

Regulating the Three Cs:
A report on how to regulate labour
suppliers in Care, Cleaning and
Construction

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Executive Summary

Occupational regulation serves to restrict entry to an occupation through setting entry requirements. Regulation is usually set at the individual level, requiring applicants to obtain qualifications and experience or to display a minimum degree of competency before entry is granted. However, regulation can also be set at organisation level, where regulation can restrict the supply of labour through requiring organisations (labour suppliers) to meet requirements set by the regulation. Such requirements can involve insisting upon formal pay systems and record keeping, and ensuring adequate working conditions and environments.

Focus of the Report

The report focuses on three occupational groups: cleaning, caring and construction. The main aim of the report is to consider how regulation might be used to ensure adequate pay and working conditions are provided to contracted workers. The regulation considered will be at organisation (labour supplier) level. Drawing on our extensive research on occupational regulation and discussions with various stakeholders in these industries, the report considers four options:

Licensing; covers the whole occupation including the title and all tasks within it. This type of regulation completely restricts entry to those who meet the requirements of the scheme.

Certification; covers part of an occupation. Either the title, tasks or certain labour suppliers are covered. This means that the requirements set can be as high as those of licensing standards but not everyone within the occupation has a legal obligation to become certified.

Accreditation; covers the whole occupation but is completely voluntary. There are no legal obligations to become accredited. However, accreditation may be used to dictate liability should organisations supply contracted staff.

Registration; covers the whole occupation, including the title and all tasks within it. There is no requirement set by the schemes to display a minimum degree of competency, though a criminal record background check may be required before an organisation can register.

The 3 Cs

The occupations discussed in this report (cleaning, caring and construction) are elementary-level occupations, with individual workers unlikely to hold formal qualifications or skills. Pay is traditionally low and the working environment undesirable either because of long hours, poor accommodation or highly intensive work.

Whilst regulating individuals may result in upskilling the occupations through requiring individuals to attain certain qualifications, given the demographics of the occupations and the low levels of pay, regulating individuals would place too high a burden on workers. Furthermore, regulating individuals does not directly address issues surrounding fair pay and treatment at work for contracted workers. As such this report focuses on proposing regulation at organisation level so that labour suppliers are directly targeted. This places the burden of resources on the organisation and not the workers. Additionally, through focusing not on employers but labour suppliers, contracted workers who are not covered by much employment law can be protected through the regulation. Protection comes through requiring labour suppliers to have formal pay systems and appropriate working environments to meet the regulations' requirements.

Recommendations

Although the occupations considered in this report are similar in terms of skill level and pay, the occupations are very different in terms of nature and design. As such instead of recommending a blanket regulation for all three of the occupations, this report suggests each occupation is regulated independently. However, one general recommendation made is the need for an intelligence hub between the Employment Agency Standards Inspectorate, HMRC National Minimum Wage Enforcement Team

and the Gangmasters and Labour Abuse Authority. Through interviews with all three bodies, it is clear that for any serious impact to be made in an occupation, information sharing and recording will be key. Restrictions through bureaucratic systems currently, and will continue to, prevent effective enforcement.

Cleaning; existing regulation in the occupation takes the form of accreditation. As there is not a compelling case for improving public safety through regulating cleaning, this report recommends the expansion of existing accreditation. This will only be effective if accreditation becomes more desirable for end users and therefore demand is increased. This report suggests that accreditation can become more attractive to end users through distributing liability based on accreditation. If a labour supplier is not accredited, the liability of ensuring fair pay and working conditions lies with the end user. Only accredited labour suppliers are liable for matters of unfair pay and working conditions. This approach incentivises end users to seek accredited labour suppliers and thus incentivises more suppliers to become accredited.

The requirements set by the accreditation scheme should include the presence of formal pay systems and appropriate working conditions. Any applicants who do not meet the requirements should be reported to the intelligence hub.

Caring; within caring the Care Quality Commission (CQC) is responsible for licensing both individuals and organisations. As part of their requirements, organisations (labour suppliers) must have formal pay systems and provide adequate working conditions. However, the main focus of their efforts and inspections is on the quality of care provided by individuals and organisations. Whilst this is understandable, it means that the current licensing scheme is not addressing issues around pay and working conditions. This report recommends that the monitoring and reporting of organisations who are not found to be treating workers (including contracted workers) correctly should be delegated to either the Gangmasters and Labour Abuse Authority or the Employment Agency Standards Inspectorate. This allows the CQC to focus on the quality of care and the skill levels of workers and ensures working conditions are being monitored by a dedicated authority.

Construction; the existing regulation in this occupation takes the form of accreditation. Unlike cleaning, construction does have clear links to public safety. Therefore, this report recommends that a legally enforced regulation is appropriate. However, the report does not recommend licensing because there would be great difficulties in implementing the scheme across the whole occupation and monitoring members. Additionally, the report suggests that the burden for small labour suppliers, who use contracted workers on an ad hoc basis, would be too great. Instead the report recommends certification as a regulatory scheme. The scheme can be set with parameters to target the areas of the occupation most likely to be treating contracted workers unfairly (medium to large commercial organisations) without risking unemployment and downsizing at the lower end of the occupation. The report suggests using the Gangmasters and Labour Abuse Authority as the regulatory body but suggests further linking the certification scheme to the skill level of workers. The report suggests that by requiring organisations to ensure a proportion of their workforce (including contracted workers) are accredited would indirectly encourage individual workers to become accredited and have an upskilling effect in the industry. This suggestion means that the GLAA could decide upon what accreditations they will recognise and that this can change over time to reflect market and customer requirements.

1. Introduction

The commission has requested a think piece on the options for implementing occupational regulation in three sectors: construction, caring and cleaning. The intention of the regulation would be to target contracting companies with a view to improve working conditions, wage, skills and quality of work.

The aims of this report are to:

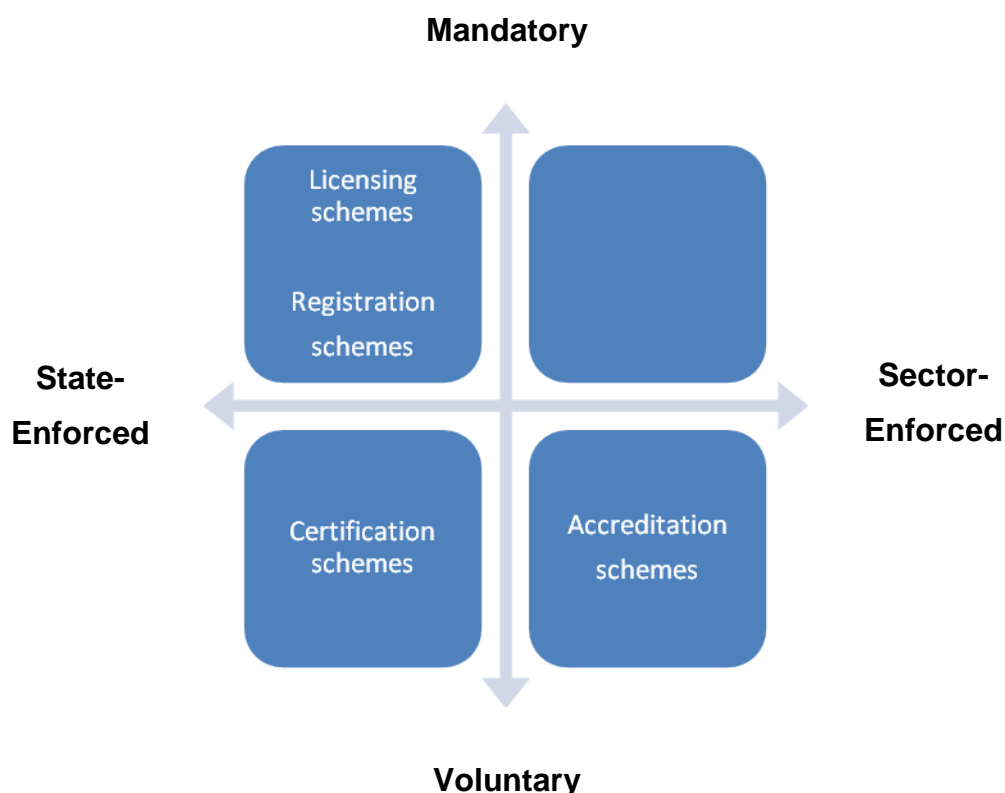
1. Outline the theoretical rationale for occupational regulation
2. Discuss the theoretical impact of regulation
3. Outline the different types of regulation
4. Examine the nature of the occupations and existing regulation
5. Suggest an appropriate approach to extending regulation within the three occupations

Why Regulate?

