



Department
for Business
Innovation & Skills

**CLOSED RECRUITMENT
PRACTICES IN THE PUBLIC
SECTOR**

Call for evidence

JANUARY 2016

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Closed recruitment practice

Summary

- Open recruitment refers to recruitment in which the employer seeks and invites applications from the open market.
- This provides the recruiting employer with the greatest chance of finding the right person for the job, and expands the opportunity to find work to more people.
- Some employers only use internal, or 'closed', recruitment practices, focusing exclusively on those candidates already employed in the organisation and limiting opportunities for others. This is generally more common in the public sector.
- This call for evidence is to gather evidence on the prevalence of internal only recruitment in the public sector, including whether it is ever ineffectively or inappropriately used. Views are also sought on the role for Government in promoting more open recruitment.

Closed recruitment in the UK labour market

1. Hiring new staff is one of the most important decisions an employer will make. How the recruitment process is run is a key determinant of whether the employer is successful and able to enhance their organisation with new skills.
2. Open recruitment refers to recruitment in which the employer seeks and invites applications from the open market. Open recruitment gives employers the best chance of finding candidates with the required skills and expertise. It allows employers to select from the widest pool of talent and to match the best candidate with the job on offer whether they are from that organisation, or elsewhere in the public, voluntary or private sector.
3. Open recruitment expands and enhances the opportunity to work: by seeking applications from people external to the organisation, more individuals have the chance to apply for and find work. Open recruitment also exposes organisations to new influences, skills and expertise, which may benefit innovation and promote growth. For example, central Government departments have taken steps in the past to encourage external recruitment for specific posts to encourage more diversity, the spread of new ideas and a wider mix of skills.
4. Internal recruitment, in which an employer limits recruitment to individuals already working for or associated with the organisation, may be the right recruitment approach for employers at certain times or for certain roles. Employers choosing internal recruitment may decide that an open recruitment will be too costly or time-consuming, and be confident they can find suitable candidates from within their organisation.

5. However, by definition, internal recruitment practices limit the opportunities of individuals outside of the organisation to discover and apply for the jobs available and reduce the employer's opportunities to tap into a much wider pool of skills and expertise. We know that these practices are generally more prevalent among public sector employers and want to use this call for evidence to understand the reasons for this. The Government has a particular responsibility to ensure public sector employers use recruitment practices that provide fair employment opportunities, as well as taxpayer value for money.
6. In recent years, there have been a number of reports of employers being pushed to use internal recruitment, rather than as a result of their own choice. Through this call for evidence, the Government is also seeking evidence or examples of when this has been the case.

The purpose of this call for evidence

7. The purpose of this call for evidence is to build evidence on the use of internal recruitment and the drivers of this, and to examine whether Government action is necessary to promote fair and open recruitment in the public sector.
8. The Government is aiming to gather evidence on the prevalence of internal recruitment practices. The Government is also seeking evidence on the impact of internal recruitment on the UK labour market, and on the opportunities provided to individuals to find work. Finally, some of the policy interventions the Government could make to promote more open recruitment in the public sector are cited. The Government is seeking views and evidence on the impact of these options, or whether there are other options that should be considered.
9. The Government will assess the evidence collected through this exercise, and propose any further action to promote fair and open recruitment in the light of that evidence.

The role of internal recruitment in the labour market

Summary

- The Government is seeking evidence on the prevalence of internal, or 'closed', recruitment and the likely impacts.
- These impacts are discussed below. Views are sought on whether this accurately assesses those impacts, and whether there are other relevant factors.

What are the advantages and disadvantages of internal recruitment?

10. The Government wishes to understand why employers may opt for internal-only recruitment, and the factors relevant in their decision.
11. There are a number of possible reasons an employer may choose to use internal-only recruitment. Advertising to attract and sift external candidates carries costs, and may take longer. Some employers will prefer to avoid these eventualities and run an internal recruitment. Internal recruitment could also help employers develop career progression routes for their staff. In some circumstances it may reduce redundancy and other staff costs.
12. Open recruitment which involves seeking applicants from a much wider pool of candidates creates higher costs for employers, but also gives them the very best chance of finding the right person for the job. So employers using internal-only recruitment risk missing out on better candidates.
13. Open recruitment increases the diversity of people and skills an organisation attracts. A broader mix of skills is often associated with increased levels of innovation and growth, which an employer would forgo if they only sought candidates internally. Similarly, an organisation might risk becoming unrepresentative of the wider population if it used internal-only recruitment for an extended period of time.
14. Finally, internal recruitment creates disadvantages in the wider labour market insofar as it restricts job opportunities to those within an organisation. This limits the opportunities for those outside the organisation, as well as reducing the efficiency of the labour market in matching the right candidates to the right jobs.

