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TIME SAVED, VALUE UNTAPPED

A LOOK AT THE FUTURE
WORK RIGHT

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WELCOME

SIMON KENT
EDITOR

Compliance in the recruitment industry has always been contentious and challenging for recruitment businesses. As successive Governments have changed priorities (and some resident Governments have changed priorities too) the sector has frequently found itself both in the direct firing line and indirectly as the implications of policies around other parts of the workforce have played out to their full extent.

As JSL enters the frame, and perhaps even more so the Employment Rights Act there could be a genuine chance for recruiters to realise something which has always been suggested, but rarely materialised: compliance as a value adding activity.

Sure, everyone wants the assurance that they're accessing the skills they need in a legal and compliant way, but what if they were also able to access the knowledge and thinking they needed to plan ahead – to ensure they stayed one step ahead in the talent game while others scrambled to keep up.

Contingent, hybrid and casual workforces offer the promise of agility and flexibility for employer, so shouldn't recruiters show them how this is achievable and how you can get the best people in the best way at the best time?

The new Act – and other changes in the employment landscape – offer this possibility. It is time for recruiters to take advantage. ■



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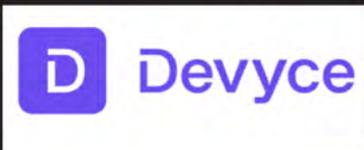
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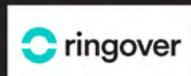
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Publisher: Gary King
gary@theglobalrecruiter.com

Business Development Manager: Taireen Hussain
taireen@theglobalrecruiter.com

Editorial: Simon Kent
editorial@theglobalrecruiter.com

Director: James Osborne
jamestherecruitmentnetwork.com

Advertising:
sales@theglobalrecruiter.com

Design & Production: Ioan Lucian Sculeac
lucian@theglobalrecruiter.com

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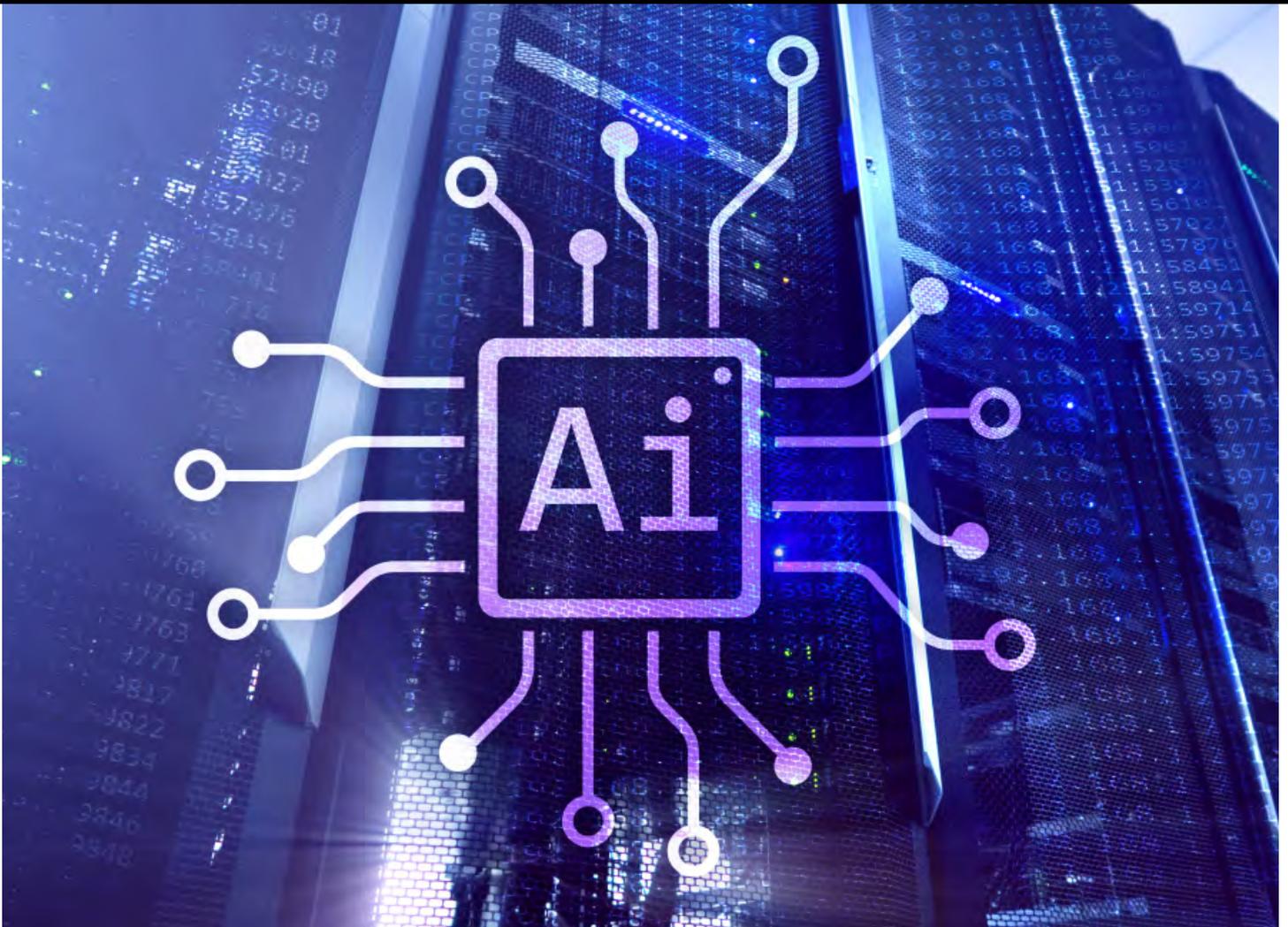
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THE ADECCO GROUP TO SCALE AGENTIC AI AT SPEED

The Adecco Group have announced a major step forward in its pioneering approach to human-centric AI and technology deployment. The company have signed a new, multi-year agreement with Salesforce through 2027, for unlimited global access to Agentforce 360, the complete portfolio of Salesforce solutions that powers the Agentic Enterprise – connecting apps, data and AI agents on one trusted platform. By strengthening its established partnership with Salesforce, the Group's three global business units, Adecco, LHH and Akkodis, will accelerate the deployment of agentic AI at scale, across multiple key markets.

Adecco has already demonstrated strong success in the UK, where AI agents from Agentforce

360 have been deployed in key elements of the recruitment process to free up time for quality human-human interaction, improving both client service and candidate experience. By automating routine tasks, Agentforce 360 has helped Adecco generate 15 percent time savings, and has significantly reduced time-to-fill, increased fill rates, and lowered cost-to-serve.

The rapid scaling of agentic AI is supported by the Group's global operating model, which includes integrated onshore delivery centres and nearshore and offshore hubs in India, Poland, Mexico and Morocco. The strategic focus is on growing strong human connections through its omni-channel network in more than 60 countries. >

Denis Machuel, CEO the Adecco Group, said: “We continue to be the pioneer of human-centric AI implementation. Unlimited access to Agentforce lets us rapidly scale proven agentic AI solutions globally and across our brands. This will improve our service speed, quality and reliability, freeing our people to focus on the human interactions that made them choose this career.

“The world of work is being accelerated by AI and the Adecco Group is working as a strategic partner to help guide our 100,000 clients with the strategic workforce reorganisation and people and talent strategy required to drive business impact with AI implementation. This agreement allows us to create real value for clients, candidates and our people.”

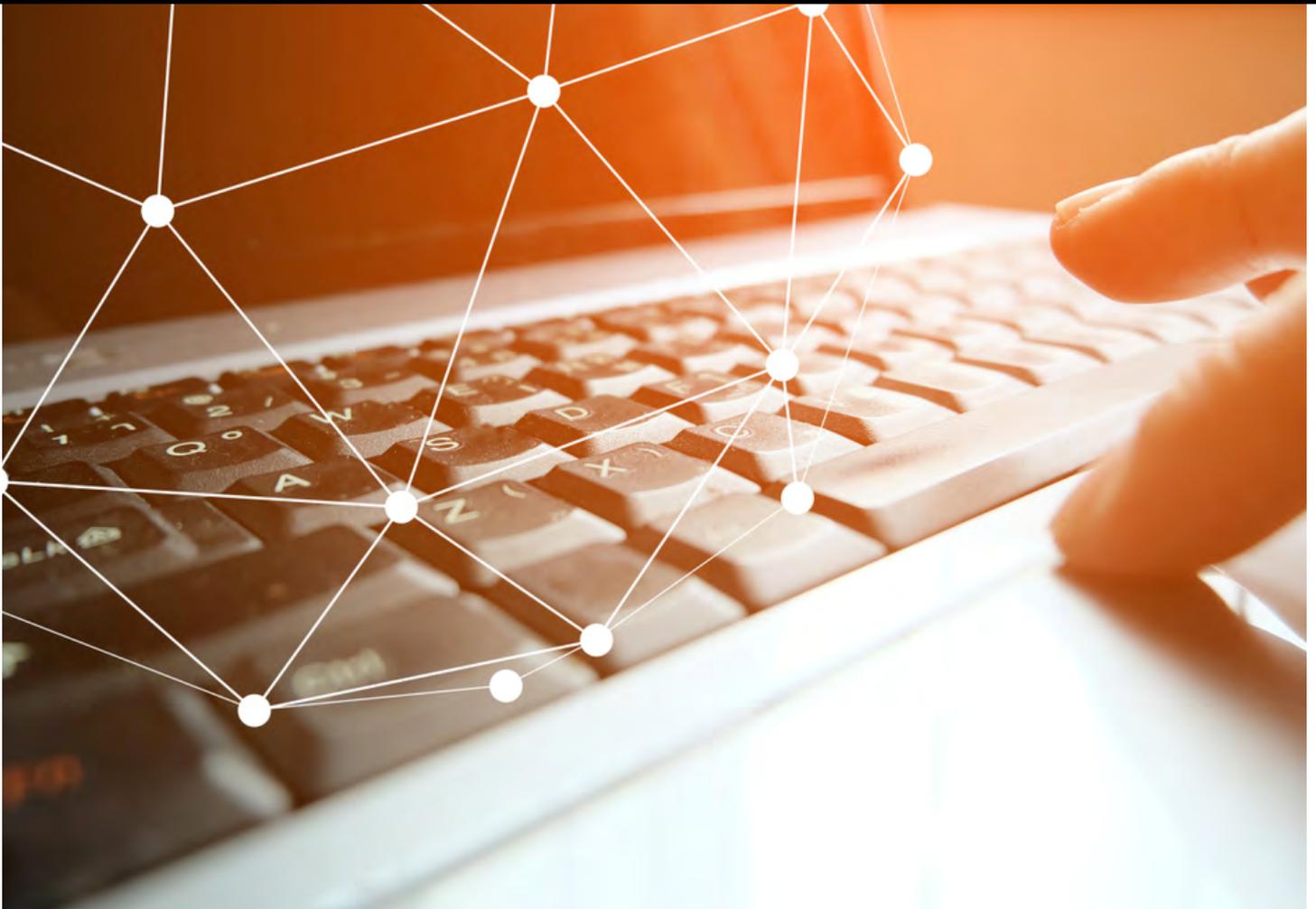
Madhav Thattai, EVP & GM Agentforce, Salesforce, said: “By moving beyond experimentation to a full-scale agentic enterprise, the Adecco Group is proving that autonomous agents can deliver the determinism and predictability needed to power a global business. Powered by Agentforce 360, Adecco now has the ‘always-on’ foundation to connect millions of job seekers with career opportunities using agents to drive 50 per cent of their revenue by the close of 2026. This partnership represents Salesforce vision as humans and agents work together on a single, trusted platform to deliver business outcomes, at scale.”

