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Issue 277 | January 2026



# COMPLIANCE FIRST

THE CHALLENGE OF 2026

ACCESSIBLE AND INCLUSIVE

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# WELCOME

**SIMON KENT**  
EDITOR

Make no mistake, 2026 will be a challenging one for recruiters. Faced with significant changes within the compliance field – and naturally The Global Recruiter have lined up special coverage across the next three issues to help you get to grips with those challenges – the impact of the Employment Rights Bill will doubtlessly be felt over the next 12 months and beyond.

There are a few glimmers of hope on the horizon. While no one is forecasting a sudden, or even gentle bounce back for recruitment, there is a sense of hope and possibility in the market. To some extent employers are learning to live with this new world and even with the uncertainty that comes with it. There remains a strong determination among recruiters to build and grow, to find new markets, be they new sectors or new countries. Uncertainty is no reason to let the grass grow under your feet.

To give you more incentive to take the initiative, and to celebrate your work in the last year, The Global Recruiter UK Industry Awards 2026 are about to open for entries. With a huge reputation for identifying and promoting the best of the best, these awards are the industry awards with clear criteria, judges by industry experts and covered by recruiters, recruitment companies and their clients.

Entries open on February 2nd so be sure to take this opportunity to tell the world what you can do. ■

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## IMMEDIATE JOB MARKET BOUNCE BACK IN THE BALANCE AS 2026 BEGINS

A survey of businesses suggests that rising costs from the National Minimum Wage, National Insurance changes and new employment rights puts an immediate job market recovery in the balance.

An online survey of employers conducted by Whitestone Insight on behalf of the Recruitment and Employment Confederation (REC) straight after the Autumn Budget, found a sudden major bounce back in the labour market is unrealistic at the start of this year – but there is scope in business sentiment for improvement with the right mood music and measures from government.

“The story of 2025 was a job market that started and stopped without ever producing real momentum,” said Neil Carberry, REC Chief Executive. “Employers knew what they wanted to do but rising costs and unpredictable markets sapped confidence to move. The Budget did too little to spark investment or ease cost pressures.

Carberry suggests that going into 2026, there’s an opportunity for the government to set a different tone and deliver growth measures that convince businesses to invest, helped by fewer nasty surprises.

“The co-operative and focussed approach that helped make sensible changes to the Employment Rights Act in December needs to flow through to decisions on industrial strategy, new regulations and the wider cost of doing business. After all, the government will only be successful if it can generate growth from the private sector,” he says.

Respondents to the survey were asked if measures announced in the Autumn Budget on 26 November 2025 will impact their hiring plans for 2026. The respondents were from different industries, sizes and locations in the UK. A total of 39.5 per cent suggest no change to hiring, 20.9 per cent said slightly reduce hiring, 15.1 per cent slightly increase hiring, 9.8 per cent significantly reduce hiring, 5.5 per cent will stop all hiring at all as a result, 4.7 per cent do not know and 4.5 per cent significantly increase hiring.

In a separate second question, the same cohort of 235 employers were asked how they expect government policies to affect their business in the next 12 months. As well as identifying the strains on business, the results show how uncertain firms are about the impact of the Employment Rights Bill and changes to the Apprenticeship Levy replacement, the Growth and Skills Levy. ■

# INACCESSIBLE JOB DOCS COULD TRIGGER DISCRIMINATION CLAIMS



A digital accessibility provider has warned that hiring teams using untagged PDFs for job adverts and contracts may be unwittingly breaking equality law.

As remote hiring becomes standard, many UK employers rely on digital documents – PDFs for job adverts, application forms, and contracts – to recruit and onboard staff. However, a significant portion of these documents are created in formats that are inaccessible to candidates and employees with visual or cognitive impairments.

The company say this oversight isn't just a technical hiccup, but could constitute a failure to make "reasonable adjustments" under the Equality Act 2010, opening organisations to legal risk at a time when digital accessibility laws are tightening globally.

"Badly structured reports and PDFs are not simply a minor irritation, they actually slow down decisions, lead to errors, and increase frustration amongst the workforce," Jeff Mills, CEO at [GrackleDocs](#), explains. "In hybrid settings especially, clarity and accessibility are and should be considered productivity enablers, not just optional extras."

In the context of recruitment, these document failures move beyond productivity to create significant legal and ethical risks.

Poorly formatted HR documents create two problems. They alienate potential candidates and create legal and financial risks for organisations. For candidates with disabilities, the experience is one of frustration and exclusion. What should be a simple process, reading a job description becomes an impossible task, forcing reliance on others or leading to abandoned applications. The [UK Government Digital Service \(GDS\)](#) explicitly advises against publishing crucial content in PDF format due to its frequent inaccessibility, stating that "PDFs are not designed to be as flexible or accessible as HTML."

While accessibility is a major concern, PDFs are still widely used because they offer greater document integrity. PDFs ensure the layout and formatting remain fixed across all viewing devices, which is critical for legal and archival purposes, and they are significantly easier to create, manage, and share as a single, portable file than coding complex, multi-page HTML documents across teams.

To uncover the scale of the issue, GrackleDocs analysed 50 job descriptions in PDF format from jobs advertised online within the past year using accessibility software. The audit revealed that over 90% of PDF job descriptions failed basic accessibility tests, with an average score of just 49 out of 100. A closer look showed that 62% of documents scored 50 or below, representing significant barriers to access.

