



Work Permits (UK)

serving business needs

**Charging for the
Consideration of Work Permit
Applications**

**Final Regulatory Impact
Assessment**

FINAL REGULATORY IMPACT ASSESSMENT

Introduction and Summary

1. This assessment estimates the costs and benefits when charging for the consideration of work permits are introduced. It reflects the response to the public consultations undertaken in Great Britain and Northern Ireland.
2. We issued 850 consultation documents directly to our customers. The consultation findings are based on 145 responses from employers, representatives and organisations. The vast majority of respondents did not see charging for the consideration of work permit applications as an issue. Of the 141 respondents to this question, 33% stated it would have a negligible affect and 41% stated it would have either a slight or minor affect.
3. In addition, 58% of respondents agreed that a flat rate fee was appropriate. No comments were received in relation to the partial regulatory impact assessment.

The main issues raised in the consultation replies were:

- Exemptions for public sector employers and/or non-profit making organisations.
- A few respondents asked for a discount or exemption for small businesses
- There were 8 respondents from Universities or private health care providers who stated that either they should be exempt from the charge or, if NHS trusts or publicly funded schools are exempt then they should be treated in the same manner.

Purpose

4. The reasons for proposing a charge for the consideration of work permit applications are fourfold:
 - The work permit arrangements are used by a relatively small number of businesses, and yet the burden of funding the operation is borne by all UK taxpayers and businesses. The introduction of charging would mean that the users of the service would pay for the service;
 - Proposals to introduce charges have been supported by HM Treasury and by Ministers in both the former DfEE, and now, in the Home Office. That we have not charged for this service until now may be viewed as an anomaly;
 - The increased number of employers who are using the work permit arrangements is placing an ever-increasing burden on the general taxpayer, and stretching Work Permits (UK) resources to a point where service levels may soon prove difficult to maintain;
 - Charging would bring us into line with other 'developed' countries.

Risk Assessment

5. In the context of this proposal, there will be a relatively small additional cost to those businesses wishing to employ an overseas national from outside of the European Economic Area. However, there are no perceived physical risks/hazards that could lead to harm to any individual or organisation.

6. Three options had been identified in the partial RIA. These were:

- A. Retain the status quo by not introducing a charge
- B. Introduce a flat rate charge
- C. Introduce a sliding scale charge

Option A - Retain the status quo by not introducing a charge

Potential Benefits

7. To adopt option A would maintain a service which is free at the point of use to all businesses.

Potential Disadvantages

8. Businesses not using the work permit arrangements would continue to pay towards the costs of the service through their contribution to the tax burden (together with the general taxpayer).

9. Another potential disadvantage could be a reduction in the service standards experienced by businesses making applications. As described earlier, the funding required to operate the work permit arrangements efficiently is substantial and increasing. These requirements have to be prioritised against the resources required within Immigration & Nationality Directorate to deal with the fast growing and high profile areas such as asylum and illegal immigration. If appropriate funding cannot be secured, it would be impossible to operate the same high levels of quality service provided now.

10. Any reduction in service standards could potentially damage the position of UK businesses when competing for key skills and people in the international recruitment marketplace.

Options B — Introduce a flat rate charge

Potential Benefits

11. To adopt option B would introduce an income stream for Work Permits (UK). This would ensure that service to customers was at least maintained at the existing levels, and possibly improved. Examples of potential improvements include increasing the turnaround times yet further, and streamlining the overall process by investing in further ICT improvements.

12. Those businesses using the service would pay for the service, and those businesses and taxpayers not benefiting from the service would not be burdened.

13. Government resources freed by the introduction of charging could be used to greater effect elsewhere.

14. A flat rate has the advantage of being easier to understand and cheaper to implement than a sliding scale.

Potential Disadvantages

15. This option would introduce a charge for a service which is free at present, thereby imposing a small increase in the burden on those UK businesses wishing to employ people from outside of the European Economic Area.

16. In instances where the need for recruitment is finely balanced, the

introduction of this marginal cost may lead the employer to decide not to recruit at all, potentially reducing the effectiveness of that business, and by extension the UK economy.

17. The imposition of a charge may encourage unscrupulous employers to employ overseas workers illegally, thereby saving the costs of making an application. It should be noted, however, that in the '*Secure Borders, Safe Haven*' White Paper, the Home Office committed itself to tackle illegal working with renewed vigour, and the penalties for employers of using illegal labour will be severe. The incentive for employing people illegally may well therefore be outweighed by the potential consequences of doing so.

