services are only provided by public sector employers where there is no cost burden to the taxpayer and to guarantee members have choices about subscription payment methods.
25. This option places minimal burden on public sector employers as minimal as possible. The affected employers will be given a reasonable amount of time (12 months) from the date the legislation is laid until the provisions come into force. This will allow employers ample time to put in place charging arrangements with the relevant trade unions where this is applicable.
26. Without legislating the Government cannot ensure that check-off services, in the public sector, are provided at no cost to the taxpayer or that union members have a choice about payment methods. Therefore, the full benefits of the policy would not be realised.
27. This option also ensures the greatest level of consistency across the public sector in terms of delivering choice to union members and relieving the taxpayer of any check-off cost burden.

Option 2 - Prohibition on the provision of check-off arrangements in the public sector

28. This option was originally included in the Trade Union Bill and intended to completely remove the administrative and legal burden from taxpayer funded employers providing check-off services. It sought to modernise the relationship between members and their unions and prevent public sector employers from being an unnecessary intermediary to the subscription relationship.
29. During the passage of the Bill through both Houses of Parliament, this option was debated at length. The outcome of this debate was that, to avoid burden to the taxpayer and meet this primary policy intent, organisations must as a minimum charge the relevant trade union(s) a reasonable amount for check-off where the service is offered by the employer. At this time, it was felt that a complete prohibition on the provision of check-off went far beyond the policy intent of removing taxpayer burden and would also be burdensome for employers and trade unions to implement.

Option 3 - Do nothing

30. 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 and many public sector employers do not charge unions for providing this service. No intervention would only have a very slow and minimal effect, likely over many decades and will not deliver the policy intent.
31. Without intervening, the Government would not be able to ensure that check-off services are provided in the public sector at no cost to the taxpayer or that payment choices were provided to union members.

Other option considerations

32. A further option was considered that would require public sector employers to identify and report on the costs of providing check-off. However, this option would not deliver the policy intent and would allow employers to continue to provide check-off without charging unions for the service, which would represent a cost burden to the taxpayer.
33. As such, option 1 is the preferred option and is included within the Trade Union Act 2016 legislation. Therefore all other options are discounted at this stage and further analysis below is carried out for option 1 only.

Economic Impact

34. Attempts have been made, given obvious limitations in the data, to model the likely impact of the Government's preferred option on public sector organisations, taxpayers, trade unions, and trade union members.

Assumptions

35. The main source of evidence for both the use and cost of check-off provision come from the TaxPayers' Alliance report previously mentioned. The report presents data on 1,074 public sector bodies, finding that over 90% of bodies offer check-off services but only 22% of those bodies that offer the service are reimbursed for doing so. Where bodies are being reimbursed for offering check-off services, the average amount is equivalent to 2.5% of annual membership fees.
36. In order to estimate the impact of the legislation on both public bodies and trade unions a number of assumptions have had to be made based on the available data.
37. Key assumptions:
 - The sample of public sector bodies presented in the TaxPayers' Alliance report are representative of all public sector bodies. This means that it is assumed 90% of the 26,453 public sector bodies currently offer check-off services (equivalent to 23,808 organisations), but only 22% of those offering check-off services (5,238 organisations) are currently being reimbursed. These levels are considered the maximum and minimum baselines in our cost modelling.
 - The proportion of organisations that offer check-off services is directly proportional to the number of public sector union members who are paying their union subscription fees via check-off. i.e. if 90% of public sector organisations are offering check-off services then 90% of the 3.8m public sector trade union members are paying union fees via check-off. This assumption is reasonable, although there is a lack of data to test it, given 'check-off' services would be the simplest and most reliable way for union members to pay their dues, and thus most likely to be used.

- Public sector organisations will charge a cost equivalent to 2.5% of a member's annual fees to offer check-off services, this is assumed to be the cost of providing check-off as well.

38. Four separate scenarios have been modelled in this impact assessment:

- a high take up estimate that assumes 80% of public sector organisations currently offering check-off continue to do so;
- a low take up estimate that assumes 40% of public sector organisations currently offering check-off continue to do so;
- a central case which is the average between the high and low take up;
- a maximum scenario which assumes 90% of public sector organisations continue to offer check-off; and
- a minimum scenario which assumes only 22% of public sector organisations continue to offer check-off. These different scenarios are considered later in the document.

