

Economic Note	Number: HOEN008
Title of regulatory proposal	Right to Work and Right to Rent checks for EEA Citizens Using Home Office Right to Work and Right to Rent Online Services
Lead Department/Agency	Home Office
Expected date of implementation	1 July 2021
Origin	Domestic
Date	27/05/2021
Lead Departmental Contact	Lindsay.Scott8@homeoffice.gov.uk
Departmental Assessment	GREEN

Rationale for intervention, objectives and intended effects

Right to Work (RTW) and Right to Rent (RTR) were introduced to tackle and deter, illegal immigration and illegal working. The UK's withdrawal from the EU means from 1 July 2021, EEA citizens (excluding those from the Republic of Ireland) will be required to demonstrate eligibility to access work, benefits and services through evidence of their immigration status, not their nationality. This includes RTW and RTR. Government intervention is required to make the legislative changes required.

Policy options (including alternatives to regulation)

Do nothing

Option 0: Do nothing This does not deliver the Government's objective

Option 1: To implement changes to the RTW and RTR Schemes.

This is **the Government's preferred option** to amend legislation to update the acceptable document lists an employer or landlord is required to check to obtain a statutory excuse against liability for a civil penalty. This change will be implemented on 1 July 2021.

Non-regulatory options were considered but as these did not achieve the objectives they were not taken forward.

Costs and benefit summary

This analysis has estimated the following for employers and landlords to focus on the costs to business as required by the Regulatory policy Committee (RPC):

- Potential time savings by conducting checks using the online service.
- Familiarisation costs to review the updated code of practice and guidance for the online service as well as the online portal.

Non-monetised costs and benefits are also considered. The most significant non-monetised benefit of the online service is an improvement in fraud prevention and compliance with current UK law.

Total Cost £m PV	Transition Cost £m	Cost to Business £m	Total Benefit £m PV
-2.2	-2.2	-2.2	2.0
NPSV (£m)	BNPV (£m)	EANDCB (£m)	BIT Score (£m)
-0.3	-0.3	-0.06	
Price Base Year	PV Base Year	Appraisal period	Transition period
2021/22	2021/22	5	1

Departmental sign-off (SCS): Alison Samedi Date: 21/05/2021

Chief Economist sign-off: Tim Laken Date: 26/05/2021

Better Regulation Unit sign-off: Chris Batchelor Date: 26/05/2021

Evidence Base

Background

1. The Right to Work (RTW) and Right to Rent (RTR) Schemes (the Schemes) were introduced as part of a suite of measures designed to tackle and deter illegal immigration and are intended to prevent individuals without lawful immigration status in the UK from taking up employment in the UK or accessing accommodation in the private rented sector in England; and to support efforts to tackle those who exploit vulnerable migrants.
2. Employers and landlords are required to carry out simple checks, applicable to everyone including British citizens, to ensure the individual has lawful status in the UK before they employ or let a property to an individual. Employers and landlords may establish a statutory excuse against a civil penalty by conducting RTW or RTR checks prescribed in legislation and set out in the codes of practice and supporting guidance.
 - <https://www.gov.uk/government/collections/illegal-working-penalties-codes-of-practice-for-employers>
 - <https://www.gov.uk/government/collections/landlords-immigration-right-to-rent-checks>
3. The UK has left the European Union (EU) and the Immigration and Social Security Co-ordination (EU Withdrawal) Act 2020 ended free movement law in the UK on 31 December 2020. On 1 January 2021, a grace period of six-months began, during which time relevant aspects of free movement law have been saved to allow eligible EEA citizens and their family members resident in the UK by 31 December 2020 to apply to the EU Settlement Scheme (EUSS). This period ends on 30 June 2021.
4. The Immigration (Restrictions on Employment) (Code of Practice and Miscellaneous Amendments) Order 2018 and The Immigration (Residential Accommodation) (Prescribed Requirements and Codes of Practice) (Amendment) Order 2020 amended the 2007 and 2014 Orders, respectively, enabling employers and landlords to rely on the Home Office online RTW and RTR services to provide a statutory excuse against liability for a civil penalty, since 28 January 2019 and 25 November 2020 respectively. The online services can be used by those who have been provided with evidence of their immigration status digitally (those granted status under the EU Settlement Scheme or the Points Based Immigration System) and those with a valid Biometric Residence Permit or Card (BRP or BRC).
5. From 1 July 2021, EEA citizens (excluding those from the Republic of Ireland) will be required to demonstrate eligibility to work or access accommodation in the private rented sector, through evidence of their immigration status, rather than their nationality. EEA citizens who have not made an application under the EUSS by 30 June 2021, and do not have any other form of immigration leave, will no longer have lawful status in the UK.
6. The EUSS is a free and easy means for EEA citizens and their family members to obtain the immigration status they require to remain in the UK after free movement has ended. Over 4.9 million¹ people have been granted status under the Scheme so far, and those eligible to apply have until at least 30 June 2021 to do so.
7. The RTW and RTR legislation is, therefore, being amended to change the way in which EEA citizens prove their RTW or RTR.

