

Title: Theme A: Terms of Employment Key Information Document (KID) for Agency Workers	Regulatory Impact Assessment (RIA)
	Date: 22/06/2024
Lead department or agency: Department for the Economy	Type of measure: Secondary legislation
	Stage: Initial
Other departments or agencies: N/A	Source of intervention: Domestic NI
	Contact details: goodjobsconsultation@economy-ni.gov.uk

Summary Intervention and Options

What is the problem under consideration? Why is government intervention necessary? (7 lines maximum)
One of the most common infringements found by the Employment Agency Inspectorate relates to the terms and conditions, and more specially pay details, of a work seeker. Currently the legislation as written is permissive in how it indicates the terms of a work assignment should be presented to a work seeker. In reality this means that the terms and conditions of employment can be presented in many different ways and formats. This inconsistency can make it difficult for a work seeker to fully understand the terms and conditions of the position they are being offered and also the pay that accompanies it. This is something that we want to avoid.

What are the policy objectives and the intended effects? (7 lines maximum)
By introducing the requirement to produce a Key Information Document our aim is to ensure that recruitment agencies provide a concise, uniform and clear document detailing all of the pertinent pay details related to a specific job offering. In doing so we are hoping to mitigate against the constraints of the current system. The requirement to produce a Key Information Document has been in place in GB since 2020 and we are seeking to align our legislation with GB. It is only by being fully informed about the pertinent details (principally regarding pay) of a particular position that a work seeker can make an informed decision about how to proceed.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum)
Option 1 – ‘Do Nothing’ - Maintain Status Quo – this would maintain the existing arrangements.
Option 2 – Statutory (Preferred Option) - The Department proposes to change the law, via secondary legislation, to require recruitment agencies to issue agency workers/work seekers with a ‘key information document’ prior to the agreement of terms. This is to ensure greater transparency for agency workers, principally regarding their pay.

Will the policy be reviewed? Yes – as part of ongoing review and assessment of the EAI.	If applicable, set review date: Ongoing part of the work of the EAI.
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Cost of Preferred (or more likely) Option		
Total outlay cost for business £m	Total net cost to business per year £m	Annual cost for implementation by Regulator £m
£0.005	None – once the template for one KID is in place this can be reused and populated for work seekers.	None.

Does Implementation go beyond minimum EU requirements?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Is this measure likely to impact on trade and investment?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
Are any of these organisations in scope?	Micro Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Small Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	Medium Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Large Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.

Approved by: Kellie Sprott Date: 22-06-24.

ECONOMIC ASSESSMENT (Option 1)

Costs (£m)	Total Transitional (Policy)		Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
	(constant price)	Years		
Low	£0	N/A	Optional	Optional
High	£0		Optional	Optional
Best Estimate	£0		£0	

Description and scale of key monetised costs by ‘main affected groups’ Maximum 5 lines
 None. No monetised costs by with recruitment agencies or work seeker – the position remains as is currently.

Other key non-monetised costs by ‘main affected groups’ Maximum 5 lines
 The non-monetised costs of this ‘Do nothing’ option remain as they currently are. By doing nothing work seekers will continue to receive the terms and conditions of a position in a range of different styles and formats. This may lead to pay queries/disputes when a misunderstanding has taken place.

Benefits (£m)	Total Transitional (Policy)		Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
	(constant price)	Years		
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate				

Description and scale of key monetised benefits by ‘main affected groups’ Maximum 5 lines
 None. No monetised benefits of the ‘do nothing’ option.

Other key non-monetised benefits by ‘main affected groups’ Maximum 5 lines
 None. No non-monetised benefits of the ‘do nothing’ option.

Key Assumptions, Sensitivities, Risks Maximum 5 lines
 N/A.

BUSINESS ASSESSMENT (Option 1)

Direct Impact on business (Equivalent Annual) £0			
Costs:0	Benefits:0	Net:0	

Cross Border Issues (Option 1)

How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland) Maximum 3 lines
 The legislation in the RoI is not directly comparable. GB changed its legislation in 2020 to introduce the requirement for a Key Information Document so like in RoI, there is no direct comparator in GB to the ‘Do Nothing’ option.

Summary: Analysis and Evidence

Policy Option 2

Description: Statutory – change to secondary legislation.

ECONOMIC ASSESSMENT (Option 2)

Costs (m)	Total Transitional (Policy)		Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
	(constant price)	Years		
Low	£0.002	1	Optional	Optional
High	£0.009		Optional	Optional
Best Estimate	£0.005			£0.005

Description and scale of key monetised costs by 'main affected groups' Maximum 5 lines

In this option, the only cost implications for employment agencies will be in terms of familiarisation of the new provisions. There will be very minor updates to IT systems required. It is anticipated that the updates to systems costs will be negligible as it will simply require the saving of a new KID template to their system. Once adopted and used once this template can then be used again and re-populated for each work seeker. We anticipate that it will take a senior official 30 minutes to familiarise themselves with the new provisions but we have also provided a 'low' and 'high' estimate, where an official would take 15 or 60 minutes respectively. An average of these figures has been used as the best guess estimate. Half hourly rate for a senior official is £15.25. Full hourly rate is £30.50. Quarter hourly rate is £7.63.

