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THE GLOBAL RECRUITER

# Compliance Now

Reducing risk in uncertain times

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# Welcome

From the editor





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If any recruitment company is going to make good in this economic environment, compliance must come first and foremost.

Simon Kent, Editor,  
The Global Recruiter

The past few months has seen recruitment supply chain compliance, in the form of IR35, at the centre of the political storm. Promises of reviews, followed by scrapping, followed by the apparent dropping of any mention of IR35 has led to confusion and frustration for many in the industry. As the dust settles and Jeremy Hunt attempts to get down the business as usual this is an opportunity for the sector to confirm how the land lies, ensure its house is in order, review and build compliant systems.

This compliance special comes after an Autumn Statement that is reaching for stability. Despite the silence on IR35 there have been announcements that will impact on the recruitment industry, and we have assembled reaction within this special. However, we are also publishing at a time when a recession has been called and businesses – and individuals – face rough times ahead. Reactions to the budget is certainly mixed and how recruiters fare may depend on the sector they service as much as their own proficiency.

If any recruitment company is going to make good in this economic environment, compliance must come first and foremost. Integrating the right systems, the right approach, the right procedures into the placing of talent is critical. For too long compliance has been seen as an extra cost, a problem for recruitment companies as they try and comply to difficult and problematic rules. There's no denying that this situation continues, but there is support, advice and businesses who are ready and willing to help recruiters meet and exceed that challenge. By doing this compliance can give you the leading edge over your competitors.

Simon Kent  
Editor





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# Flex For Growth

The economy needs flexible talent to support growth says Andrew Fahey, EVP  
Independent Contractor Services, People2.0.

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Everyone is paying more tax thanks to the Autumn Statement, but this is especially true of contractors and the self-employed. This could impact the availability of the flexible talent needed to drive economic growth.

Due to the structure of their businesses, independent contractors will be particularly hit by the cut to dividend allowances and the recent increase in corporation tax rates. Some may even decide to seek permanent employment as a result.

This is short-sighted from the Government.

The economy needs flexible talent to support growth, including the infrastructure and energy independence projects the Chancellor has prioritised. Major public works projects such as HS2 rely on skilled contractors, while the cyclical nature of the energy industry makes contracting the only really effective way to deploy engineering talent.

Finding flexible talent is made challenging by ongoing national and global talent shortages

in industries key to the UK's growth strategy, from IT to education. Research by McKinsey, published prior to the global pandemic, revealed that 87 per cent of companies were experiencing skills gaps (44 per cent) or expected them within 5 years (43 per cent). This picture has only been exacerbated in the last two years. A 2022 Manpower report suggests that 69 per cent of employers around the world cannot find the workers with the skills they need.

While training and career pathways are long term solutions, we should also be growing our flexible talent pool by encouraging more people to take up contracting.



The recruitment industry understands this. It's a shame the UK Government doesn't.

The dividend cut is just the latest in a long line of legislative decisions that are making contracting harder and less financially appealing. These include the shambolic deployment of changes to the 2017 and 2021 off-payroll working rules, forcing many into umbrella companies, and a national insurance rise that hits these contractors working under PAYE twice over.

Contractors, by making themselves available to work as and when required, take a personal financial risk. This is particularly daunting in a time of recession. Yet we've seen time and time again that it will be contractors who stand on the front line of economic recovery, as delayed projects come back online and businesses seek to scale back up.

Looking at the UK alone: in January 2020 there were 1.45 million temporary workers. During the recovery from the pandemic, this



**“The key is to support flexible workers by becoming a contractor friendly organisation. This might be achieved by providing improved services or benefits, in compliance with the off-payroll working rules, which alleviate some of the administrative pain and leave contractors more time to focus on the things that matter to them.”**

figure grew by 200,000 to 1.65 million in just 31 months.

Thankfully, contracting is not just about the money; it is a flexible lifestyle choice.

## **The post-pandemic world**

The world of work post-pandemic is changing more significantly and more quickly than ever before. COVID-19 has made us all reassess our relationship with work and introduced greater possibilities for working flexibly. Workers are demanding a greater balance between work and home life. According to both a 2022 survey by Slack in the US and a 2021 report by EY in the UK, 9

out of 10 employees want flexibility in when and where they work.

On top of this, a new generation of workers are increasingly in favour of an entrepreneurial, portfolio career. They're rejecting the traditional 9-5 in favour greater control over how and when they work. A 2019 study by Lovell Corporation found that 75 per cent of millennials and Gen Z want to be a (freelance) entrepreneur. It's even forecast by Statista that by 2027 60 per cent of the US workforce will be independent.