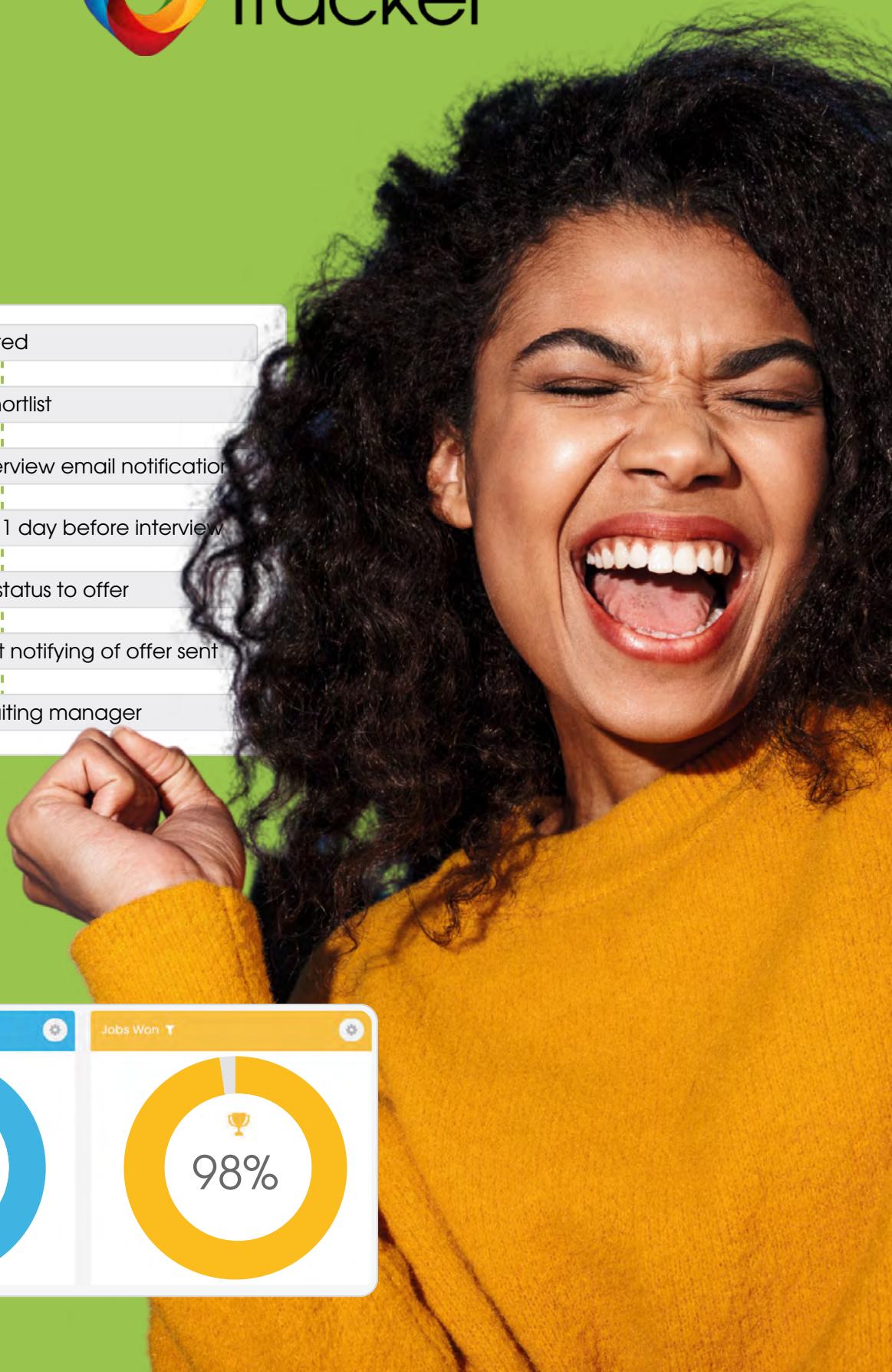
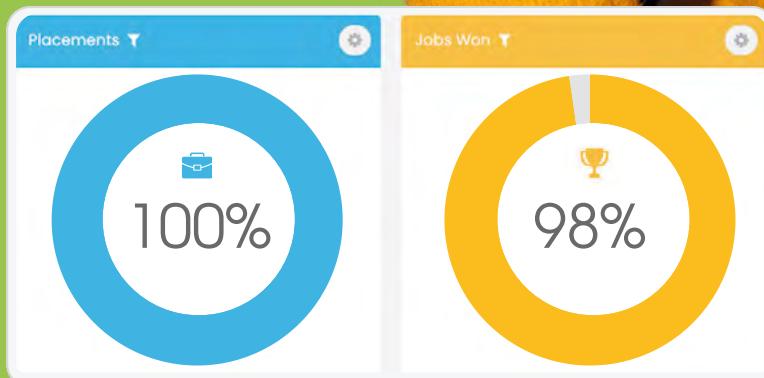
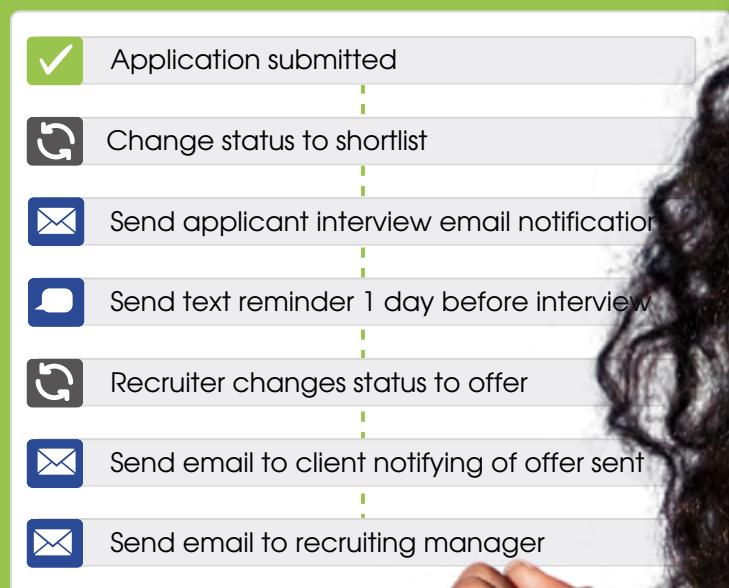
The most widespread problems were structural: every document was untagged, 42% used layout tables that disrupt screen reader navigation, and complex tables were the single most damaging element, appearing in nearly half of all documents reviewed. Sectors varied in performance, with charities averaging 58 out of 100, while private sector and local government documents averaged just 44 and 47 respectively.

Rob McKellar, Legal Services Director and General Counsel at Peninsula Group discusses how failing to provide job seekers with adequately formatted job descriptions could leave employers open to legal risk.

"There is no set list of what does and doesn't constitute a 'failure to make a reasonable adjustment' – this will always depend on the specifics of an individual's disability and what is reasonable for the employer to implement," he notes, "so a non-accessible job advert or other recruitment document could count. However, that being said, an individual would only be able to raise this specific claim if they requested and were denied the materials in an alternative format. But that doesn't mean that employers shouldn't aim to make their processes as accessible as possible. Not only to minimise the risk of other discrimination claims, but to also expand the field of potential applicants."

McKellar concludes: "In practice, this means employers should carry out an assessment of what accessibility measures are reasonable to implement across their recruitment materials and then be prepared to make further adjustments on a case-by-case basis. For UK businesses that operate within the EU, they may also have additional obligations under the European Accessibility Act when it comes to their digital documentation." ■

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## LONDON EMPLOYMENT MONITOR SHOWS UNCERTAIN YEAR END

The latest employment figures from Morgan McKinley show that job openings across London's financial services sector fell by 13 per cent quarter-on-quarter in Q4 2025. Despite the slowdown, vacancies were up 16 per cent compared with Q4 2024, with total jobs across 2025 rising 12 per cent year-on-year.

"Hiring across London's financial services sector softened in the final quarter of 2025 as organisations responded to economic, political and market pressures," said Mark Astbury, Director, Morgan McKinley. "While Q4 is traditionally the most conservative hiring period due to seasonality, this slowdown was amplified by global market volatility, US trade tensions and uncertainty ahead of the November budget."

Astbury added that signals around potential tax and levy increases, prompted many businesses to pause or reassess hiring plans. In London's internationally connected financial ecosystem, discretionary recruitment was deferred, while critical and strategically important replacement roles continued to be filled.

However, despite the slowdown, Astbury is sure the broader picture remains resilient. "Financial services vacancies in Q4 were 16 per cent higher year-on-year, while total sector employment rose 12 per cent. That resilience could have been stronger had

2024's budget taken a more business-supportive approach, particularly around the National Insurance increase, which dampened confidence. London continues to attract talent and investment but growth is increasingly selective and skills-driven."

Demand is concentrated in roles that support transformation and regulatory delivery. Technology, operations and change are being priorities to support critical initiatives in 2026 including capital and liquidity management, automation, operational resilience (including AI governance), regulatory remediation and data reporting. These initiatives are driving demand for specialist skills over volume hiring.

Astbury concluded: "With unemployment at 5 per cent, inflation at 3.2 per cent and interest rates at 3.75 per cent, conditions point to a measured rebound in early Q1, which typically sees hiring growth of around 16 per cent. However, a return to broad-based recruitment is unlikely, as London's financial services market becomes more focused, with growth driven by technology, operations, regulatory initiatives and strategic delivery. The pace and scope of this recovery will ultimately depend on rising global tensions, including ongoing uncertainty around US policy, which continue to weigh on business confidence and hiring decisions." ■



## UK WORKFORCE NEEDS TO UPSKILL BY 2030

Right Management is calling on UK employers to act now as new insights reveal a seismic shift ahead: almost the entire UK workforce will need upskilling by 2030 to remain employable. With redundancies set to increase into 2026 and two-thirds of employees reporting 'survivor syndrome' after organisational change, it's a combination that threatens productivity and resilience if left unaddressed.

"Rising redundancies and the emotional toll of survivor syndrome show why career support can't be an afterthought," said Sarah Hernon, Principal Consultant, Right Management UK. "Organisations need to help those who remain as much as those who leave – building confidence, mobility and resilience through proactive upskilling. And with almost half of younger employees seeking reinvention rather than a traditional ladder, employers who offer flexible, personalised career pathways will not only retain talent but unlock new potential for growth."

The report finds that 24 per cent of organisations planned workforce reductions in 2025 and warns that redundancies will increase into 2026. When support is introduced late – only once restructures are underway – engagement and organisational ROI suffer. The future-ready approach is to be proactive and human-centred: equipping people with coaching, skills assessments, on-demand learning and internal pathways throughout their tenure so they can navigate change with confidence – whether they're redeploying internally or transitioning out of the business.

That said, organisational change carries a significant emotional toll, not only for those exiting but also for those who remain. Two in three employees have experienced survivor syndrome since Covid-19 with productivity often declining post-structure. Leaders must prioritise psychological safety and empathetic communication to maintain engagement and performance, creating space for people to be heard, understand the reasons for change and re-focus on future opportunities.

But focusing on any immediate disruption will only take organisations so far. The long-term challenge is clear: up to 43 million UK employees will need upskilling by 2030, and yet 11 million are relying on non-traditional learning pathways to drive their professional development because of sub-par offerings from their employers. This is not just about incremental improvement, it is about transformation. Skills are becoming the new currency and organisations that fail to invest in their people risk losing their competitive edge. The report urges employers to embed ongoing career development as a strategic enabler of retention, mobility and capability – building through data-driven assessments, personalised learning and coaching, all deployed well before change takes place.