In the north of Ireland, the latest data shows that there are currently 280 employment businesses/agencies in operation¹. There is no information as to how many are providing key information documents currently. Therefore, familiarisation costs have been calculated based on all 280 employment businesses being required to make this change.

Low (15 minutes familiarisation) - £2,136.00
 Medium (30 minutes familiarisation) - £4,270.00
 High (60 minutes familiarisation) - £8,540.00

Average best estimate cost is £4,982.00 or £0.005m. A very low, one of familiarisation cost.

Other key non-monetised costs by 'main affected groups' Maximum 5 lines

None anticipated.

Benefits (£m)	Total Transitional (Policy)		Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
	(constant price)	Years		
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate				

Description and scale of key monetised benefits by 'main affected groups' Maximum 5 lines

The main beneficiaries of this policy option are the work seekers themselves. By being better informed in a much more consistent, clear and concise manner, the work seeker will be better placed to make the right decision about which job offering meets their needs. This may result in the uptake of a job with better pay and conditions/work life balance.

Other key non-monetised benefits by 'main affected groups' Maximum 5 lines

The main non-monetised benefits of this option relate to improved transparency between the recruitment agency and the work seeker with regards their contracts of engagement, and key information such as dates of payment, hourly rates, pension contributions, benefits etc. This in turn may lead to less queries/disputes about pay and conditions which would need to be handled by the recruitment agency.

Key Assumptions, Sensitivities, Risks Maximum 5 lines

N/A.

BUSINESS ASSESSMENT (Option 2)

Direct Impact on business (Equivalent Annual) £m			Familiarisation costs only.
Costs: £0.005m	Benefits:	Net:	£0.005m

¹ [NISRA website - IDBR](#)

Cross Border Issues (Option 2)

How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland) Maximum 3 lines

The legislation in the RoI is not directly comparable.

These provisions are in place in GB. We are seeking to replicate the GB provisions.

Evidence Base

The Employment Agency Inspectorate (EAI) is responsible for the regulation of the recruitment sector in the north of Ireland. It is a very small inspectorate that sits within the Business and Employment Regulation Division of DfE.

In 2024, 280 businesses registered as employment businesses/recruitment agencies. This compares with approximately 30,000 registered in Britain². To put this figure of 280 into context, in 2024 there were 80,045 VAT and/or PAYE registered businesses operating in the north of Ireland meaning that employment businesses/recruitment agencies account for 0.35% of the local private sector economy. A very small proportion. Therefore, the impact of this proposed policy change will have a very small/negligible impact on businesses and the economy.

The majority of breaches the EAI identifies concern discrepancies in how workers and agencies interpret their terms, particularly relating to pay.

To resolve this issue in Britain, recruitment agencies are required to provide a work seeker with key points of pay related information in a straightforward, easy to understand format before terms can be agreed. This is called a Key Information Document (KID). This has been in place since 2020. At that time the UKG did not conduct a RIA as the impact on businesses and the economy was deemed to be de minimis.

Currently, there is no such requirement for employment agencies and businesses here to produce a KID.

The Department is, therefore, seeking views on whether the law should be changed to require the production of a KID. The objective of the policy is to ensure that work seekers have a clear understanding of the key terms and conditions of their contracts prior to agreement.

The direct costs to recruitment agencies and employment businesses with this policy option relate to senior manager time spent familiarising themselves with the particulars of this proposed policy. We believe that 30 minutes is the most likely time it will take but in order to reach a best estimate we have costed 15, 30 and 60 minutes familiarisation time and taken an average of those totals. Cost for 15 minutes is £7.63, 30 minutes is £15.25 and 60 minutes is £30.50.

Low (15 minutes familiarisation) - £2,136.00

Medium (30 minutes familiarisation) - £4,270.00

High (60 minutes familiarisation) - £8,540.00

Best estimate (average of these 3 figures) - £4,982.00 or £0.005m – one off cost to business.

Once the proposed change is understood a recruitment agency will only have to develop the KID template once and then this template can be used again for each new work seeker, simply being re-populated with the specific data required for each work seeker and position.

The 2024 data shows that there are currently 44,000 temporary³ employees in the north of Ireland, with 4,000 of those being recorded as agency temping staff. By comparison the total workforce is 801,800⁴, meaning that the introduction of a KID impacts on 0.5% of the 2024 workforce. A very small proportion.

Key Information Document for Agency Workers Small and Micro Business Impact Assessment

Preliminary Assessment

1. Do the regulations apply to small businesses or affect the business environment in which they operate?

Yes. The preferred option will apply to all recruitment agencies and businesses operating in the north of Ireland.