So how can the recruitment world tap this talent resource and make the most of the opportunity to deliver flexible workers?

If the UK Government is not going to incentivise the flexible workforce, it's left to industry to consider what can be done to make contracting an attractive option.

The key is to support flexible workers by becoming a contractor friendly organisation. This might be achieved by providing improved services or benefits, in compliance with the off-payroll working rules, which alleviate some of the administrative pain and leave contractors more time to focus on the things that matter to them.

We know that contractors talk to each other. Word gets around, whether that be good or bad. In the difficult years to come, agencies that fail to appeal to the flexible workforce are going to struggle to find the talent they need. On the other hand, those that can build a reputation for supporting flexible candidates have an opportunity to deliver agile resources for their clients, regardless of the obstacles that lie in their way.

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# Work Better

It's time to admit the UK flexible workforce market isn't working says Matt Fryer, Managing Director of Brookson Group, a People2.0 company.

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The UK contractor market and broader flexible workforce has been on a rollercoaster in recent months, with changes to the off-payroll legislation repealed and then reinstated, and poor practice in the umbrella market making the headlines.

It's clear that the current flexible workforce market set up isn't working. Recruiters are increasingly finding themselves maintaining supply chain compliance, while bridging the funding gap and struggling to find partners to support global talent deployment. So how can we move forward to reduce risk and champion the UK's talented contractor workforce?

## The top three problems

Dodgy umbrella companies have been an issue for decades, but the changes to IR35 have driven more agencies and contractors toward this PAYE option. A common misconception is that using an umbrella company means that the supplier is the employer and therefore responsible for

contractor tax, payroll and compliance. But this is not always the case. In an unregulated market, the risk to recruitment agencies and end clients of non-compliant practices is high.

A good example of this is payroll practice. Evidence of a number of bad practices have emerged in recent months, including 'skimming' the salaries of workers through unspecified 'employment costs',

withholding holiday pay and expenses. Where contractors have been recommended PAYE providers by their agency, in the event of unfair practices or poor payment practices, there's a real risk that they may also take issue with their agency and ultimately the end hirer. This poses a reputational risk for all parties, which could in turn leave the agency with a reduced talent pool and roles going unfilled.





For end clients, the greatest financial risk is posed by hidden tax liabilities. Under the latest IR35 legislation, HMRC can deem the agency or the client to be the 'end hirer', effectively transferring the responsibility for unpaid tax, national insurance contributions and fines up the supply chain. With HMRC only recently beginning enforcement of the new rules, it could be years and significant unexpected fines that are issued further down the line.

## What can recruitment agencies do?

With the Government not taking action to regulate the umbrella sector, responsibility for ensuring supply chain compliance is putting additional burden on recruiters.

Supply chain due diligence is a key part of this process.

With recent allegations of established umbrella companies 'skimming' from the salaries of their workers, it's clear that

**"Agencies play a key role in supply chain due diligence and reducing the potential of both reputational and financial risk moving onto the end client."**

ongoing due diligence is vital. While it has undoubtedly helped to establish a level of standards in the sector, we have seen recently that FCSA membership alone does not guarantee a compliant partner.

The Government has provided useful guidelines for [labour supply chain due diligence](#). These explore outsourcing payroll, obligations under the off-payroll working rules and a reminder of the applicability of the Criminal Finance Act to the sector. This is a vital starting point for all organisations and provides a full checklist of principles to follow to help ensure a compliant supply chain. It's important to note that this is an ongoing process which should be regularly revisited.

## Is it time to evolve

There are a broad range of factors affecting the flexible workforce and with little to no Government support the challenges around non-compliance poses significant risk to all stakeholders. Agencies play a key role in supply chain due diligence and reducing the potential of both reputational and financial risk moving onto the end client.

But given the current environment, as an industry, we must ask ourselves – when do we take that first step toward a new approach.

# YOUR WORLD JUST GOT A LOT RISKIER!

The temporary labour supply chain is broken and is placing increasing demands on providers. This means that some are cutting corners, placing more strain on your business as you are increasingly required to manage:

- the regulatory, financial and administrative burden of the supply chain
- the costly overheads of managing multiple providers
- the cost burden of bridging the significant funding gap

If you're ready to unshackle your business from broken ways of working, speak to an expert today.





**BUDGET**

# A new model for flexible talent

Andrew Fahey, EVP Independent Contractor Services, People2.0 on how companies can recruit the best for the future.

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The flexible workforce is growing. According to Statista in the UK in January 2020 there were 1.45 million temporary workers, this increased to 1.65 million in just 31 months.