On top of this, almost half of younger employees (45 per cent) say they want a complete career change. This signals a generational shift in expectations and ambition: younger employees are not just looking for progression, they are looking for reinvention. Employers who provide the tools, support and flexibility to help them reskill and pivot will not only retain talent but unlock potential for growth. The time for generic outplacement is over. Career support must be personalised, future-focused and designed to empower individuals to thrive in a rapidly changing world.

Hernon comments: "Change can feel overwhelming, but it also opens doors to new possibilities. By 2030, almost everyone will need to upskill to stay employable. Employers who invest in learning now aren't just safeguarding their future – they're giving their people the confidence and tools to thrive through uncertainty."

For employees the message is clear: change is coming and those who embrace learning and adaptability will be best placed to succeed. Taking ownership of your career, seeking out development opportunities and building transferable skills will help you stay competitive and confident in a market where agility is everything. ■



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# THE CHALLENGE OF 2026

Petra Tagg, Workforce Solutions Director, ManpowerGroup UK on how UK employers can shape a future-ready workforce.



New Year

As we enter 2026, the UK labour market is showing signs of cautious optimism. Hiring confidence is improving for the first time since mid-2025, yet growth remains measured and highly strategic. Employers are prioritising agility, technology and skills as they navigate structural shifts and regulatory change. The question is no longer if the market will recover – it's how organisations will adapt to shape the future of work. >



The past year has been defined by uncertainty. Economic headwinds, policy changes and cost pressures delayed hiring decisions and forced businesses to rethink workforce strategies. Now with the Autumn Budget behind us and the Employment Rights Bill confirmed, organisations are moving forward with a sharper focus on resilience and readiness for change.

### Hiring Confidence Returns but Expansion is Selective

Our latest Employment Outlook Survey reports a Net Employment Outlook of +13% for Q1 2026. This two-point rise may seem modest, but it signals a shift in sentiment and a return to forward planning. Employers are unlocking deferred demand, yet expansion is selective. The focus is on roles that drive productivity and critical skills rather than large-scale recruitment.

This improvement follows a period of hesitation driven by economic uncertainty and policy changes. For much of 2025 hiring decisions were delayed as businesses waited for clarity on labour market reforms and cost pressures. Now with greater certainty, organisations are prioritising strategic hires that strengthen capability and competitiveness.

**Sector Trends: Construction, Manufacturing and Tech Take the Lead**

### Several sectors are emerging as growth leaders:

**Construction and Real Estate:** Reporting the strongest quarter-on-quarter improvement supported by renewed infrastructure commitments and strategic

defence spending. Major projects and government-backed initiatives will create thousands of skilled jobs nationwide. Investment in housing and transport networks is driving demand for specialist contractors and technical expertise.

**Manufacturing:** Demonstrating resilience driven by advanced engineering and defence-related production. Employers are focusing on technical roles that enable automation and digital capability as production models evolve. The UK's strategic defence commitments including £1.5 billion earmarked for new munitions factories are expected to create over 1,000 skilled manufacturing jobs and support hundreds more across the supply chain.

**Technology:** Despite a year-on-year decline in tech hiring, demand for digital capability and cyber security continues to grow. Businesses recognise that technology resilience is now a core business requirement. Investment in cloud infrastructure, data analytics and cyber defence is driving demand for specialist talent.

By contrast, hospitality and care remain under pressure. Rising wage costs and uncertainty around the Employment Rights Bill are limiting hiring appetite in these sectors. The increase in the National Minimum Wage and reforms to zero-hours contracts have added complexity for employers reliant on flexible labour models. Automotive hiring also lags following last quarter's production disruptions linked to a major cyber-attack. While recovery is expected later in the year, the outlook for Q1 remains subdued. >

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## Automation Reshapes Work: Skills Become the Currency of Growth

Automation is transforming job design – not eliminating roles but redefining them. More than half of UK employers are increasing investment in automation, yet only 13% expect headcount reductions. This signals a fundamental shift: automation is not about replacing people but about augmenting human capability.

Employers face a strategic choice: invest heavily in specialist talent or spread investment across the workforce through upskilling. Both approaches have merit but the direction chosen will shape competitiveness for years to come. Businesses that embrace automation intelligently and prioritise skills development will be best positioned to thrive. This is not about working harder it is about working smarter. Employers who integrate automation with human capability will unlock productivity gains and create more sustainable workforce models.

## Policy and Regulation: Navigating the Employment Rights Bill

The Employment Rights Bill introduces significant changes including reforms to zero-hours contracts, predictable working patterns and adjustments to unfair dismissal rights. While these measures aim to create a fairer labour market, they also require employers to rethink flexibility models and compliance frameworks. For sectors such as hospitality and care which rely heavily on variable contracts, the implications are profound.

Work is becoming more fractional, more flexible and more digitally connected. Applying these changes in a practical forward-looking way will be critical. Employers must balance compliance with agility, ensuring workforce strategies remain adaptable while meeting new legal requirements.

## Labour Market Context: Persistent Challenges, Strategic Solutions

Vacancy levels remain steady, wage pressures persist and productivity continues to lag behind international benchmarks. Closing this gap demands investment in digital infrastructure and workforce upskilling. These are long-term imperatives, not short-term fixes.

The UK's productivity gap remains a structural challenge. Despite advances in technology and automation adoption, output per worker has lagged behind international benchmarks for over a decade. Employers who act now by embedding skills development into their workforce strategies will be better positioned to close this gap and drive sustainable growth. >

## Agility and Skills Will Define Success in 2026

As hiring intentions stabilise we are seeing the next phase of workforce evolution take shape. Lateral is the new linear. Employers are increasingly prioritising skills and experience over traditional career progression, accelerating the move towards skills-based hiring. This shift is evident in the rise of temp-to-perm contracts, the focus on training and sideways growth opportunities and the expansion of existing projects with pre-approved budgets.

HR leaders are working hard to retain their best talent, recognising that in a market where wage growth is constrained, development opportunities are the currency of engagement. Mid-sized firms and SMEs are leading the charge on agility while larger enterprises remain cautious. Hiring among big corporates is flat reflecting global pressures and slower decision-making cycles. In contrast, SMEs are steering demand for talent showing resilience and adaptability, where larger organisations continue to consolidate. This divergence underscores a broader trend: agility is becoming a competitive advantage.

## Strategic Priorities for Employers in 2026

2026 will not be a year of dramatic recovery but it will be a year of strategic progress. Employers who embrace technology intelligently, invest in reskilling and build flexibility into workforce models will be best positioned to succeed. Skills – particularly digital and automation-related – will be the differentiator. Agility and adaptability will define success.

The question for UK businesses is clear: How do we close the productivity gap and build the skills needed for growth? Those who answer it decisively will lead the next phase of workforce transformation. This is not about waiting for the market to recover, it's about shaping the future of work in real time.

The UK labour market enters 2026 with measured confidence. Hiring intentions are stabilising but the real story is strategic evolution. Employers who act now by embedding skills development, embracing technology and building agile workforce models will not only weather uncertainty but lead the way in a new era of growth.

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# ACCESSIBLE AND INCLUSIVE

Diane Lightfoot, CEO of [Business Disability Forum](#) discusses how recruitment agencies can bring down barriers in 2026.



Almost 1 in 4 people in the UK and 16 per cent of the population worldwide have a disability so employers – and recruiters – simply can't afford to exclude such a significant talent pool. But whilst no-one sets out to deliberately exclude people, too often barriers get in the way. It is really important to take an end-to-end look at the processes used by your business to identify anything that might be preventing disabled talent from signing up with your organisation or getting a job through you. >



Remember too that around 80 per cent of disabilities are not immediately visible so you may not know that a candidate has a disability or needs something different. Think holistically, beyond just physical accessibility (though that is vital of course) and put yourself in the shoes of a disabled applicant and ask yourself how it might feel at every stage of the process.

### Taking a Comprehensive View

Are your website and any search tools within it accessible? Have they been tested with disabled people, for example with a screen reader, to find out? What about your brand – does it reflect the image that you want to convey about your company culture? [Will disabled candidates think that your agency will understand, welcome and support them?](#)

What about the advice you offer to employers to help them find talent? It's all too easy when recruiting to dust down a standard job description but doing so could mean employers asking for things they don't really need – and thus excluding great candidates from applying. Could a job be done differently – part time or remotely? Does the candidate really need five years' experience? A driving licence? A degree? A disabled candidate may have all those things, of course, but also may not or may have a gap in their CV for a variety of reasons. This is even more important if your organisation is using software to sift applications, and the algorithms automatically exclude people who do not fit all the criteria.

