Employment tribunals after R (Unison) v Lord Chancellor

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Contents:
1. Introduction
2. Fee refund scheme
3. Impact on claims
4. Future fees policy
Contents

Summary 3
1. Introduction 4
2. Fee refund scheme 6
3. Impact on claims 8
  3.1 Numbers of cases received by tribunals 8
  3.2 Rising caseloads 9
  3.3 Clearance times for cases 10
  3.4 Resource problems 10
  3.5 What extra resource is being provided? 13
4. Future fees policy 15
Summary

Employment tribunal fees were introduced during July 2013 by the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013 (SI 2013/1893). Prior to that, since the creation of the employment tribunal system, claimants were not required to pay fees to bring their claims. Since their introduction, tribunal fees were the subject of repeated judicial review proceedings both in England and Wales, and in Scotland. Until the matter reached the Supreme Court, those challenges failed.

On 26 July 2017 the Supreme Court handed down judgment in R (Unison) v Lord Chancellor [2017] UKSC 51, quashing the Fees Order and declaring it to be an unlawful interference with the common law right of access to justice. Employment tribunal and Employment Appeal Tribunal claims no longer attract fees. The effect of the declaration was that fees were identified as being unlawful from the start, meaning the Government deducted them unlawfully. On 15 November 2017 the Government announced the employment tribunal refund scheme via which those who paid fees would be reimbursed.

The introduction of fees had coincided with a steep decline in the number of cases received by employment tribunals. An average of 4,700 cases were received each quarter between October 2013 and June 2017, compared to 14,900 per quarter in the year to June 2013 prior to the fees regime (a 68% decrease). After the Supreme Court ruled fees to be unlawful, receipts of cases rebounded again. The number of cases received each quarter has more than doubled since the ruling, but is still below pre-2013 levels.

Reports indicate that the increase in employment tribunal caseload following the Supreme Court ruling, combined with a shortage of judges, is leading to delays in cases being brought to hearing. A recruitment process for new judges is currently ongoing, but this is a longer-term solution as the new judges will not take up their posts until April 2019 at the earliest. In the short-term, some additional resource is being provided through greater use of fee-paid judges (who are only paid for the days they work, as opposed to judges who receive an annual salary).
1. Introduction

Employment tribunal fees were introduced by the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013 (SI 2013/1893) (the Fees Order), which came into force on 29 July 2013. Following a succession of legal challenges, the Fees Order was declared unlawful by the Supreme Court on 26 July 2017 in R (Unison) v Lord Chancellor [2017] UKSC 51.

In delivering the lead judgment in R (Unison) v Lord Chancellor, Lord Reed concluded:

The Fees Order is unlawful under both domestic and EU law because it has the effect of preventing access to justice. Since it had that effect as soon as it was made, it was therefore unlawful ab initio, and must be quashed.1

The immediate consequence of the Supreme Court ruling was that the Fees Order became void and HM Courts & Tribunals Service stopped collecting fees. Additionally, given the declaration that the Fees Order was unlawful ab initio (from the start), it followed that fees were deducted unlawfully and should be reimbursed.2 Indeed, when the Fees Order was originally challenged by way of judicial review in Scotland’s Court of Session, the Lord Chancellor undertook to reimburse fees if it was found to be unlawful:

The Lord Chancellor gives an undertaking that if he is allowed to make the Employment Tribunals and the Employment Appeal Tribunal Fees Order 2013, and if following exhaustion of appeal rights, it is found to be unlawful, he will reimburse all fees that have been paid.3

Similar undertakings were made during the England and Wales litigation.

On 20 October 2017 the Government announced the details of an employment tribunals refund scheme, discussed below. The Government estimated the total cost of fee refunds, including interest of 0.5%, would amount to £33 million.4 As of 30 June 2018, the Ministry of Justice had refunded £10.6 million in fees.