Taking advantage of this, a majority (63 per cent) of high-growth businesses have adopted a 'productivity anywhere' workforce model, scaling up and down their contractor talent as needed according to Accenture. This presents a significant opportunity for recruiters, but the world – and UK in particular – is yet to catch up with this shift in the workforce.

## The current picture

The Autumn Budget made it clear that the UK Government has not understood the needs of the flexible workforce. There was no reference to an IR35 review after the recent reversal of the appeal of the off-payroll rules, and no new regulation to address compliance challenges throughout the supply chain. Instead, there was a dividend allowance cut – adding to



forthcoming corporation tax increase – which could make being part of the flexible workforce less financially appealing.

It's clear the current regulatory framework, including the off-payroll working rules, is no longer fit for purpose. Agencies have increasingly become responsible for managing the regulatory, financial and administrative burden of the supply chain.

Not only does this create significant cost and risk for agencies but it has also created a poor, disjointed experience for contractors across the country that could see some return to employed roles. For clients, it also poses a compliance risk with increasing stories of bad practice in the supply chain.



## The UK's unique and no longer fit for purpose model

The UK has a unique problem due to the structure of the off-payroll working rules and the umbrella preferred supplier list (PSL) model our sector uses. The umbrella model was originally developed in response to legislation but since the Government has been slow to respond to the evolving demands of the flexible workforce, leaving both the model and legislation no longer fit for purpose.

"The flexible workforce is growing. According to Statista in the UK in January 2020 there were 1.45 million temporary workers, this increased to 1.65 million in just 31 months."

This has allowed supply chain compliance to become challenging to manage, with agencies needing to undertake due diligence to reduce risk. The Government has produced guidelines and although helpful, they do not address the root causes of the problems effecting the flexible supply chain.

If we look abroad, there are other approaches that as an industry we could take.

## A new path forward

Looking to the US, there are a well-defined employer of record (EOR) and agent of record (AOR) models.

An EOR provider legally bears the direct responsibility for the contractors and all associated processes such as payroll, taxes, hiring and termination, as well as employee benefits.

An AOR provider engages with independent contractors who want to be paid through their own company rather than as an

employee. Similarly, in this role the AOR is responsible for payments and proper classification of the worker.

A globally recognised model, EOR and AOR providers can help recruiters grow their businesses beyond the UK and deploy talent internationally.

This is an attractive option as it allows a commercial partnership with a trusted managed service provider who can work with recruiters and end clients to manage compliance risks associated with both legislation and contractor payroll. Providing joined up advice, this approach can provide end-to-end visibility of the supply chain and offer contractors flexibility and support for their own journeys.

As the UK Government continues to neglect the flexible workforce, it is time for the supply chain to response. The EOR and AOR model is proven across the globe and offers clients and agencies more agility to engage contractor talent as and when its required.

# The Hokey-Cokey of IR35

Crawford Temple, CEO of Professional Passport, discusses compliance and some obstacles that could trip up recruiters.







“Good employment practice is essential throughout the whole recruitment supply chain and compliance should be at the heart of a recruitment agency.”

## What does a compliant umbrella offer?

A compliant umbrella will:

- Employ a worker
- Give them all statutory rights & benefits of employment (holiday pay, sick pay, pension etc)
- Give them the flexibility for numerous different end-hirers
- Consolidate their pay from numerous hirers into one pay packet
- Process the full amount of workers' gross pay through PAYE

In essence, the idea is that workers take an 'umbrella' of continuous employment

benefits with them when they work for various end-hirers.

Key benefits of umbrella employment to the worker:

- Employment rights, including all statutory rights and benefits such as holiday pay, maternity, paternity, sick leave, pension etc
- Employment history whilst working on a contingent, multi-location basis (useful for access to finance, housing/mortgages, etc.)
- Joined up pay from fragmented working:
  - Many workers will perform multiple assignments during a week or a month
  - Umbrellas consolidate their workers' earnings and ensure appropriate taxes are paid

- Peace of mind that tax is paid appropriately, with no need to submit an annual self-assessment return to HMRC
- Employee/HR support, in the unlikely event that an individual needs HR advice, such as a grievance case, as their employer the umbrella firm will have processes to support them

Recruiters should continue to always check out the compliance accreditations of any potential partner. Professional Passport's Approved Provider page provides a definitive list of all those providers that hold a current active accreditation, as well as the areas and companies we have considered. If the provider is not listed then they do not hold a current accreditation, even if they are displaying a Professional Passport Provider logo on their website.

As is the case now, recruiters should regularly conduct checks and reviews of workers operating through any payment intermediary, and Professional Passport helps many recruiters with these processes.