The policy issue and rationale for government intervention

8. The UK's withdrawal from the EU changed the legal basis on which EEA citizens enter and remain in the UK. From 1 July 2021, EEA citizens and their family members require UK immigration status, in the same way as other foreign nationals. They can no longer rely on an

¹ Figures as at 30 April 2021 <https://www.gov.uk/government/collections/eu-settlement-scheme-statistics>

EEA passport or national identity card, which only confirm their nationality, to evidence eligibility to access work, benefits and services in the UK.

9. EEA citizens who make a successful application to the EUSS will be provided with digital evidence of their immigration status and will, therefore, use the Home Office online services to prove their rights and entitlements in the UK. They are provided with secure access to their immigration status information via an online service, which confirms their conditions and entitlements. They can view and share this with third parties using the Home Office 'view and prove service' or using the sector specific online RTW and online RTR checking services, to evidence their eligibility to work and rent or to gain access to benefits and other services. This provides greater control over when and with whom they share their information and is far more convenient and secure for status holders than a physical document.
10. Employers and landlords will, therefore, be required to use the Home Office online RTW and RTR services to carry out eligibility checks on the majority of EEA citizens.
11. There will, however, be some small cohorts of EEA citizens whose immigration status has been provided under the Citizens' Rights Agreements or the Points-based immigration system and have been issued on a physical document (for example, visa or vignette). Legislation will be amended to update the RTW and RTR acceptable document lists. In these cases, employers and landlords will continue to carry out manual document checks on a small number of EEA citizens. They will use the documents prescribed in the Schemes' acceptable document lists, to check their eligibility to work in the UK or access private rented accommodation in England.
12. This policy change also applies to the RTW checks required when making personal or premises licence applications under the 2003 Licensing Act; and for RTW checks ordered by a court as a result of an illegal working compliance order.

Policy objectives and intended effects

13. The policy objective is to prevent those who have no lawful immigration status in the UK from being able to take up employment in the UK or secure accommodation in the private rented sector in England. The proposed changes will modernise the system of checks making them more efficient and accessible. It also supports the Home Office to transition to be digital by default.
14. By amending legislation from 1 July 2021, to require EEA citizens to provide evidence of their UK immigration status in order to prove their eligibility to work and access accommodation, employers and landlords will be able to distinguish between EEA citizens who are lawfully present in the UK and those who are not.
15. Employers and landlords will be able to establish a statutory excuse (defence) against liability for a civil penalty where they have carried out the check using the Home Office RTW or RTR online checking services, or by carrying out a manual check of the documents, relevant to EEA citizens, as prescribed in legislation and the codes of practice.
16. The changes will maintain both the operational and administrative integrity of the Schemes.
17. It also aligns the RTW checks required when making personal or premises licence applications under the 2003 Licensing Act; and for RTW checks ordered by a court as a result of an illegal working compliance order.

Policy options considered, including alternatives to regulation

Option 0: Do nothing

18. Not progressing the required changes would enable EEA citizens without lawful status to start employment in the UK or enter into private tenancy agreements with landlords in England after

the end of the grace period (30 June 2021), weakening the UK's system of immigration controls and increasing the scope for illegal migration.

19. By not making these changes employers and landlords will be prevented from distinguishing between EEA citizens who are here lawfully and those who are not. Additionally, it could place employers and landlords in breach of primary legislation which prevents them from employing or renting to those without lawful immigration status in the UK.
20. Not having these changes in place would compromise the administration of the Schemes by hampering the Government's ability to impose the appropriate criminal and civil sanctions, thereby creating an incentive for others to falsely purport to be an EEA citizen. This would prevent action being taken against unscrupulous employers or landlords who exploit vulnerable migrants, sometimes in very poor conditions. It could also result in reputational damage as employers and landlords could be in breach of primary legislation which prevents employment and renting to those without lawful immigration status in the UK.
21. It would also adversely impact the licensing regimes and the effectiveness of compliance orders if the changes to the way EEA citizens prove their RTW were not consistent with the update to the prescribed checks set out in the 2007 Order, as amended.

Option 1: The Government's preferred option

22. To implement the legislation changes required to update the RTW and RTR acceptable document lists.
23. Employers and landlords will, therefore, be required to carry out a RTW or RTR check using the Home Office GOV.UK services:
 - [View a job applicant's right to work details](#)
 - [View a tenant's right to rent in England](#)

Or a manual document check for the small cohorts of EEA nationals issued a physical document as evidence of their immigration status in the UK.