Occupational regulation refers to the imposition of minimum skill requirements for entry into occupations. Traditionally, it has been implemented in occupations that pose high information asymmetries between producers and consumers, while the impetus for such regulation is considered to be greater, the greater the negative externalities associated with malpractice and presence of scrupulous practitioners in the market. However, occupational regulation can also help address market failures in the provision of skills in occupations where such provision is suboptimal. In particular, through the introduction of skill-based entry barriers to occupations, regulation provides a minimum floor below which skills in the occupation cannot fall. If set at a level above the current skills equilibrium in the labour market then regulation can lead to upskilling. The sections that follow discuss these arguments in more detail but, before that, we present a detailed discussion of the forms that occupational regulation takes.

Our existing research on occupational regulation distinguishes between the various forms depending on whether they are legally enforced or voluntary. Legal enforcement comes typically from the state (or state appointed regulatory bodies), whilst voluntary models rely on professional bodies (often endorsed by the state through Social Charters, but independent from it in their governance and decision-making). As such, we identify three forms of legal regulation (licensing, certification and registration) and one form of regulation that has no legal backing or state involvement (accreditation). From a skills perspective, we can distinguish between three forms of regulation that involve prescribed skill standards (licensing, certification and accreditation) and one which does not (registration). Figure 1 depicts this typology and below we provide a more detailed description of each form.

Figure 1: Typology of occupational regulation



Source: Forth et al. 2011¹

¹ Forth, J., Bryson, A. Humphris, A, Koumenta, M. and Kleiner, M. (2011) A review of occupational regulation and its impact. UK Commission for Employment and Skills Wath-Upon-Deane: UKCES.

Licensing

Obtaining a 'licence' is a legal requirement for any individual wishing to enter a licensed occupation. In order to legally work in a licensed occupation, individuals must meet a minimum degree of competency (usually in the form of educational credentials) and overcome any other barriers to entry (such as criminal record checks, work experience requirements and professional exams). The only exception is where licensing has been newly implemented and existing workers may qualify for automatic licences under a 'grandfathering' scheme. Licensing protects both the title and the function of an occupation, such that it is illegal for any unlicensed individual to work as, or do any task conducted by, a licensed worker.

Licences are issued by a regulatory body which may be part of a government department, a quasi-autonomous non-governmental organisation (QUANGO) or a professional body. However, all will be inspected and audited by the state, not least because of their monopolistic properties. It is the most stringent form of occupational regulation because both the title and function are protected, and because of the level of monitoring of licensed workers. There are strict codes of conduct and formal grievance procedures available to the public to report unsatisfactory practitioners. Subsequently, licensed practitioners can have their licence revoked if the regulatory body concludes malpractice. The findings may also escalate to legal proceedings and custodial sentences where necessary.

Examples of licensed occupations include: doctors, who must have a licence to practice from the British Medical Association (BMA); security guards, who must have a licence from the Security Industry Authority (SIA); and barristers, who must pass the bar exams and register with a chamber. It is important to note that licensing bodies may use the terminology of a 'register' but if applicants are required to meet any minimum levels of competency in order to join a 'register', licensing is the type of regulation in place.

Accreditation

Accreditation schemes are often advertised to potential members as a system indicating quality to consumers. For example, toymakers can become a member of

the Toymakers Association, which may then indicate to consumers that the toymaker is qualified in line with the standards set by the professional association as a result of having passed the entry requirements of the British Toymakers Guild (BTG). Similarly, florists can become members of the British Florists' Association if they have gained a Diploma in Floristry (NPTC Level 4) and a Master Diploma in Floristry (Level 5). Therefore, the quality of work can be examined either internally by existing members or externally through nationally set examinations. Once a member of an accreditation scheme, the membership can be for life, as is the case for florists and toymakers, or dependent on continual examination. In all cases, there will be an annual subscription charge because accreditation bodies are wholly self-funded.

Accreditation schemes are not legally enforceable; they are instead voluntary schemes that individuals can choose to join. As they are not legally enforced, the schemes are run by professional or industry bodies, which are self-funded and self-regulated. They are not monitored by an external source, such as the government. As accreditation schemes are independently run, the range of entry requirements varies hugely across different industries, occupations and bodies. However, all will have membership costs to continue to be self-funding entities. From the consumers' perspective, accreditation provides a signal of competency but does not prohibit them from opting for practitioners who are not accredited. Therefore, it creates a dual market of practitioners that meet some standards and their non-accredited counterparts, and leaves it to the consumer to decide whose services to use.

Certification

As with accreditation, certification schemes are voluntary; an individual can choose not to enter the scheme and still work in their chosen profession. For example, a plumber is free to decide whether or not to join the Gas Safety Register. Similarly, again, large portions of certification schemes are run independently of the state and are self-funded. Also, as with most accreditation schemes, individuals usually need to display a minimum degree of competency. However, unlike accreditation schemes, certification is not just an indicator of quality to potential consumers, but can offer legal protection of title or function for its members, and will be detailed below.

Protection of title prevents any uncertified individual operating under the same title as a certified individual. For example, only accountants who pass the examinations set by the accountancy regulatory body can legally use the title *Chartered Accountant*. The same is true for Chartered Architects and Chartered Surveyors. If any uncertified individual wrongly uses the title associated with certification, then they are breaking the law and can face considerable fines and even prison sentences.

Protection of function prevents an uncertified individual from undertaking certain tasks. For example, anyone can call themselves a plumber, but only those who hold a certificate issued by the Gas Safety Register (formally CORGI) can legally assume any task relating to gas, such as fitting or mending boilers. Anyone who carries out work without holding a legally required certificate risks hefty fines and prison sentences. The important distinction with licensing is that licensing covers all tasks associated with an occupation. Certification of function is only covering certain aspects of a job.

As a result of the legally enforced restrictions on individuals in certified occupations, regulatory bodies charged with issuing certificates often insist certain requirements are met. A Chartered Accountant, for example, must pass stringent Associated Chartered Accountant (ACA) exams and accumulate an adequate level of work experience before they are permitted to be known as Chartered Accountants. Similarly, plumbers must undergo training and pass exams to gain a gas safety certificate. It is also usual with certification that the regulatory bodies will require on-going training and professional development for an individual to remain certified.

Beyond penalties, such as prison sentences and fines, for those wrongfully using a protected title or undertaking a protected function, there are also penalties for those who are certified but who fall short of the regulatory bodies' expectations once they have met the entry requirements. For instance, if a certified plumber places the public at danger by taking short cuts when fitting gas pipes, they will lose their certificate and face fines or a prison sentence. As a result, once within a certification scheme, individuals are monitored and must ensure a quality of service if they intend to remain certified.

Registration

Occupational registration requires individuals to register their details with an appropriate regulatory body. For example, in order to become a farrier (a person who fits horseshoes), one must register name and contact details with the Farriers Association. Registration is legally enforced, for example, farriers must be registered in accordance with the Farriers Registration Act 1975. Any individual who works in a registered occupation but does not join the register may face penalties, including fines and even prison sentences. Other examples of registered occupations include estate agents who must register themselves with the Office of Fair Trading, and medical secretaries who must register with the British Medical Secretaries and Administrators professional body. All registers are available to the public. This allows two uses: first, the public can search for a registered practitioner in their area to employ, and secondly, if a member of the public is not satisfied with the level of workmanship they receive, the practitioner can be traced through the register and, if needed, reported to the relevant authorities.

What distinguishes registration from licensing is that the latter does not demand any minimum degree of competency to be demonstrated and as a result the skills of practitioners are not formally assessed. Nor does an individual necessarily have to have a Criminal Record Background (CRB) check, pass any physical or medical checks, or meet any age requirements; anyone can join the register, and once a member of the register, membership is often for life. There is usually no cost involved in joining the register beyond minimal administration costs and time spent filing the required forms. As a result of the lack of barriers to entry, registration is regarded the least stringent of all regulation types in the UK and has the least impact despite being legally enforced.