One of the biggest indicators is where a new provider appears in the market and for no obvious reason recruiters see a high migration of workers to that offering. This is often the first sign that something may be amiss. Having processes in place to highlight this is invaluable and should in turn trigger increased and more frequent due diligence

checks; Professional Passport works with many agencies to assist them in understanding what they should obtain and from whom as well as interpreting the information they receive.

Compliant suppliers should talk you through their processes and explain some of the risks

you could face and how they mitigate these. Check out the financial position of supply chain partners – run a credit check, check for conflicting interests or previously failed businesses, and check out their contracts of employment, and insurances of cover.

## Be aware of The Criminal Finances Act

The Criminal Finances Act (CFA) came into effect in 2017. It means that agencies must conduct due diligence on their supply chain or risk facing the new Corporate Criminal Offence – failure to prevent tax avoidance. Those found guilty can potentially face an unlimited fine, a criminal record and, of course lasting damage to their professional reputations.

Although it is yet more red tape for compliant businesses to contend with, the Criminal Finances Act exists to stamp out dubious and unethical practices and goes some way towards levelling the playing field for everyone. Five years later, we are however

still seeing schemes thriving as HMRC continues to chase down the victims rather than the architects of the schemes. And that's despite HMRC having the intelligence and information to shut down these corrupt schemes.

## Stay compliant

Good employment practice is essential throughout the whole recruitment supply chain and compliance should be at the heart of a recruitment agency. Compliance should not be a back-office function and you should ensure that you have clear policies, processes and qualified staff on board to ensure that you consistently operate compliantly. Compliance should be embedded in your company culture as a priority. That way, you won't be caught out.

Hardly a week goes by without some sort of tax avoidance scheme hitting the headlines. Many of these seek to disguise remuneration as something else, whether it is annuities, loans, employee benefit trusts, or marketing

expenses to name a few. By deliberately disguising remuneration, scheme promoters reduce taxable earnings, and therefore maximise take-home pay which is appealing to some workers. The Criminal Finances Act makes recruitment firms criminally liable for failing to prevent tax evasion, which means that they could have a criminal liability if they deliberately or unwittingly continue to engage with a contractor that is known to operate through such a scheme.

Something as seemingly innocuous as referring a contractor to an umbrella firm can have corporate criminal consequences if that umbrella is a tax avoidance scheme. Furthermore, we know that these schemes may dress themselves up to appear compliant, meaning that recruitment firms could easily be duped – due diligence includes remembering that things may not always be what they seem.

The Criminal Finances Act makes recruitment firms vulnerable if their supply chain is poorly managed. They must exercise due diligence

with regard to their Preferred Supplier List (PSL) or risk being accused of failing to prevent tax evasion by putting contractors in touch with intermediary firms who evade tax.

All recruitment firms should take action to ensure that their consultants only refer contractors to firms on a carefully vetted PSL. They need to put in place effective policies and procedures to deal with any incentives that their staff might be offered by intermediaries in exchange for referring contractors to them. Cash incentives are particularly risky if they are not declared as taxable income for the individuals receiving them.

No firm can afford to turn a blind eye to tax evasion practices that might be taking place within their organisation. A business will only have a defence against prosecution if it can show it has demonstrable adequate prevention procedures in place.





# Umbrellas Can Protect You

Chris Bryce, Chief Executive,  
Freelancer and Contractor Services  
Association on how compliance  
needs to be part of everyone's  
work.







payroll and, crucially, their recruitment agency partners.

To manage these risks and keep business operations running smoothly, businesses must be aware of the potential dangers and implement measures to prevent compliance breaches and other illicit activities.

Reducing these risks of can be difficult, and the stakes are high. The repercussions of getting it wrong can range from fines and penalties to civil lawsuits and employment tribunals. But by helping recruitment agencies to develop the right plan, with the right safeguards and controls, umbrella partners can help agencies minimise the risk of errors and operate in a fully compliant way.

Fraudulent activity can be difficult to detect and prove, and the penalties for committing fraud vary by jurisdiction. To ensure that their business is operating as legally required, businesses must comply with tax laws and regulations.

However, it's not always clear-cut when it comes to tax compliance. To avoid breaches and ensure that all of an umbrella company's operations are in full compliance, they must have a comprehensive understanding of their tax and employment obligations.

Too often we see workers lured into signing up for non-compliant and illegal schemes. Most of these schemes offer take home pay rates which simply can't be compliant with tax regulations but that offer often goes hand-in-hand with phrases like 'fully tax compliant' or 'HMRC checked' or 'barrister's opinion'. It's easy to see how someone new or inexperienced could be duped into signing up with these schemes. But as well as the workers themselves, recruitment agencies have a big role to play in ensuring compliance.