24. **The Government's preferred option** also aligns the RTW checks required when making personal or premises licence applications under the 2003 Licensing Act; and for RTW checks ordered by a court as a result of an illegal working compliance order

Non-regulatory options

25. As employers or landlords can only obtain a statutory excuse against liability for a civil penalty by carrying out a check of in the manner prescribed in legislation and in codes of practice laid before Parliament, non-regulatory options were not applicable.

Policy options considered, including alternatives to regulation

Option 0: Do nothing

26. Not progressing the required changes would enable EEA citizens without lawful status to start employment in the UK or enter into private tenancy agreements with landlords in England after the end of the grace period (30 June 2021), weakening the UK's system of immigration controls and increasing the scope for illegal migration.
27. By not making these changes employers and landlords will be prevented from distinguishing between EEA citizens who are here lawfully and those who are not. Additionally, it could place employers and landlords in breach of primary legislation which prevents them from employing or renting to those without lawful immigration status in the UK.
28. Not having these changes in place would compromise the administration of the Schemes by hampering the Government's ability to impose the appropriate criminal and civil sanctions, thereby creating an incentive for others to falsely purport to be an EEA citizen. This would prevent action being taken against unscrupulous employers or landlords who exploit vulnerable

migrants, sometimes in very poor conditions. It could also result in reputational damage as employers and landlords could be in breach of primary legislation which prevents employment and renting to those without lawful immigration status in the UK.

29. It would also adversely impact the licensing regimes and the effectiveness of compliance orders if the changes to the way EEA citizens prove their RTW were not consistent with the update to the prescribed checks set out in the 2007 Order, as amended.

Option 1: The Government's preferred option

30. To implement the legislation changes required to remove EEA passports, national identity cards and documents issued to EEA citizens under EU regulations from the lists of acceptable documents that prove a RTW or RTR. From 1 July 2021, EEA citizens will be required to demonstrate eligibility, to work and access accommodation, through evidence of their immigration status, in the same way as other foreign nationals subject to immigration control.

31. From 1 July 2021, most EEA citizens, excluding those outlined in paragraph 11, resident in the UK will have been provided with digital evidence of their immigration status under the EUSS. They will evidence their rights and entitlements in the UK by sharing their immigration status digitally, using the Home Office online services. They will do this using the Home Office view and prove service or using the sector specific online RTW and online RTR services.

32. Employers and landlords will, therefore, be required to carry out a RTW or RTR check using the Home Office GOV.UK services:

- [View a job applicant's right to work details](#)
- [View a tenant's right to rent in England](#)

33. **The Government's preferred option** also aligns the RTW checks required when making personal or premises licence applications under the 2003 Licensing Act; and for RTW checks ordered by a court as a result of an illegal working compliance order

Non-regulatory options

34. As employers or landlords can only obtain a statutory excuse against liability for a civil penalty by carrying out a check of in the manner prescribed in legislation and in Codes of Practice laid before Parliament, non-regulatory options were not applicable.

Appraisal

General assumptions and data

Volumes

35. This proposal affects businesses and individuals conducting either RTW or RTR checks on EEA citizens who currently discharge their legal obligation through physical document checks as opposed to through the online services.

36. As a result, this policy is most likely to affect:

- Employers of EEA citizens.
- Landlords and letting agents, renting to EEA citizens.

37. However, there may be additional impacts on individuals who are required to prove their immigration status before employment or a tenancy can commence, in the public sector, including the Home Office and other private or third sector organisations who may be affected indirectly. Local authority accommodation is exempt from the Right to Rent Scheme and, as such, not directly affected by these changes.

38. This appraisal assumes that the Order comes into effect in July 2021 and appraises the impacts over a five-year period. Where possible, costs and benefits have been monetised. However, some impacts cannot be monetised. Therefore, the Net Present Social Value (NPSV) should be

considered alongside the significant non-monetisable benefits. As the Right to Rent Scheme policy applies to England only, the relevant estimates are for England only, unless otherwise stated. The RTW applies to the whole of the UK.