With Data 360, the trusted enterprise context foundation for Agentforce 360, Adecco Group was able to unify data across more than 30 Salesforce instances and enterprise systems into a single, real-time candidate profile, giving its circa 27,000 recruiters the visibility needed to match talent faster, prioritize efforts, and fuel agentic workflows globally. The global launch of Agentforce Voice is set to further accelerate this momentum, driving higher recruiter productivity, faster placements, and a superior experience for every candidate.

The next phase of deployment for Adecco will focus on orchestrating additional agents in the UK, expanding implementation in France and other key geographies, and extending agentic capability across nearshore and offshore hubs. This will enable smaller countries to benefit from enhanced competitiveness and fulfilment quality.

The Adecco Group’s strategy is to leverage AI with human-centricity at the heart. The company is firmly committed to responsible, scalable AI innovation as it continues to reinvent its operating model to meet the changing needs of clients and candidates worldwide. Akkodis and LHH will continue to develop their end-to-end recruitment processes building on the processes developed by Adecco, leveraging this agreement. ■





DIGITAL 'V-LEVELS' INTRODUCED TO HELP BRIDGE THE UK'S AI SKILLS GAP

The UK government has announced a new digital V-level qualification designed to help tackle the country's growing AI and digital skills shortage while simplifying England's complex post-16 education system.

Launching from 2027, 'digital' will be one of the first subjects available under the new V-level qualification, alongside education and early years and finance and accounting. V-levels will sit between A-levels and T-levels as a third Level 3 route, allowing students to combine vocational learning with traditional academic subjects.

The reforms aim to streamline the current mix of qualifications – which includes A-levels, T-levels, BTECs and other technical courses – into three clearer pathways, which are A-levels (academic), T-levels (technical), and V-levels (vocational).

Ministers say the digital V-level will give students a flexible way to build practical digital and AI-related skills without committing to a highly specialised technical pathway at age 16.

Education Secretary Bridget Phillipson said the reforms are also intended to challenge the perceived hierarchy between academic and vocational routes and support the government's ambition to ensure two-thirds of young people are in education, training or apprenticeships by age 25.

The qualification is being introduced as businesses warn that AI adoption is outpacing workforce skills. While the UK is currently the third-largest AI market globally, industry leaders say the country risks falling behind without urgent investment in digital capability. >

Each V-level will be equivalent in size to one A-level, enabling students to combine digital studies with subjects such as maths, economics or English, creating a more flexible pathway into university or the workforce.

The wider reform programme will roll out gradually, with full implementation planned by 2030, while colleges and training providers prepare transition plans over the next four years.

“The introduction of digital V-levels as an important step toward closing the UK’s AI skills gap,” commented Sheila Flavell, CBE, COO of FDM Group. “Graduates are entering a job market where entry-level roles are shrinking, yet AI and digital capabilities are becoming essential for nearly every role. Flexible vocational qualifications like digital V-levels give students the opportunity to gain practical, industry-relevant skills alongside academic study, helping them become job-ready and future-ready.

“However, qualifications alone aren’t enough,” she adds. “Employers, government, and education providers must work together to build strong early-career pipelines, offering hands-on experience and structured training. Only then can the UK develop

a workforce capable of navigating the next decade of AI-driven transformation.”

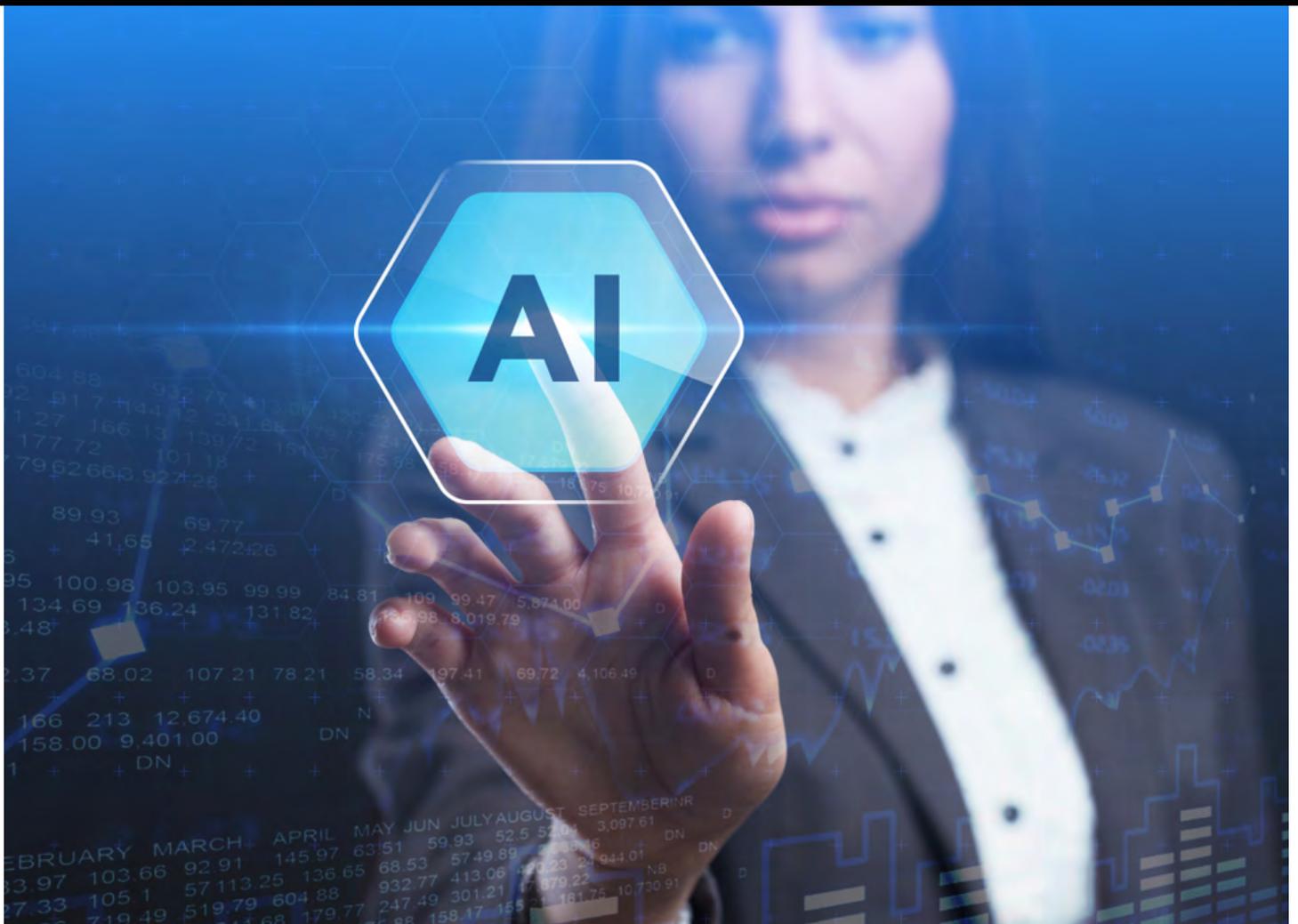
Elizabeth Anderson, CEO of the [Digital Poverty Alliance](#), commented: “The introduction of digital V-levels is a positive step towards preparing young people for an economy increasingly shaped by AI and digital technologies.

“However, these opportunities will only be meaningful if all students can access the tools needed to participate. For many young people across the UK, reliable connectivity and access to a suitable device such as a laptop cannot be taken for granted.

Anderson notes that digital poverty remains a significant challenge for the country with around 19 million people in the UK experiencing some form of digital exclusion, and one in five children are affected by digital poverty.

“As we work to strengthen the UK’s digital and AI skills pipeline, we must ensure that progress does not leave some young people further behind,” she says. “Digital innovation should expand opportunity, not deepen existing inequalities.” ■





70% OF EMPLOYEES 'EXPERIMENTING' WITH AI

Research commissioned by The Access Group and conducted by YouGov has found that the majority of British employees using artificial intelligence at work have never received formal training on it, raising serious questions about productivity, accuracy and accountability as AI adoption accelerates across UK businesses.

The study found that while 44 per cent of employees polled are now using AI tools at work in some form, the way they are doing so reveals a deeply informal skills landscape. Among those using AI, nearly seven in ten (70 per cent) say they are simply experimenting with tools in their daily work, yet fewer than one in five (19 per cent) have actively taken any AI training or courses. A further 30 per cent are learning through informal tip-sharing with colleagues, rather than structured development.

Business decision-makers are only marginally ahead. Across HR and business leaders surveyed, 68 per cent are similarly in experimentation mode, with just 32 per cent engaged in formal training, suggesting that the informal approach to AI skills is a cultural pattern.

Perhaps the most striking revelation is that employees are largely unaware of their own exposure. Despite the majority having received no formal AI education, just 3 per cent cite lacking the skills to work with AI as their biggest workplace fear, pointing to a gap not just in capability, but in self-awareness. The risks of unchecked AI use including errors, misapplication, and accountability gaps are therefore largely invisible to those most exposed to them. >

Caroline Fanning, Chief Employee Success Officer at The Access Group, says “The data is telling us something important: employees aren’t resistant to AI – they’re enthusiastic but navigating genuinely new territory. And so are the leaders responsible for supporting them.

What matters is that businesses respond with structure, guidance and a genuine will to educate. At Access, we’ve committed to that by building a learning ecosystem where skill development is continuous, personalised, and directly linked to career aspirations.

“Because an AI-ready workforce isn’t built by accident,” she adds. “It’s built by investing in people at every level – from the front line to the boardroom. The organisations that will thrive won’t be those with the most advanced AI tools. They’ll be the ones whose people know how to use them with confidence and accountability – supported by an HR function acting as the architects of future-ready businesses.”

At Access, this commitment is already in action. Since July, the company has launched over ten AI learning programmes – spanning Claude and Copilot 101s, Prompt Engineering, AI change management for engineering tracks, leadership AI adoption, alongside 119 AI apprenticeships, giving every employee an AI role-relevant path to becoming Future Ready.

The research also highlights a significant non-adopter population that risks being left behind.

More than one in four employees (26 per cent) say they have no plans to use AI at all, while a further 8 per cent are only in AI pilot programmes not yet accessible to them.

As AI reshapes workflows and job requirements, those who have not yet engaged face a growing disadvantage, and many may not receive the support they need. Just 33 per cent of employees called for government-backed retraining support as AI changes the nature of jobs, despite nearly four in ten not currently using the technology.

When asked what would most increase their confidence in using AI at work, employees pointed to practical reassurance over technical solutions. Job security guarantees (18 per cent) and proof that AI would make their job easier, not harder (9 per cent), ranked above formal training (7 per cent) suggesting that confidence barriers are rooted in trust as much as skill. Understanding what AI can and cannot do (8 per cent) also featured, pointing to a fundamental literacy gap that access to tools alone cannot address.

On the employer side, the priority use cases for AI within HR are clear: 44 per cent of business leaders want AI to reduce time spent on routine administration, while 34 per cent are looking for faster access to insights from people data. Yet without a workforce that understands how to use AI tools effectively, those ambitions risk going unrealised. ■





UK IS TOP GLOBAL HUB FOR STARTUP HIRING

Global HR and payroll platform, Deel, has launched its annual State of Global Hiring Report, revealing that the UK has become the number one destination for startups hiring global talent in pursuit of growth.

Among the nearly 100 startups founded between 2020 and 2025 that raised \$100M+ in funding, the UK accounted for 12.2 per cent of cross-border hires – the highest share globally. The UK is closely followed by Canada (11.9 per cent), Germany (8.8 per cent), Australia (5.8 per cent), and Spain (5.2 per cent) – all high-income markets.

The report also shows that the UK consistently ranks among the top worker-source countries across every major hiring market, underlining strong global demand for British talent. “UK talent is gravitating back toward London, and global employers are following,” said Lauren Thomas, Economist at Deel. “The renewed pull of the capital is a major reason the UK is leading the world in startup hiring.”