The decision in R (Unison) v Lord Chancellor has significant practical implications for the employment tribunal system. Aside from administering the refund scheme, there is the additional challenge of coping with the increased caseload since the abolition of fees. Commentators have questioned whether the tribunal system is adequately resourced to meet this challenge considering the reduction in the number of judges while fees were in place.

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1 Para 119
2 See: Woolwich Equitable Building Society v Inland Revenue Commission (No. 2) [1993] AC 70, 177
3 Fox Solicitors Ltd, Re Judicial Review [2013] ScotCS CSOH_133, para 11
4 Employment Tribunals Service: Fees and Charges: Written question - HL1770
There is also the question of whether the Government plans to reintroduce fees, given the Supreme Court did not rule out fees *per se*. Rather, the Supreme Court deemed them to have been set at too high a level. Recent comment in Parliament indicates that the Ministry of Justice is currently reviewing its future approach to fees, and will publish this in due course.⁵

The following considers these issues. For a detailed discussion of the background to the Fees Order and the litigation that led to it being quashed, see the Library’s briefing: *Employment tribunal fees*.⁶

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⁵ Employment Tribunals Service: Fees and Charges: Written question - 149027
⁶ SN07081
2. Fee refund scheme

On 20 October 2017 the Government announced the ‘opening stage’ of an employment tribunal refund scheme, during which it said it would contact “up to around 1,000 people” giving them the chance to apply before the full scheme opened. In a statement the same day, the then Justice Minister, Dominic Raab, said that the Government planned to “roll out the full refund scheme early in November”.7

On 15 November 2017 the refund scheme opened to all applicants.8

One can apply online or by post. The online facility is open only to individual claimants. Those who paid fees on someone else’s behalf (e.g. unions or lawyers), and respondents ordered to reimburse claimants’ fees, can apply by post.

During the period 20 October 2017 (when the scheme began) to 30 June 2018, 12,432 refund payments were made with a monetary value of £10.6 million.

<table>
<thead>
<tr>
<th>Refund applications and payments</th>
<th>2017 Q4</th>
<th>2018 Q1</th>
<th>2018 Q2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refund applications received</td>
<td>4,800</td>
<td>4,672</td>
<td>5,053</td>
<td>14,525</td>
</tr>
<tr>
<td>Refund payments made</td>
<td>3,335</td>
<td>4,415</td>
<td>4,682</td>
<td>12,432</td>
</tr>
<tr>
<td>Value of payments (£ million)</td>
<td>2.8</td>
<td>3.8</td>
<td>4.0</td>
<td>10.6</td>
</tr>
</tbody>
</table>

Note: Some of the difference between the numbers of applications received and payments made is due to applications still being processed. Q4 2017 figure is for 20 October to 31 December.

Source: Ministry of Justice, Tribunals and gender recognition certificate statistics quarterly: April to June 2018, Tables ETFR_1 and ETFR_2

On 19 December 2017 Mr Raab gave evidence to the Justice Committee about the Government’s response to the Unison judgment. Mr Raab said the headline cost of administering the scheme, if operated for two years, would be between £1.8 million and £2.2 million. On the subject of why the estimates are based on an assumption of two years, Mr Raab said:

I do not think we have put a final deadline on it, but we anticipate that the scheme will run for about two years, so perhaps it will expire after that.9

Based on the Government’s £33 million estimate of the cost of refunds, approximately two thirds of the total liability remained outstanding as at 30 June 2018. If the value of refunds made in future quarters remains at a similar level to those to date, the refund scheme would be in

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7 Justice Update: Written statement - HCWS186 20 October 2017
8 Applications open for employment tribunal fee refunds, Gov.uk, 15 November 2017
9 Justice Committee Oral evidence: Employment tribunal fees, HC 576, Tuesday 19 December 2017
operation until late 2019, which accords with the Ministry of Justice’s projections.

On 27 March 2018 the Chair of the Justice Committee, Bob Neill, wrote to the Lord Chancellor, David Gauke, asking for an update on the refund scheme. The Lord Chancellor replied on 27 April 2018:

Although the refund scheme has made reasonable progress, we have decided that further action is necessary. We are therefore writing over the next few months to everyone who paid an ET fee, but who has not yet applied for a refund, to raise awareness of the existence of the scheme, and providing details on how to apply. The first batch of 2,000 letters was issued on 9 April.  