39. Potential savings and benefits presented in this analysis should not be considered cashable unless expressly indicated. Instead they should be considered indicative of the potential resource implications from the Government's preferred option.

Monetised and non-monetised costs (direct costs)

Familiarisation – all relevant public sector employers

40. The introduction of section 15 of the Act will result in one-off familiarisation costs to all affected public sector employers (see Annex A).
41. For each public sector body, a limited number of staff will need to be made aware of the impacts the legislation will have on their operations. We assume that the amount of time taken to become familiar with the legislation will be small as the changes introduced by the Act are straightforward.
42. Familiarisation may include activities such as one official in each public body reading and understanding the regulatory change, learning how it impacts their operations and producing a note for senior management. This information may then be disseminated widely in public sector bodies, e.g. through an email or face-to-face meetings, and to the affected trade unions.
43. 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 (2016 provisional), the basic hourly median pay for 'administrative occupations: government and related organisations' (the closest available job category) is £11.45. Uprating by 19.8% to reflect non-wage costs (Eurostat) the total hourly cost for an administrative official will be approximately £13.72 (2016 prices).
44. 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 £48 (£13.72 x 3.5 hours), with a total cost of **approximately £1.27m across all public sector bodies** (£48 x 26,453 bodies).

Familiarisation - Cost of agreeing a charge for check-off for public sector organisations that still offer check-off but were not previously charging for it

45. Following familiarisation, it is expected that there will be a small upfront cost linked to the time and resource required by public sector employers to put in place arrangements with relevant unions to charge for a check-off service, where check-off continues to be offered. Where a charging arrangement is already in situ, the employer will need to ensure that it considers the payment from the union to be reasonable by reference to the legislative test. Payments are considered "reasonable" if the employer is satisfied that the total amount of the payment is substantially equivalent to the total cost to the public funds of making deductions.

46. Costs associated with these adjustments are expected to involve mainly staff time of senior managers/HR professionals to engage with the relevant trade union officials to agree a reasonable charge for providing the check-off service. Assuming that it will take 3.5 hours of an official's time to establish the cost of administering check-off and an additional 4 hours (2 x 2 hour meetings) for two senior managers to agree a reasonable cost to charge for check-off with the trade unions.
47. Once a charging arrangement (including the amount that is to be charged to the trade union) has been agreed, staff time will be required to put the charging mechanism in place.
48. For the purposes of this impact assessment, we assume that the type of staff involved in implementing the charging mechanism will be public sector administrative officials. Using the Annual Survey of Hours and Earnings data (2016 provisional), the basic hourly median pay for 'administrative occupations: government and related organisations' (the closest available job category) is £11.45. Uprating by 19.8% to reflect non-wage costs (Eurostat) the total hourly cost for an administrative official will be approximately £13.72 (2016 prices). Assuming that the above implementation 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 £48 (£13.72 x 3.5 hours).
49. The total additional costs as a result of payroll adjustment for public sector organisations that choose to continue offering check-off services are estimated at **£3.25m - £6.5m depending on take up.**
50. All the costs associated with establishing a charging agreement and implementing the charging arrangement are assumed to be one-off because, once the charging arrangement is in place, employers will have met the legislative requirement of the regulation and no significant further action is required.

Removing the provision of a check-off service - all relevant public sector employers that currently provide check-off but where the provision of this service no longer continues

51. Section 15 in the Trade Union Act prohibits public sector employers from providing check-off where the legislative requirements are not met. If, for example, a charging arrangement is not put in place, it is expected that public sector bodies' payroll/finance departments will need to make one-off adjustments to payroll arrangements to cease providing check-off.
52. 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 may be carried out for each employee individually.
53. 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 £48 per public sector body that does not establish an arrangement to charge for check-off and has to remove its provision (£13.72 x 3.5 hours) with a total cost of **between £1.01m - £3.26m in a high/low take up scenario respectively.**

Ongoing costs to public sector bodies (direct)

54. Ongoing costs for public sector bodies will be the annual cost of offering check-off services. This should be equivalent to the amount that is charged to unions assuming that the amount charged is equal to the costs of delivering the service. It is estimated that the cost of check-off, and thus the amount that unions will be charged is equivalent to 2.5% of a members annual fees. **In the**

event of high take up of check-off services this is estimated at £7.8m per year. In a low take up scenario this is estimated at £3.89m per year.