This UK momentum sits within a broader set of global hiring shifts captured in Deel’s 2025 State of Global Hiring Report. Drawing on data from more than one million worker contracts spanning 37,000+ companies in 150+ countries, the report outlines major global labour market trends.

AI Is Creating Jobs, Not Just Replacing Them

The report reveals a rapid emergence of AI trainers as a new, expansive global profession that barely existed two years ago. Over 70,000 workers now train AI systems across more than 600 organisations, performing tasks from basic data annotation to expert-level feedback in medicine, economics, and translation.

General AI trainer roles grew 283 per cent cross-border in 2025, making it the single fastest-growing role on Deel’s platform.” >

Additional key findings on AI trainers include:

- Pay is sharply bifurcated: 30 per cent of trainers earn \$15–20/hour for annotation work, while 19 per cent earn \$50–75/hour, and 6 per cent earn \$100+/hour for subject-matter expertise.
- 58 per cent of AI trainers are based in the US, followed by India (7.2 per cent), the Philippines (4.6 per cent), Canada (2.1 per cent), and Kenya (1.7 per cent).
- A gender pay gap persists: in the U.S., male AI trainers earn a median of \$50/hour vs. \$30/hour for female trainers, driven by occupational segmentation across specialisations.

The Urban Boomerang: Remote Workers Are Moving Back Toward Cities

After a pandemic-era exodus from major cities, remote workers are gradually migrating back. The average distance of cross-border employees from major urban centres has declined every year since 2022 (when Deel began tracking this metric). In the U.S., workers are now as close to cities like New York, Los Angeles, Chicago, Houston, and San Francisco as they were in 2021. Similar patterns appear in London and Paris.

Global Compensation: Leadership Roles Drive Pay Growth, Regional Gaps Widen

Salary growth in 2025 concentrated in senior leadership positions, but the drivers varied dramatically by region:

- S. project managers led all roles at 24.5 per cent compensation growth, followed by COOs (21.6 per cent) and CEOs (20 per cent).
- COOs in Latin America saw 99.8 per cent compensation growth – nearly 5x the U.S. rate for the same role.
- Singapore CTOs experienced 101 per cent pay growth, but other tech roles in the same market contracted.
- LATAM financial analysts saw 195.5 per cent compensation growth, reflecting the rapid professionalisation of operational roles in emerging markets.

- LATAM call centre agents gained 210.8 per cent even after excluding top employers – signalling broad-based demand, not isolated company effects.

Workers Are “Currency Hopping” to Protect Earnings

As part of the “currency hopping” trend, contractors in economically volatile markets with high inflation are increasingly choosing USD or stablecoins over local currencies to protect their purchasing power.

- USD appeared in 5 of the 10 most common country-currency payment combinations globally in 2025.
- In Argentina, more contractors chose USD than their local currency.
- Bolivia’s USD adoption directly tracks inflation: when inflation rises, contractors shift to USD; when it stabilises, local currency rebounds.
- Argentina leads stablecoin adoption, followed by Cameroon, South Korea, Turkey, Vietnam, Tajikistan, Sri Lanka, and Ukraine.
- When Croatia and Bulgaria adopted the euro, workers didn’t fully switch – many maintained USD as a hedge alongside their new local currency.

“The rise of ‘currency hopping’ and stablecoin payments is a direct signal that workers are taking global mobility into their own hands,” said Kristine Lipscomb, General Manager of Global Mobility at Deel. “When a contractor in Argentina chooses to get paid in USD or stablecoins instead of pesos, it’s not just a financial decision. It’s a vote of confidence in the global, borderless economy. Companies that want to attract and retain the best talent worldwide need to offer the flexibility to match how modern workers actually want to be paid.”

The full 2025 State of Global Hiring Report is available at <https://www.deel.com/global-hiring-report-2026/ent>. ■



M&A DEALS FALL IN UK RECRUITMENT, AS PE INVESTMENT SOFTENS – BDO

A report from BDO has found M&A activity in the UK recruitment market fell in 2025, as economic headwinds dented growth prospects and softened investor appetite.

Last year, a total of 97 deals were completed in the market. This was down by 10 per cent compared to the previous year – a year that saw M&A deal volumes bounce back. Private equity investment also softened in 2025, with PE transactions declining from 17 per cent of total deals in 2024 to just 8 per cent in 2025. This highlights the impact of rising costs and economic uncertainty on business growth, making PE returns more difficult to achieve.

Overseas investment was also down on 2024 activity, falling to 13 per cent of total deals (20 per cent in 2024), demonstrating more caution from international buyers. However, VC transactions increased in 2025, representing 14 per cent of all deals during the year, with trade making up 62 per cent of buyers in 2025, with industrials, healthcare and IT subsectors leading the way.

The BDO 2026 Recruitment M&A Annual Report shows that recruitment technology continues to play a pivotal role in shaping the sector, with 92 per cent of VC investment in this space during 2025. This is consistent with a sector that is becoming more focused on AI, data analytics and other technology. >

James Fieldhouse, M&A Partner at BDO, the accountancy and business advisory firm, said: “2025 proved to be yet another challenging year for the recruitment industry with many businesses focusing their efforts on streamlining inhouse processes and keeping costs down. Investment into recruitment was put on hold for many as businesses tried to navigate the ongoing economic headwinds.

“It also proved to be a difficult year for the recruitment M&A market,” he continued. “Deal volumes were down in 2025 as businesses focused on weathering the economic storms, with capital being allocated to structural and operational changes as opposed to acquisitions. This represented a significant opportunity for those acquirers willing to deploy capital in a temporarily less competitive market.”

Despite the drop in transactions, there were a number of standout deals in 2025. Taskmaster, a UK industrial staffing firm backed by Adama Capital, acquired RE People, an industrial recruitment firm providing blue and white collar staffing solutions; RCapital Partners acquired a majority stake in Gap Personnel, the nationwide industrial recruitment agency; and Org Group, the Ireland-based organisational engineering services provider acquired Venturi Ltd, the UK-based IT recruitment firm.

Fieldhouse commented: “Technology continues to play a pivotal role in shaping the future of the recruitment industry. Those who have failed to adopt will no doubt have suffered over the last few years, but many have successfully implemented technology into their processes, streamlining operations and cutting costs

when headline growth has been challenging. We continue to see recruitment platforms and software to be a highly sought after part of the market and unsurprisingly the majority of deals involving venture capital were in this space.”

He continued: “As we move forward in 2026, the feeling is one of stabilisation. Employers are moving away from volume recruitment to a more strategic approach focused on critical roles. Recruitment demand continues to vary by sector, with further activity expected in areas such as digital and AI, green energy, healthcare and advanced engineering.

“While it remains to be seen what impact the war in the Middle East will have on investment appetite and how that translates into the market, M&A activity is expected to rise in 2026 – subject to economic uncertainty easing and interest rates continuing to fall. We also expect to see more interest from private equity as they drive activity through buy and build strategies to increase scale and capability. Companies with strong management teams and high quality of revenue visibility in growing end markets, will command premium valuations. Success will also be driven by operational efficiency and increased use of technology within the recruitment process.”

The BDO report highlighted that the UK recruitment market declined in value by 3 per cent to £25 billion in 2025 – the first reduction since the pandemic, with permanent job vacancies also falling during the period. However, the overall recruitment market outlook remains optimistic, despite annual compound growth forecast to fall over the next six years from 3.7 per cent to 1.4 per cent. ■





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A LOOK TO THE FUTURE

Mike Rogers, Chief Services Officer at Kingdom People discusses how recruiters can plan ahead and address upcoming challenges in 2026.

RECRUITMENT

With the temporary staffing industry experiencing a shift in demand around the typical peaks of Black Friday and the run-up to Christmas, many recruiters are experiencing their quietest period and will be taking the time to prepare effectively for the rest of the year. But how can recruiters prepare properly when the industry, and the wider economy, becomes more difficult to predict? >



In 2025, the rise in employers' NI and the upcoming Employment Rights Bill, as well as reduced consumer confidence and the continued cost of living crisis, impacted how businesses were recruiting. Recruitment for temporary staffing, which is dependent on how much people are spending in shops and online, on food, business supplies and more, felt the squeeze when consumers cut down on non-essentials or altered their spending habits.

The economic landscape has altered how businesses are approaching their recruitment needs. In the last three months of 2025, the number of job vacancies in the UK hit 734,000. While this was a slight increase of 10,000 from the period prior, overall vacancy numbers are fairly flat, suggesting a cooling labour market.

In turn, the number of employed people in the UK has continued to fall, reflecting weak hiring across many industries. According to the ONS, the number of employees on payrolls fell by 43,000 in December, leading to the rate of unemployment remaining at a four-year high of 5.1 per cent. This market uncertainty leads businesses to be hesitant about their own growth, with many businesses feeling the effects of people spending less, while their margins narrow considerably due to rises in national minimum wage and NI rises.

Recruitment's links with the economy

In 2025, we saw just how clearly expected peaks in recruitment could change along with the economy. Over Black Friday and Christmas, the typical 10-12-week peak from October to December shortened considerably to just 3-5 weeks of peak consumer spending. This was driven by consumers waiting until closer to Black Friday to get the best deals, and relying on last-minute price slashes to make savings.

The cost of living also means people are less inclined to splurge on items they don't need, and rather scour for the best deals on essentials. Consumer confidence fell by 1.1 per cent in the final quarter of 2025, according to the Deloitte Consumer Tracker, suggesting a larger proportion of people are spending only what they need, or have budgeted for. This was put down to a fall in household disposable income, a drop in sentiments around job security and career progression – and with these sentiments unlikely to shake anytime soon, recruiters and businesses must adapt to how consumers will be spending in 2026. >



The power of agile

When their margins are tightened, businesses are prioritising agencies that can provide the most efficient workforce, both with reliability and with flexibility to scale up or down depending on demand. Across the board, we've seen businesses put their trust in us to deliver in a challenging market, and now more than ever the agencies that can do more than just slash costs but can deliver on reliability, quality and efficiency are crucial for businesses. Ahead of the next peak period of 2026, agencies need to prepare to adapt to upcoming legislative, economic and industry-wide fluctuations and, for the time being, see uncertainty as the norm.

The upcoming Employment Rights Act, which has now received royal assent, will undoubtedly be something recruiters need to consider in 2026. Amongst many other things, the Act will increase the protective award for collective redundancy from 90 to 180 days' pay, as well as the removal of the Lower Earnings Limit and waiting period for statutory sick pay, from 6th April. Businesses will need to ensure they are working with agencies that not only comply but truly understand how to manage the new regulations.

Fair Work Agency

As well as this, from 7th April, the Fair Work Agency (FWA) will be established. As the ERB changes many aspects of employment law, the FWA is being established as a single, unified enforcement body. In their words, the FWA will set out to ensure businesses that are trying to do the right thing are supported, while clamping down on those who are exploiting workers.

The introduction of the FWA means compliance becomes even more crucial for businesses and recruitment agencies, and businesses need to choose their partner based on cost, service and compliance – all of which require a high-quality agency to partner with. This means that, for recruitment agencies, they will need to adapt quickly to regulations as they come in, changing their processes if needed, and ensuring transparency throughout.

As well as legislative changes, cultural changes may prove challenging for some recruitment agencies – and opportunistic for some. The industry is a people-centred one, but the rise in AI cannot be ignored. Recruitment agencies need to consider to what extent they integrate AI into their processes, or not at all. >

At Kingdom People, we use AI and innovative technologies as a way to improve the availability of our staff – for example, by cutting down on admin, our recruiters have more time for the tasks and relationship building that no version of AI can possibly replicate. However, it makes sense for us to engage with something that everyone is using increasingly – in our industry, and even more so in 2026, relationship building is key, and AI can be a tool to do so.