Employment businesses and recruitment agencies account for 9% of businesses within the 'Business administration and support services' Industry Group⁵. There are no figures available on the size of recruitment agencies, however, 93% of businesses in that Industry Group are small or micro businesses, which is supported by anecdotal EAI information which would suggest that employment businesses and agencies are predominately small or micro businesses.

2. What are the characteristics of small businesses likely to be affected?

Recruitment agencies and employment businesses.

In 2024 there were 280 registered employment businesses/recruitment agencies compared with 80,045 VAT and/or PAYE registered businesses operating in the north of Ireland. This means that employment businesses/recruitment agencies account for 0.35% of the local private sector economy.

Consideration of alternative approaches

3. Examining whether alternative approaches (including, but not limited to, exemptions, simplified inspections and less frequent reporting) are appropriate for small and micro businesses:

An alternative approach is not suitable for this policy proposal.

Further consideration will be given to the impact on the sector once a definitive policy position has been determined. This may be in terms of support, provision of template to follow, advice etc.

4. Examining whether small and micro businesses (those with fewer than 50 employees) can be given a complete or partial exemption from new rules, and whether alternative approaches are appropriate:

Not appropriate for this policy proposal.

³ [NISRA website](#)

⁴ [NISRA website - June 2024 labour market report](#)

⁵ [NISRA website - IDBR](#)

5. Examining whether a lighter regulatory regime would be appropriate for small and microbusinesses.

Not appropriate for this policy proposal.

6. How serious is the problem the proposal seeks to address in relation to smaller businesses?

The vast majority of employment businesses/recruitment agencies are small or micro businesses. The problem we are trying to solve relates specifically to these businesses. The EAI inspection process indicates that lack of clarity around terms and pay specifically is an ongoing and persistent problem.

7. What changes will smaller businesses have to make to the way their business operates?

If the preferred option is adopted, all recruitment agencies will be required to produce a Key Information Document for all work seekers. Once a template for this is agreed and it is produced once, then that template can be reused for each work seeker and simply re-populated as per the job offering. After the initial change to processes is made the ongoing impact on recruitment agencies will be negligible. Conversely the introduction of a KID may reduce the number of pay related queries/disputes that a recruitment agency has to deal with.

8. Is there likely to be a greater impact on the operations and performance of smaller business than others (It is normal for the impact of measures to bear more heavily on small businesses because they do not enjoy the economies of scale of larger businesses)?

Yes. There are no definitive figures on the size of recruitment agencies and employment businesses, however, other data sources (as indicated above) suggest that the vast majority of them would be small or micro businesses. It is unlikely the medium or large businesses will be impacted by the policy proposal.

As indicated above, the potential impact of the preferred option is small/negligible.

9. What are the likely approximate costs and benefits of the proposal for small business?

Familiarisation costs have been estimated for each policy option as part of the regulatory impact assessment process and are outlined above. There are no costs associated with option 1 – Do nothing.

The direct costs to recruitment agencies and employment businesses with option 2 relate to senior manager time spent familiarising themselves with the particulars of this proposed policy. We believe that 30 minutes is the most likely time it will take but in order to reach a best estimate we have costed 15, 30 and 60 minutes familiarisation time and taken an average of those totals. Cost for 15 minutes is £7.63, 30 minutes is £15.25 and 60 minutes is £30.50.

Low (15 minutes familiarisation) - £2,136.00

Medium (30 minutes familiarisation) - £4,270.00

High (60 minutes familiarisation) - £8,540.00

Best estimate (average of these 3 figures) - £4,982.00 or £0.005m – one off cost to business.

Once a template is agreed, it can be produced and reused for each work seeker and simply re-populated as per the job offering. After the initial change to processes is made the ongoing impact on recruitment agencies will be negligible. Conversely the introduction of a KID may reduce the number of pay related queries/disputes that a recruitment agency has to deal with.

10. Will exempting (either fully or partially) smaller businesses from the policy materially affect the potential benefits from the policy?

Yes. It is estimated that the vast majority of recruitment agencies/ employment businesses are small and/or micro businesses. An exemption cannot be made for them for this policy proposal.

11. Are there alternative approaches for smaller businesses, which would not materially affect the potential benefits from the policy?

No.

12. Is there likely to be a greater impact on the operations and performance of small and micro business than others?

Yes. As indicated above the majority of recruitment agencies and employment businesses are small or micro businesses. It is unlikely that this policy proposal will impact on medium or large businesses. However, as also indicated the potential impact of the preferred option is small/negligible. Additionally, appropriate templates, advice and guidance will be provided should policy option 2 be adopted.

Conclusion

This document examines the likely impact on small businesses.

The Department will invite views on the content of this small and micro business assessment during the consultation. Comments are welcomed in respect of any potential mitigations that could be provided for small and micro businesses.

Approved by: Kellie Sprott
Date: 22-06-24.