Monetised and non-monetised costs (indirect costs to trade unions and union members)

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

Familiarisation - relevant trade unions

56. It is expected that trade unions would 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 when they engage with the unions about the legislative changes. It is expected that trade unions will continue to consider this intervention as part of their ongoing familiarisation with the impact of further, more substantial provisions in the Trade Union Act. Based on this, it is expected that it would take up to two hours of a union's senior director's time to understand the implications of the legislative change and disseminate this information.
57. 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: £23.73, and uplift for non-wage labour costs by 19.8% of wage costs, based on Eurostat data, meaning a total hourly cost of £28.43. 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.
58. 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 **£3,650** (£28.50 x 2 hours x 64 union's - best estimate).

Transition cost for trade union bodies agreeing to pay for check-off

59. Following familiarisation, it is expected that there will be a small upfront cost linked to the time and resource required by unions to engage with the relevant public sector employer about the level of reasonable charges for providing check-off.
60. Costs associated with these adjustments are expected to involve mainly staff time of senior union officials to engage with the employer. This is estimated to take 4 hours (2 x 2 hour meetings) for two senior union officials to attend meetings with the employer to agree a reasonable charge for check-off, if all 64 unions go through this process this will result in an **additional cost of £14,555**.

Transition costs for trade unions moving members to direct debit for those who do not carry on using check-off

61. The legislative changes may result in check-off ceasing to be offered by some public sector employers, but, in practice, it may be difficult to determine how far that is a result of the legislative changes as opposed to other reasons; or the number of employers who may take such a decision.
62. Where this occurs, experience within the Civil Service suggests, 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 any removal of 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.

63. We have assumed that administration related to processing members details and communication with members will take a Trade Union official 1 hour to process 250 trade union members, resulting 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 overtime, for officers of non-government organisations from the Annual Survey of Hours and Earnings. We add 19.8% to the wage figure to account for non-wage labour costs based on Eurostat data. This gives an hourly labour cost of £14.50.
64. Additionally, we have estimated that there will be a cost to unions of disseminating information about the changes. Using the ASHE cost for a communications professional and applying a 19.8% uplift based on Eurostat data we assume an hourly cost of £25.10. In a high take up scenario where the majority of union members are still using check-off services we estimate this will take 2 hours to disseminate information. In a low take up scenario, i.e. where the majority are switching to check-off services we estimate that this will take 4 hours.
65. Assuming that the number of public sector organisations offering check-off services is directly proportional to the number of trade union members who use check-off, the estimated cost of moving members to direct debit is **£37,000 if there is a high take up of check-off services, and £99,000 if there is low take up.**

Moving to direct debit - all trade union members where a relevant public sector employer ceases to provide a check-off service

66. Transition costs to trade union members are considered indirect as the proposed measure only directly regulates public sector bodies.
67. Where the public sector employer provides check-off and arrives at a charging arrangement for that service with the union there will be no transition cost to the individual trade union member. Members will continue to pay their subscription fees through check-off without any disruption.
68. In an instance where a check-off service is removed, employees are likely to face some administrative burden associated with setting up direct debit payments to unions to continue paying their subscription fees. It is estimated that this burden 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.
69. There is no actual cost to individuals of switching away from check-off to other forms of payment for their subscriptions, however we have considered the small amount of time that it would take to submit a direct debit form. This is a one-off action. We assume that it will take five minutes for trade union members to arrange an alternative payment method for subscriptions. If the value of that time was measured at the median hourly wage for public sector workers taken from the Annual Survey of Hours and Earnings (£14.52) then this would represent less than £2 per individual. **In the event of a high take up of check-off services this is estimated at £646,000, in the event of low take up off check-off services this is estimated at £1.94m.** However it should be noted that this is a cost representation of the time taken by individuals to fill in a short direct debit form, potentially online, and is not an actual cost to employers or businesses.

Legal advice - trade unions seeking legal advice on the legislative changes

70. Whilst it is expected that trade unions will be obtaining legal advice on other, more complex provisions in the Trade Union Act, the change in the provision of check-off does not involve complex legal concepts but the focus being on regulation of public sector employers 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.