The Ministry of Justice provided a further response to the Committee on 18 June 2018, setting out additional details of the mail campaign:

As of 4 June 2018, we have dispatched 14,000 letters since the mail campaign began.
A breakdown of when these were sent is below:

w/c 9/4/18 2,000
w/c 16/4/18 2,000
w/c 14/5/18 5,000
w/c 4/6/18 5,000

We will continue to write to members of the public for whom we have details on a regular basis.

10 Letter from the Lord Chancellor to the Chair of the Justice Committee, 27 April 2018
11 Further response from the Ministry of Justice on Employment Tribunal Fees, dated 18 June 2018
3. Impact on claims

3.1 Numbers of cases received by tribunals

The introduction of employment tribunal fees in July 2013 coincided with a steep decline in the number of cases brought to tribunal. Following the Supreme Court ruling in July 2017 quashing the Fees Order, the number of cases received has been climbing again.

The latest statistics indicate that 11,700 cases were received by employment tribunals in April-June 2018. However, this total is artificially inflated by a data recording issue and the true number is likely to be closer to the 9,500 cases received in January-March.

Nevertheless, the number of cases received has increased sharply from an average of 4,700 cases per quarter between October 2013 and June 2017 while the fees regime was in place. It compares to 13,900 cases received in April-June 2013 immediately before the introduction of fees.

Part of the reason as to why numbers of cases received are yet to regain 2013 levels may relate to the availability of Acas Early Conciliation. From May 2014, claimants intending to bring an employment tribunal claim

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12 Ministry of Justice, Tribunals and gender recognitions certificates statistics quarterly, Table ET_1
13 Monthly management information indicates between 2,900 and 3,300 cases received each month between January and May 2018, increasing sharply to 5,600 in June. The increase in June reflects a large number of related claims being submitted individually and thus counted as single cases. Once these claims have been vetted, they will be grouped together and processed as a single multiple case. The receipts data will be revised in the June 2019 Tribunal and gender recognition certificates statistics quarterly publication. (Source: Ministry of Justice, private communication).
must first notify Acas, who will offer Early Conciliation in an attempt to help parties reach a settlement; where settlement is reached, these cases will not be brought to tribunal. Of course, there may be other factors at play that also contribute to the difference in numbers of cases received in recent quarters compared to before the fees regime, such as the health of the economy or changes to employment law.

**Terminology: claims and cases**

- A **single claim** is brought to employment tribunal by a sole employee or worker.
- A **multiple claim** is brought by two or more people, usually against a common employer, where claims arise out of the same circumstance. Such multiple claims are grouped into one **multiple case** and are processed together (by definition, the number of single claims equals the number of single cases).
- Therefore the number of cases generally offers a better guide to tribunals’ workload than the number of claims. Numbers of multiple **claims** can be volatile, because one case may involve a very high number of claims against the same employer.

### 3.2 Rising caseloads

Clearly, cases will take some time to work their way through the employment tribunals system. As the number of cases received by tribunals has increased, so has tribunals’ outstanding caseload. The number of single cases outstanding more than doubled in the year to April-June 2018, from 10,300 to 23,700 cases.14

This compares to 22,500 single cases outstanding in April-June 2013, before the introduction of fees. The number of multiple **claims**

14 Ibid, Table S_4. As discussed above in the context of cases received, the number of single cases reported to be outstanding at April-June 2018 is artificially inflated owing to a data recording issue. However, the number of outstanding single cases is still very likely higher than in the previous quarter.
outstanding is still well below 2013 levels, although this is less informative as associated claims will be heard together as one multiple case – one multiple case may involve a very large number of multiple claims.