Questions for consultation

- 1) What other advantages, disadvantages and considerations do you believe apply to internal-only recruitment?

How often is internal-only recruitment used?

15. The Government is seeking evidence of the prevalence of internal-only recruitment. Survey data shows internal recruitment is much more common in the public sector. We are seeking the views of employers and individuals on their experience of internal-only recruitment at work. We are also seeking the views on what other sources of data may be available to help assess the prevalence of internal recruitment.

Questions for consultation

- 2) How often is internal-only recruitment used by employers? Please provide an estimate based on your own experience.
- Very frequently
 - Frequently
 - Infrequently
 - Very infrequently
 - Not sure
- 3) Do you agree that internal-only recruitment is more common in the public sector than in the private sector? Please explain your answer.
- Yes, it is more common in the public sector
 - No, it is more common in the private sector
 - There is no difference
 - Not sure

Other drivers of internal recruitment

Summary

- Public sector employers aim to strike a balance between providing job opportunities for their existing staff and accessing the talent of the wider public, private and voluntary sectors.
- There has been media reporting and commentary focused on some public sector employers over-relying or even being pushed into using internal-only recruitment, leading also to accusations of organisations being out of touch with challenges faced by others or an over-reliance on hiring temporary contractors or consultants to meet skills gaps.
- This section seeks further evidence on whether this is the case, and on the general recruitment practices in the public sector.

What other drivers are there of internal recruitment?

16. There have been media and anecdotal reports of public sector employers over-relying on historically closed recruitment practices or even being pushed or influenced into using internal-only recruitment. Pressure upon employers to run internal-only recruitment is a restriction upon employers' ability to run their organisations effectively, and limits job opportunities. The Government is seeking evidence on whether restrictive practices such as these occur.
17. Pressure to use internal-only recruitment in the public sector may arise from trade unions, professional organisations or others seeking to ensure jobs are only advertised within the employer's organisation or to a particular pool of individuals. In some cases this will be for good reasons or intentions: focusing recruitment upon individuals accredited by a professional organisation, rather than going wider, may guarantee levels of safety and professionalism. In other cases though, individuals or organisations may promote restrictive practices to benefit one particular set of workers. Restrictive practices by public sector employers are unfair not just to those in the voluntary or private sectors, but also to those who work in other parts of the public sector.
18. There are also other trends and drivers that work to encourage open and external recruitment. For example, internet and online advertising has lowered the costs and increased the potential reach towards potential audiences for external recruitment. Public sector employers should always strive to provide a fair balance between supporting promoting hard working staff internally and accessing the skills, experience and expertise of the wider public sector, and the voluntary and private sectors.

Questions for consultation

- 4) Do you think public sector employers are striking the right balance between supporting the progression of their staff, and accessing the skills and expertise of other sectors?
- 5) If not, what more could or should be done to encourage this?
- 6) Are you aware of instances where public sector employers have come under pressure or influence to retain or introduce internal-only recruitment?
- 7) If so, why does external pressure to run internal-only recruitment arise, and from who? Please answer based on your own experience.

The role for Government to support employers

Summary

- In light of the evidence collected about the extent of external pressure to undertake internal-only recruitment, the Government will consider whether action is required to support employers and to promote more open recruitment.
- In this section three broad approaches to doing this are presented, with an initial outline of the advantages and disadvantages of these approaches.
- Views are sought on the feasibility of these options, and whether there are any other actions the Government can take to promote open recruitment in the public sector.

Government action to support employers

19. The Government is considering what action it could take to ensure the benefits of open recruitment are realised by both employers and individuals. In particular, should there be evidence of pressure upon employers to run internal-only recruitment, the Government will consider how it can address these pressures and free up public sector employers to recruit openly.
20. In this section three options for Government action are outlined. The Government is seeking views on the costs, benefits and feasibility of these options.