## **Develop an effective compliance strategy**

The risks vary based on factors like industry, size, and location. An employment business's

Today's business environment is rife with risks. From cyber-attacks to data breaches, compliance failings and risk are constant concerns for employment businesses of all sizes. When it comes to umbrella companies – who provide payroll and employment services to contingent workers – the risk is not only to the business itself, but also to their employees – the workers on their



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Training employees about compliance requirements and control measures can help minimise your risk

Chris Bryce, Chief Executive,  
Freelancer and Contractor Services Association

🐦 in

compliance assurance strategy should be tailored to these specifics. They should include a variety of actions, like due diligence on suppliers, compliance training for employees and maintaining a culture of compliance as a priority.

Training employees about compliance

requirements and control measures can help minimise your risk, and ensuring your preferred suppliers are operating compliantly is a key requirement. This is a complex issue but it's one where your umbrella partners can be of great assistance. As experts in their field not only do they cope with the huge complexities and difficulties of employing and paying

contingent workers, but, properly assessed and accredited by a respected independent organisation, they can reassure their agency partners that the supply chain is compliant.

## Who is responsible for compliance?

Compliance is crucial when it comes to hiring a contractor or freelancer. But understanding who needs to audit what can be a minefield, and the buck often gets passed around, triggering various issues.

Ultimately, everyone in the supply chain needs to be compliant throughout their processes – from end clients, to recruiters, to umbrellas to the candidates themselves.

## What can happen when it goes wrong?

Well, let's take one specific example involving the Agency Worker Regulations (AWR). Put simply: once a 12-week qualifying period passes, agency workers are legally required to be treated equally to employees i.e. with



the same standard employment and working conditions. The temporary worker agency (TWA) must ensure the hirer has the right information to enable them to do this.

Specifically, they need to gain relevant comparator information (e.g. how much an employee in the same position earns). In addition, the TWA is required to reasonably resolve what the agency worker's basic working and employment conditions should be, then apply these where it lies within their responsibilities.

A real-life case is Stevens (the agency worker) vs Northolt High School (the end hirer). At an employment tribunal, Stevens was awarded £10,878 compensation – the total amount she'd been paid less than her counterpart. Northolt High School had to pay it, because the agency could demonstrate their multiple attempts to gain comparator information, yet the end hirer never fulfilled this obligatory request.

## Addressing compliance in your own supply chain

Here's where I tell you about FCSA.

FCSA membership is difficult to attain and maintain as FCSA insist on its members following the highest standards as set out in our Codes which are examined not by us but by external independent assessors.

Our panel of expert independent assessors undertake rigorous and regular testing of FCSA members and new applicants to make sure they meet the required standards for FCSA accreditation. As a result, our members can reassure their employment business partners that they're a fully compliant provider.

FCSA also offer the Supply Chain Partner scheme – it's specifically for recruitment agencies who solely use FCSA members. By joining as an FCSA Supply Chain Partner, it shows your commitment to compliance to end hirers and candidates, and demonstrates that the risk is mitigated for all parties in the supply chain. Working together with recruitment agencies and their own professional association, FCSA continues its mission to elevate compliance in a transparent and open supply chain for the benefit of everyone involved.



# Compliance Context

A budget that avoided the compliance question: Recruitment leaders comment on what they think of the Chancellor's Autumn Statement.



HM Revenue  
& Customs



## Jonathan Ellerbeck, Managing Director, Gravitas

I believe that the Autumn Statement highlights the reality of the economic position we are in. Whilst I do believe some good things came out of the statement for recruitment including the largest-ever increase to the national living wage, I feel that it left many questions unanswered and highlighted just how much work is still to be done. I feel that the failure to address IR35 off-payroll legislation also continues to add to the air of uncertainty within recruitment. The government needs to address the to-ing and fro-ing within IR35 and answer the main questions that contractors have. The uncertainty and current market conditions might lead to some seeking permanent employment as a result of this budget. However, as contracting is also a lifestyle choice and not just down to money, only time will tell. We all know that market sentiment drives market performance – and I hope moving past the “mini-budget” fiasco will put us back on a more even keel and will bring with it more overall confidence.

“I feel that the failure to address IR35 off-payroll legislation also continues to add to the air of uncertainty within recruitment.”

I do want to add that I believe the recruitment industry to be certainly a very robust one – and as we have almost been in a state of ‘Permacrisis’ for the last 3 years and still seen some record performances around the industry – I fully believe we are back on the right path again heading into 2023.”

