

Business and the Law

Legislation

The way in which a business can operate is controlled by legislation. Laws can be imposed by the UK or European Union courts and government. Legislation mainly acts as a constraint on business.

The main areas of legislation that affect businesses are:

- ▶ Employment law
- ▶ Consumer protection
- ▶ Competition law

Employment law

This is aimed at protecting the health, safety and rights of employees

The main employment laws that a business needs to consider are:

- ▶ **Health and Safety at Work Act 1974**

Employers must provide safe premises and machinery. They must ensure that workers health is not affected by their work.

The key costs and benefits of the Health and Safety at Work Act for a business are:

- Adds to costs to businesses that need to train staff and spend money maintaining the standards set out.

- **BUT** may reduce cost in the long term because of a reduction in staff absences and not having to pay compensation for injuries.

- Good health and safety record is a good way of encouraging recruitment of good workers.

- ▶ **Equal Pay Act 1970**

Employees who do equal work or work of equal value must receive the same pay as workers of the other sex.

- ▶ **Sex Discrimination Act 1975**

Employees cannot be sexually discriminated in employment, training or recruitment.

- ▶ **Race Relations Act 1976**

It is illegal to discriminate against someone on the basis of race, ethnic group or colour.

- ▶ **Employment Protection Act 1978**

Employees must be given a written contract of employment. It protects against unfair dismissal (without good cause) and says that redundancy pay must be paid if the worker has served more than two years and their job is to be abolished.

Employment law imposes additional costs to the business because they have to spend additional money on training, recruitment and pay. Like the Health and Safety Act there are also benefits if the workers feel they are treated fairly and there is more security, they will be more motivated.

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Consumer Protection

This is aimed at making sure that businesses act fairly towards their consumers – especially since consumers are sometimes in a much weaker financial position. The main consumer protection legislation is:

- ▶ **Sale and Supply of Goods Act** (this states that goods must be of satisfactory quality)
- ▶ **Trade Description Act** (goods and services must perform in the way advertised by the business)
- ▶ **Consumer Credit Act** (this protects the consumer when borrowing money or buying on credit)

Consumer protection imposes additional costs to businesses since they have to comply with the laws. If they do not comply they risk fines and ultimately being put out of business by the courts of law.

Competition law

Competition law aims to ensure that fair competition takes place in each industry. Governments believe that greater competition leads to lower prices, better quality goods and a wider variety of products.

- ▶ **Competition Commission (CC)** and the **Office of Fair Trading (OFT)** investigate any business that has more than 25% of the market share, especially if it merges with another business. They may feel that the business has too much power and can set high prices and provide poor quality products. The CC and OFT has the power between them either to fine these businesses, or prevent the merger taking place.
- ▶ The OFT can also fine businesses who fix prices or prevent other businesses from trading in their market. Most recently they investigated the car industry and warranties offered by leading electrical retailers.

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