Greater transparency on public sector recruitment

21. The Government is committed to public sector transparency, to ensure accountability and to increase performance. Survey information shows internal recruitment is more common in the public sector, but any greater clarity on the extent of internal recruitment in different parts of the public sector is not available.
22. Under this option, the Government would ensure that all public sector employers published information on the levels of internal-only recruitment used within their organisation. This might include the number of staff brought in under internal recruitment, and the proportion of all recruitment that took place as a result of internal-only recruitment. This information would be publicly available, and would allow scrutiny and debate over the extent of internal recruitment.
23. The aim would be for this transparency and accountability to incentivise public sector employers to reduce, if appropriate, their level of internal recruitment. While this approach would create modest costs for the public sector in the work of collecting and publishing data, it is a flexible approach that does not impinge on employers'

choices to recruit either internally or openly. On the other hand, this option would not immediately tackle pressure upon employers to run internal-only recruitment.

A cap on the proportion of internal-only recruitment in the public sector

24. A related option is to introduce a cap on the extent of internal-only recruitment in the public sector. Should this option be pursued, it would follow the previous option. Published data on the extent of internal-only recruitment may provoke debate and public concern that the level of internal-only recruitment in the public sector is too high. In these circumstances, the Government could introduce a cap on the amount of internal-only recruitment public sector employers used. This cap might be expressed as a target proportion of total recruitment that is internal-only recruitment. Public sector employers subject to the cap would not be able to undertake internal recruitment that meant they exceeded that proportion.
25. The aim would be to ensure a greater proportion of public sector recruitment takes place under open competition, rather than internally. This approach is in line with the Cabinet Office's broader objectives for Civil Service Reform, which are to increase the diversity of skills and experiences in the Civil Service workforce.
26. This approach would increase costs in the public sector, if it compelled public sector employers to run external campaigns they would not undertake otherwise. Generally, external campaigns generate high costs through advertising and sifting the resultant applicants. There would be benefits in the longer term however, if the approach successfully enabled public sector employers to find the best candidates and to increase the diversity of staff employed in the public sector.

A ban on internal-only recruitment in the public sector

27. The third option the Government is seeking views on is to introduce a general ban on all internal-only recruitment in the public sector. The aim would be to move the public sector to open-only recruitment, in order to achieve the benefits of open recruitment set out above. This approach has the advantage of creating an immediate and widespread impact across the public sector. The public sector is a very significant employer in the UK economy: this would create a transformative impact in open recruitment and equality of opportunity for job-seekers.
28. On the other hand this approach is likely to be the most costly for public sector employers of the three options presented here, given the high volume of open competitions employers would need to run. The Government is seeking views on what, if any, unintended consequences a ban might create. These could include creating incentives for public sector employers to avoid the costs of open recruitment by retaining poorly-performing staff; or undermining existing staff's morale if it was felt their opportunities for career progression were reduced.

Questions for consultation

- 8) Which option do you think would be most appropriate to tackle closed recruitment in the public sector?
- Greater transparency
 - A cap on internal-only recruitment
 - A ban on internal-only recruitment
 - None: there is no problem to address
 - Not sure
- 9) What are the costs and benefits of these options?
- 10) Are there other options to tackle closed recruitment in the public sector? Please specify in your answer.
- 11) What other risks and opportunities should the Government take into account when considering recruitment practices in the public sector?

Next steps

29. The Government will collate and assess the evidence gathered through this exercise, and may undertake additional consultative processes. We will then evaluate the extent of the problem of closed recruitment, and publish information on what further actions, if any, we propose to undertake in response.

How to respond

This call for evidence was issued on 25 January. Please respond by 15 April. Please send any enquiries to: labourmarket.consultations@bis.gsi.gov.uk.

Alternatively, a response form is available electronically here: www.gov.uk/government/consultations/closed-recruitment-practices-in-the-public-sector (until the consultation closes).

That form can be submitted by email or by letter to:

Labour Market Directorate
Department for Business Innovation and Skills
1 Victoria Street
London
SW1A 0ET

labourmarket.consultations@bis.gsi.gov.uk

When responding please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents by selecting the appropriate interest group on the consultation form.

Confidentiality & data protection

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want information, including personal data that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Comments or complaints on the conduct of this call for evidence

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please write to:

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