Preparing flexibly

In terms of preparation, agencies need to ask themselves a few questions ahead of the next peak season of 2026. Does the data suggest this Black Friday was a one-off, or are consumer shopping habits changing for good? How can we ensure we are providing the best service possible to our clients? How can we perform adaptively and how can we best take into account their pain points around costs, time, and consumer demand? Costs to businesses will no doubt be rising again with national minimum wage rises in April, and businesses will continue to have to gamble on economic uncertainty. And even if household disposable income grows by the end of this year, will people take longer to spend more – instead, households may prefer to save money after years of tightening purse strings.

Ultimately, the challenges that lie ahead in 2026 have the potential to change the entire industry, and recruitment agencies that are able to adapt to the changes and provide services to businesses that are flexible, reliable and efficient will be able to navigate the coming year. ■





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TIME SAVED, VALUE UNTAPPED

The Adecco Group's CEO, Denis Machuel issue a wakeup call for leadership in the wake of AI.



AI adoption in the UK has surged: nearly [three-quarters of workers](#) now use it daily and claim they are saving on average two hours each day – double last year's figure. Yet this efficiency has not translated into national productivity gains. The paradox is stark: time saved, value untapped. >



But the real story is much deeper: AI is an opportunity to reimagine the meaning of work and elevate creativity, empathy and purpose. Technology on its own does not create value – this is achieved through the combination of people and human-centric technology. Achieving the right balance between humans and AI in the workplace is not a simple task, but leaders who tackle this challenge will drive a profound shift in their organisations.

This shift is already underway. Workers are adapting fast to this future – more than half say AI is already reshaping their roles – but only a third of leaders agree. More surprisingly, only 10 per cent of organisations have a people and talent strategy aligned with AI implementation – suggesting 90 per cent embedding technology without the human element. Many organisations are **still experimenting** rather than redesigning how work is accomplished. It is one thing to roll out tools and another to re-engineer jobs, metrics and business models. This takes time, conviction and cultural change.

Stability above passion

That requires courage. True leadership means steering transformation even amid uncertainty – especially when workers are becoming increasingly risk-averse. Three-in-four workers now say they value stability above passion – indicating that low risk ways of working are front and centre. When people prioritise security, there could be a dip in work transformations, for example, employees may be using the time saved by AI to maintain existing routines rather than pursuing innovation or higher-value tasks.

As a result, the workforce is busier but not necessarily more productive. Focusing solely on output misses the point: True progress will only come from a human-centric approach.

To turn AI from a time-saving tool into a force for human progress and a bridge to opportunity, leaders must focus on three imperatives:

1. Sharpening the human edge

As leaders, we need to distinguish between human strengths and AI capabilities. Can we imagine an AI CEO? Possibly. Would that CEO be as good as a human? Not sure. CEOs' competencies go way beyond making smart decisions. Leading means providing a vision that resonates emotionally, bringing people along, generating engagement, interacting with customers, and shaping a culture. >



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The upcoming **Employment Rights Bill** and new **umbrella company regulations** are set to redefine the legal maze recruiters must navigate. These changes aren't just tweaks - they're strategic game changers that reset the board entirely.

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AI brings enormous technical capacity – from an almost unlimited memory, to huge and complex multi-step workflows – but none of the soft skills that build trust or define human leadership. Recognising this distinction is essential. Leadership in the AI era means understanding where humans create unique value and where technology can amplify it, especially as workers navigate uncertainty.

2. Building a co-creating workforce

Some tasks are being replaced by AI, while others are being redefined, and entirely new roles are emerging. The priority should be to equip the workforce with both technical and human capabilities.

Continuous learning, trust and inclusion are the engines of sustainable productivity. Workers who understand how their skills contribute to company goals are far more likely to stay, perform, and innovate. Nearly half say shaping how AI affects their role boosts their sense of purpose, making participation a retention and engagement strategy. This demands thoughtful job design, clear objectives and a shared sense of purpose between employers and employees. As our global research shows, future-ready workers – those who are adaptable, proactive and supported by their employers – are best positioned to thrive in this new era.

3. Measuring what matters

For years, companies have measured success through output and efficiency. However, our research tells us that only 36 per cent of workers feel confident they can measure the impact of their work. We need to shift the conversation away from output, towards impact.

When AI handles routine or repetitive tasks, it frees people to focus on what truly adds value: collaboration, creativity and meaningful interactions. The result is a deeper purpose, where work becomes more human and fulfilling.

The productivity puzzle will not be solved overnight, but the path forward is clear. The future of work is not about machines replacing people. It's about people, empowered by technology, doing what only humans can do best. Because if leaders fail to act accordingly, the paradox will persist: more time saved, yet more value untapped. However, those who lead with a clear, human-centric vision will turn automation into advantage. It is our responsibility as leaders to get this right. ■

Still competing on speed and CVs?

Most recruitment businesses still operate on a contingent model. **Reactive. Fee pressured. Competing on speed.**

i-intro® helps recruitment agencies move from contingent recruitment to retained recruitment.

Through a structured methodology that helps recruiters:

- Work with fewer, more committed clients
- Charge fees that reflect real value
- Focus on outcomes, not speed
- Build long-term client relationships



The i-intro® Method



Nurture & Engage

Build credible relationships with employers before roles go live.



Pitch & Win

Win retained and project-based recruitment assignments with confidence.



Deliver & WOW

Deliver hiring outcomes that strengthen retention and client partnerships.

Recruiters using the i-intro® process increase performance by operating with structure and control.

70%

Retained pitch-to-win ratio

300

million in Retained and consultative fees generated

350+

recruitment agencies implementing the model

96%

first-year placement Retention, strengthening client relationships and repeat work



THE FUTURE, AI SHAPED

Teri Etherington, Head of Talent Development, APSCo UK outlines the potential of AI – from technology adoption to complete business transformation



Although AI comes with its challenges, it is a widely accepted to be a game changer for the recruitment sector. Just one of the benefits of AI adoption that has been consistently highlighted through APSCo UK's research is the time saving aspect. The data found in our latest whitepaper, ['The Recruitment Transformation'](#), shows 'up to 17 hours per week in time savings are possible when AI supports a variety of tasks'. That's an impressive number and can give valuable time back to focus on aspects of the role that AI can't replicate. >



We are also seeing increased spend of AI related tech, experimentation within organisations increasing, and real value is starting to come from it – whether that be in time gained, faster hiring cycles, reduced admin tasks, or streamlined workflows. Yet despite this activity, productivity gains remain inconsistent (which could be expected at this early age of adoption) and confidence is not yet 100 per cent.

What is becoming apparent though, is AI is not primarily a technology challenge for recruitment businesses. It is a change management challenge, which we'll dive into more later. Let's start by looking at the impact of AI and some of the challenges recruitment businesses are seeing.

The AI Gap

Recruitment businesses are surrounded by technology. CRMs, job boards, automation platforms, sourcing tools and, increasingly, AI-enabled solutions have become standard. Getting hold of the right tech stack isn't the problem – it's having the right processes and resources, plus skills and culture, to make it successful.

The disconnect between technology investment and productivity outcomes is what we call the AI Gap – the space between investing in AI (or potential investment) and seeing a healthy impact in your organisation's productivity. Many recruitment businesses are simply lacking the right frameworks, policies, or strategic focus to turn AI adoption into productivity gain.

We are also seeing an AI Adoption Gap, where 60-70 per cent of recruitment businesses say they're adopting AI. But fewer than 25 per cent of individual recruiters are using it consistently. This is often due to AI implementation advancing

much more quickly at a strategic and organisational level than it is among individual recruiters.

This growing disconnect is becoming one of the biggest threats to unlocking meaningful return on AI investment. While leadership teams are pushing ahead with new tools and clear intent, working practices on the ground are falling behind.

At the same time, the sector is operating in difficult economic conditions. Many members are reporting the weak economic conditions as another barrier – as with lack of demand, comes reduced productivity levels. However, we expect this to improve, and organisations investing in both AI capability and their people will be better positioned in the future to compete with the market share once demand increases.

The legal considerations

AI is moving quickly, and for a busy recruiter spinning lots of plates daily, the legal and compliance considerations can feel overwhelming.

Research from our whitepaper, *The Recruitment Transformation*, highlights that in the UK, there is no single overarching AI law – instead organisations must navigate various existing rules – from data protection and intellectual property to equality and discrimination law. This can get risky for forward-thinking firms embedding AI into their current and future business strategy.

At the same time, the global landscape is tightening. For example, The EU AI Act classifies recruitment of AI as 'high risk' whilst measures such as NYC's AI hiring law require bias audits for various AI tools, with significant penalties for non-compliance. >

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We build and manage your dedicated offshore recruitment team. They work under your brand, follow your systems and processes, and integrate seamlessly with your consultants or internal TA team

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WHY AGENCIES USE IT:

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Important questions for recruitment companies to consider going forward:

- Can you explain how AI has reached its decisions?
- Have you audited your tools to test for bias and discriminatory outcomes?
- Are your people meaningfully involved in hiring decisions, or just following AI recommendations?
- Are you transparent in your hiring process – do applicants understand how AI is being used, and can they appeal AI driven decisions?

The regulatory environment will continue to develop quickly, so it's best for recruitment businesses to prioritise getting prepared and don't be afraid to seek legal advice for any grey areas.

An entirely new way of working

We know that recruitment isn't a stranger to technology – organisations are familiar with frequent updates to job boards, CRMs and automation. The fundamental difference with AI is the volume and scale it can capture, interpret and analyse. This shifts the focus to what tasks should be delegated to AI, what's left for the recruiter, and the value we can gain from the human perspective. This might demand more clarification around roles, encourage leadership development, and more effort to help employees feel more confident and engaged day-to-day.

This brings us back to the 'time-saving' aspect mentioned at the beginning. If AI allows us to save up to 17 hours per week by supporting a variety of tasks, recruiters are suddenly faced with more time on their hands to truly understand the recruitment process and focus on more strategic tasks to enhance client relationships and growth.

Having leadership that has the [change management](#) skills required to transition people confidently through AI-driven

change, manage resistance whilst protecting performance and build a practical, people-centered change roadmap is essential through this journey.

Leading through transformation: What's next

AI transformation happens when you have good leadership ready to lead its people through these changes. A common mistake people make is blaming the technology when transformation fails – when it is much more related to the pressure of managing teams through fundamental change.

Middle managers are under particular strain during AI transformation – expected to deliver productivity improvements they are yet to fully understand, navigate teams how to use tools they haven't yet mastered, and meet targets and expectations from senior leaders.

As noted in *The Recruitment Transformation*, one director at a global recruitment firm highlighted that managers are being held responsible for change without being properly equipped to lead it. But the good news is, by equipping the leaders in your organisation with the right leadership skills and tools, it's fixable.

Managing AI Maturity is a great way to start. AI adoption isn't a one-size-fits-all process. Managers need to look at their teams through a realistic lens and understand where each person fits on their AI journey. But don't panic – not every recruiter needs to become an expert, the real goal here is helping each individual to take the next step forward.

To do this well, managers need to learn how to understand different people's learning styles, adapt and build confidence at various speeds. This capability is fast becoming one of the most critical skills for managers leading a future-ready recruitment business. >

Building AI-ready teams

Recruitment professionals need to be open to learning the tech. Not to become programmers – but to use AI confidently and integrate it into workflows that amplify their relationship strengths.

Every person we interviewed for The Recruitment Transformation: Part 2 whitepaper emphasised that AI success depends far more on team readiness, desire and capability than on selecting the right tools.

Many experienced recruiters are open and have a willingness to learn new skills, while some newer employees may be comfortable with the tech but lack the commercial or people skills to use it efficiently. The real challenge isn't generational, it's making sure capability and confidence are developed consistently throughout the team.

