

UNIT 4: LEGAL FACTORS



Minimum Wage – The minimum amount that an employer can pay their employee per hour. The National Minimum Wage when first introduced in April 1999 intended to boost the pay of very low-paid workers.

The legal minimum wage is reviewed every year and has gone up each year since 1999. Businesses have to comply with the new rates or face prosecution.

Changes to the law can restrict business behaviour and increase costs – they can also create business opportunities.

- **Employment rights** – This is the key legislation concerned with establishing workers’ rights in regard to their terms and conditions of employment. Employees have to be provided with a written contract of employment within two months of starting employment. The contract must state levels of pay, holiday entitlement, rights for maternity pay, pension rights, disciplinary procedures and length of notice period.
- **Anti-discrimination legislation** – The Equality Act 2010 legally protects people from discrimination in the workplace and in wider society. It is illegal to discriminate on the grounds of:
 - age
 - racial or religious belief
 - sex
 - sexual orientation.
- **Company law** – This regulates how private and public limited companies operate. It includes how limited companies are formed, the information that must be publicly available, the format of financial accounts and the type of shareholders permitted.
- **Consumer protection** – There are laws designed to protect the consumer from unscrupulous firms. It covers such areas as:
 - safety of goods
 - labelling
 - the right to return goods
 - the right to money back
 - protection against untruthful claims about the product or service.

- **Intellectual property law** covers the legal rights of individuals and companies in regard to designs, inventions and artistic works.
- **Trademark legislation** covers designs and artwork, such as labelling, brand logo design and product design. Trademarks and other aspects of design can be registered and protected from copying. A copy can infringe a trademark without being an exact copy, but instead similar enough to cause confusion in consumers.
- **Patent Law** covers inventions and gives rights to the inventor or patent owner for a limited period to stop others from making, using or selling an invention without the permission of the inventor or owner. Patent periods can vary in time but are normally for 20 years. The registration process can be relatively expensive, but businesses found guilty of infringement have to pay damages and a court injunction to prevent further infringements occurring.
- **Copyright law** gives the creators of literary, dramatic, musical and artistic works, sound recordings, broadcasts and films, rights to control the ways in which their material may be used. The law means that it is an offence to do any of the following without the consent of the owner:
 - copy the work; rent, lend or issue copies of the work to the public
 - perform, broadcast or show the work in public
 - adapt the work in any way.
- **Competition law** – This regulates the way in which businesses compete. Examples of this include:
 - control of the merger of businesses because of the danger of monopoly power
 - restrictions on one business undercutting others
 - investigation of businesses who are believed to have too much control of the market
 - making cartels and price fixing illegal.

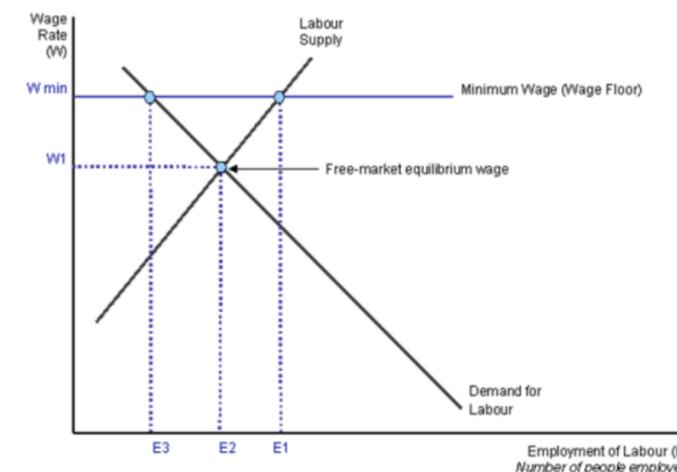
Data protection – Data protection is concerned with how personal data gathered by organisations is used and kept secure. Businesses are required to have a Data Protection Officer whose role is to ensure that the requirements of the Data Protection Act are met. Data gathered from customers or clients must be:

- used fairly and lawfully
- used for limited, specifically stated purposes
- used in a way that is adequate, relevant and not excessive
- accurate
- kept for no longer than is absolutely necessary
- handled according to people’s data protection rights
- kept safe and secure.

Businesses who fail to protect data can be subject to large fines. Instances of companies failing to protect customers’ data online are very much on the increase and it is an issue that businesses are urgently attempting to address.

Health and safety law – Employers have a duty to take all reasonable care to ensure the well-being and safety of their employees. Employers have a legal responsibility to ensure that working environments are safe and that employees are able to understand and are trained to deal with the risks involved in their jobs. Employees also have responsibilities, such as taking reasonable care and ensuring that they abide by health and safety rules – e.g. wearing hard hats on building sites.

Environmental law – Disposal of waste, air omissions. This regulates a business’ activities with regard to its effect on the environment. It covers areas such as managing waste, controlling pollution, managing energy, conserving fisheries and clean water stewardship.



Planning law – This restricts a firm’s activities with regard to where it may locate and how it may expand its property. It covers such areas as planning permission for the change of use of a building, planning permission for an extension to a building and objections by neighbours to having a business close to them.

Some of the **government bodies** that ensure that businesses comply with the law are:

- The Office of Fair Trading
- The Competition Commission
- The Food Standards Agency
- The Environment Agency.

In addition to UK legislation, businesses in the UK are subject to **European Union** laws.

European Union laws take precedence over UK laws. Examples of European Union laws are:

- 48 hour maximum working week
- no discrimination is permitted on the grounds of age or religious belief
- the weight of goods must be displayed in metric measures.

The government can provide an environment that stimulates business success or it can stand in the way of business growth and innovation.

| | EMPLOYERS | EMPLOYEES |
|---------------------------------------|---|--|
| ADVANTAGES OF THE MINIMUM WAGE TO: | <ul style="list-style-type: none"> Benefit from a more motivated workforce as they are happy to be receiving more money. More use of zero hour contracts where employees only get paid for the hours that they work. An increase in the min. wage may lead to an increase in the amount of disposable income employees have. This could then be spent in shops and they may see an increase in business. Reduces the need to negotiate with unions about pay which could have lead to disputes. | <ul style="list-style-type: none"> More disposable income due to the increase in the min. wage. Benefit particularly those industries that were traditionally low paid. More supply of labour as working becomes more attractive. Younger people may find it easier to get jobs as it is cheaper to employ younger workers than older ones. |
| DISADVANTAGES OF THE MINIMUM WAGE TO: | <ul style="list-style-type: none"> Wage costs would increase with any rise in min. wage which could impact on the business' profits. Alternatively, businesses may be forced to reduce the number of people they employ in an attempt to cut their wage bills. As a result, an increase in the min. wage could lead to cost-push inflation and businesses could see the costs of raw materials rise. May be tempted to employ cheaper younger workers rather than older workers or, in extreme cases, use illegal workers in an effort to make the wage bills cheaper. | <ul style="list-style-type: none"> Older workers may find themselves at a disadvantage if the employer favours employing the cheaper younger workers. Loss of job security as the business may look to dispose of employees if their wage bills significantly increase. This increase in min. wage may not be very substantial, therefore, they receive very little benefit of the increase. Businesses may move production abroad in favour of cheaper labour elsewhere in the world. |