Right to Rent Scheme

39. This appraisal concerns private and business landlords and letting agents. Landlords of lodgers who are letting a spare room in their home are included in the analysis, although a lack of data on the number of private landlords that are ‘lodger-landlords’ means there is no accurate way of quantifying the impacts on this group distinct from other private landlords. The Private Landlord Survey estimate of the number of private landlords is based on the number of deposits registered with one of the three government-backed Tenancy Deposit Protection (TDP) schemes that operate in England. Lodger-landlords are not required to provide such a deposit, though they may choose to. There is a risk that some lodger-landlords are excluded from the analysis.
40. The total number of landlords and letting agents currently operating in England, and likely to be actively conducting RTR checks, is uncertain. Estimates for the number of individual and business landlords are based on the 2018 English Private Landlord Survey². These volumes have been scaled down to include only those individuals who do not use a letting agent. The number of letting agents has been informed by a survey of Companies House data³ which estimated there were 20,000 letting agents in the UK in 2018. The estimates of individual landlords who will need to read the additional guidance have been scaled down to consider only those landlords letting to non-UK nationals using the proportion of checks carried out for non-UK nationals in 2020 (39 per cent). In contrast, it has been assumed all letting agents and business landlords will do so, as they rent to multiple individuals at a time, some of which may be EEA citizens. The estimates have been further scaled down using population estimates to include England only.
41. The number of checks on individuals is based on 2011 census data⁴ on tenure, scaled up to derive an estimate of the number of tenants for 2021 using population growth rates between the 2001 and 2011 Census. The proportion of tenants that move house each year (33 per cent)⁵ is applied to the Census data to calculate estimates of the number of checks on individuals each year. A 10 per cent uplift has been applied to account for the fact that people may send applications to multiple landlords. Under the central scenario, each landlord conducts one check per year on each tenant of the age of 18 years and above. The low and high scenarios set out in Table 9, estimates that the number of checks are 0.5 and 1.5 respectively.

Table 1, Estimated number of landlords in England and annual checks on individuals (2021).

Type of landlord	Volume of landlords of non-UK nationals	Volume of checks on EU individuals
Individual landlord	299,100	248,000
Business landlord	50,100	50,800
Letting agent	17,500	271,400
Total	452,300	570,100

Source: Home Office, June 2021.

42. The number of checks currently carried out on the digital system has been based on internal Home Office management information, which records the number of profile views in the last 30 days. This has been scaled up by multiplying the latest 30 days by 12 to get an estimate of total online checks for a year. It has also been scaled down using UK population estimates to

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/775002/EPLS_main_report.pdf

³ <https://propertyindustryeye.com/number-of-estate-agents-in-uk-rises-by-over-500-so-far-this-year-despite-market-challenges/>

⁴ <https://www.nomisweb.co.uk/census/2011>

⁵ UK private rented sector - Office for National Statistics (ons.gov.uk)

represent EEA citizen profile views in England only. This figure was used to calculate a baseline for the proportion of checks on EEA citizens already being carried out using the digital system. As the online RTR checking service was only implemented towards the end of 2020, it is assumed that by July 2021, additional checks will be undertaken using the online system. In lieu of better evidence, the analysis assumes that in the absence of this legislative change, 10 per cent of checks would be done on the online system at the point of implementation.

Table 2, Estimated uptake rate of the RTR digital service in England for EEA nationals (2021).

Number of checks on the digital service	16,200
Total number of checks	570,100
Current uptake rate (%)	3
Assumed uptake rate by July 2021 (%)	10

Source: Home Office, June 2021.

43. This analysis treats costs for landlords operating as part of a company and letting agents as business costs. Some individual landlords will also be operating as businesses. Profits from UK land or property are treated, for tax purposes, as arising from a business⁶. Lodger-landlords are not considered as business landlords. However, there is a lack of data on the proportion of individual landlords that are lodger-landlords as opposed to renting their primary residence. The Department for Business, Energy & Industrial Strategy (BEIS) data suggests that 59 per cent⁷ of businesses operating in the real estate sector in 2020 have no employees and consist of sole proprietorships and partnerships comprising only the self-employed owner-manager. To avoid underestimating the costs on business, this analysis considers all costs for individuals as business costs.

Right to Work Scheme

44. This legislative change affects all employers in the UK who hire EEA citizens. HMRC estimates that around a third of employers who employ at least one individual in the UK hired at least one migrant in 2018/19⁸. This has been used as a proxy to scale the employer volumes because only employers who hire EEA citizens will be affected by the policy.
45. The total number of RTW checks carried out each year has been estimated using ONS data which estimates there were around 2.3 million EEA citizens working in the UK in 2019/20⁹. The churn rate, which estimates around 17 per cent of people move jobs each year is then applied to the ONS data to get an estimate for the total number of checks. A 10 per cent uplift has been applied to account for the fact that people may send applications to multiple employers.

Table 3, Estimated number of employers in the UK and annual checks on individuals (2021).

	Volume of employers of non-UK nationals	Volume of checks on EU individuals
Total	470,900	418,400

Source: Home Office, June 2021.