The recruitment sector has a key role to play in helping employers understand and recognise the skills that disabled people can bring and to feel confident talking about disability. Doing so not only promotes inclusion but also allows employers to attract talent from a stronger candidate pool. A better understanding of disability (40 per cent), as well as a more positive attitude towards employing disabled people (25 per cent), are key factors that disabled people in work or looking for work felt would improve their workplace experience, according to [Business Disability Forum's recent survey](#). >



## Making Careers Work

It's key to progression too: we found that 46 per cent of disabled people in work and looking for work believe it is harder for them to progress in their careers. A disabled person may be hugely skilled and experienced and operating at a senior level but may still experience barriers because of their disability. One very senior leader who is a wheelchair user told me that they felt disadvantaged by the length of break times in meetings as they were always late back by the time they had made it to the accessible toilet and back and felt very embarrassed by this. Another with hearing loss shared that they were very worried by requests for "walk and talk" meetings or to meet in a café or pub as they couldn't follow the conversation.

Recruitment agencies also have a critical role in helping employers understand the types of adjustments that they could make at recruitment and interview stage. Our findings show that over 4 in 10 disabled people in work or looking for work believe it is harder for them to look for jobs (43 per cent) and attend interviews (43 per cent) compared with people without disabilities. Many people will worry about asking for something different, so it's important to be proactive and ask all candidates at every stage of the process if they need any adjustments, and to give examples of what might be possible. Some examples of common adjustments that employers could make that are not costly include online

rather than in person interviews, supplying questions in advance (where the ability to answer unseen questions on the spot is not a core competence for the role), an opportunity to visit the premises to test the journey or a detailed "pen portrait" of the interview panel to ease anxiety.

## Give it Time

Encouraging staff to take the time needed to get to know candidates is also important when it comes to attracting and placing disabled candidates. This means that there is a greater chance of candidates being matched to roles that are the best fit for their skills and needs and leads to a higher chance of success all round. Understanding what a candidate needs to thrive – whether it is size of organisation, culture, sector, type of role or physical location is key to success. It's important to understand too what type of adjustments are likely to be possible in a given role or sector whilst remembering that you mustn't pre-judge what an individual might need – everyone is different. Importantly, under the UK Equality Act 2010, recruiters (agencies or employers) who are directly involved in a hiring decision must not ask any questions about disability during the recruitment process and must not ask what adjustments a candidate would need in the role itself until after a job offer has been made. Understanding what might be possible, however, can only help to improve overall success. >



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## Compliance Is Changing - Are You Ready?

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When it comes to the assessment stage, encourage employers to think about the core skills needed for the job and how they can best test for them to make sure ideal candidates are not overlooked. A standard panel interview is a great test of skills for a sales type role, but for a technical or administrative role, a work trial or working interview – where someone shows you what they can do rather than telling you about it – might be a much better test. If AI is being used in testing, it's critical to check for bias – for example, AI that is programmed so that it rejects candidates who do not make eye contact, stammer or have a facial disfigurement.

### Keeping up with Change

New legislation including the Employment Rights Bill, passed by Parliament before Christmas, is likely to strengthen the rights of disabled people in the workplace. It will strengthen the existing 'day-one' right to request flexible working by requiring employers to explain the grounds on which they have denied a request and adding the requirement that a rejection of a request be reasonable, increasing the need for the recruitment sector and employers to have a good understanding of disability.

In the UK, the Disability Employment Gap – the difference between the percentage of working age disabled people in work compared with their non-disabled peers – remains stubbornly around 30 per cent. Recruitment agencies have a critical role in helping to shift that and driving change towards a more inclusive world of work where the best candidate for the job isn't overlooked simply because they have a disability. ■

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# HYPERPERSONALISATION AT SCALE

Hays' Chief Marketing Officer, Julia Cames, offer a blueprint for the next era of recruitment marketing.



The future of recruitment marketing will be defined by hyperpersonalisation at scale and those who master it will lead the market. In fact, 83% prefer hyperpersonalised messaging, a behaviour shift that increasingly sets the standard for talent engagement. >



# MARKET

In recruiting specifically, personalised outreach is already proven to perform better: LinkedIn has shown that tailored InMails deliver 15% higher response rates than bulk messages – is clear proof that relevance wins attention in noisy markets. Combine this expectation with the ongoing challenge of finding skilled talent, and this is why I see personalisation as a non-negotiable; it's a competitive necessity.

## From Reactive to Predictive

Hyperpersonalisation begins with signals, subtle behavioural cues that predict intent. Consider a mid-career professional who updates their profile, downloads a salary guide, and spends time on leadership content. Predictive analytics connects these actions and flags likely readiness for a candidate to move roles; a recruiter then reaches out with two targeted leadership roles that match the candidate's trajectory.

We are already seeing this when business leaders engage with content such as workforce planning webinars and salary benchmark tools; that signal can trigger an advisory conversation about upcoming headcount, helping us shape the brief early and reduce time-to-hire later. The power here isn't the individual data points; it's the pattern recognition that moves us from reactive to anticipatory.

## Where Human Expertise Meets AI

What we know from practice is that AI will not replace consultants; it will amplify their skillset. Algorithms surface patterns; people apply judgment. AI can prioritise outreach, generate draft messages, and learn from performance. Consultants bring the human edge such as context, empathy, negotiation, and trust. They ask the questions a model can't: Why now? What risk matters most? What tradeoffs are acceptable? This partnership is our operating model for the next decade: AI for speed and scale, consultants for substance and credibility. It's how we deliver experiences that feel both intelligent and deeply human.

## The Operational Lift Leaders Should Expect

Hyperpersonalisation isn't only about engagement; it's about productivity and focus. Leaders should stop relying on high-volume, low-relevance outreach that wastes recruiter time and dilutes brand impact. The era of mass blasts is over. We are seeing that candidate decisions are already shaped by responsiveness and relevance; 80–90% say their experience can change their minds about a company. >

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## Building the Stack: Predictive, Dynamic, Orchestrated

A modern growth engine relies on three interconnected disciplines working in harmony. First, predictive analytics anticipates needs before they surface, identifying when a candidate is likely ready to move or when a client is preparing to hire.

Second, dynamic content generation ensures messages are tailored to individuals rather than broad segments, adjusting tone, proof points, and calls to action to fit each person's context.

Finally, journey orchestration coordinates every touchpoint across channels such as email, social, websites, and SMS or WhatsApp creating an experience that feels coherent, timely, and cumulative rather than repetitive.

When these layers are integrated, the system learns in real time. Signals then inform outreach; performance informs creative; and each interaction improves the next. This is marketing as a self-optimising system, not a sequence of disconnected campaigns.

## Ethics and Fairness: Leading by Design, Not by Exception

At scale, personalisation becomes a leadership responsibility, not a technical

one. Fairness is critical because AI-assisted decisions can shape careers and business opportunities. Our obligation as responsible organisations is to ensure that models are audited for bias, trained on diverse, representative data, and governed with transparent decision frameworks people can understand and challenge.

I believe leaders must be explicit about how personal data is used and why. Publishing clear data use notices, obtaining explicit consent where required, and offering meaningful opt-outs that are not just for compliance, but to earn trust. The commercial upside is real: a respectful, responsive process improves outcomes. Equally, poor communication and impersonal experiences drive withdrawals and rejections, undermining growth.

## Global to Local: How Scale Meets Nuance

What we've learned across markets is that hyperpersonalisation only works when global systems meet local nuance. A salary trend in London likely won't land in Tokyo; messaging that resonates in São Paulo won't necessarily be relevant to audiences in Munich. Likewise, regulatory expectations diverge, and consent norms, data retention, and profiling rules are not held to the same laws across borders. >

We need global capability with local configuration: shared models and standards at the centre, with markets adapting for cultural relevance, channel preferences, and regulatory requirements. This balance ensures our experiences feel authentic and respectful and that our risk posture reflects local realities. Leaders should hold teams to a simple test: Would this feel helpful and fair to someone in this market, given their norms and laws?

## Next Steps

To operationalise this agenda, organisations should focus on building strong foundations and integrated practices. I believe this begins with prioritising data quality and integration over isolated tools, as clean event data is essential for effective personalisation. We've also seen the strongest results with cross-functional collaboration and bringing together marketing, consulting, data science, and product teams to drive outcomes such as pipeline velocity, time-to-hire, and client retention rather than vanity metrics.

Documenting repeatable journeys with clear triggers, content variations, and service-level handoffs ensures consistency and scalability. Measurement must link personalisation efforts to tangible business results like response rates, interview-

to-offer ratios, and client NPS. Finally, responsible AI should be embedded as a standard practice through bias testing, model governance, and market-specific consent protocols, making fairness and transparency auditable and integral to the process.