We can further distinguish between regulation that occurs at local level (e.g. taxi-drivers, street traders) and regulation that sets standards at a national level (e.g. security guards, doctors), with the latter being the predominant form. Further, while the majority of regulation applies directly to individual workers, there are instances where regulation is in the form of requirements placed on employing organisations (e.g. under the Food Hygiene Regulation EC 852/2004 that kitchen workers who

handle food are supervised by someone that possesses a current Food Hygiene and Safety Certificate). We refer to them as ‘organisation-level licensing schemes’.

Table 1: Classification of Regulatory Schemes

		Requirement to demonstrate a minimum degree of competence?	
		No	Yes
Any legal regulation by the government? (directly or through an appointed agency)	No	<p>Unregulated The occupation may be subject to conventions, whereby employers will typically cite minimum entry criteria, but these are not co-ordinated, nor do they have any legal basis. <i>UK example: retail assistant</i></p>	<p>Non-governmental accreditation schemes Practitioners may apply to be accredited as competent by an accrediting body, which is usually a professional body or industry association. May permit the accredited person to use a specific title or acronym but confers no legal protection of title, nor any legal protection of function. <i>UK example: membership of Institute of Certified Locksmiths</i></p>
	Yes, but confers no rights to practice	<p>Empty Cell</p>	<p>Certification schemes There is no legal restriction as to who may carry out the tasks covered by the occupation, but practitioners may apply to be certified as competent by the state (or an appointed agent). This certification may sometimes (but not always) confer legal protection of title. <i>UK example: certification by the Architects’ Registration Board</i></p>
	Yes, and confers rights to practice	<p>Registration schemes Requires registration of personal details. May also make stipulations in areas other than competence (e.g. finance) <i>UK example: registration of estate agents</i></p>	<p>Licensing schemes Only those who can demonstrate the specified level of competence may obtain a licence permitting them to undertake the tasks covered by the regulation. <i>UK example: licensing of taxi drivers by local authorities</i></p>

Source: Forth et al. 2011²

The classification of regulatory schemes, depicted above, provides a clear and concise means of defining regulation in the UK. The primary criteria for the matrix are legality and competency. Legality refers to whether or not a scheme is legally enforced through either the government or an appointed agency. The schemes that are legally enforced are deemed to be either licensing, certification or registration. Accreditation

² Forth, J., Bryson, A. Humphris, A, Koumenta, M. and Kleiner, M. (2011) A review of occupational regulation and its impact. UK Commission for Employment and Skills Wath-Upon-Deerne: UKCES.

is not legally enforced. The second criterion, competency, refers to the need for applicants to demonstrate a minimum degree of competency in the given occupation before they are accepted into the regulatory scheme. Those schemes that do insist upon minimum degrees of competency are licensing, certification and accreditation. Registration does not require any minimum degree of competency to be evidenced.

Theoretical Background

In a context of markets with asymmetric information, Mitchell (1937)³ states that consumers are simply not equipped to make 'wise' decisions concerning complicated services. As a result, such markets will result in a two-tiered quality market: one tier consisting of high quality, high charging practitioners, the second tier consisting of low quality, low charging practitioners. According to Gresham's law, having a two-tiered quality system will leave the market flooded with undesirable practitioners. This is because consumers actively seek low costs so, in order to attract consumers, they must lower their rates and as a result will not be paid their true worth (Akerlof, 1970⁴). As the occupations of concern are heavily populated with contractors, in theory the treatment of individual workers within these sectors is even more vulnerable than in a typical employer/employee relationship. This is because, ultimately, contractor organisations are competing based on price but they are still taking a percentage of the tender before passing on rents to workers. This suggests that there is potential that workers in this environment are paid dramatically below their worth. Where workers are treated poorly, one would anticipate the quality of work produced to also be suboptimal. The potential harm of poor quality services and treatment of individual workers is detrimental not only to the client but also to society as a whole. Aside from poor quality of work that could lead to injury, illness and even fatality (all of which carry social costs), the societal cost of not paying workers their true worth has implications for economic activity and contribution into the social system (tax, national insurance, etc.).

³ Mitchell, W. (1937) *The Backward Art of Spending Money and Other Essays*, New York: A. M. Kelley.

⁴ Akerlof, G.A., (1970). The market for "lemons": Quality uncertainty and the market mechanism. *The quarterly journal of economics*, pp.488-500.

Therefore, the key public policy justification for occupational regulation in general, and licensing in particular, is its ability to protect consumers and the wider public from incompetent and unscrupulous practitioners (Humphris, Kleiner and Koumenta 2011⁵). Consumers cannot easily obtain information or lack the knowledge to assess the quality of the product or service prior to its purchase, particularly where the provision of a technical service requiring specialist knowledge and skills is involved. Through setting minimum skills standards for entry to occupations, occupational licensing is expected to raise average skill levels in the occupation, since low-quality providers cannot meet the new skill standard and are driven out of the occupation (Pagliero 2013⁶). As a result, consumers are likely to receive a more homogeneous and high quality product while the resulting higher investments in training have the potential to enhance the skills base in the economy (Shapiro 1986⁷). The magnitude of the increase in average skill levels will depend upon the size of the gap between the new entry requirement and the average skill levels of incumbents prior to regulation. It will also depend upon the extent to which the new minimum is enforced. As some workers can be expected to have to increase their skills to meet the new minimum, one can expect to witness an increase in the prevalence of job-related training, although any such increase may necessarily begin before the licensing regime is in place. Indeed, it is possible that there may be a spike shortly before the date on which licensing comes into force, with the rate of training falling off afterwards unless there are incentives for licensed workers to invest in further human capital (which would occur in situations where the renewal of a licence was dependent upon the requirement to demonstrate continued professional development).

Regulation also has the potential to professionalise occupations and sectors and improve the quality of individuals attracted to them. Abbott (1981)⁸ states that

⁵ Humphris, A. Kleiner, M. and Koumenta, M, (2011) Occupational Regulation in the UK and the US: Issues and Policy Implications, in Marsden, D. (ed.) *Employment in the Lean Years: Policy and prospects for the next decade*, Oxford University Press

⁶ Pagliero, M., (2013). The impact of potential labor supply on licensing exam difficulty. *Labour Economics*, 25, pp.141-152.

⁷ Shapiro, C. (1986) 'Investment, Moral Hazard and Occupational Licensing', *Review of Economic Studies*, 53, pp. 843-862

⁸ Abbott, A., (1981). Status and status strain in the professions. *American journal of sociology*, 86(4), pp.819-835.

practitioners aim to sharpen the boundaries and portray a professional charisma to the public in order to be perceived as professionals. Regulation has the ability to aid this by acting as an indicator of professionalism in the form of physical evidence such as certificates or licences obtained through a selective process and quality assured by the state or a professional association. Further, the enactment of barriers that exclude those whose skills are sub-standard ensures that incumbents are seen as competent and charlatans are kept out of the market.

Occupational regulation correlates with extra-professional perceptions by forcing an individual to undertake training or education and by removing the possibility that a member of the public will be perceived as being able to conduct a task as well as a regulated worker. Hence, the education and power perceptions of that occupation are increased. One further rationale for implementing a regulatory scheme is to ensure fair wages and treatment in the work place through professionalising organisational practices. If regulation is set at the organisation level, regulatory bodies can set appropriate entry requirements such that they regulate the management and pay practices of its members, expelling any who are found to be paying fairly for example.

At another level, occupational licensing can create distortions in the operation of the labour and product markets thus leading to economically and socially inefficient outcomes. Tight entry requirements reduce the pool of practitioners thus creating monopoly rents within the occupation (Koumenta et al. 2014⁹; Pagliero 2011¹⁰). Economic theory would therefore predict that occupational licensing is associated with higher incomes for practitioners and higher prices for consumers (Kleiner 2006¹¹ and Kleiner 2013¹²). Further consequences include lower income consumers being priced out of the service, thus forcing consumers to opt for even lower quality services (Friedman 1962¹³). In a context of licensing, such substitutes are confined to 'do-it-

⁹ UK Commission for Employment and Skills (2011) A review of occupational regulation and its impact. Wath-Upon-Deane: UKCES.

¹⁰ Pagliero, M., (2011). What is the objective of professional licensing? Evidence from the US market for lawyers. *International journal of industrial organization*, 29(4), pp.473-483.

¹¹ Kleiner, M.M., (2006). *Licensing occupations: Ensuring quality or restricting competition?*. WE Upjohn Institute.