Ongoing costs to trade unions (indirect)

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

Cost of paying a reasonable amount for check-off

72. The legislation will require that public sector employers charge unions a reasonable amount for the provision of check-off which is substantially equivalent to the cost to public funds of providing check-off.
73. Using data on average fees (weighted average of full-time and part-time fees, £12.14) and check-off usage assumed to be directly proportional to the number of public bodies who continue to offer check-off, as well as assuming that the 2.5% average charge compensates public sector bodies for the administrative cost of check-off. It is estimated that this cost of check-off will range between **£7.77m if there is high take up and £3.89m in the event of low take up**.
74. Note that since this cost is related to members' payments to unions, many unions may choose to pass this cost onto union members in the form of higher fees. This cost should be considered cashable as it will constitute a direct cash transfer from trade unions.

Banking charges

75. In instances where an appropriate charging arrangement is not entered into, check-off cannot continue and the union is required to arrange for its members to pay their subscriptions via another means (e.g. direct debit), it is possible that trade unions will incur a banking transaction cost from receiving direct debit payments from its members. 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. It is likely 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. However, without being able to test this we have assumed that all unions will have to pay banking charges.
76. 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 £1.70. If this cost is correct for all union members, and the number of public sector organisations offering check-off services is directly proportional to the number of union members who use check-off then this cost is **estimated £0.9m - £2.72m in a high/low take up scenario**.
77. 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 costs associated with banking charges are counted in the EANCB calculation.

Administration

78. 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 if more members move to direct debit or another payment method.

Monetised Benefits (direct benefits)

Administrative saving – all relevant public sector employers

79. A key driver for introducing this regulatory change is the administrative burden to public sector bodies of providing check-off facilities, which therefore represents a cost burden to the taxpayer. The change in regulation would eliminate the cost burden to the taxpayer.
80. 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.
81. At present, the estimated total cost of check-off to public bodies would be estimated at £12.46m per year. However, only an estimated £2.74m is believed to be collected from unions at present. This means public bodies are performing £9.7m for which they are not being reimbursed.
82. Using data on average fees (weighted average of full-time and part-time fees, £12.14) and check-off usage assumed to be the same as the number of public sector organisations that offer check-off and assuming that the 2.5% average charge compensates public sector bodies for the administrative cost of check-off. It is estimated that the transfer of benefits to public bodies from unions will be between **£7.77m per year in the event of high take up of check-off and £3.87m in the event of low take up of check off**. This benefit will be directly cashable as it constitutes a cash transfer from trade unions.
83. In addition from these transfer benefits, there will also be allocative benefits for public sector organisations if they no longer choose to offer check-off services in the future. This will be equivalent to the 2.5% of annual union fees it costs to deliver check-off, multiplied by the overall reduction. In the event of high take up of check-off services this is estimated to be **£1.94m per year and £5.83m in the event of low take up**.
84. It is assumed that these benefits will be ongoing.

Summary table of costs and benefits

Scenario mapping - lower and upper bound cost estimates

85. Until the legislation comes into force it is unknown exactly how many public sector employers this will apply to but it is expected that public sector employers will consider all possible cost-effective options, taking into account the make up of its union membership and available payment methods when making a decision as to how best to proceed.
86. For the purpose of attempting to estimate the potential impacts of the legislation we have considered a number of different scenarios. This is due to the uncertainty over how many public bodies will continue to offer check-off.
- Maximum scenario - This assumes that all public bodies that currently offer check-off, estimated to be 90% of the total, continue to do so after the legislation comes into force.
 - Minimum scenario - This assumes that only the 22% of public bodies that currently offer check-off services continue to do so after the legislation comes into force.

- High take up scenario - This assumes that 80% of the organisations that currently offer check-off continue to do so after the legislation comes into force. Based on consultations this seems a likely high estimate.
- Low take up scenario - This assumes that 40% of the organisations that currently offer check-off services continue to do so after the legislations comes into force. Based on consultations this seems like a likely low estimate.
- Central case - This is an average between the high take up and low take up scenario.

A full summary of the estimated benefits and costs are outlined in the tables below.