46. The number of checks currently carried out using the digital service is based on Home Office Transparency data for Q4 of 2020. The proportion of migrants who are EEA citizens working in the UK has been applied to the total number of online checks to calculate an estimate for the

⁶ <https://www.gov.uk/hmrc-internal-manuals/property-income-manual/pim1020>

⁷ Business population estimates for the UK and regions 2020: statistical release (HTML) - GOV.UK (www.gov.uk)

⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/943977/Research_per_-_Employers_of_migrants.pdf

⁹ [UK and non-UK people in the labour market - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/people-and-population/uk-and-non-uk-people-in-the-labour-market)

total number of checks on EEA citizens. As this service has been in place for a longer period of time, no additional assumptions have been made on the growth in uptake by July 2021.

Table 4, Estimated uptake rate (%) of the RTW digital service in the UK for EEA nationals (2021).

Total number of checks	418,400
Number of digital checks	230,300
Current uptake rate (%)	55

Source: Home Office, June 2021.

Costs and benefits

47. This economic note has focused on assessing the costs and benefits associated with business relating to this proposed policy change. In particular, this includes:

- An estimate of the potential time saving for employers and landlords of EEA citizens by conducting checks using the online service as opposed to the physical documents.
- The estimated cost of familiarisation for employers and landlords of EEA citizens in reviewing the updated Codes of Practice and the updated guidance on the online service as well as familiarising themselves with the online services.

48. Other potential impacts of this policy, which have not been possible to quantify have been included in the Non-Monetised additional costs and benefits section.

Monetised Costs

Familiarisation costs

Right to Rent Scheme

49. There will be familiarisation costs for landlords in familiarising themselves with the new guidance. This will be the cost of the time taken to read the short additional part of the Code of Practice. Whilst tenants may also familiarise themselves with the new Code of Practice, the responsibility is on the landlord to verify status and so the cost for all landlords to review the additional guidance is estimated.

50. Familiarisation costs are estimated by multiplying the volume of landlords in Table 1 by their wage to get an estimate for the cost of familiarising themselves with the guidance. For individual landlords the 2018 Private Landlord Survey estimate of the median annual non-rental income of £25,000 is used. This has been updated to obtain a 2021/22 estimate. The wage for company landlords been taken from The Annual Survey of Hours and Earnings (ASHE) 2020¹⁰. It estimates the median (gross hourly wage excluding overtime) hourly earnings for overall administrative occupations and estate agents and auctioneers is £11.25. The familiarisation cost estimate also includes non-wage costs which for is assumed to make up 18 per cent of the total labour cost¹¹.

51. The familiarisation cost for landlords is estimated at between **£0.3 million and £0.8 million** with a central estimate of **£0.5 million** during 2021/22. The central case assumes that it takes landlords on average 10 minutes to review the new guidance, based on the length of the guidance for the initial right to rent legislation. It is expected that all landlords take the time review the new guidance. This cost would be an up-front cost in the first year. Table 5 presents a breakdown of this estimate by landlord type.

¹⁰ [Employee earnings in the UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

¹¹ [Labour cost levels by NACE Rev. 2 activity \(lci_lci_lev\) \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

Table 5, Familiarisation costs for landlords from changes to the RTR guidance in the central case (£ million)

Type of Landlord	Value of Time (hourly rate, £)	Non-wage costs ¹² (%)	Volume	Total cost (£m)
Individual Landlord	7.76	0	299,100	0.4
Company Landlord	11.25	18	50,100	0.1
Letting Agent	11.25	18	17,500	0.04

Source: Home Office, June 2021.

The time taken depends on the exact length of the guidance and reading speed of the individual, thus, it could take less than, or more than, 10 minutes. The low and high estimates of the time taken to read the guidance assume it takes on average 5 and 15 minutes respectively. These estimates are outlined in Table 9.

52. While all landlords will need to familiarise themselves with the additional guidance, any landlords who have yet to engage with the online checking service will need to dedicate time to familiarise themselves with it. Using the same assumed uptake rate by July 2021 of the online service as in Table 2 (10%), it is assumed it will take the remaining 90 per cent of businesses on average five minutes to familiarise themselves with the online system. This is estimated to cost between **£0.2 and £0.3 million**, with a central estimate of **£0.2 million** during 2021/22. Table 6 presents a breakdown of the central estimate by landlord type.

Table 6, Familiarisation costs for landlords from new online service in the central case, (£ million)

Type of landlord	Costs
Individual	0.2
Business	0.05
Letting agent	0.02
Total	0.2

Source: Home Office, June 2021.

53. The high and low scenarios are driven by the proportion of businesses familiar with the system already. It is possible that usage may exceed 10 per cent by the time the legislation is implemented so a low scenario assumes that 80 per cent of checks will switch to the digital service. It is also possible that usage remains at its current level of 3 per cent so a high scenario assumes the legislation will result in 97 per cent of checks switching to the digital service. These estimates are presented in Table 9.