¹² Kleiner, M.M. and Krueger, A.B., (2013). Analyzing the extent and influence of occupational licensing on the labor market. *Journal of Labor Economics*, 31(S1), pp.S173-S202.

¹³ Milton, F., (1962). *Capitalism and freedom*. University of Chicago.

yourself' services as cheaper non-regulated providers do not exist. A more extreme unintended consequence of licensing could involve the decision not to consume the service at all, which could be a health and safety risk in itself. A further potential drawback of licensing is that it could increase structural unemployment as entry to licensed occupations is delayed by the requirement to attain the necessary skill standards. As such, licensing can delay adjustments in the labour market (Mortensen and Pissarides 1994¹⁴). Finally, the impact of licensing can extend beyond the occupations in question. Inability to meet the required skills standards is likely to displace prospective practitioners to unregulated neighbouring occupations. Such migration can lead to excess supply and a reduction in the wages in these occupations (Humphris, Kleiner and Koumenta et al. 2010¹⁵).

Moving away from licensing, the labour market effects of other forms of regulation are even less clear-cut. In particular, none of the alternatives (i.e. certification, accreditation or registration) would be expected to generate economic rents in the context of the models presented in the foregoing discussion.

Registration is the one form of mandatory regulation that we consider in our typology in addition to licensing. Mandatory registration schemes do not impose skill standards and so one would not expect to see many of the effects which may arise through licensing. However, registration schemes do often impose other criteria, such as the requirement to hold a clean criminal record. If these other criteria are positively associated with human capital (or the propensity to invest in human capital), as seems likely, then one may expect some small positive effects on skill levels and on the take-up of job-related training from the introduction of a registration scheme. There may then be derived effects on wages although, again, one would expect such effects to be small.

Certification and accreditation schemes involve the introduction of voluntary skill standards and so, in the absence of a universal entry barrier, the scale of any effects will ultimately depend upon the demand for certified/accredited workers in the product

¹⁴ Mortensen, D.T. and Pissarides, C.A., (1994). Job creation and job destruction in the theory of unemployment. *The review of economic studies*, 61(3), pp.397-415.

¹⁵ Humphris, A., Kleiner, M.M. and Koumenta, M., (2010). How does government regulate occupations in the UK and US. *Issues and Policy Implications*.

market. If the level of demand is low, then one may expect that most of the low-quality workers who do not meet the new certification standard can continue to find work. One would then expect only small effects on skill levels, wages or employment in the now certified or accredited occupation. However, if demand for certified/accredited workers is high, then one may see effects that are akin to licensing. One might expect any such effects to be stronger in the case of certification than in the case of accreditation, all other things equal, if state-involvement in the operation of the certification system entails more thorough vetting of applicants and more rigorous monitoring of standards among certified workers (Koumenta and Pagliero 2016¹⁶).

Turning to product market effects (namely price and quality), one would not necessarily expect registration to be associated with any direct quality effects since such schemes do not impose skill standards to practitioners. However, as we have noted above, such schemes can make stipulations regarding the characteristics of entrants which could in turn be positively related to human capital characteristics (or the propensity to invest in their acquisition). Other things constant, there might be some small effects on quality, while the effect on price would depend, amongst other things, on the value that consumers place on registration as a signal of quality.

On the other hand, minimum skills standards are a key feature of certification and accreditation schemes and as such, one would expect some impact on quality, although the extent of this would depend on the demand for certified/accredited practitioners in the market. Given the voluntary nature of such schemes, the market for such services is also likely to be populated by unlicensed workers, so any effect on prices is likely to depend on the willingness of consumers to pay a premium for the services of certified/accredited professionals.

The empirical evidence on the labour and product market effects of licensing largely confirms the theoretical models presented above, although the extent of the impact varies depending on the occupation. Below we present a summary of some these studies to give the reader a flavour of the characteristics and findings of work in this field.

¹⁶ Koumenta, M. and Pagliero, M. (2016) Measuring the Prevalence and Labour Market Effects of Occupational Regulation in the European Union, European Commission Report, Brussels.

Table 2: Summary of evidence on wages

Author	Conclusion	Sample	Reference
Kleiner and Kudrle (1997)	Positive impact on wages	Dentists	Kleiner, M. M. and Kudrle, R. T. (1997) Does regulation affect economic outcomes?: The case of dentistry (No. w5869), Cambridge: National Bureau of Economic Research.
Maurizi (1974)	Positive impact on wages	24 licensed occupations	Maurizi, A. (1974) 'Occupational licensing and the public interest', <i>The Journal of Political Economy</i> , 82(2), pp. 399-413.
Holen (1965)	Positive impact on wages	Medicine, dentists and lawyers	Holen, A. (1977 'The Economics of Dental Licensing', Public Research Institute of the Center for Naval Analysis, Virginia.
Perloff (1980)	Positive impact on wages	Labourers, plumbers, electricians and manufacturers	Perloff, J. (1980) 'The Impact of Licensing Laws on Wage Changes in the Construction Industry', <i>Journal of Law and Economics</i> , 23(2), pp. 409-28.
Kleiner (2000)	Positive impact on wages	Licensed occupations	Kleiner, M. M. (2000) 'Occupational licensing', <i>The Journal of Economic Perspectives</i> , 14(4), pp. 189-202.
Moore et al (1981)	Positive impact on wages	Women in licensed occupations	Moore, W. J., Pearce, D. K. and Wilson, R. M. (1981) 'The regulation of occupations and the earnings of women', <i>Journal of Human Resources</i> , pp. 366-383.
Muzondo and Pazderka (1980)	Positive impact on wages	20 occupations	Muzondo, T. and Pazderka, B. (1980) 'Occupational Licensing and Professional Incomes in Canada', <i>The Canadian Journal of Economics/Revue Canadienne d'Economie</i> , 13(4), pp. 659-667.

White (1978)	No impact on demand	Women technologists	White, W. D. (1978) 'The impact of occupational licensure of clinical laboratory personnel', Journal of Human Resources, pp. 91-102.
Benham and Benham (1975)	Positive impact on wages	Optometrists	Benham, L. and Benham, A., (1975). Regulating through the professions: a perspective on information control. The Journal of Law and Economics, 18(2), pp.421-447.
Adams et al. (2002)	Positive impact on wages	Cosmetologists	Adams III, A.F., Jackson, J.D. and Ekelund Jr, R.B., (2002). Occupational licensing in a "competitive" labor market: the case of cosmetology. Journal of Labor Research, 23(2), p.261.
Gallick and Sisk (1987)	Positive impact on wages	Taxi drivers	Gallick, E. C. and Sisk, D. E. (1987) 'Reconsideration of Taxi Regulation', Journal of Economics and Organisations, 3(1), pp. 117-128.
Kleiner and Kudrle (2000)	Positive impact on wages	Dentists	Kleiner, M. and Kudrle, R (2000) 'Does Regulation Affect Economic Outcomes? The case of dentistry', The Journal of Law and Economics, 43(2), pp. 547-582
Humphris et al. (2011)	Positive impact on wages	Licensed occupations in the UK	Humphris, A., Kleiner, M. and Koumenta, M. (2011) 'Analysing Policies Regulating Occupations in Britain and the US', in Marsden, D., (ed.) Employment in the Lean Years: Policy and prospects for the next decade, Oxford University Press: Oxford, pp. 87-101.
Haermesh and Rees (1993)	Positive impact on wages	Licensed occupations	Hamermesh, D.S. and Rees, A., (1993). The Economics of Work and Pay, edn.