Summary Public Sector (£m)	Familiarisation costs	Ongoing costs (Annual)	Present Value Total Costs (10 Years)	Present Value Benefits (10 Years)	Net Present Value (10 Years)
Central Case	£8.31	£5.83	£58.50	£83.64	£25.14
High take up estimate	£8.85	£7.77	£75.76	£83.64	£7.88
Low take up estimate	£7.78	£3.89	£41.23	£83.64	£42.40
Maximum take up estimate	£9.39	£9.72	£93.02	£83.64	-£9.39
Minimum take up estimate	£6.71	£0.00	£6.71	£83.64	£76.93

Summary Trade Unions (£m)	Familiarisation costs	Ongoing costs (Annual)	Present Value Total Costs (10 Years)	Present Value Benefits (10 Years)	Net Present Value (10 Years)
Central Case	£0.09	£7.64	£65.88	£0.00	-£65.88
High take up estimate	£0.06	£8.68	£74.77	£0.00	-£74.77
Low take up estimate	£0.12	£6.61	£56.99	£0.00	-£56.99
Maximum take up estimate	£0.02	£9.72	£83.66	£0.00	-£83.66
Minimum take up estimate	£0.18	£4.53	£39.21	£0.00	-£39.21

		Net Impact (,000)				
Costs		High take up	Low take up	Maximum take up	Minimum	Average (for use as a central case)
Public Sector Organisations	One off costs					
	Familiarisation costs for PS bodies	£1,270	£1,270	£1,270	£1,270	£1,270
	Transition costs for PS organisations who choose to still offer service	£6,494	£3,247	£8,117	£0	£4,870
	Transition costs for PS organisations who choose to stop offering check-off	£1,087	£3,262	£0	£5,436	£2,175
	Total	£8,851	£7,779	£9,3876	£6,706	£8,315
	Ongoing costs	£7,773	£3,887	£9,717	£0	£5,830
Trade Unions	One off costs					
	Familiarisation costs for TU	£4	£4	£4	£4	£4
	Transition costs for TU agreeing to pay for check-off services	£15	£15	£15	£15	£15
	Transition to direct debit	£37	£99	£0	£161	£68
	Total	£55	£117	£18	£179	£86
		Ongoing costs				
	Charge for paying (additional due to change in legislation)	£7,773	£3,887	£9,717	£0	£5,830
	Banking charges	£907	£2,721	£0	£4,534	£1,814
	Total	£8,680	£6,607	£9,717	£4,534	£7,644
Trade Union Members	Familiarisation costs TU members	£646	£1,937	£0	£3,229	£1,291
Public Sector Organisations	Benefits					
	Transfer benefits (PS)	£7,773	£3,887	£9,717	£0	£5,830
	Allocative benefits	£1,943	£5,830	£0	£9,717	£3,887
	Total	£9,717	£9,717	£9,717	£9,717	£9,717

Deregulatory target

87. 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 restricting the provision of check-off facilities. The EANCB is therefore zero.

Risks and assumptions

Current usage of check-off and charging arrangements in the public sector (assumptions are based on The TaxPayer's Alliance report (2014) - *Taxpayer funding of trade unions 2012-13*)

88. A key assumption made in this impact assessment concerns the current usage of check-off and charging arrangements for the provision of this service in the public sector. In the absence of other data, this impact assessment uses the research conducted by the TaxPayer's Alliance's 2014 to arrive at estimate figures.
89. The TaxPayer's Alliance research into taxpayer funding of trade unions was compiled using Freedom of Information (FoI) requests submitted to 1,074 public bodies, including: Quangos, regional governments, central government departments, local authorities, NHS trusts, fire services and police forces. The research findings suggest 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.
90. However, it is unknown whether the findings of this research will accurately reflect the levels of check-off usage and charging arrangements across the 26,453 public sector employers that will be affected by Section 15 of the Act and to which this impact assessment applies. It is also unknown how the organisations surveyed in the TaxPayer Alliance report that charge for check-off calculated the amount they charge.
91. Therefore, for the purpose of this impact assessment benefits and costs have been assessed using an upper and lower bound estimate to account for some of this uncertainty.
92. Note that due to the small expected size of the transition cost (due to legislation being straightforward, and ease of payroll change if required), savings over 10 years would outweigh transition costs even under more conservative assumptions on check-off usage.

Number of relevant public sector employers affected by the restriction on check-off

93. This impact assessment assumes that 26,453 public sector employers will be affected by the legislative requirement of section 15 of the Act. This figure is based on a targeted online search of data sources that contain information on the number of public bodies within affected public sector workforces, of which 25,375 are small organisations (schools/universities), and 1,078 are larger public bodies.
94. We believe that the final figure is representative of the number of organisations which will be subject to the familiarisation and ongoing costs detailed in this impact assessment. It is noted that the figure may be slightly higher or lower and will fluctuate year-on-year as public bodies are closed and/or new ones introduced. The figure should therefore be treated as an estimate.