Right to Work Scheme

54. There will be familiarisation costs for employers in familiarising themselves with the new guidance. As with the RTR Scheme, this will be the cost of the time taken to read the short additional part of the Code of Practice. Whilst employees may also familiarise themselves with the new Code of Practice, the responsibility is on the employer to verify status and so the cost for all employers to review the additional guidance is estimated.
55. Familiarisation costs are estimated by multiplying the volume of employers in Table 3 by their wage to obtain an estimate for the cost of familiarising themselves with the guidance. The median (gross hourly wage excluding overtime) hourly earnings for administrative and secretarial occupations of £12.31 has been taken from The Annual Survey of Hours and Earnings (ASHE) 2020. The familiarisation cost estimate also includes non-wage costs which are assumed to make up 18 per cent of the total labour cost¹³.

¹² The percentage estimate of non-wage costs is the share of total hourly labour costs that consists of non-wage costs such as national insurance contributions.

¹³ [Labour cost levels by NACE Rev. 2 activity \(lc_lci_lev\) \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

56. The familiarisation cost for employers is estimated at between **£0.6 and £1.8 million**, with a central estimate of **£1.2 million** during 2021/22. The central case assumes that it takes employers on average 10 minutes to review the new guidance and this is based on the length of the guidance for the previous policy change. It is assumed that all employers take the time review the new guidance. Table 7 presents the central estimate of familiarisation costs for employers. This cost would be an up-front cost in the first year.

Table 7, Familiarisation costs for employers from changes to the RTW guidance in the central case, (£ million)

Value of Time (hourly rate, £)	Non-wage costs ¹⁴ (%)	Volume	Total cost (£m)
12.31	18	470,900	1.2

Source: Home Office, June 2021.

57. The time taken depends on the exact length of the guidance and reading speed of the individual, thus, it could take less than or more than 10 minutes. The low and high estimates of the time taken to read the guidance assume it takes on average 5 and 15 minutes respectively. These estimates are outlined in Table 9.

58. While all employers will need to familiarise themselves with the additional guidance, any employers who have yet to engage with the online checking service will need to dedicate time to familiarise themselves with it. Using the same assumed uptake rate by July 2021 of the online service as in Table 4 (55%), it is assumed it will take the remaining 45 per cent of businesses on average five minutes to familiarise themselves with the online system. It is estimated to cost employers between **£0.2 and £0.4 million**, with a central estimate of **£0.3 million** during 2021/22, which is presented in Table 8.

Table 8, Familiarisation costs for employers from new online service, in the central case (£ million)

	Costs
Total	0.3

Source: Home Office, June 2021.

59. The high and low scenarios are driven by the proportion of businesses familiar with the system already. The high estimate uses an uptake rate of 38 per cent (meaning 62 per cent need to familiarise themselves with the new system) and is based on Home Office Transparency data for Q3 and Q4 of 2020. The low estimate uses an uptake assumption of 72 per cent (meaning 28 per cent need to familiarise themselves with the new system) and is calculated using the growth in applications (17 per cent) between an average of Q3 and Q4 2020 scaled up to the whole year and only Q4 2020 scaled up to the whole year. These estimates are presented in Table 9.

Monetised Benefits

Time saving to landlords in processing checks

Right to Rent Scheme

60. The digital service has significant potential to make the prescribed checks much easier and quicker to conduct across the private rented sector for EEA citizens. Since the check can be done more quickly and remotely, there is the potential for time savings for landlords and letting agents. This time saving is estimated to be worth between **£0.2 and £4.2 million**, with a **central estimate of £1.5 million** to landlords over a 5-year appraisal period.

¹⁴ The percentage estimate of non-wage costs is the share of total hourly labour costs that consists of non-wage costs such as national insurance contributions.

61. This estimate is based on the total number of checks outlined in Table 1 and the following:

- **Proportion switching to the digital system:** Table 2 shows that currently around 3 per cent of checks are being carried out via the online service. However, this service was only launched in late 2020, and the usage is increasing steadily, which means that by time the legislation is implemented it is likely to be higher. Therefore, a central estimate assumes 10 per cent of checks will be carried out digitally which means the legislation will result in 90 per cent of checks switching to the digital service. It is possible that usage may exceed 10 per cent by the time the legislation is implemented so a low scenario assumes that 80 per cent of checks will switch to the digital service. It is also possible that usage remains at its current level of 3 per cent so a high scenario assumes the legislation will result in 97 per cent of checks switching to the digital service.
- **Time per check:** The average time per digital check is based on internal Home Office management information which reports that it takes on average 2 minutes for a landlord to conduct a digital check. The duration of a manual check is estimated using internal Home Office data to take between 3.75 and 11.25 minutes with a central estimate of 7.5 minutes per check.
- **Cost per check:** This is based on the earnings of landlords and uses the same assumptions and sources of data used to estimate the familiarisation cost to the updated guidance.