Ballou and Podgorsky (1998)	Positive impact on wages	Teachers	Ballou, D. and Podgursky, M. (1998) 'Teacher Recruitment and Retention in Public and Private Schools', Journal of Policy Analysis and Management, 17(3), pp. 393-417.
Shepherd (1978)	Positive impact on wages	Dentists	Shepard, L. (1978) 'Licensing Restrictions and the cost of dental care', Journal of Law and Economics, 21(1), pp. 187-201.
Koumenta et al. (2014)	Positive impact on wages, but considerable heterogeneity depending on the occupation	Dental practitioners; pharmacists; secondary education teaching professionals; social workers; plumbers, heating and ventilating engineers; security guards; architects and chartered accountants.	Koumenta, M; Humphris, A., Kleiner, M. and Pagliero, M (2014) Occupational Regulation in the UK and EU: Evidence and Labour Market Impact, Department for Business, Innovation and Skills
Koumenta, M and Pagliero, M. (2016)	Positive impact on wages	Licensed Occupations in the EU28	Koumenta, M and Pagliero, M (2016) Measuring Prevalence and Labour Market Impacts of Occupational Regulation in the EU, European Commission Report, Brussels

Table 3: Summary of evidence on skills

Author	Conclusion	Sample	Reference
Gospel and Thompson (2003)	Greater attainment of minimum requirement. Less attainment of qualifications that exceed the minimum requirement.	Care workers	Gospel, H. F. and Thompson, M. (2003) The role and impact of the statutory framework for training in the social care sector, London: Department for Education and Skills.
Gospel and Lewis (2010)	Greater attainment of minimum requirement. Less attainment of qualifications that exceed the minimum requirement.	Care workers	Gospel, H. and Lewis, P. (2010) Who cares about skills? The impact and limits of statutory regulation on qualifications and skills in social care, Oxford: SKOPE Research Paper, 89.
Fernie (2011)	Greater attainment of minimum requirement. Less attainment of qualifications that exceed the minimum requirement.	Security workers	Fernie, S. (2011) 'Occupational Licensing in the UK: The case of the private security industry', in Marsden, D. (ed.) Employment in the Lean Years: Policy and prospects for the next decade, Oxford University Press: Oxford, pp. 101-121.
Lister et al. (2001)	Greater attainment of minimum requirement. Less attainment of qualifications that exceed the minimum requirement.	Security workers	Lister, S., Hadfield, P., Hobbs, D. and Winlow, S. (2001) 'Occupational Licensing', Criminology and Criminal Justice, 1(4), pp. 363-384.
Lloyd (2005)	Greater attainment of minimum requirement. Less attainment of qualifications that exceed the minimum requirement.	Exercise professionals	Lloyd, C. (2008) 'Recruiting for fitness: qualifications and the challenges of an employer-led system', Journal of Education and Work, 21(3), pp. 175-195.
Tamkin et al. (2013)	Increase in average skill levels.	Regulated occupations	Tamkin, P., Muller, L., Williams, J. and Casey, P. (2013) Understanding occupational regulation. Wath-Upon-Deerne: UKCES.

Humphris, A. and Koumenta, M. (2015)	Nursery workers: positive effect Security guards: no effect	Nursery workers and security guards	Humphris, A and Koumenta, M (2015) The Effects of Occupational Licensing on Employment, Skills and Quality: A Case Study of Two Occupations in the UK, European Commission Report

Table 4: Summary of evidence on quality

Author	Conclusion	Sample	Reference
Dorsey (1980)	Positive impact on quality	Cosmetologists	Dorsey, S. (1980) 'The occupational licensing queue', The Journal of Human Resources, 15(3), pp. 424-434.
Begun (1979)	Positive impact on quality	Optometrists	Begun, J.W., (1979). The consequences of professionalization for health services delivery: evidence from optometry. Journal of Health and Social Behavior, pp.376-386.
Shillings and Sirmans (1988)	Positive impact on quality	Real estate agents	Shilling, J. D. and Sirmam, C. F. (1988) 'The effects of occupational licensing on complaints against real estate agents', Journal of Real Estate Research, 3(2), pp. 1-9.
Maurizi (1980)	Positive impact on quality	Contractors	Maurizi, A. (1980) 'The Impact of Regulation on Quality: The Case of California Contractors. In Occupational Licensure and Regulation', American Enterprise Institute for Public Policy Research, pp. 26-35.
Currie and Hotz (2004)	Positive impact on quality	Childcare workers	Currie, J. and Hotz, V. J. (2004) 'Accidents will happen?: Unintentional childhood injuries and the effects of child care regulations', Journal of Health Economics, 23(1), pp. 25-59.
Martin (1983)	No significant impact on quality	Pharmacists	Martin, S. (1983) 'An examination of the economic side effects of the state licensing of pharmacists', (Unpublished doctoral dissertation), United States:

			University of Tennessee, Knoxville.
Goldhaber and Brewer (2000)	No significant impact on quality	Teachers	Goldhaber, D. D. and Brewer, D. J. (2000) 'Does teacher certification matter? High school teacher certification status and student achievement', Educational evaluation and policy analysis, 22(2), pp. 129-145.
Kane et al. (2008)	No significant impact on quality	Teachers	Kane, T. J., Rockoff, J. E. and Staiger, D. O. (2008) 'What does certification tell us about teacher effectiveness? Evidence from New York City', Economics of Education Review, 27(6), pp. 615-631.
Kleiner and Kudrle (2000)	No significant impact on quality	Dentists	Kleiner, M. and Kudrle, R (2000) 'Does Regulation Affect Economic Outcomes? The case of dentistry', The Journal of Law and Economics, 43(2), pp. 547-582
Kleiner and Petree (1988)	Uncertain effects on quality	Teachers	Kleiner, M.M. and Petree, D.L., (1988). Unionism and licensing of public school teachers: Impact on wages and educational output. In When public sector workers unionize (pp. 305-322). University of Chicago Press.
Angrist and Guryan (2004)	No significant impact on quality	Teachers	Angrist, J.D. and Guryan, J., (2004). Teacher testing, teacher education, and teacher characteristics. American Economic Review, pp.241-246.
Carroll and Gatson (1979)	Negative impact on quality	Various licensed occupations	Carroll, S.L. and Gaston, R.J., (1979). State occupational licensing provisions and quality of service: The real estate business. Research in Law and Economics, 1, pp.1-13.
Hogan (1983)	Negative impact on quality	Physicians	Hogan, D. B. (1983) 'The effectiveness of licensing',

			Law and Human Behavior, 7(2), pp. 117-138.
Carroll and Gaston (1981)	Negative impact on quality due to an increase in do-it-yourself	Plumbers and electricians	Carroll, S. L. and Gaston, R. J. (1981) 'Occupational restrictions and the quality of service received: some evidence', Southern Economic Journal, pp. 959-976.
Berger and Toma (1994)	Negative impact on quality	Teachers	Berger, M. C. and Toma, E. F. (1994) 'Variation in state education policies and effects on student performance', Journal of Policy Analysis and Management, 13(3), pp. 477-491.
Humphris, A. and Koumenta, M. (2015)	Positive effect	Nursery workers and security guards	Humphris, A and Koumenta, M (2015) The Effects of Occupational Licensing on Employment, Skills and Quality: A Case Study of Two Occupations in the UK, European Commission Report

2. Existing Regulation

The existing regulation in construction and cleaning takes the form of voluntary accreditation schemes. The schemes are meant to act as an indicator of quality to consumers and are granted at individual and employer level. To become accredited, applicants need to meet the minimum requirements set by the regulatory bodies such as the Construction Skills Certification schemes and the British Cleaning Council. Within the construction and cleaning industries, this involves displaying a minimum degree of competency and adherence to employment law.

This is evidenced by references from previous employers or customers and willingness to submit accounting and wage records.

According to interviews with the main regulatory bodies in cleaning and construction, almost all of the 'big players' in the industries are accredited and there is evidence to suggest that the larger service suppliers tend to comply with the minimum requirements of the schemes even if they are not members. However, there is less uptake among smaller organisations with lower turnover. In particular, these smaller organisations are unlikely to be operating as a 'good' service provider and employer, and are unlikely to seek accreditation and advice from the regulatory bodies, not least due to the lack of resources. For example, in cleaning this issue is thought to be fuelled in part by the need for employers to provide payslips and accounts to become accredited, while many smaller providers tend to pay in cash and have no such records. Further, smaller providers are operating on tight profit margins and are not in a position to absorb the cost of accreditation like bigger providers can. Therefore, while these schemes cater for the high and middle end of the provider market, they are ineffective in targeting the problematic cases.

There are also issues around monitoring and repercussions for members that no longer meet the requirements set by the accrediting body. Monitoring is most likely conducted annually at the point of renewal for members. Regulatory bodies rely on intelligence outside of reapplication but our respondents admitted that this is not

always enough to guarantee members operate legitimately. If members are found to no longer meet the minimum requirements of the accreditation scheme, they are not allowed to renew and their membership is ended. They can continue to trade and provide services because the accreditation scheme is not a legal requirement and existing customers may not be aware that accreditation has been lost.

