



Department
for Business
Innovation & Skills

BIS PERFORMANCE INDICATORS

Change in net domestic
employment regulatory burden
imposed on business by
Government

OCTOBER 2014

Change in net domestic employment regulatory burden imposed on business by Government

Why is this indicator important?

All markets need rules and the labour market is no different. Labour market regulation is the system of laws and institutions covering the broad areas of; labour and employment, industrial and collective relations, and aspects of social security.

As with any regulation, labour market regulation can have both positive and negative consequences. Excessive or inappropriate regulation limits the ability of business to respond to demand and create new employment. But the right balance of regulation can give employers the confidence to create jobs while giving their employees protection. The aim of labour market regulation is to provide a framework that enables the labour market to function as efficiently as possible and consequently maximise employment opportunities by allowing businesses to offer and individuals to take up jobs. In addition, the regulation needs to achieve the appropriate balance of power between - and protection for - both businesses and workers.

This indicator measures the change in net cost to business from changes in employment regulation from BIS, using the One-in, Two-out (OI2O) framework. As of January 2013, every new regulation which imposes a new financial burden on firms must be offset by reductions in red tape that will save double those costs. OI2O replaced 'One-in, One-out', which required the costs of every new regulation to be matched by savings of an equivalent amount. The One-in, Two-out measure provides regular information on the change in direct costs and benefits to business as a result of changes in employment regulation. By focusing on the change in burdens placed on business by employment regulation, we can assess whether the UK is building on past success by further improving the functioning of the labour market. Whilst there is no indicator that can fully capture the extent to which regulatory changes have increased the labour market's efficiency, the OI2O figure should be a good indicator of progress in this direction.

How are we performing?

To date, the One-in, One-out position on employment regulation shows that there has been a net increase in regulatory burden on business of £3.3m per annum from regulations implemented since 2010 up to December 2012.

Since January 2013 the One-in, Two-out position on employment regulation shows that there has been a decrease in regulatory burden on business of £80.7m per annum (outs) and an increase in regulatory burden on business of £12.8m per annum (ins) from regulations implemented since January 2013 up to October 2014.

The UK performs consistently well in the OECD's indicators of employment protection. The latest OECD indicators published in 2013 no longer provide an overall index as they did in 2008. Using the latest OECD methodology BIS has calculated that the UK's score and ranking remains unchanged from 2008. In the 2013 indicators, the UK had the least strict regulation of those in the EU, and the fourth lowest level within the OECD.

Against this background, the main focus of this indicator is our OI2O position, which we can directly influence. The World Economic Forum's Centre for Global Competitiveness and Performance ranks countries according to a global competitive index. This has a sub-indicator called the Labour Market Efficiency Index, calculated according to factors such as flexibility of wage determination, hiring and firing practices and pay and productivity. The UK scores 5th out of 144 on this index in 2014. The data compiled for both of these sources is based on self-reporting and limited samples.

What will influence this indicator?

Whether the burdens placed on business by employment regulation in the UK go up or down is directly influenced by regulatory changes made by BIS. It is also influenced by how well employment regulation functions as a system and this needs to be factored in any changes made. Therefore the One-in, Two-out balance for employment regulation is within our control.

We do not have control over changes made in other countries. The UK's position in the OECD employment protection index is influenced by both the UK's employment regulation changes and developments in other countries in the OECD.

What is BIS's role?

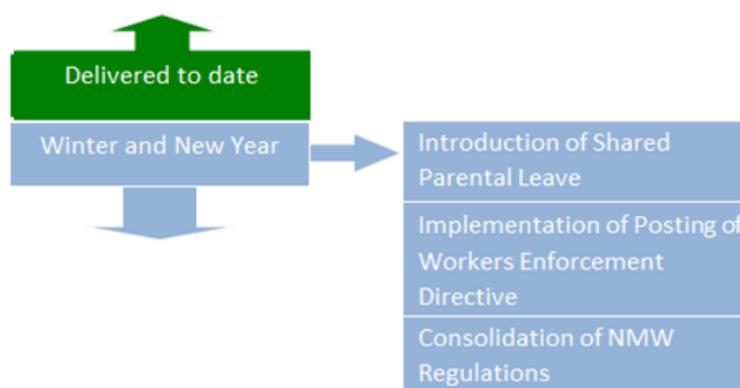
BIS has responsibility for employment law and is responsible for most employment regulations. It is currently leading the Employment Law Review.