3.3 Clearance times for cases

There have been numerous reports, discussed further in section 3.4, that the increase in caseload since the Supreme Court’s July 2017 ruling is causing delays in cases being brought to hearing. These effects are likely to be reflected only to a limited extent in the published statistics. This is because the statistics only tell us about the ‘age’ of cases cleared in a given period (that is, the length of time since these case were first received), not the age of all cases still progressing through the system. Of those single cases cleared in April-June 2018, half had been received by the employment tribunal less than 23 weeks before. This was up slightly from 22 weeks in the same quarter in 2017.15 But many of these cases will not have got to the hearing stage – indeed, only a small fraction of claims are actually decided at a hearing (less than 10% in the latest quarter, although others may be withdrawn or settled after a hearing has commenced).

For those cases that do get to hearing, typical clearance times are likely to be considerably longer than overall averages. Anecdotal reports also indicate much longer delays in cases being brought to hearing for those cases currently in the system.

As for clearance times for multiple cases (brought by more than one claimant), these are generally more complex than single cases and thus take longer to work through the system. Average clearance times can vary markedly between quarters. Half of multiple cases cleared by employment tribunals in April-June 2018 had been received less than 51 weeks before, although this was relatively quick compared to recent standards.

3.4 Resource problems

Since 2014, there has been a gradual decline in the number of employment judges. Reports suggest that the reduction in judicial numbers is now making it more difficult for tribunals to respond to rising caseloads. The number of employment judges decreased by 19% between April 2012 and April 2018, as shown in the chart below.16

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15 Ibid, Table T_2.
In December 2017, the Justice Committee heard oral evidence from Shantha David, Legal Officer at trade union Unison, highlighting inadequate resourcing of tribunals:

Another problem currently is resources. I know that because I am a practising employment lawyer … For example, I have a case in tribunal involving low-paid workers, and I have been given a hearing date 18 months from now, so there is an issue around listing. Administrative staff numbers have decreased radically; they were reduced following the introduction of fees. Retired judges have not been replaced, and part-time judges have been allocated to other tribunals.17

Resourcing issues appear to pre-date the Supreme Court ruling, although clearly pressure on tribunals has increased as a result of the recent rise in claims. In June 2017, the President of the Employment Tribunals in England and Wales, Judge Brian Doyle, informed the national employment tribunal user group that

… he was losing salaried judicial resource due to retirements occurring at a rate of about 5-6 judges annually. There were currently no recruitment exercises planned. The position was similar regarding fee-paid judges and non-legal members.18

The national and regional user groups are attended by representatives from organisations involved in the development of the employment tribunal service. Minutes from recent regional user group meetings show that lack of resource is a widespread issue and has led to delays in cases being brought to hearing.19

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17 Justice Committee, Employment tribunal fees, 19 December 2017, HC 576 2017-19, Qq3-4.
18 National employment tribunal user group minutes, 19 June 2017
19 For example, see minutes of London user group for 9 November 2017, Bristol user group for 12 December 2017, South East user group for 18 April 2018, Wales user group for 7 June 2018 and 28 June 2018.
In light of concerns about whether the tribunal system has the resources to cope with the increase in tribunal claims following the Supreme Court ruling, the Employment Lawyers Association (ELA) surveyed its members about their current experience of claims. The survey ran from 22 February to 21 March 2018 and received 320 responses (some single responses represented teams of solicitors or barristers’ chambers). It found:

- 75% of respondents reported an increase in the time tribunals take dealing with the service of claims
- 90% of respondents are experiencing more delays in dealing with interim paper applications and correspondence
- 53% reported delays in telephone calls being answered
- 57% report delays in receiving reserved judgments (i.e. judgments delivered after the hearing)
- 45% reported hearing postponements due to lack of judicial resources

The ELA report that:

Particular tribunals seem to be most affected, such as those in London (London Central, London South, London East and Watford).

…

Members report delays of many weeks and in some cases, even months, before tribunals dealt with claims. The problem is even worse in relation to interim applications; many employment judges are handling the correspondence themselves, including typing up their own orders and distributing them to the parties directly. It is clear that some applications or letters are not being read properly. Some correspondence, such as in relation to strike-out orders, is being rendered meaningless because of delays.