The Care Quality Commission (CQC) regulates carers across the UK and operates a licensing regime because of the legal requirement for both individual carers and organisations (such as care homes) to register with them. To register applicants must prove that they are “fit” to care. This is judged on a variety of different aspects that vary depending on the type of caring proposed. The criteria are heavily driven by skills and quality. Although employment conditions are of concern, they are, arguably, not the main concern of inspectors in the first instance.

Part of the licensing scheme requires attainment of qualifications. The typical level of qualification is an NVQ level 2. However, not all individuals are required to obtain qualifications meaning that the licensing scheme has not been able to upskill the industry to the extent one may have anticipated.

The CQC inspects registered providers frequently (more so if issues are found in previous inspections) to ensure that minimum requirements continue to be met by licensed providers. If requirements are not met, licence holders are given guidelines for improvement and are re-evaluated at an agreed time. The cost and scale of monitoring and regulating the caring sector is vast. The industry is cost-driven with consumers, including local authorities, heavily focusing on price. The treatment and pay of individual carers, whilst a concern of the CQC, are not adequately monitored given the current climate, which demands the quality of care provided to service users takes priority. There are also issues with contracting companies who do not legally employ individuals. These organisations are outside of much of the employment law because the workers are not employees but contracted staff and, as such, the CQC are limited in the action they can take.

Table 5 summarises the existing regulatory provisions in the three sectors.

Table 5: Existing Regulatory Provisions

		Type of Regulation	Requirement	Body	Website
Construction	Scaffolders	Licence	Complete the CISRS Operative Training Scheme. Completion of the CITB health and safety course.	Construction Industry Scaffolders Record Scheme	http://cisrs.org.uk/
	Health and Safety	Accreditation	Completion of CITB Health and Safety Awareness course.	Many accredited courses one of which is: Safelife Health, Safety and Environmental Management	http://www.safe-life.co.uk/citb-health-and-safety-awareness
	Operating Machinery	Licence	Licences required for the operating of machinery including tracked vehicles and forklifts.	Driver and Vehicle Licensing Agency (DVLA)	https://www.gov.uk/driving-licence-categories
	General Construction Workers	Accreditation	CITB health and safety course. Completion of a relevant qualification or training scheme.	Construction Skills Certification Scheme (CSCS)	https://www.cscs.uk.com/
Carers	Carer (non-family)	Licence	Individuals must be "fit" to be a carer. Register with the Care Quality Commission.	Care Quality Commission (CQC)	http://www.cqc.org.uk/
Cleaners	Cleaner Associations	Accreditation	The council brings together many different associations within the cleaning industry. The aim is to improve quality so each organisation is assessed individually.	The British Cleaning Council	http://britishcleaningcouncil.org/
	Cleaners	Accreditation	Two references and evidence of public liability insurance.	British Cleaners Association	http://www.britishcleanersassociation.org/

3. Regulating the Three Cs: Suggested Approaches

Our suggested approach draws on the principles of occupational regulation and makes recommendations tailored to the specific labour and product market circumstances present in cleaning, catering and construction. With respect to coverage, we recommend the imposition of what we refer to as ‘organisation-level regulatory schemes’ defined as regulations which, in their current form, are designed to impose a skill quota upon workplaces/providers as a condition of the award or retention of their licence to undertake work in these industries. Examples of organisational level regulation include publican licences and fencer certificates¹⁷. Such regulations make the award or retention of an organisation’s licence to practice dependent upon the attainment of a skills quota within its workforce but can be extended to make stipulations regarding other aspects of the employment relationship that are of concern (e.g. wages, working conditions etc.). If such regulations were to apply directly to all contractors in the market (and thus all workers in that occupation rather than a specific proportion of them as in the case of publican licences, for example), their effect on skills but also on the provision of fair treatment and pay could be positive and substantial. However, as we discuss later on, if regulation covers all contractors the cost burden on smaller contractors would be too great and the resource implications in terms of implementation and surveillance too vast for the regulatory body. An additional level of monitoring could be introduced in the supply chain if such provisions were to stipulate that only contractors meeting them can be used by tenderers.

Based on the typology we presented earlier, such schemes would fall under the category of licensing as they will be mandatory for all suppliers in the market, legally enforceable, and would impose some minimum skills requirements for individual

¹⁷ Fencer certificates can be granted by individuals but organisations are also fencer accredited. When accredited the individual/organisation can sign off window installations in place of a building regulations officer

practitioners. We deem this approach to be superior to certification and accreditation schemes due to their legally enforceable nature. This recommendation is in-line with the feedback from our discussions with stakeholders, who raised concerns about following a voluntary route to minimum skills and fair treatment. Regulating the organisation and not the individual workers would allow for better monitoring of fair pay and treatment. As noted previously, workers in construction, caring and cleaning mostly lack the labour market power to report unfair pay and treatment. Regulating individuals will do nothing to increase this likelihood and, while it may improve skill levels, it would not address concerns associated with fair pay, treatment and working conditions. Regulating organisations on the other hand would, and such an approach is already taken by the Gangmasters and Labour Abuse Authority with respect to agricultural workers.

The Gangmasters and Labour Abuse Authority (GLAA) state that as of this year they have been granted “police-style powers to investigate labour abuse and exploitation across all aspects of the labour market” (GLA.gov.uk). They have the power to investigate labour abuse across the whole UK labour market. Through conducting spot checks, they will no longer be relying on informants or whistle-blowers for information. Whatever the type of regulation decided upon, information sharing with the GLAA would allow for a greater likelihood of investigation by the GLAA and, therefore, an improvement in the working conditions of contracted staff in the three industries.

From a skills perspective, individuals working in these industries are less likely to have the financial resources to invest in the acquisition of the credentials set out by regulatory provisions if these applied to the individual. Employment in these industries is more likely to be on a seasonal, part-time or casual basis which means that any long term wage benefits from acquiring such credentials will take longer compared to industries where full-time employment is typical. Further, it would make it harder to attract migrants in these industries and facilitate their labour market integration.

From a fair treatment perspective, given that contracting is endemic to these industries, workers are not privy to the employment protection given to employees, nor are they guaranteed continuous paid work. Workers within construction, caring and cleaning are likely to be low skilled, hold basic or no qualifications at all and are more likely to be migrants or belong to ethnic minority groups. Levels of unionisation

are also markedly low. Arguably this makes individuals less likely to report poor treatment from contractors or issues surrounding fair pay. Placing the regulatory requirements on the employing/contracting organisation will ensure contractors abide by the minimum standards and, therefore, are monitored regarding their treatment of contracted staff. The power of government agencies is also limited with regard to contracted workers. The Employment Agency Standards Inspectorate, which we recommend being involved in the regulating, monitoring and issuing of penalties, is heavily restricted because contracted workers are not technically employees. This must change if the inspectorate is to take an effective role in regulating labour suppliers.

Nevertheless, when discussing these recommendations with stakeholders in these industries, there was consensus that the large and medium sized contractors broadly adhere to existing regulatory requirements relating to fair pay and treatment. Further, if regulation was to be extended to also apply to skill requirements, they would be in a better position to absorb the cost and have the resources to manage the process. Smaller contractors on the other hand operate with tighter profit margins and they are the ones more likely to not comply. In addition, many of our respondents argued that it is the associated cost that is reducing compliance and raised doubts regarding the extent to which enforcement on its own can address the problem. Our recommendation would be to adjust the scale of fees within the regulatory bodies, placing higher financial burdens on larger organisations through increased fees that would offset a reduction in fees for smaller organisations and labour suppliers.

One additional factor to consider when deciding on the level of regulation is that of cost. The cost of monitoring regulated workers is high, particularly in large occupational groups that work in various locations. The Security Industry Authority (SIA) is an example of how costly licensing individual elementary level workers is. Regulating at organisation level reduces the cost of monitoring through reducing the number of licences issued. Additionally, regulating at organisational level transfers the administrative burden associated with regulation to the organisation rather than the regulatory body or the individual worker.

