

# The economics of employment tribunals

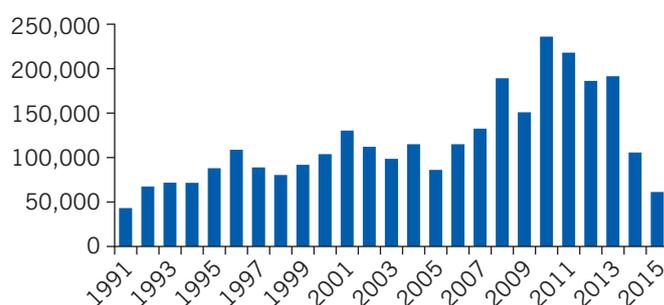
## Understanding how employment tribunals make decisions can guide reforms of employment dispute settlement

Keywords: employment tribunals, individual employment disputes, settlements, labor courts, efficiency vs justice

### ELEVATOR PITCH

Employment tribunals or labor courts are responsible for enforcing employment protection legislation and adjudicating rights-based disputes between employers and employees. Claim numbers are high and, in Great Britain, have been rising, affecting both administrative costs and economic competitiveness. Reforms have attempted to reduce the number of claims and to improve the speed and efficiency of dealing with them. Balancing employee protection against cost-effectiveness remains difficult, however. Gathering evidence on tribunals, including on claim instigation, resolution, decision making, and post-tribunal outcomes can inform policy efforts.

Employment tribunal claims have been rising in Great Britain, especially during economic downturns



Source: Employment Tribunal Service internal statistical information, annual reports, and statistical releases. Online at: <https://www.gov.uk/government/collections/tribunals-statistics>

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### KEY FINDINGS

#### Pros

- ⊕ Employment tribunals and other labor courts are important institutions for enforcing workers' legal rights and protections.
- ⊕ The incidence of claims—notably for unfair dismissal—rises during economic downturns and varies with other factors, including the extent of unionization.
- ⊕ Settling cases before hearings are held depends on parties' expectations about what the adjudicated decision will be and on conciliation interventions.
- ⊕ Tribunal judgments reflect social and economic factors as well as legal and procedural compliance.

#### Cons

- ⊖ High numbers of claims place pressure on the tribunal system and can result in significant costs to both sides in the case and to the state.
- ⊖ Because tribunals are charged with enforcing employment protection legislation, they have been criticized for having a negative impact on labor markets.
- ⊖ For a small number of claimants, most notably those whose cases are dismissed without a hearing, there appear to be adverse labor market consequences from seeking redress through tribunals.

### AUTHOR'S MAIN MESSAGE

Employment tribunals and labor courts have a central role in enforcing employment protection laws and safeguarding other worker rights. What is currently understood about claim instigation, conciliation, and adjudication suggests possible alternatives to the deregulatory dynamic that has emerged in several countries. Improving the quality of information and support available to parties in disputes and working with small firms, which may lack awareness of legal requirements and engage in more informal employment relations, offer promise for improving the labor dispute settlement process without compromising worker rights.