Short-term loss of revenue from membership fees - trade unions (where the provision of check-off no longer continues)

95. In an instance where an employer ceases to provide a check-off service, it is possible that trade unions will face some temporary disruption in fee collection. 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.

96. In this instance, the disruption should only be temporary, and members' fees due should be collectible within a short period of time (e.g. several months) of the removal of check-off being implemented. The associated costs have not been monetised as they are expected to be minimal.

Households without bank accounts (where the provision of check-off can no longer continue)

97. It is possible that where employers cease to provide check-off this 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 Annual Monitoring Report (2016)³, the number of adults living in households without access to a bank account is approximately 730,000, approximately 1% of 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.

Wider impacts

Small and Micro Business Exemption

98. The purpose of this legislation is to ensure that publicly funded employers do not provide check-off services which place a cost burden on the taxpayer. Exempting small (10-49 employees) and micro (0-9 employees) would not achieve the aims of this legislation, as such employers may continue to provide a check-off service without the legal ability to charge the relevant trade union(s) for this service. In effect, this could mean that a minority of employers provide check-off services without remuneration from union(s), which would result in a cost burden to the taxpayer.
99. Additionally, in any instance where a small or micro business-sized employer within the public sector was in the process of discontinuing check-off payments on their payroll this should be a simple process that causes minimal administrative burden because there will be only a small number of payments to cancel going forward. 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.
100. Although the proposed legislation to restrict the provision of check-off only directly regulates employers within the wider public sector, it has been duly considered whether there may be any indirect and disproportionate impact on trade unions which could be classed as either small or micro businesses.
101. The Annual Report of the Certification Officer for 2015-16 found that only 2.6% of trade union members across the whole economy belonged to a trade union with less than 10,000 members, and of that figure just 0.26% belonged to a trade union with less than 1,000 members⁴. It is therefore likely that only a small minority of public sector trade union members belong to a small or micro business-sized trade union.
102. 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 without the ability to charge the union for the service. In effect, this could mean that a minority of trade unions retain the use of a check-off service, but would not have to remunerate the employer for its provision, which would result in a cost burden to the taxpayer.

³<http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/annual-reports/financial-inclusion-monitoring-report-2016.pdf>

⁴https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/537915/CO_Report_15-16.pdf

103. This legislation requires that public sector employers must only charge unions a “reasonable amount for providing a check-off service. Payments are considered “reasonable” if the employer is satisfied that the total amount of the payment is substantially equivalent to the total cost to the public funds of making deductions (check-off). Therefore, this cost will be proportionate to the size of the membership of the union and the union will only pay for the service it receives.
104. In instances where an employer ceases to provide a check-off service (i.e. if a charging arrangement cannot be agreed), there is no evidence to suggest that this would have a disproportionate impact on smaller unions. 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 from check-off to other payment methods, 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 a reasonable transition period (typically around 6 months) 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.

Impact on Families

105. 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 needs to complete the Family Test in order to ensure that any new policies do not adversely affect families and family life.
106. Restricting check-off in the public sector will not adversely affect family formation or family life. Putting in place arrangements whereby unions reimburse employers for providing check-off will not impact upon parenting, or other caring responsibilities, or have an adverse effect during periods of separation or family deterioration.
107. Similarly, families going through significant life events will not be adversely impacted. In the event that an employer removes check-off, it is expected that they will work with the affected union(s) to ensure a reasonable transition period will be placed to assure that adequate notice is provided for union members to make a 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. In fact, families could potentially 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. For example, when employees are being made redundant, dismissed, or temporary or seasonal workers coming to an end of a contract who could be dismissed with no or minimal notice.

Equality Impact Assessment

108. The Act will not impose costs directly on individuals. There will be some reasonable 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.
109. It is conservatively estimated that the cost to trade unions of paying for the check-off services they receive could be approximately 1% of their received subscription costs. It is not unlikely that this increase of 1% may be passed onto 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 paying for check-off 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.