## A Closing Word

My view is clear: this is not a technology upgrade; it's a business transformation. The organisations that win will combine the scale and speed of AI with the judgment and relationship building of their consultants. They will treat data as a product, journeys as systems, and ethics as a design constraint. They will respect local norms while harnessing global scale. Most of all, they will act before the market demands it.

What I see ahead is an opportunity for higher engagement, faster time-to-hire, stronger client relationships, and a brand experience competitors cannot easily replicate. Candidates and clients are forming expectations today, not in three years' time. Leaders who act deliberately will shape those expectations and set the standards others follow. Progress here is not driven by intent alone, but by decisive action, embedding personalisation, fairness, and accountability into how organisations operate, starting now. ■



# COMPLIANCE FIRST

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Simon Kent, Editor,  
The Global Recruiter

**“The Global Recruiter will bring a comprehensive guide to compliance for recruiters. We will seek to highlight as many aspects of compliance as we can, bringing both expert views and practical guidance.”**

## COMPLIANCE FIRST

The changes in compliance around recruitment that are currently coming into force are perhaps the most significant the industry has seen. While experts have wrangled in the past over definitions, implications, models and there like, there is no doubt that the forthcoming umbrella regulations bring more risk and responsibility to recruitment companies than ever before.

But while these regulations will naturally form a major focus for our coverage this year, there is more for recruiters to understand. Any international expansion, for example, will require understanding local rules and regulations. Europe may be on the UK's doorstep but it has a whole host of other requirements for recruiters to meet – and these are changing and being added to as well.

Across the next few issues, The Global Recruiter will bring a comprehensive guide to compliance for recruiters. We will seek to highlight as many aspects of compliance as we can, bringing both expert views and practical guidance. Taken as a whole, this coverage should help steer your business successfully into more lucrative waters. ■



## LEAD THE WAY IN COMPLIANCE WITH FCSA

With significant regulatory changes approaching, recruitment agencies operating in the contingent labour market face increasing scrutiny and operational risk. The Freelancer & Contractor Services Association (FCSA) is the UK's leading authority on compliance within the contractor services sector, setting the benchmark for legal, ethical, and operational best practice.

As the proud sponsor of Global Recruiter's Compliance First Series, our mission is to equip recruiters with the confidence, clarity, and tools they need to navigate change and place contractors compliantly and responsibly.

We understand the evolving challenges surrounding IR35, agency legislation, supply-chain due diligence and broader workforce compliance. FCSA provides practical guidance and a trusted framework to help agencies avoid costly errors, protect their reputation, and ensure contractors are always engaged fairly and correctly.

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- **Strengthened supply-chain compliance:** Work exclusively with FCSA Accredited Members - independently assessed against the highest standards - to significantly reduce compliance and operational risk.
- **Enhanced brand credibility:** FCSA affiliation signals your commitment to ethical practice and regulatory excellence, reinforcing trust with clients and contractors.
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FCSA's **Diligence Hub** service provides additional assurance, offering complete transparency in payslip verification and a centralised platform for managing compliance checks across service providers.

To learn more about FCSA Recruiter Partnership and Diligence Hub, please visit [fcsa.org.uk](http://fcsa.org.uk). ■

# EUROPE'S EVOLVING COMPLIANCE

Tania Bowers, Global Public Policy Director at APSCo on what European recruiters need to know for 2026 and beyond.



## TRANSPARENCY

European recruitment compliance is entering one of its most significant periods of change in over a decade. Driven by new workplace technologies, shifting labour regulations, and the EU's ambitious approach to regulating artificial intelligence, recruiters operating across Europe now face a more complex set of responsibilities than ever before. Whether you're placing contractors, managing temporary workforces, running RPO projects, or sourcing talent remotely across borders, the compliance expectations for recruiters in 2026 are higher, stricter and more technical. >

# COMPLIANCE

## The EU AI Act

The EU Artificial Intelligence Act is, without doubt, one of the most transformative compliance changes affecting recruitment. Enforced in phases from 2 February 2025, it introduces the world's first comprehensive AI regulatory framework.

Crucially for recruitment businesses, the EU AI Act classifies all AI systems used in hiring, screening, ranking or evaluating candidates as "high risk". That includes CV-parsing tools, automated screening systems, video interview analytics platforms, skills-assessment algorithms and chatbots that influence hiring decisions.

### Key obligations for recruiters operating in Europe under this Act include:

- Human oversight: AI cannot make employment decisions without human involvement.
- Bias prevention and data governance: Recruiters must ensure training data is relevant, accurate and nondiscriminatory.
- Transparency: Candidates must be told when AI tools are being used in their evaluation and can request information about how decisions were made.
- Documentation and auditability: Companies using AI tools must maintain thorough documentation, risk assessments and monitoring records.
- Use of banned AI practices: Recruiters must ensure their tools do not use biometric categorisation, emotion recognition, social scoring or behavioural manipulation, all of which are banned outright under the Act from February 2025.

The Act not only applies to EU companies, but also to non-EU recruiters placing talent into EU roles or using AI tools that affect EU-based candidates. That means UK, US, Middle Eastern or APAC recruiters hiring into Europe are legally in scope. Failing to comply can result in fines of up to 6 - 7 per cent of global annual turnover for high risk breaches.

It's important that recruiters operating across Europe audit every AI-enabled tool in their tech stack, check which are categorised as high risk and request compliance documentation from vendors.

## New employment and labour rules across Europe

Beyond AI regulation, several employment law changes across the EU are affecting the compliance responsibilities of recruitment firms, particularly those supplying temporary, contract or cross-border talent.

### Platform Worker Directive (pending final implementation)

Set to impact gig economy and flexible-work platforms, the Directive seeks to clarify when a worker should be classed as an employee rather than self-employed. >



Recruitment firms providing flexible staffing, especially in delivery, warehousing, hospitality or logistics, should prepare for increased scrutiny of worker classification and potential obligations for benefits, holiday pay and social protections under this Directive.

### Pay transparency rules

EU Pay Transparency Directive provisions began rolling out in 2024, introducing significant new expectations for employers and, by extension, the recruitment businesses representing them. One of the most notable changes is the requirement to include salary ranges in job advertisements. This shift aims to eliminate pay secrecy and ensure candidates enter the hiring process with a clear understanding of compensation. In addition to greater visibility in job postings, candidates now also have the right to request specific pay related information during the recruitment process, giving them more control and transparency over how their potential salary compares to others in similar roles.

Another major component of the Directive is the obligation placed on employers to explain and justify any identified pay gaps. This moves pay transparency beyond simple disclosure and into accountability, requiring organisations to demonstrate that pay differentials are based on objective, nondiscriminatory factors. For recruitment companies, this means working more closely with clients to ensure job descriptions, adverts, and offer materials align with these requirements and do not inadvertently breach the Directive.

Firms placing talent into EU countries must therefore review their processes to ensure that all candidate facing materials meet these new transparency standards. Taking a proactive approach will not only help recruiters remain compliant, but also strengthen trust with candidates and position themselves as partners who support fair and equitable recruitment practices.

### Practical tips for recruiters navigating European compliance

Compliance across Europe is becoming more complex each year, and at the same time more commercially significant for recruitment businesses. Clients increasingly expect their recruitment partners to demonstrate a strong understanding of regulatory requirements, data protection standards and responsible technology use. To meet these expectations, companies need to take a proactive and structured approach.

A good starting point is to audit every technology tool used within the recruitment process. This includes systems that rely on artificial intelligence such as CV ranking tools, auto-screening functions or candidate facing chatbots, as well as automated workflow tools and any form of video based assessment or behavioural analytics. Recruiters should request confirmation from their technology providers that their systems comply with the EU AI Act, including details on risk categorisation and transparency requirements. >

It is equally important to ensure recruiters themselves are trained on the regulations shaping the hiring landscape globally. While consultants do not need to become legal specialists, they do need to understand which types of candidate data can lawfully be collected, how and when AI is being used in the hiring process, and how to explain this to candidates. They should also be familiar with the rights candidates have under both GDPR and the EU AI Act, including the right to request human review, and should understand when human oversight is legally required.

Transparency should be embedded into every stage of candidate communication. Recruiters must explain when automation or AI is being used to support hiring decisions, how those decisions are made, and what options candidates have if they want a human to review an automated assessment. This responsibility goes beyond compliance, it helps build trust, improves candidate experience and differentiates recruiters that take a human-centred approach to technology.

Strengthening data protection processes is another essential component of compliance. Firms should ensure that data retention periods are consistently applied, that only the minimum amount of personal information necessary is collected and processed, and that any cross-border transfer of data, especially between the UK and EU, meets the relevant regulatory standards.