The Employment Law Review, launched in 2010, seeks to reduce regulatory burdens on business to ensure the labour market is flexible. Our employment law reforms have the aim of allowing employers and individuals to make mutual agreements that suit their personal circumstances rather than prescribing these through regulation. Our approach, therefore, seeks to encourage and facilitate conversations between individuals and employers, so the labour market is effective and allows employers to manage their workforce productively. When Government does intervene, it will be to ensure fairness which protects both individuals and employers.

The Government is now half-way through the Parliament-long Employment Law Review. We have listened and consulted extensively on the improvements necessary to support individuals and employers and to further embed our vision of a UK labour market that is flexible, effective and fair. The improvements cover both regulatory reform to improve the employment law framework, and to processes and information so individuals and

employers can use the system more easily and effectively. The timeline provided below shows reforms we have already made, and the significant range of improvements we are working to deliver in the remainder of this Parliament.

Acas Early Conciliation introduced	Agency workers – paperwork review	Evaluation for Workplace Mediation Services	Introduction of Employment Tribunal penalties
Removed default retirement age	Revised Employment Tribunal rules	New tribunal fees	12 months' pay cap on unfair dismissal compensatory awards
Improving the GLA	Rewritten all guidance	Whistleblowing rule improvements	Better immigration checks
Change to collective redundancy	Published Tribunal Award information	Portable online DBS (Previously CRB) checks	Better online tool – employing staff for the first time
Acas guide on collective redundancy	Making settlement agreements easier	Employer's Charter	Consultation on the recruitment sector
Call for evidence on the Public Interest Disclosure Act	2 year unfair dismissal qualifying period	New employee shareholder employment status	New approach to sickness absence
Right to request flexible working for all	TUPE Regulation reforms	Government response to PIDA call for evidence	



Indicator definition

The change in the level of burdens imposed on business from employment regulation in the UK will be reported. This reporting is based on the 'One-in, Two-out' rule. While this reporting will not provide information on whether the position of the UK is changing relative to other countries, it will report on whether the burden of employment regulation is increasing or decreasing in the UK – how we are performing in an absolute sense. However it is important to note that the One-in, Two-out indicator only tracks changes in direct costs and benefits to business as a result of change in employment regulation. It does not capture any indirect, or second order benefits that may accrue as a result of reforms to the labour market, such as an increase in business confidence resulting in increased employment.

Methodology

The assumptions underpinning the calculation of the costs and benefits for measures included under the One-in, Two-out indicator will be subject to rigorous scrutiny and challenge by the independent Regulatory Policy Committee (RPC), to ensure that they accurately reflect the real impacts on business.

INs and OUTs under OI2O are calculated using Equivalent Annual Net Cost to Business. Details of how this calculation is performed can be found in the statements of new regulation.¹

Further Information

OECD Indicators of Employment Protection² and supplementary information from BIS Labour Market impact assessments.

Who are our partners?

The 'One-in, Two-out' rule covers:

- Whitehall departments and other central government organisations
- Agencies that are part of central government i.e. executive agencies, such as Companies House.

Related indicators

Ease of doing business in the UK, ranking of UK on World Bank Doing Business Report.³

Status

Last updated: October 2014

¹ <https://www.gov.uk/government/collections/one-in-two-out-statement-of-new-regulation>

² http://www.oecd.org/document/11/0,3746,en_2649_37457_42695243_1_1_1_37457,00.html#latest_update

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/198832/ease_of_doing_business_in_the_UK.pdf

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Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

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