## Alex Cheney, Director, Wilbury Stratton

The Autumn Statement is set to have a major impact on recruitment and the acquisition of talent across the UK. The lowering of the Additional Rate of Income Tax threshold will affect high earners, while the freezing of the threshold will capture more people over time too. Of course, this

will see their finances affected.

Meanwhile the new Energy Price Guarantee of £3,000 from April 2023, some £500 more than the current guarantee, combined with the rising cost of living will put further pressure on employees.

As a result, talent will likely be looking to maximise what they get for the expertise they offer, not just in terms of wage, but also in terms of job satisfaction. Companies which place their workforce at the heart of what they do, and actively tackle key issues such as inclusion and diversity, and environmental sustainability, as well as providing a competitive wage structure are likely to be the ones which stand out to talent.

## Lewis Maleh, CEO, Bentley Lewis

Although the budget is not the best news for people and businesses, the necessity for the government to balance its accounts shouldn't come as a surprise. The corporation tax rate for firms will rise from 19 per cent to 25 per cent in the upcoming year, which will have a considerable impact on their ability to add new staff and invest in new products and services. It appears as though a challenging few years are ahead for UK businesses due to the income tax increase, numerous people struggling with the rising cost of living, rent, and mortgage payments, which will restrict consumer purchasing. Hiring will differ by industry, but I anticipate organisations to be more cautious and thoughtful before employing.

## Chris Bryce, Chief Executive, FCSA

FCSA is disappointed that the Chancellor of the Exchequer, Jeremy Hunt, did nothing to address the problems of IR35 in his Autumn

Statement. Following the hokey-cokey non-repeal of the 2021 IR35 extension by his predecessor, Hunt and his Prime Minister, Rishi Sunak, seem content to let this thorny issue slide off the radar altogether. It's not even clear whether Liz Truss' promised review will now go ahead. Other measures in the Chancellor's statement, such as the

reduction in dividend tax allowance, weren't contractor-friendly either. The recent scrapping of the Office for Tax Simplification is also disheartening – we have an 19th Century tax system struggling to cope in a 21st Century world – radical simplification and modernisation should be the order of the day.





## Mandy Watson, Managing Director, Ambitions Personnel

The proposed increases to national minimum wage and national living wage will have a huge impact on businesses who employ high volumes of low-skilled workers. Pushing businesses in manufacturing/production industries down the route of automation.

This will no doubt have a huge impact on businesses involved in all labour-intensive sectors. They will have to look carefully at their outgoings and profit margins to ensure that they can absorb this sizable increase of 9.7 per cent.

## Ged Mason OBE, CEO, Morson Group

It was fantastic to hear the Chancellor prioritise energy and infrastructure, linking spending priorities and jobs. The green light for Sizewell C will create 10,000 new career opportunities and act as a catalyst for skills throughout the nuclear supply chain, plus, this

week we saw BAE Systems awarded a £4.2bn defence contract for the Royal Navy, accounting for 40,000 jobs, and not forgetting the £billions being invested into multiple rail projects up and down the country.

But in the case of many technical sectors, the UK's resilience is only possible if we have the skillsets to tap into when required – and with several pinch points predicted as major projects overlap, we face a burgeoning skills crisis. Talent specialists must work collaboratively with education providers to inspire, engage and develop future talent, and as a company that is already working with the University of Salford and IntoUniversity by supporting local people with STEM scholarships, training and apprenticeships, it was also fantastic to hear firm commitments on education and skills, including linking investment zones to universities in 'left behind' areas.

Whilst young people provide a long-term solution, we must also focus on attracting the thousands of people needed

immediately, with upskilling, reskilling and attracting transferable skills from sectors that have a surplus, all having a role to play; because realising the Chancellor's vision of world class innovation will depend on our ability to promote technical sectors as an aspirational career for all.

"It was fantastic to hear the Chancellor prioritise energy and infrastructure, linking spending priorities and jobs. The green light for Sizewell C will create 10,000 new career opportunities and act as a catalyst for skills throughout the nuclear supply chain."

## Ben Keighley, Founder, Socially Recruited

With record inflation and soaring energy costs proving to be an albatross around the neck of UK businesses, many would have been looking to the Autumn Statement for measures to help them shoulder the burden. Yet the increase in corporation taxes announced by the Chancellor will only add to the weight at a time when their finances are already feeling the pinch.

When it comes to recruitment, agile and targeted strategies, such as social media recruitment, will be essential to reach and secure the best talent quickly while reducing the costs and time associated with hiring.

Meanwhile the 'fiscal drag' effect of freezing basic and higher rate tax thresholds and reducing the top rate will motivate many job seekers to look for higher salaries and bonuses to try to offset the stealthy squeeze on their income.