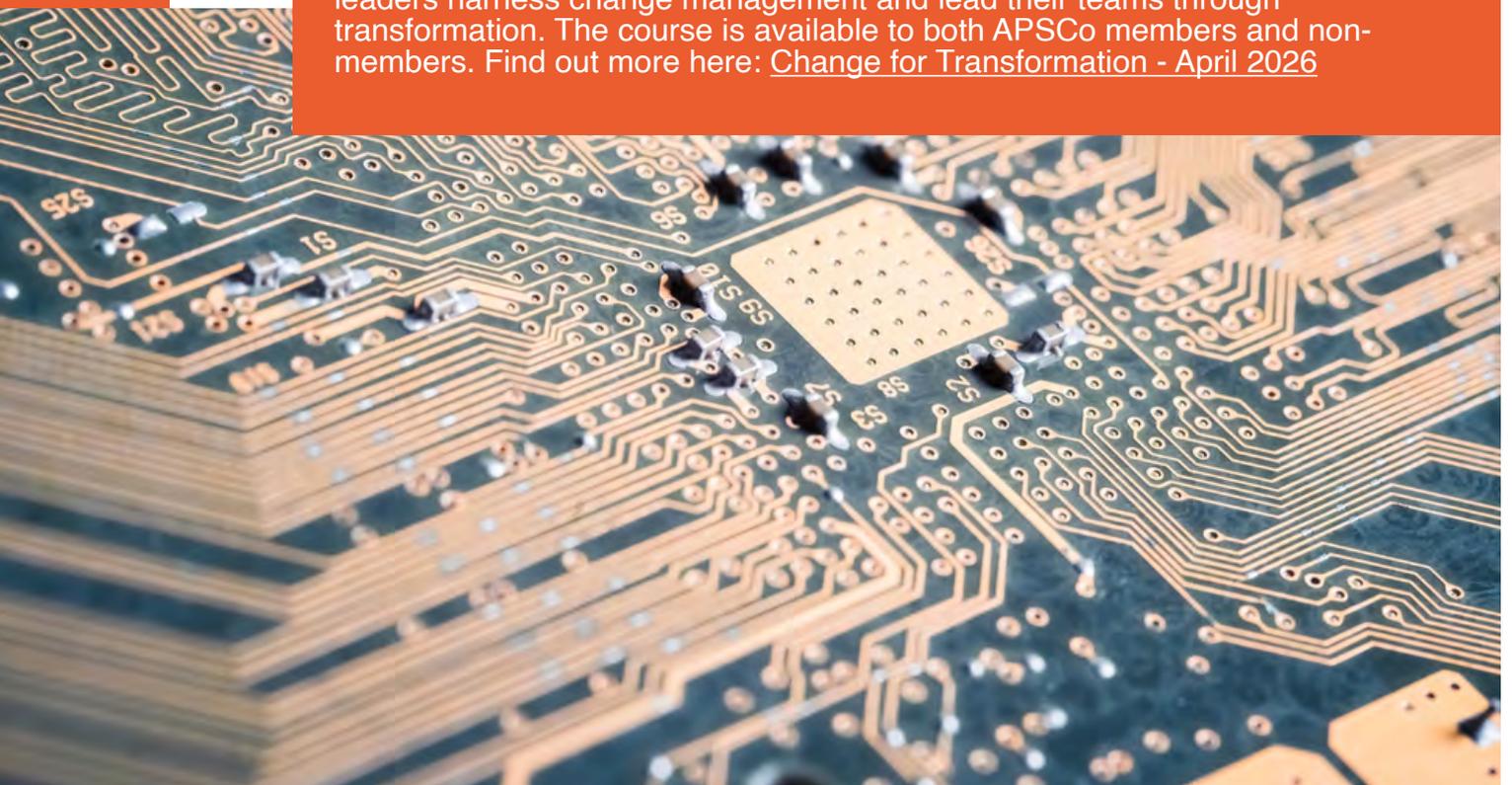
With AI adoption, we also know the human side of the role will become even more important – and weak skills will become more visible. Leaders need to learn how to adopt a dual approach, which could be building technical confidence in some, strengthening people-skills in some, and ultimately developing recruiters who can combine digital fluency whilst building valuable real-world relationships with clients and candidates.

Last thoughts

AI is not just another technology shift. It represents a fundamental transformation in how recruitment businesses operate, compete and grow. ■

To explore the research, insights and practical guidance behind this article in more depth, we recommend reading APSCo's whitepaper series, [The Recruitment Transformation](#), by visiting [The Recruitment Transformation](#)

We've also launched a brand-new training programme to help recruitment leaders harness change management and lead their teams through transformation. The course is available to both APSCo members and non-members. Find out more here: [Change for Transformation - April 2026](#)



2026

RECRUITMENT SECTOR OUTLOOK

**INSIGHTS, ADVICE & PRACTICAL GUIDANCE
FOR RECRUITMENT LEADERS NAVIGATING
THE YEAR AHEAD**

**OUR 2026
RECRUITMENT
SECTOR OUTLOOK
BRINGS TOGETHER
INSIGHTS FROM
ACROSS THE
INDUSTRY**

Featuring perspectives from experts and influential industry voices, it explores the trends and opportunities shaping the year ahead.



WHAT'S INSIDE THE RECRUITMENT SECTOR OUTLOOK 2026:

- Turning Right-Sizing into Progress
- Smarter. Faster. Deliberately More Human.
- Benchmarking insights from across the sector
- UK Recruitment in 2026: What's Changing and Where to Focus
- Tax Update for 2026 and beyond
- Why Operations, Tech and Smarter Support Models Will Decide Who Wins
- Thinking Beyond the UK
- And more practical insight from recruitment leaders and advisers



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MICHAEL MCALLISTER AND RYAN MCNEIL, MANAGING DIRECTORS AT BODEN GROUP DISCUSS ITS RECENT RESTRUCTURE

What sparked the change and what does it mean for the business going forward?

Michael: We looked at the market, the opportunities ahead and the strengths within the business and realised we needed a structure that would allow us to grow faster and operate with greater clarity. The new model gives each area clear leadership and focus.

Ryan: Michael now leads our UK Permanent division and I lead Contract, which allows both sides of the business to specialise while still working closely together. Ultimately, it's about positioning the business for its next phase of growth while giving our teams the support they need to succeed.

You now lead the Permanent and Contract divisions. How are you breaking down silos and driving real collaboration across the business?

Ryan: Cross-selling has been a huge focus for us. Recruitment businesses can easily fall into silos, but we've made collaboration central to how we operate.

Michael: When one team wins an opportunity, we look at how the wider business can support that client across both permanent and contract hiring. That approach has created more opportunities across the company and strengthened our client relationships. >



What are the biggest shifts you're seeing in the facilities management recruitment market right now?

Michael: Clients are increasingly looking for specialist partners who genuinely understand their sector. In facilities management and the built environment, expertise really matters.

Ryan: That's why one of our core values at Boden is "Be the Expert." We empower every team member to take ownership of their market and become true specialists. Through training, industry events, mentorship and time spent meeting clients, our consultants build deep knowledge of their sectors so they can add real value beyond simply filling roles.

You've both progressed your careers at Boden. How has that journey shaped your leadership approach today?

Ryan: Having both grown through the business ourselves gives us a real understanding of the journey consultants go through. It shapes how we lead today — we're very focused on coaching, development and creating opportunities for people to progress.

Michael: A big part of our role now is creating the environment and support that allows the next generation of consultants and leaders at Boden to succeed.

As the business evolves, how are you maintaining the culture that's helped Boden grow?

Michael: Culture has always been one of Boden's biggest strengths. We've built a team of ambitious people who want to grow together.

Ryan: We're focused on maintaining a culture of reward and celebration while giving consultants clearer pathways to develop their skills and progress their careers. >

What initiatives have had the biggest impact on growth across the business recently?

Ryan: Cross-selling has probably had the biggest impact. By working more closely together across teams, we're unlocking far more opportunity within our existing client base.

Michael: We're also using AI and automation to support that approach — helping uncover opportunities, speed up processes and reduce admin so consultants can focus on relationships and delivering for clients.

Looking ahead, what does success look like for Boden over the next three to five years?

Michael: For us it's about continuing to grow as a specialist recruitment partner within the facilities management and built environment sectors.

Ryan: If we keep developing our people, strengthening client partnerships and creating opportunities for our teams to grow, the business will continue to thrive.

Finally, what advice would you give to recruitment leaders trying to build resilient, high-performing teams today?

Ryan: Collaboration is key. When teams share opportunities and support each other, the whole business performs better.

Michael: And investing in people is essential. Strong leadership, coaching and development create teams that can perform consistently in any market. ■



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THE NEW COMPLIANCE CHALLENGE FOR RECRUITMENT AGENCIES



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Imagine the scenario.

Your agency has done everything it was supposed to. You carried out due diligence on an umbrella company, checked its accreditation, reviewed documentation and confirmed processes looked compliant.

Months later, an issue emerges in the supply chain. PAYE hasn't been paid correctly somewhere along the line.

Under today's rules, the liability would usually sit with the employer responsible for operating payroll. But as of April 2026, the situation looks very different.

With the introduction of joint and several liability, **recruitment agencies may find themselves exposed if tax obligations within their labour supply chains are not met.** Even where an agency has carried out due diligence, the key question may no longer be whether checks were performed, but whether the correct tax was actually paid.

That shift matters because traditional due diligence was never designed to answer that question.

Most compliance processes rely on documentation reviews, supplier assurances and periodic checks. These methods are valuable and remain an important part of risk

management. However, **they tend to provide a snapshot at a single moment in time rather than continuous oversight of payroll activity.**

In a regulatory environment that increasingly focuses on outcomes rather than process, this can leave agencies with limited visibility once contractors are actually being paid.

Agencies are looking for ways to strengthen oversight of their umbrella supply chains by introducing more transparency and ongoing verification.

Recognising this challenge, the **FCSA** has developed **Diligence Hub**, a platform designed to help recruitment agencies manage compliance risk more effectively.

Diligence Hub allows agencies to review umbrella company accreditations and carry out deeper due diligence checks in one central place. More importantly, **it provides recruiters with access to veriPAYE**, a system that independently verifies payroll activity to confirm whether PAYE payments and deductions match the payroll data being reported.

By analysing payroll information and producing audit reports, veriPAYE helps agencies gain greater visibility into whether tax obligations are

being met - not just when contracts are signed, but as payroll is processed.

For agencies preparing for the introduction of joint liability, this kind of verification can provide an important additional layer of assurance.

The aim is not to replace existing due diligence processes but to strengthen them. Accreditation checks, questionnaires and supplier assessments still play a valuable role. However, combining those checks with independent verification of payroll activity can significantly reduce blind spots in the supply chain.

The recruitment industry has always adapted quickly to regulatory change. As expectations evolve again, the agencies that will be best positioned are those that combine robust processes with greater visibility into real-world outcomes.

Increasingly, agencies will need confidence that the right things are happening every time payroll runs.

Using Diligence Hub allows you to **build a 360° circle of trust**, where everyone connected to the platform has access to detailed compliance and up-to-date company information, reducing risk and enabling genuine confidence across the supply chain.



Diligence
Hub

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WORK RIGHT

Parvez Khan, Senior Immigration Associate at A Y & J Solicitors, on the five compliance gaps recruiters see before anyone else.



As of January 2026, the Home Office has fully transitioned to an 'intelligence-led' enforcement model, marking a significant shift from the previous reliance on physical inspections. By integrating automated data-sharing with HMRC, the Home Office can now cross-reference PAYE records with Sponsor Management System (SMS) data in real time. This makes small operational gaps, often first spotted by recruiters on the front line, more dangerous than ever before. >



The client needs five hires by Friday

A recruitment director receives the brief on Monday morning. The client holds a sponsor licence. The roles are Skilled Worker eligible. Everything looks fine until Thursday afternoon, when payroll queries the location code. The sponsored worker's Certificate of Sponsorship states office-based. The actual arrangement is hybrid with client site visits. Nobody reported the change.

The hire stalls. The client asks why. The recruiter realises the gap existed long before this vacancy opened. This plays out across agencies every week. The licence holder thinks compliance is handled. Recruiters discover otherwise when they're trying to move quickly.