Judgments are taking inordinately long to come through. We received regular reports of delays of two or three months, even for simple unfair dismissal cases. But some delays are even longer than that – in one case, 14 months. There are obvious implications in terms of the delivery of justice.

…

We are still far short of the number of claims being brought before tribunal fees were introduced in summer 2013. So, in all likelihood, the pressures on the system are going to get worse before they get better. One issue is that although part of the solution lies in more adequately resourcing the system from an administrative perspective, training (or retraining) judges to hear employment cases and appointing judges on a full-time salaried, rather than fee-paid basis, takes time.

A HM Courts and Tribunals Service User Survey found “very similar outcomes” to the ELA Survey, as reported at the May 2018 meeting of the national employment tribunal user group.

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20 ELA Briefing, May 2018, p15.
21 Ibid.
22 National employment tribunal user group minutes, 22 May 2018
3.5 What extra resource is being provided?

Various actions being taken to increase judicial resource were described at the January 2018 meeting of the national employment tribunal user group, including greater use of fee-paid Employment Judges (who are only paid for the days they work) and plans to recruit additional fee-paid and salaried judges. The President of the Employment Tribunals welcomed the “positive response” of HM Courts and Tribunals Service and the Ministry of Justice to the implications of the Supreme Court ruling:

There was an obvious commitment to increase judicial and administrative resources for the ET. Whatever future policy on fees might be, the response to increased demand for ET services was not in doubt. While performance was not yet back to where the ET would want it to be, it was holding up and additional resources would be very welcome.23

A recruitment exercise for 54 new salaried Employment Judges in England and Wales was launched in June 2018,24 with successful candidates expected to start in post between April and September 2019. Previously, salaried Employment Judges have been recruited from among existing fee-paid Judges but that requirement was lifted for this exercise given the scale of need, meaning that applicants need never previously have sat as a judge.25 Responding to an Oral Question on 26 April 2018, the Ministry of Justice Spokesperson in the House of Lords, Lord Keen of Elie, explained that this was expected to increase tribunals’ capacity by around 44%:

The time taken for tribunal cases was in the region of 26 to 28 weeks per case for resolution. That has increased to about 33 weeks because there was a significant increase in applications to the tribunals after the decision in July 2017. We have put in place a process for recruiting a further 54 tribunal judges for employment tribunals, which should increase capacity by about 44%. In addition, we are now taking steps to increase the number of fee-paid judges in the tribunal system; indeed, fee-paid judge sittings have increased by 180% since July 2017. We are also conscious of the need to employ additional staff in employment tribunals; that is being undertaken at the present time.26

Clearly, the recruitment of new salaried judges is not an instant fix, given they are not expected to start before April 2019 at the earliest. Where fee-paid judges are available, this enables a swifter increase in capacity. The number of sittings by fee-paid judges declined sharply after the introduction of fees, but increased again in the latest year:

23 National employment tribunal user group minutes, 17 January 2018
24 National employment tribunal user group minutes, 22 May 2018
25 Wales user group minutes, 7 June 2018 and 28 June 2018, para 11
26 HL Deb 26 April 2018 c1659
Number of sittings by judges in employment tribunals
Salaried and fee-paid judicial sitting days in employment tribunals: Great Britain, 2012/13 to 2017/18 (thousands)

Source: Ministry of Justice, Tribunals and gender recognitions certificates statistics quarterly: January to March 2018, Table JSFP_1
4. Future fees policy

Since its initial reaction to the *Unison* judgment, the Government has consistently emphasised that the Supreme Court ruling allowed for the possibility of fees being reintroduced, albeit at a lower level and/or with a more generous remission scheme.