6. Suggested Approaches

Proposal	Benefits	Issues
<p>1. Existing Regimes: Incentivise</p> <p>Rather than extend the existing regimes, focus on incentivising greater compliance and membership by:</p> <ul style="list-style-type: none"> i. Restructuring membership charges. Reduce the cost for smaller suppliers by increasing the cost for larger organisations. ii. Increasing membership to contracting companies where none is currently offered. iii. Increasing the desirability for consumers through supply chain liability. If consumers chose an unregulated supplier, they are liable of individual workers are not paid fairly and treated correctly. If accredited suppliers are chosen, the liability lies solely with the supplier. iv. Increase in public awareness. Mimic campaigns such as gas safety awareness to increase demand for regulated suppliers. 	<ul style="list-style-type: none"> i. Utilising existing regimes limits resource strain ii. Forces consumers and clients to be responsible for supply chains iii. Less stringent or restrictive than licensing regimes 	<ul style="list-style-type: none"> i. Voluntary schemes will never capture rogue labour suppliers or cash only organisations ii. Lack of legal enforcement will limit the gravity of any scheme available iii. Difficulty in mapping the appropriateness of different accrediting bodies iv. Issue of publically funding privately operated schemes v. Difficulty in changing existing monitoring approaches without cost of accreditation increasing
<p>2. Extend Existing Regimes: Independently</p> <p>Extend the stringency and restrictiveness of the existing regimes. For cleaning and construction, the voluntary accreditation schemes would become compulsory licensing schemes. For all three industries, the licensing schemes increase to include a greater emphasis on employment and safeguarding contracted workers through:</p> <ul style="list-style-type: none"> i. Requiring all service providers to supply records of hours and pay. For employees and contracted workers. 	<ul style="list-style-type: none"> i. Guaranteed increase in uptake by smaller organisations ii. Improve data collection on individuals' pay and working conditions iii. Regulatory bodies already established and known in the industries and low implementation cost as some schemes are already operational iv. Increasing monitoring reduces lack of compliance 	<ul style="list-style-type: none"> i. Impact of licensing on quality is not certain, will depend on the level at which skills are set ii. Increasing minimum requirements may restrict supply too much iii. Issues with using public money to fund private regulatory bodies such as the British Cleaning Council or

<ul style="list-style-type: none"> ii. Increasing the monitoring to allow for spot checks and inspections, including working conditions of all individuals. iii. Requiring all suppliers to provide evidence that workers have a legal right to work in the UK. iv. Increasing the minimum requirements to include compulsory attainment of vocational qualifications. All suppliers to provide evidence that employees and contracted workers have the necessary health and safety, and vocational qualifications required. v. Increase the penalties for failure to meet the minimum requirements for existing licence holders. Larger fines and sentences for lack of compliance. vi. Publically available register of licensed service suppliers with an accessible complaints process. 	<ul style="list-style-type: none"> v. Potential to upskill the industries vi. Increased fines offset increased cost of monitoring 	<p>Construction Skills Certification scheme</p> <ul style="list-style-type: none"> iv. Need to evaluate regulatory bodies for suitability v. Effectiveness of monitoring and communication with government departments is uncertain. From interviews with key actors it is clear that there is an issue with sharing information between and within departments, which may prevent effective monitoring and action.
<p>3. Extend Existing Regimes: Combination</p> <p>Combine existing regulatory regimes.</p> <ul style="list-style-type: none"> I. The Gangmasters and Labour Abuse Authority already licences labour suppliers in the agricultural industry. They use a framework of different criteria, some compulsory and others voluntary to judge whether applicants can be issued a licence. One of the key areas of focus for the GLAA is fair pay and conditions for individual workers. The work with the Home Office and other government departments to ensure that individuals receive at least the national minimum wage, are eligible to work in the UK and work in suitable conditions. II. Existing accreditation schemes feature as one of the criteria that suppliers need to obtain a licence from the GLAA. Requiring applicants to be accredited will in effect make the voluntary schemes compulsory but the 	<ul style="list-style-type: none"> i. GLAA has been successful in regulating labour suppliers in the agricultural sector ii. The GLAA criteria are easily transferable to different industries iii. The existing industry schemes continue to focus on quality and skills iv. Pressure to monitor pay and working conditions is removed from existing industry schemes v. Channels of communication between GLAA and government departments are already established 	<ul style="list-style-type: none"> i. Bureaucracy associated with combining existing regulatory bodies ii. Resource implication of extending regulation and monitoring iii. GLAA reliance on intelligence not adequate enough, spot checks are needed iv. Effectiveness of information sharing, particularly with HM Revenue and Customs and the Home Office, is uncertain v. Negative consequences associated with all licensing regimes

<p>enforcement of licensing and the monitoring of members lies with existing government bodies.</p> <p>III. Existing licences offered by the CQC for caring providers feature as a compulsory criterion from the GLAA. There is a division of focus between the CQC and GLAA. The CQC continue to focus on the quality of care provided and attainment of necessary qualifications. The GLAA focus on enforcing fair pay and conditions of work.</p>		
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The occupations in question are entirely different in nature, composition and skill. As such, far from recommending a blanket solution that is the same for construction, cleaning and caring, we recommend tailoring regulatory approach to each of the occupations. The following sections consider each occupation in turn regarding the recommended regulatory system and body.

Construction

The construction industry is diverse both in terms of size and activity. The UK has many labour suppliers ranging from huge companies with vast turnover to soul-traders who contract work out in an ad-hoc fashion. Construction work has a clear impact on the public, the safety implications of poorly constructed buildings are vast. We rely on skilled workers to produce quality work that is safe. Most customers will be unable to adequately judge the quality of work themselves, which creates a knowledge asymmetry. Furthermore, there exists a two-tiered market because of suppliers competing over price. Price being reduced through (i) reducing the number of construction workers on site, thus creating health and safety issues; (ii) contracting less skilled workers, thus reducing the hourly cost; (iii) or simply not passing on the legally required rates to the contractors. Much like 'lemon' cars, where a secondary market appears that offers customers low prices, the market becomes flooded with smaller suppliers who do not provide quality work and/or pass on adequate wages to their employees.

The theoretical context of licensing clearly suggests that, where one observes a knowledge asymmetry and a secondary market within an occupation, that occupation is well suited to licensing. This is because licensing can provide public safety through quality assurance and reduce variance within the market through restricting entrance to the licensing scheme only to those suppliers who provide a quality service and working environment.

However, whilst there is a case for regulation due to public safety and the presence of bad working conditions, the variety of labour suppliers means that any regulation will be difficult to implement and, importantly, to monitor. Additionally, in a sector that sees a lot of movement between different employers and contractors, licensing may

dramatically impair, firstly, individuals operating as they traditionally would and, secondly, contractors who cover a wide range of jobs. The latter is of concern. This is because when one considers the construction industry, it is tempting to focus on large city-based organisations that carry out commercial work. But construction contractors are also prevalent in the private sphere and are present in all rural communities. If one were to license all labour suppliers, these smaller suppliers would be subject to licensing, too.

Smaller labour suppliers, often sole traders, who contract out work on an ad-hoc basis depending on the size of the job and the skills required are, arguably, less likely to be at fault in terms of fair wages or working environment simply because they are often builders themselves and are actively working on site. Furthermore, in most rural communities, we do not see the diverse work force that is synonymous with poor pay and working conditions. Therefore, one may argue that this section of the construction industry would not benefit enough from a licensing regime to warrant the expense and resource cost.

It is our recommendation that regulation should be extended in the construction industry but that this regulation should not be a licensing regime that covers all labour suppliers. Such a licensing regime would be too restrictive and costly for smaller labour suppliers outside of commercial projects. Instead, we propose certification. A restriction on part of the industry that is most likely to prove hazardous for the public.

A certification scheme focusing on regulating medium to large size labour suppliers who repeatedly contract the same individuals would target those most likely to breach wage and labour laws but also be a scheme that is more realistic in terms of scale, resources and monitoring for the regulatory body.

The public concern is not only ensuring fair wages and working conditions but also the quality of work produced. Therefore, the regulatory body needs to assess and monitor candidates based not only on compliance relating to treatment of contractors but also the skills of the contracted staff. As such, a partnership between an existing regulatory body that is well versed in monitoring the rights of contract staff and an accreditation

scheme that focuses on skills in the industry would tackle both elements needed by the certification scheme.

The GLAA is the current licensing body within the agricultural sector and has already been approached by some labour suppliers. Their licensing scheme sets out clear criteria around record keeping, wages and working environment to which applicants and renewing members must adhere in order to obtain a licence. There are certain criteria that are compulsory and others that are desirable but the more desirable criteria an applicant meets, the more likely they are to gain a licence. Despite its current focus on agriculture, the GLAA licence would suit construction due to the similarity between the nature of labour suppliers and contractors in the two sectors. However, the GLAA would be providing a certification scheme within construction rather than licensing because not all labour suppliers would need to obtain membership to legally operate. Their need to join would be dependent on their size as measured by the number of contractors used.