Why recruiters spot these problems first

Recruitment agencies sit between delivery pressure and regulatory reality. They often see issues internal teams miss because they're asking compliance-led questions at earlier stages of the hiring process:

- They review job specs against actual duties before placements are confirmed
- They ask where people will work before contracts are signed
- They notice when absence tracking stops because they're placing the next wave of hires
- They spot approval chains creating informal workarounds under time pressure

High-volume, fast-paced hiring exposes weaknesses that stay hidden in stable conditions. Processes that appear solid can quickly fail when hiring accelerates. Recruiters are often the first to spot when Sponsor Licence compliance is not embedded in day-to-day operations.

Between July 2024 and June 2025, authorities revoked nearly 2,000 sponsor licences nationwide. Better data sharing and targeted enforcement in sectors like adult social care, hospitality, retail and construction drove the increase. Small inconsistencies compound fast. A job title mismatch becomes a compliance query. A location reporting gap triggers an audit. Poor absence tracking leads to missed notifications. The business impact hits immediately:

- Delayed hires mean lost revenue
- Client trust erodes when placements stall for preventable reasons
- Operations teams scramble to fix gaps while new vacancies pile up
- The sponsor licence itself becomes vulnerable when isolated issues reveal systemic weaknesses >



Gap one: Role and duties mismatch

Recruiters see this first because job descriptions drift during the hiring process. A hiring manager requests a 'senior consultant' but the day-to-day duties look more like account management. The CV reflects sales experience. The approved role requires analytical responsibilities. Everyone thinks they're being flexible. Nobody realises the documentation no longer matches what the person will actually do.

This happens under delivery pressure when speed matters more than precision. Roles get reshaped during interviews. Job titles become aspirational rather than accurate. The Certificate of Sponsorship reflects the original spec. The actual work differs.

Scrutiny typically follows when salary doesn't match duties, when workers are moved between roles informally, or when job titles suggest seniority that tasks don't support. Good alignment means the job description, the Certificate of Sponsorship, and the employee's actual duties match from day one.

Gap two: Location confusion

Hybrid working has created widespread reporting gaps. The approved location states the head office. The worker splits time between home, client sites, and regional hubs. Nobody updates the Sponsorship Management System because the arrangement feels temporary.

Recruiters spot this when onboarding reveals working patterns that differ from documentation. The employee assumes

flexibility is standard. The hiring manager confirms it informally. The sponsor licence holder's records show something else. Responsibility for location updates often falls between HR, operations, and compliance teams. Each assumes the other will report changes.

Gap three: Weak Right-to-Work processes

High-volume hiring exposes procedural weaknesses faster than anything else. Under pressure, right-to-work checks become box-ticking exercises. Documents get copied without verification. Handovers between recruitment and HR miss critical steps. Agency-led onboarding relies on email confirmations rather than systematic record-keeping.

Recruiters see where processes break because they're accountable when placements fail. When a hire can't start because documentation is incomplete, they trace the failure back. Often, the check was processed but not recorded properly. Or it was recorded but not in the format required. The principle is straightforward: every check must be completed, documented, and retained before employment begins. No exceptions under time pressure.

Gap four: Poor absence and activity tracking

Absence tracking feels administrative until it becomes a compliance breach that stops new hires. Busy teams treat it as a low priority. Managers assume HR tracks attendance. HR assumes line managers monitor daily activity. Nobody maintains the ten-day consecutive absence threshold systematically. >

Recruiters notice this when placing additional hires. They ask about team capacity and discover sponsored workers have been absent without reporting. The absence wasn't deliberate non-compliance. It wasn't tracked robustly enough to trigger a notification before the threshold passed. This is a systems issue. Absence tracking requires clear ownership, simple tools, and routine reviews. When those elements are missing, gaps emerge silently.

Gap five: Slow or unclear internal approvals

Delays create workarounds that increase risk. A vacancy needs urgent approval, but the Authorising Officer is unavailable. Someone makes an informal decision to proceed because the client is waiting. The Certificate of Sponsorship gets assigned. The formal approval follows days later, or doesn't follow at all.

Recruiters see this when they're ready to onboard, but paperwork stalls. Approval chains that work under normal conditions fail under pressure. Informal decision-making increases risk because it bypasses the controls that maintain compliance.

Stalls typically happen at the director level when multiple approvals are required, during restructures when ownership is unclear, or in matrix organisations where accountability is diffused.

What recruiters who stay ahead do differently

Effective recruiters act as early warning systems by asking questions that surface gaps before hiring decisions are made.

- They verify that job specs match actual duties before placements are confirmed.
- They confirm working locations upfront

and flag when arrangements differ from documentation.

- They don't manage compliance themselves, but they recognise when processes aren't working.
- They flag issues to the licence holder early enough to fix them without derailing placements.

This approach requires discipline and awareness rather than deep knowledge of immigration.

How the Home Office is raising the stakes

While the UK continues to rely on compliance visits and audits, recent years have seen a clear shift in how breaches are detected and prioritised. Even small breaches in documentation or reporting can have major consequences for licence holders.

Several factors explain this heightened enforcement activity:

- Targeted data-driven monitoring and cross-government checks
- The Home Office now routinely compares employer-reported information, such as tax, PAYE and worker location data, with sponsor records to identify inconsistencies early. This increases the likelihood that gaps in reporting duties, such as unreported hybrid working arrangements or incorrect job details, will trigger compliance enquiries long before a formal audit visit.
- Lower tolerance for seemingly technical breaches
- Home Office publications and legal updates emphasise that licence obligations continue throughout the entire sponsorship period, not just at renewal. And that failures in monitoring, record-keeping or timely reporting can lead to suspension or revocation. >

- Practical risks beyond basic record-keeping
- Beyond procedural lapses, sponsors are now also warned about risks such as cybersecurity threats targeting Sponsor Management System accounts, including phishing scams designed to hijack licence access or assign Certificates of Sponsorship fraudulently.

What good Compliance looks like in Practice

Strong Sponsor Licence Compliance in recruitment-led environments is calm and predictable.

- Recruiters know which details matter and when to flag concerns.
- Compliance leads respond quickly.
- Reporting happens on schedule without crisis management.
- Job specs align with actual duties from the outset.
- Location arrangements are documented before assignments begin.
- Absence tracking runs routinely with clear escalation thresholds. Internal approvals move at a pace that matches commercial reality without bypassing controls.

When compliance becomes routine rather than reactive, recruiters focus on delivery. Clients trust the process. The sponsor licence stays secure.

Recruitment teams see compliance gaps first because they sit at the intersection of speed and scrutiny. That position carries risk when processes fail, but it also creates opportunity when recruiters use their visibility to identify problems early.

Recruiters who recognise compliance as an operational advantage build stronger client relationships and deliver more reliably. They don't need to become immigration experts. They need to maintain discipline around visibility, ask the right questions at the right moments, and escalate when reality drifts from documentation.

The licence holder ultimately owns compliance but recruiters control what gets seen and when problems surface. When they maintain that visibility, they protect both the client's licence and their own ability to deliver without disruption. ■



COMPLIANCE

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With Umbrella Regulation and The Employment Rights Act around the corner, follow FCSA to keep on top of all legislation changes that affect you.



stay informed



THREE THINGS

Compliance is entering a period of major change. In this article, ManpowerGroup's UK Compliance team highlight three areas that will matter in 2026 and beyond.

1. Enforcement: The Fair Work Agency in 2026 and Beyond Nick Wright, Commercial Manager

From 7 April 2026 the UK begins a staged transition to a new enforcement landscape with the establishment of the Fair Work Agency, a single body designed to bring coherence, visibility and greater impact to the enforcement of employment rights. This phased implementation means employers will see enforcement responsibilities consolidated gradually rather than in one sweep with further powers and rights rolling in over time. >



COMPLIANCE

Initially the Agency will absorb the functions of existing bodies including the Gangmasters and Labour Abuse Authority, the Employment Agency Standards Inspectorate, the Director of Labour Market Enforcement and HMRC's National Minimum Wage Unit. This replaces today's fragmented model with a unified system of leadership, investigation and oversight. Over time its remit will expand to include enforcement of additional rights such as holiday pay and later statutory sick pay reflecting the Government's long-term strategy for a single joined up enforcement body.

As the remit expands through each phase, businesses should expect progressively stronger and more coordinated compliance oversight supported by:

- Inspection and information gathering powers that enable officers to visit workplaces and require documents across a broader range of employment rights
- A strengthened civil penalty system modelled on the minimum wage regime allowing the Agency to issue Notices of Underpayment requiring repayment to workers and penalties to the Government
- Civil proceedings powers allowing the Agency to bring tribunal claims on a worker's behalf and provide legal advice or assistance
- A robust criminal enforcement toolkit including Labour Market Enforcement Orders and Undertakings with penalties such as fines or imprisonment
- Cost recovery mechanisms allowing the Agency to charge employers for enforcement activity where non-compliance is found

Employers would be well placed to review their compliance in core risk areas as the UK moves from a reactive complaint led model to a proactive centralised and highly visible enforcement regime.

2. Pressures Facing the Social Care Industry

Louise Shriane, Audit and Compliance Team Manager

The social care sector is facing significant workforce pressures with over 150,000 vacancies and an annual turnover rate of 30 per cent. Chronic underfunding has contributed to long standing challenges with successive governments failing to implement sustainable strategies. The Build Back Better plan of 2021 pledged £5.4 billion over three years but much of this funding was allocated to integrating social care with the NHS rather than addressing core workforce shortages. >



Audit

High turnover remains one of the most urgent and persistent issues with some providers struggling to maintain basic levels of service. Restrictive immigration policies have added further strain. The introduction of the Health and Care Worker visa in 2022 was welcomed, but by July 2024 visa applications from overseas care workers had dropped by 82 per cent compared to the previous year. At the same time reliance on social care services is rising due to an ageing population and the continued drive to move service users out of acute hospital settings and into community care to support rehabilitation and reduce bed blocking.

Recruitment agencies provide social care providers with essential resource to boost staff numbers and reduce the risk of safeguarding concerns. However, agencies must be able to offer a comprehensive service to win in today's market. This includes:

- Robust vetting and recruitment
- Bespoke staff training to meet the individual needs of providers
- Comprehensive induction programmes
- A 24 hour on call service
- Designated safeguarding leads

These criteria require long term financial input and careful conversations with potential clients to ensure the added value is recognised within an already stretched industry.

3. The Increasing Importance of Compliance

Sian Murray, Head of Compliance

This year employers face a progressively complex regulatory landscape with evolving compliance obligations. With the ever-changing landscape, we are seeing an increased importance in contractual assurances from employers not only to maintain productivity and workforce stability through the use of labour providers such as us but also to ensure they retain robust compliance as key legal changes take effect.

The compliance landscape is undergoing its biggest change. From regulatory uncertainty to technological advancements employers face new challenges and opportunities in maintaining robust legal integrity and operational efficiency. Compliance is no longer just a legal requirement. It is a strategic business imperative. As regulations become more stringent in 2026 employers and labour providers must adopt a proactive approach by leveraging technology, updating policies and fostering a compliance driven culture.

Navigating the compliance landscape means as an employer and labour provider we have to understand more. Not only is it essential that we deliver clear, fair and robust recruitment processes, we must stay abreast of regulatory requirements. By understanding our client base and their compliance needs including adopting new processes and technology, we need to ensure we do this at pace while ensuring we do not miss any gaps. >

We ensure adherence to regulatory requirements through:

- Our Expertise: Understanding the intricacies of legislation and regulations and how they need to be applied
- Our Best Practice: Delivering proven strategies for maintaining compliance and avoiding non conformance
- Our Partnerships: By adding value to our clients' business and working collaboratively with the right tools we make compliance simpler

By working this way we mitigate risk, maintain regulatory integrity and build long term partnerships in an increasingly complex and ever-changing landscape. Looking to the future the evolution of compliance will be driven by the increasing use of technology and a focus on ethical conduct and corporate social responsibility. We must adapt to these changes by embedding intelligence and automation at scale and pace to ensure we are prepared for the compliance environment of the future.