## Alex Dick, Managing Director, Alexander Lyons Solutions

Jeremy Hunt warned us the autumn statement was going to be about 'sacrifices' and he didn't disappoint, with sweeping tax increases and spending cuts. In truth, nobody was expecting anything less given the astronomical sums needed to keep the UK economy afloat after having been battered by Brexit, COVID-19, and now a war in Ukraine.

For the recruitment industry it's business as usual. Companies still need talent sourced to remain competitive, workers need more pay to cover the cost of living, and high performing recruiters must stay ambitious and focussed. The government's measures should only impact ALS in terms of heating bills. We're fortunate in that we only hire experienced recruiters, who work with high calibre candidates in professional industries with robust demand.

"The number of cyberattacks on businesses increased by almost 70 per cent in 2021, with two in five of those targeted at SMEs."

Any recruiters who feel they are not up to the challenge of the next few months, I would say that while conditions may be tougher, they're not insurmountable, but that means stepping up your game. Be stringent with your time. Think outside of the box to deliver for your clients. Reach out to past candidates with unique opportunities, and most importantly stay positive and have fun.

### **George Barnes, Co-founder and Director, Hamilton Barnes**

The Office for Budget Responsibility has said the economy is shrinking and Jeremy Hunt has acknowledged that we're in a recession. But I firmly believe that the expected economic

downturn will pass the tech industry – and specifically cybersecurity – by and there are a number of reasons for that line of thinking.

Cybersecurity has often been an afterthought for many businesses – so much so that, in the 'old days', SMEs would struggle to get cybersecurity funding until they were the victim of an attack. Only then does it become a priority.

But that couldn't be further from what's going on in 2022. The sector is booming like never before, albeit partly fuelled by necessity, with investments ramping up in response to soaring levels of cybercrime during Covid.

The number of cyberattacks on businesses increased by almost 70 per cent in 2021, with two in five of those targeted at SMEs, because security policies weren't agile enough to prevent or mitigate against malware, phishing, ransomware, denial of service attacks, and SQL injections, amongst other threats, when employees started working remotely.

So, it's now a case of 'how can you afford NOT to invest in cybersecurity?' and this changing landscape has prompted a resurgence in recruitment in the sector, with 30,000+ vacancies open in the current market. This 'candidate-driven' market is driving up salaries as companies are forced to throw money at the problem to compete and attract the best talent. We're seeing cyber positions that used to pay £80k pa being advertised at over £110k pa and organisations that are struggling to keep up are looking at younger candidates. Fresh graduates are being offered salaries of £50k+ pa when their only cyber experience is studying it in a textbook.



## Richard Vickers, CEO, Search Recruitment Group

I expect the increase to the national living wage will stimulate the recruitment market, particularly for blue collar workers, which has been a long time coming. As a national recruitment firm working across a number of industries, we've been busier than ever helping all businesses navigate the talent shortage. A rise in wages is helpful to attract talent and is something that the smartest companies, working with recruiters for guidance, have been offering to lure the best people into the workforce.

As the chancellor stated, employment levels are still yet to reach that of pre-pandemic levels, and the recession combined with a

"Employment levels are still yet to reach that of pre-pandemic levels, and the recession combined with a talent shortage means that recruitment firms are needed now more than ever."

talent shortage means that recruitment firms are needed now more than ever. Clients we work with now, through education and experience, already appreciate that there is a requirement to offer a leading-market competitive rate in terms of remuneration. They are prepared to pay a higher recruitment fee to find those candidates first.

I suggest that employers struggling to fill vacancies and worried about wage inflation remain nimble and work with experts who will advise them on how the market is behaving today and advise them accordingly.

## Simon Roderick, Managing Director and owner, Fram Search

The budget wasn't in any way business friendly. Freezing NI thresholds was nothing more than a tax on employment. However, business leaders are now much more immune to the winds of political change. The UK remains a great place to do business, full of creativity and funding opportunities, and ultimately business leaders are judged on

growing their businesses – animal spirits won't be diminished. 2023 may be more muted than it needed to be, but we feel the employment market will remain robust.

## Sam Smith, EMEA President, Magnit

Leaders can certainly take concrete steps to keep their business healthy and manage risks during this time.

Start with your workforce. Your people are your business, so tap into the data and look for key insights. According to our data, employees see salary as the most important factor when choosing a new role. It's more important than ever for organisations to pay attractively, by regularly comparing and analysing to ensure they stay in-line with market rates. Ensure that you aren't in danger of over-hiring, and that salaries are in line with market trends and talent expectations. Now's the time to use your workforce data to revisit your management plan and ensure you keep your business on an even keel.