110. Section 15 of the Act will create procedural change in the operations of trade unions, in the public sector only, as they will be required to make reasonable payments for the check-off services they receive.
111. Under circumstances where the public sector employer ceases to provide check-off, members will have consumer protection for their payments under the Direct Debit Guarantee, for those switching to direct debit, 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.
112. In such instances, certain protected groups may experience the procedural changes of the removal of check-off more than others; and some may benefit from the positive effects of moving to direct debit, as mentioned above, with more frequency. Due to the benefits of direct debit, we have assessed that, overall, these changes are not adverse to any union members, and so there are no significant adverse equality impacts.
113. 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; and
 - 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.
114. A full equality analysis can be found in the published Trade Union Bill Equality Impact Assessment (September 2015 - prior to Royal Assent)⁵, as section 15 (restriction on check-off) of the Act also relates to the same public sector workforce.

Policy Review

115. It has been viewed that section 15 of the Trade Union Act (restriction on the deductions of union subscriptions from wages in the public sector) does not require policy review at a future date.
116. Review clauses are discretionary if the legislation does not regulate or deregulate business and does not require collective agreement. This legislation only regulates the public sector and, as such, does not require policy review.

⁵https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460114/BIS-15-534-trade-union-bill-equality-analysis.pdf

117. A review in the future would also be considered undesirable for policy reasons. Section 15 of the Act requires initial action to be taken by the public sector which, once done, will have no significant ongoing administrative or regulatory impacts. A review could require significant time and resource from public sector employers in collating and submitting data to analyse the impact of this provision.
118. There is also a high need for ongoing certainty and stability regarding any changes necessary either to existing contractual arrangements or to new arrangements entered into for public sector employers to charge their respective trade unions for check-off services.
119. The policy intent of this intervention is to ensure that taxpayer money no longer funds the provision of check-off in the public sector and that payment choice to members should be maintained. Therefore, a review would be disproportionate taking into account the impact of the regulatory provision.

Preferred option summary and implementation

Summary

120. Overall, it is not expected that the preferred option will have a significant regulatory impact on the public sector employers, as the intervention is straightforward to implement. Similarly, it is also not expected that there will be any significant indirect impacts on trade unions or their members.
121. The impact assessment identifies significant benefits of the policy. Although there are some nominal costs associated with the transition from current practice to the new regulatory requirement (£1m), these are significantly outweighed by the benefits to public sector employers. It is expected that by charging for check-off, the public sector should save approximately £7.2m per annum.
122. Through legislation, it is the intention of the Government to ensure that there is a consistent approach to check-off across the public sector that represents choice for members and value for money to the taxpayer.

Implementation plan

123. Following the laying of the regulations for section 15 of the Trade Union Act, the affected public sector employers will be notified and given approximately 12 months to align their existing check-off arrangements with the legislative requirement. This will provide adequate time for public sector employers to consult with their trade unions to establish a reasonable cost for providing check-off and to put an appropriate charging mechanism in place. In the event that a charging arrangement is not agreed this will also provide ample time in which trade unions are able to transfer their members to other payment methods.

Annex A - Scope of the regulations: Number of public sector organisations affected*

Ministerial and non-Ministerial government departments ⁶	42
Public bodies (individually listed in the regulations)	176
Education	
State funded primary and secondary education ⁷	25, 223
Higher education institutions ⁸	152
Local authorities⁹	
Local Authority District (England) Unitary Authorities (Scotland and Wales)	255
Police services	43
Fire and rescue authorities/services	49
NHS¹⁰	
Clinical commissioning groups	209
NHS Trusts	30
Acute trusts	154
Mental health trusts	56
NHS Boards (regional, special and local)	28
Special health authorities	12
Community health councils	7
Public health body	1
Other	
National Park Authorities ¹¹	15
Transport for London	1
Total	26,453

*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.

⁶ Source: <https://www.gov.uk/government/organisations>

⁷ Source: <https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2015/> / <http://gov.wales/docs/statistics/2016/160727-school-census-results-2016-en.pdf> / <http://www.gov.scot/Publications/2015/12/7925>

⁸ Source: <http://www.universitiesuk.ac.uk/facts-and-stats/Pages/higher-education-data.aspx>

⁹ Source: <http://researchbriefings.files.parliament.uk/documents/SN07104/SN07104.pdf>

¹⁰ Source: <http://www.nhsconfed.org/resources/key-statistics-on-the-nhs> / <http://www.nhs.uk/ServiceDirectories/Pages/SpecialHealthAuthorityListing.aspx> / <http://www.wales.nhs.uk/nhswalesaboutus/structure> / <http://www.scot.nhs.uk/organisations/>

¹¹ Source: <http://www.nationalparks.gov.uk/about-us>