18. A flat rate fee is less flexible than a sliding scale of fees. There is no allowance made for the type of application, type of applicant or variations in processing or consideration times.

Option C — Introduce a sliding scale charge

19. Option C has much in common with Option B, and there is therefore some repetition of the advantages and disadvantages shown above.

Potential Benefits

20. To adopt option C would introduce an income stream for Work Permits (UK). This would ensure that service to customers was maintained at the existing levels, and possibly improved. Examples of potential improvements include increasing the turnaround times yet further, and streamlining the overall process by investing in further ICT improvements.

21. Those businesses using the service would pay for the service, and those businesses and taxpayers not benefiting from the service would not be burdened.

22. Government resources freed by the introduction of charging could be used to greater effect.

23. A sliding scale fee is more flexible than a flat rate fee. Adjustments can be made for a combination of the type of application, type of applicant or variations in processing and consideration times.

Potential Disadvantages

24. A disadvantage would be the introduction of charging for a service which is free at present. Thereby imposing an increased burden on those UK businesses wishing to employ people from outside of the European Economic Area.

25. In instances where the need for recruitment is finely balanced, the introduction of this marginal cost may lead the employer to decide not to recruit at all, potentially reducing the effectiveness of that business, and by extension the UK economy.

26. The imposition of a charge may encourage unscrupulous employers to employ overseas workers illegally, thereby saving the costs of making an application. It should be noted, however, that in the '*Secure Borders, Safe Haven*' White Paper and the N.I.A 2002 Bill which received Royal Assent on 7th November 2002, the Home Office committed itself to tackle illegal working with renewed vigour, and the penalties for employers of using illegal labour will be severe. The incentive for employing people illegally may well therefore be outweighed by the potential

consequences of doing so.

27. A sliding scale of fees may be costly to implement, and more complex and bureaucratic to operate for Work Permits (UK), and more difficult and time-consuming for employers, than a flat rate fee.

Benefits

28. Employers currently expect Work Permits (UK) to deliver an efficient, immediate and flexible service. The impact of the rapid expansion of the work permit scheme on Work Permits (UK) resources has now reached a point where the present level of service expected by customers, i.e. 90% of completed applications are dealt with within 24 hours, would be difficult to maintain without a guaranteed income stream charging would provide.

29. Implementing a charge would introduce such an income stream for Work Permits (UK). This would ensure that service to customers was at least maintained at the existing levels, and possibly improved. Examples of potential improvements include increasing the turnaround times yet further, and streamlining the overall process by investing in further IT improvements.

30. Those businesses using the service would pay for the service, and those businesses and taxpayers not benefiting from the service would not be burdened.

31. Government resources freed by the introduction of charging could be used to greater effect elsewhere.

32. A flat rate fee has the advantage of being easier to understand and cheaper to implement than a sliding scale.

33. Overall, the feedback from the consultation confirmed that respondents were in favour of the proposal to charge prospective employer a flat rate fee for the consideration of work permits. Respondents said a reasonable charge could be easily absorbed by most employers as a commercial cost of the transfer process.

Costs

34. On our existing planning assumptions, we estimate that the full economic costs of processing work permits will be around £19 million in 2003/2004. At a flat rate, we will charge £95 per work permit application considered. This is based on a planning assumption of 200,000 applications in the period 2003/2004.

35. Some 20% of the main work permit scheme applications will be a cost to the public sector. Also 5.5% of applications will be exempt from the work permit charge. These are applications for prospective employees from a Country that has signed and ratified the European Social Charter.

The financial effect on business, charities and the voluntary sector will be:
74.5% of 200,000 applications = 149,000 x £95.00 = £14.2m

36. Work Permits (UK) will shortly be consulting on the revised Seasonal Agricultural Workers Scheme (SAWS) which is proposed to be introduced on 1st January 2004. The consultation will be accompanied by a partial RIA, which will detail the business processes and financial arrangements in relation to SAWS. Dependent on the outcome of that consultation a final RIA will, if required, will be produced.

Public Sector Costs

37. In addition, up to 20% of all applications (around 40,000) could be from the public sector i.e. NHS Trusts and schools. These categories are not subject to a regulatory impact assessment.

38. Although such applications would be subject to a charge, the Department for Education and Skills (DfES) expressed concerns about the unnecessary administrative systems that they may have to introduce if each application was to be paid for individually. Such an arrangement would mean the unnecessary circulation of government money. It could be argued that such a system is wasteful and bureaucratic.