Together, these steps will help recruiters operate with confidence in a much more regulated environment, while giving clients and candidates assurance that compliance, fairness and transparency are central to their approach. Clients may also be unaware of their obligations. Recruiters that guide clients through compliance will be more valuable, more trusted and more strategically embedded.

## Preparing for expansion in 2026

Recruitment businesses operating in Europe face a regulatory landscape that is evolving faster than ever before. With the EU AI Act introducing unprecedented rules for hiring technology and labour directives reshaping the mechanics of employment, compliance can no longer be treated as a back-office task. It is now a strategic capability and a commercial advantage.

Those who respond early, audit their processes and tools, and build transparent, human-centred workflows will not only stay compliant but also strengthen trust with clients and candidates alike. In a more regulated, more digital and more scrutinised European market, compliance is no longer just about avoiding fines, it's about safeguarding your brand, protecting your talent pipeline, and building the future of ethical, resilient recruitment. ■



# Regulatory compliance for recruitment agencies working with contractors across Europe

Emily Ward-Masters  
Workwell Global

Whilst all the attention in the UK has been on the off-payroll rules (IR35), the umbrella regulation and the upcoming Employment Rights Bill, the regulatory landscape in Europe when hiring contingent workers has also moved significantly.

Two recurring themes dominate:

- 1) Worker classification (employee versus self-employed)**
- 2) The regulation of temporary or agency work**

Governments and courts across Europe have moved to limit misclassification and tighten rules on temporary contracts and labour leasing, increasing compliance burdens for organisations using contingent labour and agencies placing contractors across Europe.

## Worker classification

Misclassifying workers as independent contractors remains a frequent compliance issue. Regulators and courts are increasingly willing to re-characterise supposedly self-employed individuals as employees when control, dependency, economic subordination or integration into the hirer's organisation are present. That shift raises payroll tax, social security and employment-law liabilities (back pay, benefits, notice, collective-bargaining obligations). Organisations relying on contingent labour and the agencies placing the worker should adopt robust, evidence-based classification processes: documented contractual terms, actual working practices audits, regular legal reviews in each jurisdiction, and contract clauses that reflect true commercial arrangements.

Some legislative reform examples and recent court decisions in Europe include:

**Spain:** A series of court decisions and the 2021 "rider" rules for platform delivery workers have shifted the balance toward employment status for many gig workers. Spanish courts have enforced employee treatment where platform algorithms, control over routes and scheduling, or economic dependence exist.

**Italy:** Legislative reforms in recent years (including the "Decreto Dignità" and subsequent measures) and court practice have restricted abusive use of open-ended agency formats and precarious contracting, making it harder to rely on short-term or pseudo-self-employed models for ongoing roles.

**France and Belgium:** Both countries have strengthened protections for temporary and platform workers via legislation and administrative scrutiny, with courts ready to reclassify relationships that disguise employment.

## Temporary contracts and labour leasing

Across Europe, many governments have tightened rules on fixed-term contracts and labour leasing to combat precarious work. Reforms frequently cap the total duration or number of renewals for fixed-term agreements, impose stricter justification requirements for temporary hires, and increase penalties for abusive use. Labour leasing (temporary agency work) has been the subject of enhanced transparency and equal-treatment obligations—agencies and end-users are required to ensure parity of pay and conditions in many jurisdictions, and misuses can trigger joint-liability exposure.

## EU-level momentum

At the EU level, recent directives and proposals (notably on platform work and transparent and predictable working conditions) signal harmonisation toward stronger employment protections for atypical work. The EU's measures tend to promote presumptions of employment for platform workers and improved information and redress rights for contingent workers, increasing cross-border compliance complexity for multi-jurisdiction employers.

## Practical compliance steps

For agencies operating in European countries directly, we recommend the following:

- Adopt a country-by-country compliance matrix covering classification tests, maximum fixed-term durations, agency-work rules, payroll and social contributions.
- Use written, realistic contracts supported by aligned operational controls and documentation of actual practices.
- Perform periodic legal audits and consider insurance or escrow for contingent-payroll liabilities.

At Workwell Global, we specialise in providing compliant contingent workers to our agency customers with the right frameworks, status determination guidance and legal expertise. Our legal and compliance team ensure that we adhere to the latest rules and legislation around status determination, temporary contract rules and labour leasing obligations.



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**About the author:** [Emily Ward-Masters](#) is the Director of Legal and Compliance at Workwell Global. She is a qualified compliance and legal professional in the recruitment and payroll industries, with experience and specialist knowledge on corporate governance, risk management, commercial contracts, data protection, incorporations, and insurance within the UK, EU, North America, and the Middle East.

# PRESENT CHALLENGES, CALMER FUTURE

Geraldine King, Employment and Recruitment Federation surveys the compliance demands for recruitment companies in Europe.



European recruiters are living through a contradiction. The EU economy has proven more resilient than many expected, yet the businesses that keep people in work are weighed down by a complex mix of sustainability, data and labour rules. For the small and mid-sized firms that make up most of the industry, that administrative load is now one of the biggest barriers to growth. >



Brussels says it has heard that message and has promised to cut administrative burdens and go further again for SMEs. The intention is to trim overlapping rules and slow the constant expansion of reporting. The question for recruiters is sharper: will any of this make day-to-day compliance easier, or will new obligations simply replace old ones?

At EU level, leaders have backed an ‘Omnibus’ simplification package aimed at scaling back some of the most demanding sustainability reporting rules. This is in response to Mario Draghi’s report on the future of European competitiveness. Anyone dealing with the Taxonomy Regulation, the Corporate Sustainability Reporting Directive or the Corporate Sustainability Due Diligence Directive knows how heavy that load has become. The goal is to reduce the frequency and depth of reporting, soften the trickle-down of obligations to smaller firms and cut some of the bureaucracy around ESG.

## Impact on Recruiters

For recruiters, the first impact will be indirect. Agencies will feel the change through large clients that have been wrestling with ESG disclosures. If those employers can meet their obligations with less complexity, they should have more capacity to focus on hiring and workforce planning instead of constant compliance exercises. If procurement and governance expectations become more proportionate, some of that pressure may ease down the supply chain.

All of this plays out against a labour market backdrop that remains tighter than the headline debate sometimes suggests. Euro area unemployment continues to sit around the six per cent mark; Ireland remains close to full employment, with unemployment hovering near five per cent and overall employment at record highs. Yet shortages are now structural and visible in everything from healthcare and construction to tech and life sciences. Employers are under pressure to move faster on digitalisation, AI adoption and the green transition, all of which require skill sets that are in short supply. Recruiters see this in their day-to-day work: more advisory support, more briefs that involve reskilling and job redesign, and more requests to map international talent pools when local supply is too thin.

## The Platform Work Directive

Alongside this broader context sit a series of very specific new obligations that will shape recruitment practice directly. The Platform Work Directive is one of the most important. Member States have until the end of 2026 to transpose it into national law. The Directive does not treat platform work as a separate type of work. It focuses instead on how work is organised and who is genuinely in control, introducing a rebuttable presumption of employment where indicators of “direction and control” are present. >



For Ireland, this sits alongside the 2023 landmark Karshan Supreme Court judgment, which sets out a more structured test for employment status. Agencies operating digital platforms for example, shift-allocation tools for hospitality, retail or logistics, will need to assess where they sit. If an agency runs a digital interface that allocates workers to clients while retaining real control over pay and conditions, it may be treated as an employer in a triangular relationship and fall under both the Platform Work Directive and the Temporary Agency Work Directive.

The Platform Work Directive also introduces transparency and algorithmic management obligations. Platforms must explain when automated systems are used to allocate work, rate performance or make decisions that materially affect a worker. Many agencies already use automated matching, scheduling and candidate-screening software. Over the next two years those systems will need to be audited, documented and, in some cases, redesigned to meet the new standards. None of that will feel like less compliance in the short term.

## Pay Transparency

The EU Pay Transparency Directive is another major shift. Member States, including Ireland, must transpose it by mid-2026. The most immediate changes will be at the point of recruitment. Employers will have to provide salary ranges in job advertisements or before an interview and will no longer be allowed to ask candidates about their pay history. Agencies will need to work with clients to agree and document those ranges and to retrain consultants who are used to probing on previous pay as part of the qualification process.

Workers will gain stronger rights to information about their own pay and average pay levels broken down by gender. That will feed into more informed candidate expectations and more pointed questions in negotiations. Larger employers will have a heavier reporting regime. Gender pay gap reporting will become mandatory on a phased basis for employers above defined headcount thresholds, with joint pay assessments requiring engagement with worker representatives where unexplained gaps of five per cent or more persist. Ireland has taken an initial step with the General Scheme of the Equality (Miscellaneous Provisions) Bill, 2024 but the substantive Pay Transparency Bill is keenly awaited.