Compliance will continue to shape how organisations operate, protect workers and safeguard quality. With stronger enforcement, rising expectations and sharper pressures in key sectors employers and labour providers will need to stay close to regulatory change and maintain strong compliance practices. Those who invest early, understand their obligations and build trust through consistent standards will be well placed for 2026 and beyond. ■



CIS Compliance: What Construction Recruiters Need To Know

As specialists in payroll for the construction sector, we've seen first-hand how complex compliance becomes when workers want to be paid under the Construction Industry Scheme (CIS). On paper, CIS looks simple: subcontractors are paid, tax is deducted at source, and HMRC receives its share. But for recruitment agencies, the reality is far more complicated.

CIS carries compliance risks that can expose agencies to financial penalties, HMRC investigations, and reputational damage if not managed properly. Whilst working with an FCSA and Safe-Rec-accredited payroll partner such as ourselves negates the risks, it's still important for you to be aware of what they are so you can see how we operate to keep you and your clients safe.

In this article, we'll unpack the compliance challenges agencies face with CIS, why these risks are increasing, and how a partnership with Workwell transforms a potential headache into a competitive advantage.

The Compliance Challenge

The main challenge in CIS compliance lies in employment status determination. Is that worker genuinely self-employed, or should they be paid via Umbrella? Get it wrong, and HMRC won't hesitate to pursue your agency or clients for unpaid tax and National Insurance, plus interest and penalties.

In recent years, we've seen HMRC tighten its scrutiny on labour supply chains, particularly in construction. For agencies, this means the margin for error is shrinking fast.

Risks Agencies Cannot Afford to Ignore

1. Financial Exposure

If HMRC rules that a CIS subcontractor was in fact an employee, the agency can become liable for arrears in tax and National Insurance. These sums can quickly run into tens of thousands of pounds.

2. Legal and Employment Rights Claims

Misclassified workers may seek employment rights, including holiday pay and pension contributions. These claims can be costly and damage relationships with clients.

3. Administrative Burden

Managing payroll is complex, particularly for agencies with workers moving between different roles or contracts. Mistakes are easily made, but HMRC penalties will still apply.

4. Reputational Damage

In a competitive sector like construction recruitment, reputation is everything. A compliance slip-up can undermine client trust and make it harder to attract skilled workers.

Managing Risk

Our view is clear: agencies should not be carrying these risks alone. We have specialised in the construction industry payroll for over 25 years. Our service means agencies can transfer the compliance burden to specialists who live and breathe this space. We deliver:

1. Employment Status Verification

We carry out robust employment status assessments, ensuring CIS is used only when genuinely appropriate. Where Umbrella is more suitable, we provide the correct payroll solution. This removes the misclassification risk from your agency.

2. HMRC Verification & Reporting

We manage the full CIS process: verifying subcontractors, applying the correct rates, submitting returns, and issuing deduction statements. That means no more late submissions or costly reporting errors.

3. Integrated Payroll Solutions

We are adept at running both CIS and PAYE side by side, making payroll seamless for agencies with a mixed workforce. This reduces admin and ensures workers are always paid accurately and on time.

4. Enhanced Reputation

As one of the longest-established construction payroll companies, a partnership with Workwell demonstrates to clients and workers that they take compliance seriously. In a market where trust is currency, this can be a powerful differentiator.

The Strategic Advantage

Too often, compliance is treated as a back-office issue. We see it differently. By addressing CIS compliance head-on, agencies can position themselves as trusted, risk-aware partners to their clients.

Clients want assurance that their supply chains are watertight. Workers want to know they'll be paid correctly and on time. When an agency can demonstrate that both are being managed professionally – through a partnership with Workwell – it builds confidence across the board.

Choosing the Right Partner

Of course, not all payroll companies are created equal. Agencies must look beyond headline promises and scrutinise:

- Compliance credentials and HMRC alignment.
- Transparency in deductions and fees.
- Experience in both PAYE and CIS models.
- Worker support and communication standards.

The smartest agencies don't see a partnership with us as an optional extra – they see us as an essential compliance partner. By working with us, agencies protect themselves, reassure clients, and give workers a smoother, more reliable experience.

In a sector where margins are tight and reputational risks are high, that peace of mind is invaluable. Compliance isn't just a box to tick – it's a real chance to create a competitive edge. To find out how we can help, please get in touch below.

Contact us

Paul McDonnell, Managing Director



01276 688 010



paul.mcdonnell@workwellcontractorsolutions.com

COMPLIANCE IS NOT A COST

Nick Bradley, owner and director at Adepto Technical Recruitment explains that compliance doesn't cost anything because it's part of the product.



COMPLIANCE

At Adepto, we have always been clear about what we provide to clients. It is not simply search and selection – it is confidence in how capability is delivered.

In specialist markets, skills move quickly between programmes. Organisations rely on contractors and interim experts to maintain delivery schedules and that flexibility supports productivity and allows knowledge to move where needed. However, it also increases complexity, with more contractual layers, more parties involved, and greater scrutiny around how individuals are engaged and paid. >

COMPLIANCE

Most recruitment leaders recognise these pressures. The difference is how compliance is positioned within the business. In many firms, it is treated as a necessary cost of operating which is important, but largely defensive.

We have always taken a broader view in that clients are not only buying access to talent. They are placing responsibility in our hands to manage supply-chain risk, protect their reputation, and ensure engagement models are sound. For that reason, compliance forms part of the service itself.

Compliance as a commercial advantage

That perspective has influenced how we have structured the business, from contractual frameworks to operational controls and partner selection. Over time, it has become a commercial advantage. As scrutiny has increased, compliance has shifted from a back-office consideration to a board-level concern. Clients want to know not only that you can deliver capability, but that you can manage the associated risk.

Placing strong candidates remains essential but what increasingly differentiates agencies and MSPs is the ability to provide assurance across engagement types, across suppliers and often across jurisdictions.

Clients expect clarity over responsibilities within the supply chain – they expect evidence that appropriate checks are completed. They want to see contractual arrangements that have been properly designed and, when issues arise – particularly when pay is impacted – they expect their recruitment partner to take ownership rather than deflect responsibility.

We embedded this approach before major regulatory changes such as changes to IR35 rules. The aim was not to anticipate specific legislation, but to operate in a way that remains sustainable as expectations evolve. When a supply chain fails, the consequences rarely sit neatly with one party. Contractors, clients and recruiters are all affected.

Compliance is not treated as an annual audit exercise, but as a routine operational discipline, with early investment in stronger contracts, defined operational processes and consistent record-keeping. That discipline has supported our commercial growth, including securing an EMEA wide MSP with a multinational manufacturer. At that level, clients assess governance and control alongside delivery capability. Compliance alone does not win complex programmes, but it plays a significant role in the overall decision.

International growth and structural responsibility

International expansion adds another layer of complexity.

A compliance model that works in the UK does not automatically translate overseas. Regulatory requirements, employment frameworks and tax obligations vary considerably by country. Replicating UK documentation and processes without adaptation can introduce risk rather than reduce it.

International growth requires clarity in three areas:

1. The legal employer position in each jurisdiction and the associated obligations
2. Consistent local execution supported by appropriate documentation
3. The ability to demonstrate compliance quickly and clearly when required. >

COMPLIANCE

To manage those challenges, we partnered with a select list of vetted Employer of Record (EoR) and Agent of Record (AoR) suppliers – a great example of which being Sapphire, based in Cheshire, England. Through these suppliers, we've been able to enter 23 territories across Europe with a compliant in-country employer structure, without building fragmented local processes market by market. That has allowed us to scale internationally while maintaining the governance, pace and visibility our clients expect.

In several European jurisdictions, identity verification requirements sit explicitly with the legal employer. Sapphire carries out identification validation processes as part of its employer responsibilities. This reduces operational burden on the agency while supporting a structured and auditable framework.

We retain oversight and maintain appropriate documentation, but we do not attempt to replicate local employer expertise in each territory. Instead, we focus on governance, client management and commercial delivery, supported by a partner with in-country capability.

This structure has enabled international growth without creating disproportionate internal complexity.

Looking beyond procedural compliance

Within the UK, the compliance discussion is evolving again. Most activity focuses on process, including aligned contracts, documented onboarding, accurate deductions and appropriate record keeping. While these elements remain essential, supplier failure is a category of risk that is not always visible in a standard audit.

In umbrella supply chains, exposure is not limited to procedural error. Financial

instability within a provider can create immediate operational and reputational challenges. Contractor payment disruption, client escalation and uncertainty around liability can follow quickly if a provider collapses.

In those circumstances, governance standards and financial resilience become as important as documented process. For that reason, our definition of compliance extends beyond paperwork. It includes partner stability and operational maturity.

Strengthening umbrella due diligence

As expectations tighten, our approach to umbrella partner selection has become more detailed. We assess accreditation and governance standards, ensuring that they are current and actively maintained, and request financial transparency from any umbrella providers on our preferred supplier list.

We also assess operational clarity, including cashflow management and internal controls with an objective not to interfere with a partner's operations, but to understand structural stability. Service standards are equally important and our contractor service can quickly escalate into operational strain for both agency and client. Effective communication, accuracy and responsiveness form part of overall supply-chain control.

Our relationships with Sapphire and our other selected regional EOR and AOR's reflect these criteria. We initially engaged Sapphire to support international expansion, including markets where in-country employer expertise was essential. Over time, we observed a level of governance maturity, financial transparency and operational structure that aligned with our broader compliance philosophy. Extending the partnership further was consistent with our overall risk management approach. >

Working with partners prepared to operate transparently strengthens our ability to evidence due diligence across the supply chain.

Legislative developments and leadership responsibility

Expected umbrella legislation changes from April 2026 reinforce the importance of this approach.

From April 2026, changes to umbrella legislation will affect every recruitment agency and MSP that engages contractors. The company closest to, and holding the contract with the end client can be held jointly and severally liable (JSL) for unpaid PAYE and National Insurance Contributions where an umbrella sits in the supply chain. The JSL rules increase supply-chain risk for agencies and MSPs, making documented due diligence and audit trails important to mitigate potential recovery of tax by HMRC.

This shifts supplier governance firmly into leadership territory. It is no longer sufficient to rely on historic checks or informal assurances – evidence, monitoring and partner selection

processes must be demonstrable and repeatable.

Balancing flexibility and governance

Specialist labour markets depend on flexibility, with the movement of expertise between organisations supporting innovation and productivity. Regulation also plays an important role in protecting workers and safeguarding the tax system, but sustainable models must also allow access to skills.

For recruitment businesses, this means building structures that protect contractors, clients and the wider system while maintaining operational agility.

From our experience, the key is to treat compliance as a commercial capability rather than an administrative burden. That requires consistent oversight, informed partner selection and a willingness to engage with governance at leadership level.

In a market where scrutiny continues to increase, control and transparency will remain central to long-term credibility. ■



TAKING CONTROL

Crawford Temple, CEO and founder of [Professional Passport](#), argues recruiters must now take control of their risk.

Joint and Several Liability (JSL) will fundamentally change how risk is allocated across labour supply chains. What was once viewed as a downstream payroll issue is now a very real material exposure for agencies and end clients alike. Under JSL, HMRC is not concerned with intent, assurances, or the perceived quality of a supply chain partner. The test is simple: was the correct tax paid, in full, and on time? If not, HMRC may recover the liability from any party in the chain. >

RISK



In this environment, the concept of 'control' becomes key. Those who control payment, control liability. Those who control liability, control risk.

Understanding Joint and Several Liability

JSL gives HMRC broad powers to recover unpaid PAYE and National Insurance Contributions from multiple parties involved in supplying labour. HMRC does not need to prove wrongdoing, negligence, or knowledge. Nor is it required to pursue the party that actually operated payroll before looking elsewhere. Instead, it will seek to recover the PAYE from the agency or end client if no agency is involved.