On 20 October 2017, when the Government announced the fee refund scheme, it referred to part of the Supreme Court judgment:

> The Supreme Court judgment noted that ‘fees paid by litigants can, in principle, reasonably be considered to be a justifiable way of making resources available for the justice system and so securing access to justice’. The court ruled, however, that we hadn’t set the fee at the right level to deliver that outcome.27

Shortly after that announcement, in evidence to the Justice Select Committee on 25 October 2017, the then Lord Chancellor, David Lidington, said the Government intended to reintroduce fees once it had decided on a new, legally compliant, approach:

**Ellie Reeves**: You touched on the Unison judgment in relation to employment tribunal fees, which made some very important rulings on access to justice and on the discriminatory nature of fees in relation to women. What lessons has the Department learned from the ruling that employment tribunal fees were unlawful?

**Mr Lidington**: The key lesson I took from the judgment was that fees are, as Lord Reed said, a reasonable way in which to secure a contribution towards the running costs of the Courts and Tribunals Service, but that in setting the level of fees the Government need to have very careful regard to questions of access and affordability. As Ms Reeves will recall, the judgment went into considerable detail about what was and was not, in the view of the Supreme Court, a reasonable sacrifice of spending to be made. The line that stands out in my memory was, “Children still grow and need new shoes or new clothes. This is not something you can simply defer.” What I have decided to do, following that report, is to say to the Department that we need to take a step back in our approach to fees, and consider, in the light of the judgment, what our approach to fees should be overall. **We still intend to charge fees; it is necessary as a contribution to costs.** It is also necessary and sensible as a deterrent to frivolous or vexatious litigation, and that was something the court itself acknowledged in the Reed judgment.

Obviously, the immediate response to the Supreme Court judgment in the Unison case has been to comply with the court, and, as the Committee will know, we announced, a few days ago, the details of the repayment scheme. It was important that we got that sorted out. The next step is to think what the new approach to fees should be, in the light of the doctrine that the Supreme Court enunciated.28

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27 Opening stage of employment tribunal fee refund scheme launched, Gov.uk, 20 October 2017. Lord Reed observed at paragraph 91 of the Supreme Court’s judgment: “In order for the fees to be lawful, they have to be set at a level that everyone can afford, taking into account the availability of full or partial remission.”

During his evidence to the Justice Select Committee on 19 December 2017, Dominic Raab, then Justice Minister, gave some indication of the Government’s priorities for any new fees system:

obviously we are going to take on board all the aspects; for example, it is quite important to look at some of the comments about our evidence base. There were comments about help with fees and the implications. We are going to look at it in the round, while trying to make sure that we have the right balance between access to justice for the citizen, not allowing spurious claims to come to court that should not, and trying to make sure we encourage alternative dispute resolution where we can, whether it is through conciliation or other means.

…

What we want to do is make sure that we have affordable access to justice for those who obviously have meritorious claims—by the way, fees are not the only way you can do this—and that there are checks and balances and disincentives in place for those who might just be bringing spurious or vexatious claims.

…

A type A claim for unpaid wages costs nearly 400 quid to get to the tribunal, if you include the issue fee and the hearing fee. The remissions for earnings, when we had the fees scheme in place, were up to £1,085 per month. If you look at that balance—just over £1,000 in earnings and almost £400 for the tribunal fee—you can see that for a case of unpaid wages that is not a finely-tuned legal issue; it is ultimately an evidential, factual question. I have heard from citizens advice bureaux both as a local MP and subsequently as a Minister about clear, open-and-shut cases. Work has been done, wages have not been paid and yet the disincentive to go to a tribunal is clearly on the balance of cost … we will make very sure that it does not happen again.29

More recently, on 6 June 2018, the Parliamentary Under Secretary of State at the Ministry of Justice, Lucy Frazer, indicated that the Government might be considering reintroducing tribunal fees, stating that the Ministry was conducting a review “on how we charge fees in light of Unison” and that “details on the proposed approach will be published in due course.”30

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29 Justice Committee Oral evidence: Employment tribunal fees. HC 576, Tuesday 19 December 2017

30 Employment Tribunals Service: Fees and Charges: Written question - 149027
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