Right to Work Scheme

62. As with the RTR Scheme, the online checking service has significant potential to make the prescribed RTW checks much easier and quicker to conduct. Since the check can be done more quickly and remotely, there is the potential for time savings for employers of EEA citizens. This time saving is estimated to be worth between **zero and £1.8 million**, with a **central estimate of £0.4 million** to landlords over a five-year appraisal period.

63. This estimate is based on the total number of checks outlined in Table 4 and the following:

- **Proportion switching to the online checking service:** Table 4 shows that currently around 55 per cent of checks are being carried out via the online checking service. Therefore, a central estimate assumes 45 per cent of checks will be required to switch to the digital system as a result of the legislation. The high estimate uses an uptake rate of 38 per cent (meaning 62 per cent need to familiarise themselves with the new system) and is based on Home Office Transparency data for Q3 and Q4 of 2020. The low estimate uses an uptake assumption of 72 per cent (meaning 28 per cent need to familiarise themselves with the new system) and is calculated using the growth in applications (17%) between an average of Q3 and Q4 2020 scaled up to the whole year and only Q4 2020 scaled up to the whole year.
- **Time per check:** The average time per digital check is based on internal Home Office management information which reports that it takes on average 5.5 minutes for an employer to conduct a digital check. The duration of a manual check is estimated to take between 5.5 and 9.5 minutes with a central estimate of 7.5 minutes per check.
- **Cost per check:** This is based on the earnings of employers and uses the same assumptions and sources of data used to estimate the familiarisation cost to the updated guidance.

Overall monetised costs and benefits to business

64. This analysis has monetised the following for landlords and employers:

- An estimate of the potential time saving by conducting checks using the online service as opposed to the existing paper-based system.
- The estimated cost of familiarisation in reviewing the updated Code of Practice and the updated guidance on the online service as well as familiarising themselves with the online checking service.

65. These estimates do not cover all the impacts of the proposed changes. The most significant benefit of the online service, for which this legislative change will increase use of, is an improvement in fraud prevention. It has not been possible to monetise this.
66. Table 9 summarises the costs and benefits that have been monetised as part of this analysis, focusing particularly on the costs to business. This table outlines low, central and high net impact estimates based on the assumptions about the cost of a check, duration of a check and the proportion of checks will be required to switch to the digital service. The total BNPV, equivalent to the monetised NPSV of this policy is estimated at between **-£1.0 and £2.8 million over 5 years, with a central estimate of -£0.3 million.**

Table 9 – Summary table of the monetisable costs and benefits of the policy (£ million)

Present Values – Five-year appraisal period (2021/22 prices)	Low	Central	High
Benefits			
Time saving for landlords	0.2	1.5	4.2
Time saving for employers	0	0.4	1.8
Total benefits (PV)	0.2	2.0	6.0
Costs			
Cost of familiarisation for landlords with updated Code of Practice	0.3	0.5	0.8
Cost of familiarisation for landlords with new online service	0.2	0.2	0.3
Cost of familiarisation for employers with updated Code of Practice	0.6	1.2	1.8
Cost of familiarisation for employers with new online service	0.2	0.3	0.4
Total costs (PV)	1.2	2.2	3.2
Net impact (PV)	-1.0	-0.3	2.8

Source: Home Office, June 2021.

Non-Monetised additional costs and benefits

Non-monetised costs

Familiarisation costs for EEA nationals

67. Some tenants and employees who are EEA citizens may also choose to familiarise themselves with the updated Code of Practice. In line with recommendations made by the Migration Advisory Committee (MAC)¹⁵ this Economic Note considers the impact of this legislation on the UK resident population only which is defined as UK nationals and migrants who apply for naturalization as British citizens. Therefore, the impact on EEA tenants and employees has not been quantified, however it is likely to be small as many are unlikely to read the Codes of Practice and will simply be made aware by their landlord or employer.

Demand for local authority housing and emergency accommodation

68. There could be greater demand on local authority housing and emergency accommodation from those who are not able to evidence status. They may face increased demand from people who are illegally resident in privately rented accommodation. This is largely because it would become more difficult to fraudulently attempt to prove status. It is not possible to quantify this risk as it would require an estimate of the number of illegal migrants. However, this impact is likely to be

¹⁵ <https://www.gov.uk/government/publications/analysis-of-the-impacts-of-migration>

very small since most private landlords currently conduct checks and local authorities are also required to consider immigration status before allocating property.

