

Changes to the Conduct Regulations

Department for Business, Innovation and Skills

RPC rating: **validated**

Description of proposal

The proposal will remove some of the requirements of the Conduct Regulations that regulate the behaviour of employment businesses and agencies. In particular, the proposals relax restrictions on the way employment businesses and agencies interact with hiring businesses (hirers) and other employment businesses.

The proposal will also require employment agencies and businesses to advertise generic recruitment campaigns in Great Britain at the same time or before advertising overseas. The current requirement for domestic adverts only applies to job vacancy specific advertising.

Impacts of proposal

The Department estimates that there are around 22,000 employment agencies or businesses. As legally defined, employment agencies introduce people to hirers to offer permanent employment opportunities, and employment businesses introduce people for temporary employment. Many businesses will offer elements of both.

The proposed changes are expected to reduce administrative burdens by a total of just over £1 million each year:

- £260,000 from relaxing restrictions on the ability for employment businesses and agencies to agree contracts on behalf of hirers or work seekers;
- £466,000 from enabling employment businesses and agencies to provide services to hirers in advance of agreeing terms with them; and
- £320,000 from removing requirements for employment businesses and agencies to carry out some checks when entering into contracts with other employment businesses or agencies.

The Department's estimates are based on the administrative burdens associated with these activities as estimated by a comprehensive industry-wide study, *Employment Law Administrative Burdens Survey*.

All employment agencies and businesses will need to familiarise themselves with the changes. This is estimated to take an hour per business for small and micro businesses, and an hour and a half for larger businesses. Using the estimated

average hourly wage of HR managers and directors (Annual Survey of Hourly Earnings, ONS) and a 19.8% non-wage cost uplift (Eurostat), the Department estimates that the familiarisation will impose a one-off cost of £0.75 million.

Consultation responses suggest that the proposal to require domestic advertising of generic recruitment campaigns is likely to impose negligible ongoing costs and only minor familiarisation costs on affected businesses. Following several consultations relating to the overseas activity of employment agencies, the Department has found no evidence that a significant number of businesses currently advertise overseas without also advertising domestically. The Department's assessment that these costs are likely to be close to zero appears reasonable.

The RPC verifies the estimated equivalent annual net cost to business (EANCB) of -£0.9 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The IA provides sufficient detail to enable the validation of the EANCB, information on how the proposal has been amended following consultation. In particular, the Department explains that the proposal will not amend the requirements in relation to the information that needs to be provided in job adverts, as many consultation respondents felt that these aspects were necessary in order to protect workers. This has reduced the estimated benefits to business.

Small and micro business assessment

This is a fast track proposal and a small and micro business assessment (SaMBA) is not required. However, the Department has provided a detailed breakdown of the composition of the sector and explains that, as the proposal is expected to be net beneficial to smaller businesses, it would not be appropriate to exempt them, even though familiarisation costs as a proportion of revenue are likely to be higher the smaller the business.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	-£0.91 million
Business net present value	£8.27 million

Societal net present value	£8.27 million
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RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated ¹	-£0.9 million
Small and micro business assessment	Not required (low cost regulation)



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB figures to the nearest £100,000.