# Making Compliance Your Business

Laura Hayward, Group Director at Sellick Partnership discusses the challenges of compliance and how recruitment agencies must make this part of their everyday work.





Compliance in the recruitment industry has become increasingly important over the last few years as requirements constantly evolve and change, sometimes at very short notice. It is therefore vital to take a diligent, proactive and responsive approach to compliance at all times.

## Candidate verification

Since the COVID-19 pandemic began recruiters have had to adapt quickly to changing market trends and new ways of working, particularly when it comes to verifying the identity and qualifications of candidates. Due to the restrictions imposed by the pandemic, the government introduced a temporary remote verification system which has since become permanent and has been a positive change in the recruitment industry.

Verifying a candidate involves the following steps:

- Confirming a candidate's Right to Work status using a government-accredited




approved app, which confirms their identity using their UK or Irish passport.

- Those without a valid UK or Irish passport will need to provide a share code, which tells recruiters what the candidates' work status is, and whether this is under the EU Settlement Scheme or another form of work permit.
- Recruiters will also need to check the candidates' qualification status with relevant industry regulators. For example, when hiring for solicitor roles, a recruiter

will need to check with the Solicitors Regulation Authority to confirm that they have a valid practice certificate, and whether they have any conditions or findings against their name.

It is imperative that recruitment businesses do not put forward candidates for roles without checking their Right to Work status, as this may put the business at risk. Engaging a person who does not have the right to work in the UK is incredibly serious. This could involve criminal proceedings and an unlimited government enforced financial





“Recruitment businesses need to make sure they respond appropriately to all compliance changes no matter how big or small they might be.”

fine – either for the recruitment firm and/or the organisation they are “working for”. Additionally, from a commercial point of view it would almost certainly mean the end of the business relationship as ultimately there would be a loss of trust between the recruiter and the end client.

## Be responsive but considered

The last few years have been marked by significant shifts in the regulatory landscape.

Factors such as Brexit, the COVID-19 pandemic and an unstable political climate have meant that recruiters have had to deal with several major changes in regulatory standards, often at short notice. As such, recruitment businesses need to make sure they respond appropriately to all compliance changes no matter how big or small they might be.

An example of an established change that required a detailed response from all organisations is the implementation of the

General Data Protection Regulation (GDPR) in 2018. Many businesses had to implement clear policies and processes to adhere to the new legislation, such as:

- Introducing new processes to ensure that ‘right to be forgotten’ requests can be actioned in a timely manner.
- Providing clear information via the company website on GDPR policies on processing and storing personal data

which ensures that customers, clients and regulators can see how the business is complying with the rules.

- Implementing a dedicated GDPR person or team to deal with all queries and requests.
- Reviewing data policies annually to make sure everything is up to date.

To provide another example, it was announced in the recent September 2022 mini-budget that the changes made to IR35 tax law in April 2017 and April 2021 were to be repealed. This caused so much uncertainty for candidates, clients and recruitment firms who have worked exceptionally hard to implement these changes over the last five years. Just one month later, the decision was once again reversed by Jeremy Hunt.

These examples demonstrate that when it comes to legislation announcements, recruitment businesses should carefully manage the expectations of candidates and

clients until concrete plans are put in place, and until you can confidently and safely advise them on the new processes and what it means for them.

## Invest in Compliance

The case for recruiters to invest in an in-house compliance function has never been stronger. As compliance requirements are constantly evolving and the volume of documents increases, many recruiters have realised the value of employing a dedicated person or team to make sure that everything is covered. Sellick Partnership have a very established, experienced compliance team who are highly specialist in what they do. We were delighted to be shortlisted for the Recruiter Awards Most Effective Compliance Operation 2022.

Most recruitment businesses will be subject to regular external audits, whether these are routine organisational audits by HMRC or assessments of specific contracts and service provider agreements. This is

particularly common for recruiters who deal with public sector organisations or highly regulated industries. In these cases, it is not uncommon for audits to happen on a monthly basis.

Failing an audit can be disastrous for a recruiter's brand integrity and supply chain stability. The best way to avoid this is to commit to a rigorous culture of internal auditing, ensuring the business holds itself to the highest possible standards of compliance.

Ultimately, recruiters need to realise that compliance requirements are likely to become even more demanding in the coming years, meaning that investment in your compliance function will be more important than ever. By having a dedicated compliance person or team in place companies can be confident that they are able to respond to the latest changes as they arise, ensuring that they can safeguard their own business as well as their candidates and clients.

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