Lower income from civil penalties

69. There could be lower income for the public sector from civil penalties issued to non-compliant landlords and employers since verifying the status of tenants and employees becomes easier and illegal immigrants may be more likely to leave the market. It is not possible to estimate how many fewer penalties will be issued since this would require understanding the reasons for non-compliance. It should be noted that only 29¹⁶ civil penalties were issued to landlords in Q2 2019 under the RTR Scheme. However, non-compliant activity is not included in costs/benefits or the NPSV. The approach is to assume that all individuals and organisations are legally compliant. The cost of enforcement/legal proceedings against non-compliance would be assessed in a cost-benefit framework.

Non-monetised benefits

Lower use of fraudulent documents

70. The use of digital status checks is expected to increase confidence in the Schemes by simplifying checks for landlords and employers and removing any uncertainty from the perspective of the landlord or employer as to whether they have been presented a genuine or fraudulent document. They will be able to rely on clear and current information from the Home Office about the person's status, as opposed to relying on an examination of complex physical documents presented to them.

71. The online checking services make it easier to identify who is eligible to access private rental accommodation and employment opportunities and support and strengthen the compliant environment. The service should make it harder for illegal migrants to continue to live in the UK, and act as a deterrent to those who would otherwise seek to abuse the system, reducing the economic impact of illegal migration. A reduction in opportunities for fraud is expected to be the major benefit of the digital status checks, and one of the main drivers for the change. It is not possible to monetise this benefit as the current level of fraud in the system is unknown.

Improved experience for tenants and employees

72. The online checking services provide a quick and easy way for migrants to understand and establish their entitlements which should improve their experience, as well as making it easier for them to be compliant with the restrictions placed on their leave. For example, where a migrant chooses to undertake an online check, this could be undertaken via video link, removing the need for the migrant to be present, or their documents being in the possession of a landlord or employer. This would make it easier for those with time-limited status to comply with the follow up checking process when required.

73. It is not possible to quantify this effect as it would require the surveying of potential customers which is outside the scope of this analysis.

More efficient allocation of Home Office resource

74. Existing manual services are costly per transaction. The online checking service will vastly increase the number of checks that could be supported (and the speed and quality of those checks) at a significantly reduced per transaction cost. Whilst some exception handling will continue, existing checking teams should be able to be rationalised, and effort focussed on the most complex cases, which should lead either to a more efficient deployment of staff. It is not possible to isolate the potential staffing implications of the Schemes from other status checking services.

¹⁶ <https://www.gov.uk/government/collections/migration-transparency-data>

Storing evidence of checks

75. Landlords and employers will continue to require evidence of their checks. They will be able to choose whether to continue to print evidence of the check and file it or save it electronically in a PDF or HTML format. This should make it easier for landlords and employers and may generate minor savings from being able to store documents electronically.

Risks

76. There is some uncertainty about the take-up of the online status checking services may change between now and the policy being implemented in July 2021. A lower take-up would result in higher monetisable costs and benefits as landlords and businesses shift to the online service. In the absence of data on the proportion of landlords that are lodger-landlords, this analysis has considered all the impacts on landlords as business impacts, which may over-estimate the impact on businesses. Given the limited estimated total impact of the proposed changes, this is not seen as a large risk. **There is also uncertainty about the effect of the Coronavirus pandemic on the rental and employment market and how the recovery and any pent-up demand affects the use of the online services.**

77. This assessment has also assumed that 100 per cent of who have been provided with digital evidence only of their immigration status are able to use and benefit from the online checking services. It is important to consider the risk to those who are either unable to use the system, or for who any errors in the system mean they are unable to prove their entitlement to rent or work. While not included in this economic note, the potential impact of this has been considered as part of the EIA. The Home Office Resolution Centre will also be able to assist users who experience technical issue with accessing their online immigration status, and where necessary, enable their status to be verified through alternative means.

Implementation, monitoring and evaluation

78. The approach to monitoring this legislation is that an internal review will be carried out after 12 months and the legislation may be amended accordingly. The regulation does not include a statutory review clause. The measures in question have small costs to business and there are no other reasons to consider a statutory review clause to be appropriate.

Specific Impact Test Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>The Equality Impact Assessment (EIA) has determined that there may be a negative impact in respect of the characteristics age and disability, however, support is provided to those who may have difficulty using the online services. The use of online services may have a positive impact on those who share the characteristics of gender reassignment, pregnancy and maternity and sex. Overall, it is considered any negative impact is mitigated as explained and outweighed by the positive impacts the online (digital) checks will provide to EEA citizens, employers and landlords.</p> <p>The SRO has agreed these findings.</p>	<p>Yes</p>