39. It has therefore been agreed that the parent government department i.e. the DfES will pay for specific teacher applications in English State schools by an inter-departmental transfer of monies on a bulk basis.

Impact on Customers and Small Business Sector

40. During the 2001 calendar year, we received a total of 130,387 work permit applications from an estimated 33,000 different employers. Within those figures there are some very large users — one employer accounts for over 2,000 applications — and many hundreds of employers who have made only one application.

41. Work Permits (UK) I.T systems does not hold statistical information on the size of a company making an application. It is therefore difficult to profile a typical customer, and to assess the financial impact on them. Assuming small businesses make less than 25% of the applications then the cost to small businesses could be less than £4m. This assumption is based on the premise that work permit applications are in the main generated from middle to large businesses.

Compliance Costs

42. Apart from the work permit charge there may be a very marginal increase in the time taken to complete the application form (filling in payment details), although we consider this will only amount to a few minutes per application. For example, a small business making 4 applications per year based on a figure of 5 minutes per application will result in an additional 20 minutes in administration costs. A large company making on average 2000 applications per year would mean an additional 167 hours in administration costs.

43. Based on a typical salary of £20 per hour for an administrative assistant to undertake such tasks, the compliance costs of making one application (time taken 5 minutes) is approximately £1.66.

44. We are using payment systems which are well established, simple to administer, already used by businesses and which can be accessed with no additional cost or effort. These are payments by cheque and credit or debit cards.

Results of the Consultation

45. The vast majority of respondents to the consultation said that the proposals to charge a fee would not affect the number of applications made. Many respondents said the impact would be negligible as they made few applications and recognised

the importance of recruiting skilled staff. However, a few respondents said they may pass the charges onto their clients or increase their rates to offset the fee.

46. The Immigration Law Practitioners Association (ILPA) raised concerns that the burden of charging will fall disproportionately on smaller employers who may already be committing a greater proportion of their resources to start up their business.

47. It should be noted that the consultation document was sent to a number of organisations representing charities and small businesses. However, only ILPA and a school registered as a charity replied.

48. We also consulted 71 NHS Trusts and publicly funded schools and received 29 responses. We also consulted 22 voluntary organisations/charities and received only 2 responses. This is a relatively small response rate and therefore seems reasonable to assume that those NHS Trusts, publicly funded schools and voluntary organisations/charities who did not respond did not have any strong views on the proposals to charge.

49. However, the consultation highlighted the fact that approximately 50% of publicly funded schools and NHS Trusts who responded were seriously concerned about the charge because of its direct effect on their budgets. The DfES have agreed to pay for specific teaching posts in English state schools by an inter-departmental transfer of monies. This system will minimise paperwork and, more importantly, involve no extra work for those organisations in the front line who are recruiting from abroad.

50. None of the public sector bodies who responded stated that the planned level of charge per work permit application was high.

51. The responses from the voluntary sector were negligible and did not highlight any major objections to the charge.

Exemptions

52. Under European Law, we are obliged to exempt prospective employers of nationals of countries who have signed and ratified the Council of Europe Charter or the European Social Charter (revised). Therefore, employers making work permit applications to employ nationals of the Czech Republic, Hungary, Slovakia, Bulgaria, Estonia, Lithuania, Romania, Slovenia, Poland, Turkey, Cyprus, Malta, Latvia and Moldova would be exempt from charges. As noted in the costing these countries make up approximately 5.5% of all work permit applications received.

Competition Assessment

53. We have not been able to identify any sectors where competition is adversely affected. There may be some specialist sectors where very few people can apply (thus attracting more foreign applicants), but they are likely to be higher paid employees and thus the cost of this regulation will be small in relation to their annual employment costs. Additionally, the costs of this regulation applies equally to all employers wanting staff who are subject to immigration control and is thus likely to be in proportion to the turnover of the firm. We do not therefore expect there to be adverse effects on competition as a result of this regulation

Monitoring & Review

54. The costs and impact on business will be reviewed annually and consideration will be given to any evidence provided in relation to exemptions or

discounts for certain types of employers or employment. If there are any charges as a result of this a further RIA will be provided.

Declaration

55. I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister

.....

Date

Contact point:

Denise Mellor
Home Office
Work Permits UK
Foundry House
3, Millsands
SHEFFIELD
S3 8NH

Tel no: 0114 279 3420
Fax no: 0114 279 3430
E-mail: charging.workpermits@wpuk.gov.uk