The comparison with the United Kingdom is instructive. UK-based employers with 250 or more employees have already been required to publish annual gender pay gap reports for several years, and expectations around equality action plans are hardening. Post-Brexit data protection reforms are being sold as a simplification but will still need to track EU standards closely in practice if data flows are to continue. For agencies that work across both jurisdictions, the reality is there are two parallel, evolving systems to be navigated that both claim to make compliance easier. >

## Signs of Future Reform

So, will compliance challenges for recruitment companies in Europe ease? The honest answer is that they are unlikely to feel lighter in the next few years but there are signs of reform. Policymakers have recognised the weight of the regulatory load, and the Omnibus simplification work is a genuine attempt to trim it. If the EU succeeds in reducing duplication and unnecessary bureaucracy around sustainability and data rules, that will eventually create a more manageable environment. Employment and social policy must also contribute to improving Europe's competitiveness and productivity.

In the near term, however, recruitment firms will be dealing with fresh obligations around platform work and pay transparency, on top of existing national rules. These are not optional and will require investment in policy, technology, training and client education. In the UK, agencies face a different but equally demanding mix of worker-status litigation, evolving gender pay obligations and a new data protection regime.

The opportunity lies in using compliance to deepen relationships with clients rather than simply absorbing it as a cost. Agencies that move early on salary transparency, that audit their use of digital and platform tools and that understand both EU and UK regimes will be better placed to advise employers and candidates. For everyone else, the risk is that the regulatory tide never seems to go out; it only changes direction.

Europe will remain a competitive labour market only if regulation is simplified, compliance becomes proportionate, predictable and easier to operationalise. The recruitment industry, through bodies such as the Employment and Recruitment Federation, believes this can be achieved responsibly ensuring both economic and social progress and has a central role in making that case and in making sure that rules designed for the largest companies do not drown the firms in the middle that are the engines of our labour markets. ■

The Employment & Recruitment Federation is a voluntary organisation set up to establish and maintain standards and codes of practice for the recruitment industry. Representing over 200 member companies throughout Ireland, the ERF develops and promotes education and training, and provides information and advice on the sector, as well as members services such as vetting, and lobbying on policy and industry issues impacting the labour market.

# COMPLIANCE





# AGENCY COMPLIANCE THE EASY WAY

**With significant legislative changes coming in April 2026, compliance and due diligence are becoming ever more vital across the recruitment sector.**

At FCSA, the only not-for-profit organisation in the sector and the acknowledged gold-standard for compliance, we have always championed high standards, transparency and trust within the supply chain. Our latest development, Diligence Hub, takes that commitment even further.

Diligence Hub brings together two respected compliance platforms – **veriPAYE** and **Diligence Hub** – to create one seamless, easy-to-use solution. By combining veriPAYE's payroll transparency expertise with Diligence Hub's proven supply chain validation tools, we've created a single platform that gives recruiters a complete, real-time view of their compliance landscape.

From verifying umbrella companies to tracking key documentation and payment processes, Diligence Hub simplifies what has long been a complex and time-consuming task.

Recruiters can manage their entire compliance process in one place, with automated checks, live alerts and clear

audit trails: helping protect both their business and their contractors.

The changes arriving in 2026 will bring greater scrutiny and higher expectations for compliance across the sector. Diligence Hub has been developed to help recruiters prepare for these changes with confidence – providing a proactive way to identify risks early, demonstrate good governance and evidence responsible practice.

Importantly, Diligence Hub is completely free for recruiters. As part of our ongoing mission to raise standards and strengthen the industry, FCSA is ensuring that every recruitment business – whatever its size – can access the tools it needs to operate transparently and compliantly.

Diligence Hub is more than just a platform; it's part of our wider effort to build a more robust, accountable and trusted recruitment sector. As the only not-for-profit organisation making compliance simpler and more accessible, we're supporting recruiters to focus on what they do best – connecting people and opportunity.

**To learn more or register for access, visit [diligencehub.co.uk](https://diligencehub.co.uk)**

# JSL: PREVENTION AT THE HEART OF RECRUITMENT COMPLIANCE

Crawford Temple, CEO and founder of [Professional Passport](#), on the impact of Joint and Several Liability.



The clock is ticking. From April, Joint and Several Liability (JSL) will fundamentally alter the compliance landscape for recruitment businesses operating in the UK. While agencies have long worked within complex regulatory frameworks, JSL represents a decisive shift in how risk is allocated and enforced across labour supply chains. It moves compliance away from reassurance and intention, and firmly towards outcome and accountability. >

# COMPLIANCE



At its simplest, JSL asks a simple question: has the PAYE liability associated with a worker been paid correctly to HMRC, yes or no? If the answer is no, liability arises. The reason, the route by which the failure occurred, and the efforts made to prevent it become legally irrelevant.

This has profound implications for how recruiters think about compliance, due diligence and risk management, and brings into sharp focus the distinction between detection and prevention.

## Understanding the legal reality of JSL

Joint and Several Liability is introduced under Chapter 11 of the Finance Act 2020 and comes into force in April. It gives HMRC the power to recover unpaid PAYE income tax and National Insurance contributions from parties other than the umbrella company that employs the worker.

In a standard agency-umbrella-client supply chain, HMRC has confirmed that it will pursue the recruitment agency where PAYE is not properly remitted. Where no agency exists, liability may fall to the end client. Importantly, HMRC is not required to pursue the umbrella first.

The most significant aspect of JSL is that there is no statutory defence; HMRC has repeatedly stated that there is no form of due diligence, accreditation, payslip audit or RTI verification that removes liability. Even where an umbrella has deliberately misrepresented information or committed fraud, liability still transfers up the chain.

As a result, compliance is no longer judged by effort or process, but by outcome. Either the PAYE has been paid, or it has not.

## Due diligence in a JSL world

Government guidance continues to encourage recruitment businesses to carry out due diligence on umbrella companies. Agencies are expected to understand how their suppliers operate, review contractual arrangements and remain alert to signs of non-compliance.

However, HMRC has also been clear that there is no requirement to demonstrate to HMRC that due diligence has been carried out. Due diligence exists to help agencies manage their own commercial risk, not to provide legal protection from JSL.

This distinction is critical. Due diligence remains important, but its purpose has changed. It may reduce the likelihood of non-compliance entering the supply chain, but it does not alter the legal position once a PAYE shortfall exists.

For many recruiters, this challenges a long-held assumption that robust checking equates to protection. Under JSL, it does not.

## Detection-based compliance and its limitations

Traditionally, recruitment compliance has relied heavily on detection. Payslip checks, RTI reviews and post-event audits are widely used to identify irregularities and provide reassurance that payroll calculations appear correct. >

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Under JSL, these measures still have value, but their limitations are now stark. Detection takes place after payroll has been processed. By the time a payslip is reviewed or an RTI submission checked, the taxable event has already occurred.

If PAYE is subsequently not paid to HMRC – whether due to mismanagement, insolvency or deliberate withholding – liability crystallises regardless of how quickly the issue is identified. HMRC has been explicit that payslip checks and RTI reports do not provide an excuse where a shortfall exists.

Detection can highlight risk, but it cannot reverse it. In a JSL framework, that distinction matters.

## Prevention and the neutralisation of liability

Prevention takes a fundamentally different approach. Rather than identifying issues after the event, it focuses on ensuring that the PAYE liability is settled correctly in the first place.

HMRC has confirmed in a series of webinar Q&As that where PAYE and NIC liabilities are paid directly to HMRC, and the full amount relating to the relevant workers has been settled, there is nothing for HMRC to recover under JSL. In legal terms, the liability has been neutralised.

This does not mean that prevention is simple or risk-free, but it does mean that JSL cannot arise where the liability no longer exists. This is a crucial distinction. JSL cannot be mitigated after the event; it can only be prevented.

Additionally, without preventative controls, agencies may still be exposed to other events, such as umbrella insolvency or

historic underpayment, that trigger JSL claims.

## The importance of aligned audit trails

Central to any preventative approach is the existence of a fully aligned audit trail. HMRC's position makes clear that simply sending money to an umbrella company does not provide protection, even if that umbrella settles PAYE on a weekly basis.

Without an audit trail that links the funds paid, the RTI submission for each worker, and the settlement of the reported PAYE liability to HMRC, recruiters remain exposed. Where money passes to an umbrella without this alignment, there is no certainty that the amounts reported and paid reconcile correctly.