The GLAA's current criteria would adequately address the issues in the construction industry relating to wages and working conditions. What is lacking is a quality element to the licensing scheme. However, if one of the criteria for labour suppliers in the construction industry was to require suppliers to ensure their contractors held an accreditation, the scheme could also upskill the industry. Through recognising and requiring membership to an accreditation scheme, the GLAA would be ensuring minimum skill requirements on medium to large size sites. This would not only upskill the industry but should reduce the occurrence of health and safety incidence.

Construction Skills Certification Scheme (CSCS) is an accreditation scheme that is widely used and recognised throughout the sector. The scheme requires members to demonstrate their skill levels and also requires them to be aware of health and safety regulation on construction site. Additionally, the CSCS tailors accreditation to different tasks. For example, scaffolders have different requirements to bricklayers to reflect the different skill sets needed. Given its wide recognition and membership, the CSCS is well placed to be used as part of the certification scheme proposed. Additionally, the accreditation scheme could also be modified to include awareness about reporting labour suppliers that do not pay fairly or provide adequate working environments. This

would increase the intelligence held by the GLAA and increase the likelihood of rogue labour suppliers being expelled from the certification scheme.

One further proposed modification of the GLAA scheme before implementation relates to monitoring. At present, the GLAA relies on intelligence and annual checks conducted when labour suppliers wish to renew their membership. To increase the likelihood of rogue labour suppliers operating, it is necessary to monitor members more closely. One solution is to conduct random checks and inspections of members to prevent suppliers operating non-compliantly between membership applications. This monitoring, conducted by the GLAA, would also involve checking for valid Construction Cards, thus relieving the accreditation body of any monitoring responsibility, outside of annual renewal for its individual members.

For either members who breach the requirements set by the GLAA or labour suppliers who need to obtain a certificate but do not, penalties would be issued based upon the supplier's turnover, or revenue from the project in question, to ensure the supplier is deterred by the possibility of a fine.

Cleaning

Accreditation schemes are already present within the cleaning industry but they are not adequately addressing problems related to labour suppliers compensating contracted staff fairly. This suggests that changes in the regulatory system are required. However, licensing and certification are hugely costly and bureaucratic to implement, which means that to legitimately implement licensing/certification, there must be a clear benefit to public safety through restricting labour supply. Despite issues around fair pay and working conditions, cleaning does not pose an obvious severe public risk beyond this. As such, we would advise that licensing and certification are not suitable regulatory systems to implement within the industry.

We recommend an extension of the existing accreditation scheme rather than a change in system. The accreditation scheme needs to have greater coverage of the industry and the labour suppliers within it. At present the British Cleaning Council

(BCC) have a solid membership of individuals and organisations but their members are predominantly bigger operations who are already ensuring fair pay and working conditions. Membership needs to also cover small to medium-sized labour suppliers who may be falling short of the requirements set by the BCC. As accreditation is voluntary and has no legal requirements or restrictions, the only way to increase membership is to incentivise labour suppliers to join and also end users to seek accredited labour suppliers.

Incentives for joining accreditation schemes often focus on two main areas: marketing benefits and increased rents/prices because of the perception of users believing accredited organisations to provide a better quality of service. Therefore, to increase membership, it is necessary to vastly increase awareness of the current accreditation scheme to make membership a valuable marketing tool. In the same vein, as 'investors in people' (an accreditation scheme for 'good' employers), marketing the existing accreditations as desirable for end users should increase membership.

However, this may not be enough given the scale of the industry and the quantity of labour suppliers. One way in which to increase membership further is to consider adjusting who is liable when contracted workers are not paid fairly or provided with appropriate working conditions. Traditionally, it is the labour supplier who is responsible for working conditions and pay. However, if liability were dependent on using accredited labour suppliers, end users have a very powerful incentive for ensuring their cleaners belong to an accredited supplier. Making only accredited suppliers liable for any fines or penalties for not paying fairly and in all other cases making the end users liable will increase the demand for accredited labour suppliers and result in an increase in membership to reflect demand.

Beyond increasing membership, the existing accreditation schemes need to be adjusted in order to address and monitor the issues of interest. At present, the BCC requires members to provide copies of their staff/contractor records in order for them to become a member and to renew. If organisations do not meet the requirements of the BCC, they are offered guidance on how to meet the standards and they are removed from the scheme until they are met. However, we recommend that any organisations and labour suppliers found not to be compensating fairly should also be

reported to HMRC National Minimum Wage Enforcement Team and the Employment Agency Standards Inspectorate. This increases their surveillance without straining resources or implementing random spot checks by government agencies.

Caring

Licensing is already established within the care industry. The Care Quality Commission (CQC) regulates individuals, organisations and labour suppliers. They not only assess members at the application and renewal stage but also conduct periodic inspections to ensure members are meeting the regulatory requirements. The requirements focus on skill levels and the quality of care provided but they also include the need to pay fairly and provide good working environments. However, the inspections conducted by the CQC focus on the quality of care provided. This is likely to be in response to public concern, media attention and the importance of protecting vulnerable service users. However, the industry is very reliant on labour suppliers to provide contract workers and these workers are arguably very much at risk for not receiving fair pay and working conditions. This is because carers are predominantly either travelling between many different service users and/or they are spending a proportion of their time staying on site. In both these circumstances contractors can be unfairly compensated by labour suppliers not considering travelling time, fuel expenses or overnight compensation when paying their contractors. Furthermore, the working conditions in some locations may not be acceptable either because the accommodation provided is at a poor standard or the pressure on contractors to meet their targets is so great (in terms of quantity of visits) that they cannot provide the level of care they wish to offer. A change in the system is therefore required to address these issues.

Given the presence of an established licensing body and scheme in the industry, we would not recommend any extension of the scheme. Yet we do advise that the CQC focuses on monitoring pay and working conditions as significant features of the licensing scheme.

The difficulty with this recommendation is that the CQC's resources are stretched in an already expanding industry. It is unlikely that the CQC would be willing or able to

extend their inspections to focus on pay and conditions. There should also be caution around reallocating resources from monitoring the quality of care provided to working conditions. Therefore, for the CQC to adequately assess the labour conditions provided by labour suppliers, either the CQC needs to be allocated more resources or there needs to be a partnership between the CQC and one of the labour enforcement bodies to spread the responsibility of monitoring. Potential bodies to oversee could be CQC and HMRC or GLAA.

Any non-compliance should continue to result in the CQC issuing warns and improvement deadlines which may then result in expulsion from the licensing scheme and penalties for the labour suppliers. The penalties for non-compliance should continue to be issued by the CQC if the non-compliance related to the quality of care or skill levels of workers but for non-compliance relating to working conditions and pay, the fines set should be issued by the partner government body. This will clearly establish the devolution of responsibility and ease the strain on the CQC.

Summary

Occupation	Suggestion	Detail	Enforcement	Penalties	Liability for Fines/Penalties
Construction	Expand existing accreditation scheme to certification.	Use GLAA to license labour providers, making one of the requirements of the certificate ensuring contractors are members of an accreditation scheme (such as the Construction Skills Certification Scheme).	GLAA spot checks and assessment at annual renewal of certification. If members and applicants are found to be unfairly paying contractors or providing poor working conditions they will also be reported to HMRC National Minimum Wage Enforcement Team and Employment Agency Standards Inspectorate.	Expulsion from certification scheme with labour suppliers unable to enter another application with the same directors or holding company.	With the labour supplier.
Cleaning	Incentivise membership of the accreditation scheme.	Keep the current accreditation schemes but increase the focus on employment. Incentivise membership through increasing desirability of accreditation for end users.	Annual membership review/spot checks with labour suppliers who do not pay fairly reported to HMRC National Minimum Wage Enforcement Team and Employment Agency Standards Inspectorate.	Expulsion from accreditation scheme and removal from register.	If unaccredited labour supplier is used, liability sits with the end user. If accredited supplier used, liability sits with labour supplier.

Caring	Expand existing licensing	Include a focus on employment in the CQC inspection and membership criteria.	Monitoring of care and skills to be undertaken by CQC. The monitoring of working conditions and pay to be undertaken by a government agency such as HMRC National Minimum Wage Enforcement Team and Employment Agency Standards Inspectorate.	Expulsion from licensing scheme and removal from register. Inability to enter application with same directors or holding company.	With the labour supplier.
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