For agencies and end clients, this means that reliance on third parties such as umbrellas, payroll providers, or intermediaries no longer provides meaningful protection. Even where services have been delivered, invoices paid, and documentation reviewed, liability may still crystallise if the correct tax is not ultimately received by HMRC.

The Limits of Assurance-Based Compliance

Historically, labour supply chain compliance has been built around assurance. Payslip checks, payment verification, audits, accreditations, and professional opinions are widely used to demonstrate governance and oversight. While these measures may indicate intent, they do not control outcomes.

From an HMRC perspective, assurance does not equal payment. A compliant-looking payslip does not prove that PAYE and NICs were remitted. A verification report does not prevent funds from being diverted. An audit conducted months later does not reverse any tax loss that has already occurred.

Crucially, none of these controls transfer liability. When unpaid tax is identified, HMRC does not pursue the auditor, the checker, or the verifier. Liability remains with the party within the scope of JSL, regardless of how extensive the review process may have been. >



Payslip Checks and Payment Verification: Why They Fall Short

Payslip checks focus on presentation, not substance. They assess how pay appears, not whether the underlying calculations are correct or whether the tax has actually been paid. Errors, misclassifications, or aggressive interpretations can be hidden in plain sight, and payslips themselves provide no evidence of remittance to HMRC.

Payment verification is similarly limited. It is retrospective, selective, and dependent on information supplied by the paying party. At best, it may identify issues after the event. At worst, it provides false comfort while exposure continues to accumulate. In either case, the risk under JSL remains unchanged.

HMRC's Direction of Travel: Control Over Review

HMRC's approach to enforcement increasingly prioritises prevention of tax loss over review of process. The focus is shifting away from whether parties looked at the right paperwork and towards who controlled the flow of money.

In practical terms, this means HMRC is more interested in structural controls that ensure tax is paid than in assurances that it should have been. Reasonable steps are no longer judged solely by effort, but by effect.

Controlling the Payment to Control the Liability

If liability arises because tax is unpaid, the most effective way to manage that liability is to control the payment itself. When PAYE and NICs are calculated transparently, segregated clearly, and paid directly to HMRC under controlled conditions, reliance on behaviour by others in the chain is removed.

This approach fundamentally changes the risk profile. Instead of detecting non-compliance after it occurs, control-based models prevent tax loss in the first place. Evidence of payment is created by design, not reconstructed after the fact. >

Commercial Implications of Control

Beyond compliance, controlling payment delivers significant commercial benefits. It reduces balance sheet uncertainty, limits multi-year exposure, and strengthens an organisation's position in HMRC enquiries. It also provides clarity for boards, investors, and clients who increasingly expect demonstrable control over material risks.

Perhaps most importantly, it avoids the false comfort of assurance-led frameworks that appear robust but do not extinguish liability.

Conclusion: Control as the Only Sustainable Response to JSL

Joint and Several Liability is transforming payroll tax from an operational consideration into a strategic risk. In this environment, verification is no longer enough. Review does not prevent enforcement. Assurance does not remove liability.

Only control does.

By controlling the payment of PAYE and NICs, organisations control the liability that arises when tax is unpaid. And by controlling that liability, they control the risk that JSL was designed to expose.

The message is clear: Control the payment. Control the liability. Control the risk. ■



IF THERE'S A RISK IN YOUR PAYROLL CHAIN, **FORTIS WILL FIND IT**

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- Reputational damage
- Chain of liability when an umbrella fails
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Fortis provides one clear process

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A RISK TOO FAR?

Dave Chaplin is CEO of [IR35 compliance](#) firm IR35 Shield and author of [IR35 & Off-Payroll Explained](#) asks if agencies can conduct IR35 compliance for their clients?



Since the off-payroll (IR35) reforms placed responsibility for status determinations within the supply chain, end clients have faced tax risk, and agencies have been drawn into that conversation. >



Many agencies are asked to ‘handle IR35’ as part of their service. On the surface, this feels like a logical extension of client support. It can strengthen relationships, differentiate your offering and generate additional revenue. However, IR35 is not fundamentally a recruitment issue – it is a complex tax issue. That distinction matters because the moment an agency moves from recruitment into tax advisory, risk changes. What may appear to be added value could introduce financial exposure.

So, can agencies safely conduct status determinations for their clients?

How liability is meant to work

Under the off-payroll rules, the hiring organisation is responsible for determining the IR35 tax status, commonly referred to as ‘Inside IR35’ for deemed employment, or ‘Outside IR35’ for self-employed for tax purposes. A client can (optionally) create a Status Determination Statement (SDS) and give it to both the worker and the agency, which then triggers the movement of the tax liability from the client to the agency.

Suppose an engagement is determined to be ‘Inside IR35’, and the SDS is passed to the worker and the agency. The agency (as the ‘fee-payer’) becomes responsible for operating PAYE and National Insurance Contributions.

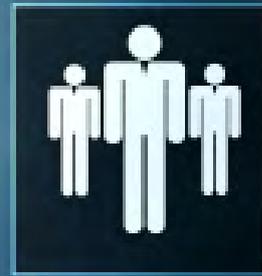
However, if an SDS is not given, the agency does not have authority to deduct tax, nor does it become liable for tax on ‘Outside IR35’ determinations.

Some clients ask agencies to conduct IR35 status assessments on their behalf. Where an agency manages the assessment process, this can introduce tension if/when HMRC conducts a compliance check. Let’s explore what might happen.

The HMRC investigation dynamic

If an agency performs assessments without formally stepping into the client’s statutory role, liability does not automatically shift. Should HMRC later challenge an ‘Outside IR35’ status, HMRC could argue that reasonable care was not taken, which would nullify the SDS, meaning the client remains liable for the tax. That does not mean the agency is insulated. If the agency designed or operated the assessment process, allegations of negligence can arise, and the commercial consequences for the agency could be substantial. >

ASSESSMENT



Conversely, if HMRC challenges an 'Outside IR35' decision and reasonable care was taken, and the SDS was given to both parties, then the liability sits with the agency.

The legislation appears to create a lose-lose situation for the agency. If the client and agency defend the process and reasonable care was taken, the agency is liable. If the process is considered careless (reasonable care not taken), the client is likely to sue the agency.

So, how can an agency assist its client without putting itself into harm's way?

The arm's length approach

The safest route is to maintain a clear arms-length position, with the client performing the IR35 status assessment. But clients are asking agencies for assistance, and offering an assessment service can be commercially attractive, helping differentiate your agency in a crowded market.

Where agencies provide an assessment service to their clients, they should ensure appropriate indemnity provisions are in place, alongside well-documented roles and responsibilities.

A middle ground exists where agencies can provide administrative support, assisting with information gathering and process coordination while ensuring the client checks and approves each IR35 status determination. Alternatively, agencies can refer clients to specialist IR35 advisers.

In both models, the client remains the accountable party, aligning with the legislation's intent, and limits the agency's financial exposure. >

How agencies can provide IR35 compliance

Agencies can adopt the following steps to assist their clients with IR35 compliance:

1. Agency designs IR35 compliance process with expertise (in-house or external).
2. Agency/clients agree to a documented process and appropriate contractual indemnities.
3. The agency gathers assessment information (with client help).
4. The agency conducts a determination using a robust assessment tool and creates the Status Determination Statement (SDS).
5. Client checks and approves the determination/SDS.
6. The agency (on behalf of the client) gives SDS to the worker.

With careful planning, clear contractual protections, and genuine coordination with the client as the accountable decision-maker, agencies can conduct IR35 assessments in a way that strengthens their offering without unintentionally absorbing disproportionate tax risk. ■



DON'T WAIT FOR PAY TRANSPARENCY

The EU Pay Transparency Directive comes into effect across the EU on 7th June. Saul Howerton, Vice President and Global Head of People Advisory at Vistra, outlines how multinationals can best prepare.



The EU Pay Transparency Directive is the most significant step towards addressing the gender pay gap yet. While it becomes mandatory across EU member states from 7th June 2026, many employers are still treating it as a future compliance exercise rather than an immediate operational priority. This is a mistake. The Directive fundamentally reshapes how organisations hire, reward and communicate with employees, and the risks of delay extend well beyond regulatory penalties. >



At first glance, the Directive appears straightforward. In practice, it introduces a complex, country-by-country compliance challenge, particularly for multinational organisations. While the European Commission has set the overarching framework, implementation timelines and requirements vary across member states. Employers cannot rely on a single EU-wide approach.

One Directive, many timelines

The requirement for organisations with more than 250 employees to report gender pay gaps will become EU-wide from 7th June. Employers with 150-249 staff must report every three years starting in 2027, and those with 100-149 employees report every three years starting in 2031.

Yet some countries are already well ahead of the curve. Ireland, for example, has required [annual gender pay gap reporting](#) for organisations with more than 250 employees since December 2022, a requirement that has since expanded to include all employers with 50 or more employees. Guidance from the Irish government makes clear that expectations around data quality, narrative explanations and remediation plans are increasing, not easing.

This uneven rollout creates real risk for organisations operating across borders, as the Directive allows member states to implement their own rules. Where they do not, the Directive's default provisions will apply. At present, it is unclear which countries will take which route, and for employers, that uncertainty increases the need for proactive preparation rather than justifying delay.

Transparency's impact on recruitment

Beyond reporting, the Directive also introduces material changes to hiring practices. Employers will be required to provide salary information to candidates before interviews take place, and they will no longer be permitted to ask candidates about their salary history. These requirements are designed to reduce historic pay inequality, but they also place new pressure on organisations to ensure salary bands are clearly defined, consistently applied and are defensible. >



This is not simply an HR policy update. It requires close alignment between leadership, hiring managers and compliance teams. Without that alignment, organisations risk inconsistent messaging and internal confusion as well as the danger of HR complaints before a candidate has even joined the business. The European Commission has been clear that [pre-hire transparency](#) is a central pillar of the Directive, not an optional extra.

Importantly, the impact doesn't just stop once an employee is hired either. The Directive strengthens employees' rights to request information about pay levels for their role and for comparable roles, as well as the criteria used to determine pay and progression. This level of transparency brings long standing pay decisions into sharper focus.

Employers will need robust documentation and objective frameworks to explain how compensation decisions are made and how career progression is assessed. Without this, organisations will struggle to respond to information requests in a consistent and credible way.

Penalties, publication and reputational exposure

Where organisations fall short, the consequences can be significant. If reporting reveals an unjustified gender pay gap of at least 5 per cent within a specific employee category and the issue is not addressed within six months, a joint pay assessment will be required.

Employees who can demonstrate they were affected may be entitled to uncapped compensation, including full back pay, bonuses, compensation for lost opportunities and interest in arrears. [Legal analysis](#) of the Directive suggests this represents a major shift in enforcement power towards employees.

Financial penalties are only part of the picture. Employers may also be required to publish pay disparities alongside a narrative explaining the reasons for the gap and the measures being taken to address it. This level of disclosure increases the risk of reputational damage and employee attrition. In some cases, it may also lead to increased whistleblowing activity as scrutiny extends to other roles or employee categories. >

Why proactive preparation matters now

The message for employers is clear. Waiting for full national clarity before taking action is a high-risk strategy. Organisations should already be reviewing pay data, identifying potential gaps, and preparing for enhanced reporting and disclosure obligations.

Addressing issues early on not only reduces legal exposure, but also helps build trust with employees at a time when transparency expectations are rising. The EU Pay Transparency Directive is a catalyst for cultural change in how organisations think about pay, progression and fairness.

Employers that take a proactive and structured approach will be better placed to manage risk, protect their reputation and strengthen employee confidence. For those that wait – they may find that the cost of inaction far exceeds any time and effort put in to ensuring compliance with the new Directive. ■