This gap creates risk, particularly where multiple workers, agencies and assignments are involved. It also creates opportunity for manipulation, whether intentional or not.

## Disguised remuneration and hidden risk

One of the less visible but increasingly significant risks under JSL is disguised remuneration. Where there is a gap between the amount sent by the agency and the amount reported on a worker's payslip, scope exists for deductions, reclassification or alternative payment mechanisms to be introduced.

HMRC has long taken a strong stance against arrangements that obscure the true nature of pay. Under JSL, the consequences of such arrangements extend beyond the umbrella and directly affect agencies. >

Without confirmation in all instances that the amounts paid to workers by the agency matches what has been reported to HMRC as earnings, the risk of disguised remuneration increases substantially. This risk persists even where umbrellas appear compliant and provide documentation.

### Direct payment and exposure

HMRC has acknowledged that agencies can, in principle, pay PAYE liabilities directly to HMRC. Where the full liability relating to their workers has been settled, HMRC has stated it will not pursue further recovery under JSL.

However, this protection only exists where the payment is precise, reconciled and evidenced. If the audit trail does not align perfectly – for example, if RTI submissions, worker assignments and PAYE references do not match – residual exposure may remain.

### A clear choice for recruiters

JSL leaves recruitment businesses facing two broad approaches. The first is to continue relying primarily on detection and verification, accepting that these measures improve visibility but do not remove liability. The second is to adopt preventative models designed to neutralise liability at source.

### Redefining compliance in recruitment

Joint and Several Liability marks a turning point in recruitment regulation. It replaces comfort with certainty and assumption with evidence.

For recruiters, the challenge is no longer about simply keeping up with legislative change but understanding its practical effect. In a JSL world, compliance is no longer about proving you tried to do the right thing. It is about ensuring the right outcome occurred.

That shift – from detection to prevention – will define the next phase of recruitment compliance and determine which businesses are best equipped to operate in an environment where liability is absolute and the margin for error is minimal. ■



# Don't detect JSL, prevent it with Professional Passport Fortis.

January 2026

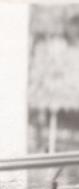
## JSL DOESN'T KNOCK TWICE.

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Joint and Several Liability (JSL) is one of the most misunderstood risks facing contractors and businesses today. Many only become aware of it once an investigation begins – when liability has already been assigned and options are limited. At that point, determining who is at fault is

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# NAVIGATING UMBRELLA RISK

Katherine Holmes, Head of Legal and Audit at La Fosse, shares how the compliance changes represent a significant shift for both La Fosse and the wider recruitment industry.



RECRUITMENT



From April this year, new rules will introduce joint and several liability for unpaid PAYE (Pay as you earn) and NICs (National Insurance Contributions) in relation to umbrella companies. For those operating in the contractor market, the upcoming reforms are prompting a significant re-evaluation of risk, responsibility, and supply chain management. >



Tech talent specialist La Fosse, have always prioritised compliance, and the new umbrella legislation means even more robust measures are required for operating in 2026.

### A heavier compliance burden – and no safety net

Government analysis shows that hundreds of thousands of workers were engaged through umbrella companies that did not always meet all their tax obligations in 2022–2023, a staggering statistic that heavily prompted umbrella reform measures being introduced.

In practical terms, the new legislation means recruitment agencies could be held responsible for tax shortfalls caused by third parties – even where appropriate checks and controls are already in place.

“This isn’t a minor regulatory update, aimed at those intentionally cutting corners,” Katherine Holmes says. “It fundamentally changes how responsibility is applied across the supply chain. Recruiters can no longer afford to be passive – umbrella partners are an extension of our business, and we need to ensure they meet the same standards we uphold.

“The most challenging aspect is the absence of a statutory defence,” Katherine explains. “Even where agencies have carried out robust checks, if an umbrella company fails to meet its obligations, the liability can still sit with us.”

That reality has understandably caused concern across the sector. Many agencies rely heavily on umbrella companies to engage contractors, particularly where internal PAYE models are not practical.

“When the proposals first emerged, there was a lot of uncertainty in the market,” Holmes adds. “We at La Fosse, like lots of other recruitment teams, were trying to ascertain the level of exposure to us as a business, as well as make sense of what practical solutions could look like.”

### Why internal PAYE isn’t the ultimate safeguard

One response seen across the industry has been the consideration of in-house PAYE models. While this can reduce reliance on third parties, it is not a practical solution for every business.

“Setting up internal PAYE requires time, infrastructure and specialist resource,” Katherine notes. “For many agencies, especially those operating at scale or across multiple markets, it simply isn’t feasible.”

Rather than removing umbrellas from the supply chain altogether, La Fosse has focused on strengthening governance around existing relationships instead.

“The legislation doesn’t prohibit the use of umbrella companies,” Katherine says. “What it demands is much stronger oversight and a clearer view of risk.”

### Tightening control through preferred supplier lists

A key part of La Fosse’s response has been the introduction of a tightly controlled preferred supplier list (PSL) for umbrella partners. Historically, recruiters have often allowed contractors a high degree of flexibility in choosing which umbrella company they work with. Under the new regime, that approach carries increased risk. >



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We've taken a clear position," Katherine explains. "We're moving into January with a small PSL, working alongside only a handful of umbrella partners who meet our standards across compliance, service, and contractor experience."

Umbrella partners on the PSL will undergo thorough audits, continuous monitoring, and evaluation against clear standards, with any issues addressed promptly by the La Fosse compliance team.

"We can't afford to take any risks," Katherine says. "If something doesn't stack up, we need to be able to act fast."

The new PSL will be fully in place well ahead of the legislation coming into force, allowing time for contractors to transition smoothly and for non-approved arrangements to be phased out responsibly.

For Katherine, this isn't the first major compliance shift the recruitment sector has faced. The off-payroll working changes under IR35 (Inland Revenue 35) offered a clear lesson in the importance of early preparation.

"When IR35 responsibility moved to the fee-payer, we saw very different responses across the market," Katherine reflects. "Some organisations invested early in process and education. Others underestimated the impact and were forced into rushed decisions."

"But planning proved to be essential. We built structured processes and prepared teams well in advance," Katherine says. "That experience has absolutely shaped how we're approaching umbrella reform."

The concern now, is that the industry may again be underestimating the scale of change.

"There's a perception in parts of the market that April is a long way off," Katherine says. "But meaningful compliance work takes time. Leaving it too late limits your options."

### Treating umbrella partners as an extension of La Fosse

One of the most important mindset shifts, Katherine believes, is how recruitment agencies view umbrella companies within their operating model.

"Umbrella partners represent us to contractors," Katherine says. "Their practices reflect directly on us, so they can't be treated as arm's-length suppliers."

That principle underpins La Fosse's compliance strategy. Rather than viewing umbrellas as interchangeable, the agency focuses on long-term partnerships – but only where standards align.

"We're committed to working with the best of the best," Katherine explains. "If we want to stand behind our reputation, we need confidence in every link of the chain."

This approach also supports contractor protection, which Katherine sees as an essential part of compliance.

"Raising standards benefits everyone – agencies, clients, and contractors," she adds.

### A welcome crackdown – despite the increased risk

While the reforms introduce greater liability, La Fosse supports the overall direction of increased regulation. >

"We welcome any legislation that raises standards and tackles non-compliance," Katherine says. "Responsible behaviour is central to how we operate, and organisations that invest in strong compliance shouldn't be undercut by those who apply less controls or cut corners."

However, the scale of the statutory risk is not insignificant, and even teams that value compliance will feel the pressure.

"It does feel heavier than expected," Katherine acknowledges. "Joint and several liability raises the stakes considerably. But compliance isn't optional, it's something we have to adapt to."

Agility, Katherine argues, is now a critical capability for recruitment businesses.

"This industry evolves quickly. Whether it's IR35, umbrella reform, or future regulation, the agencies that succeed are those that can respond quickly without compromising on standards."

### What this means for the recruitment sector

As the legislation approaches, Katherine expects a clear divide to emerge

between recruitment teams that have invested in compliance infrastructure, and those that have not.

"We may see some last-minute reactions, just as we did with IR35," she predicts. "But businesses that prepare early will be far better positioned – both operationally and reputationally."

For La Fosse, the focus remains on readiness, transparency, and building long-term resilience.

"This isn't about meeting a deadline," Katherine concludes. "It's about building a compliance framework that stands up as regulation continues to evolve."

As scrutiny across labour supply chains increases, compliance is no longer just about managing risk, it's about setting the standard for how recruitment should operate in a changing market.

For more information about La Fosse, visit [www.lafosse.com](http://www.lafosse.com) ■

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