

*These notes refer to the Employment Act 2002  
(c.22) which received Royal Assent on 8 July 2002*

## **EMPLOYMENT ACT 2002**

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### **EXPLANATORY NOTES**

#### **SUMMARY OF REGULATORY IMPACT ASSESSMENT**

##### ***Impact on small businesses***

216. The measures proposed in the Act affect businesses of all sizes. The consultation exercises carried out for most of the proposals received responses from small and large businesses. In the main areas - the provisions on dispute resolution and on maternity, paternity and adoption pay and leave - focus groups were convened with small firms. The Small Business Service has been consulted on each of the stand-alone RIAs.
217. The proposal to require minimum disciplinary and grievance procedures is likely to disproportionately affect small firms. This is because they are less likely to have procedures that meet this standard or follow them if they are in place. Hence the costs of introducing them will bear most on small businesses - but so will the benefits through reductions in cases going to Employment Tribunals. The proposal to remove procedural traps may benefit small businesses especially as there is evidence that small firms are most likely to make procedural errors.
218. There is some evidence to suggest that small firms can find it more difficult than larger businesses to cover for absences because they have a smaller number of people to whom work can be re-allocated. Hence the costs of covering for absences - especially paternity leave - may be more acute in small firms.
219. Small firms are less likely to employ FTC employees than larger firms.