



REC

Recruitment
& Employment
Confederation

5 fundamental legal updates every recruitment business must know

What's changed under the new Government?





5 fundamental legal updates and actions you need to take now

Major legal and regulatory changes are set to reshape the recruitment landscape. Staying ahead of these developments is crucial to protecting your business, remaining compliant, and maintaining your competitive edge.

In this handy guide the REC's team of legal advisors break down the key changes coming your way —and the actions you need to take now.

1. National Insurance: Increased costs and new thresholds

The Autumn Budget 2024 introduced three significant changes for employer National Insurance contributions (NICs) effective from the 6 April 2025.

1 Employer National Insurance contributions (NICs) will increase significantly from 13.8% to 15%.

2 A drop from £9,100 to £5,000 per year for the per-employee threshold for NIC payments, increasing employment costs for many businesses.

3 On a slightly more positive note, the Employment Allowance will increase from £5,000 to £10,500, and the £100,000 eligibility threshold for claiming the allowance will be removed.



What will these changes mean for your business?

These changes will have a significant impact on the pay bill for clients and recruiters alike. If you're a recruitment agency supplying temporary workers, you will need to factor these costs into your charges to clients and will need to ensure that the cost of these increases is not passed on to their workforce, which could result in serious breaches of National Minimum Wage and unlawful deductions from worker pay.

Actions you can take

Recruitment businesses can begin preparing for the changes by:

- ▶ Reviewing terms of business for new or prospective clients to cover these costs.
- ▶ Engaging in early renegotiation of contracts with existing clients.
- ▶ Examining your payroll processes to ensure there are mechanisms to reflect the changing costs.
- ▶ Where you are working with intermediaries, such as umbrella companies or personal service companies, consider redoing due diligence checks to ensure they are complying with the changes when they come into effect.
- ▶ If you are on a public sector framework or are supplying staff to public bodies ensuring that you can demonstrate your compliance in meeting these new obligations. Failure to comply with the changes could see your business barred from future supply.



Already an REC Corporate Member?

Look out for further guidance on:

- ▶ How to claim the employment allowance
- ▶ How to recover the cost of the increased employer contributions from charges to clients
- ▶ How to ensure that in implementing these new increases you don't fall foul of employment law.

2. National Living Wage and National Minimum Wage increases

The National Living Wage (NLW) and National Minimum Wage (NMW) will increase from the 1 April 2025 to the following rates:

What will these changes mean for your business?

As with the changes to National Insurance, these changes will require recruitment businesses to factor in the rising costs to your charges to clients, ensuring that workers are receiving the appropriate increases. Eventually the NLW and NMW rates are expected to align as one higher rate, meaning businesses should look ahead to prepare for future costs in the coming years.

1 The NLW for workers aged **21 and over** will increase from £11.44 to **£12.21 per hour.**

2 The NMW for workers aged **18 to 20** will increase from £8.60 to **£10.00 per hour.**

3 The NMW for workers aged **18 and under** and apprentices will increase from £6.40 to **£7.55 per hour.**

3. New employer duties: Preventing workplace sexual harassment

As of 26 October 2024, the Worker Protection (Amendment of Equality Act 2010) Act 2023 imposed a new proactive duty on employers to take “reasonable steps” to prevent sexual harassment in the workplace — including temporary staff and contractors.

While the amendments themselves do not specifically list what amounts to “reasonable steps”, we can surmise from looking at case law and the Equality and Human Rights Commission (EHRC) updated guidance that specific steps may be relevant.

Ultimately, in the event of a claim, the Tribunal will determine if your steps were reasonable.



Actions you should take now

To meet the new obligations, there are some clear steps you should take as a bare minimum:

- ▶ Ensure you have a current and thorough sexual harassment policy in place, that has been communicated within your business.
- ▶ Check your HR processes are robust – a due diligence checklist can help you with this.
- ▶ Familiarise yourself with what is required to ensure compliance under the Equality Act 2010.



Need further support?

- ▶ Find out more about our template policy, sexual harassment due diligence checklist, FAQs and legal guide on the Equality Act 2010 at rec.uk.com/legal

4. New due diligence requirements when using Umbrella Companies

The recent wave of events affecting the future use of umbrella companies has seen a shift in the burden of umbrella company compliance from the umbrella companies themselves to the recruitment businesses that use them.

In the 2024 Autumn Budget, the Government announced that from April 2026 recruitment businesses would bear responsibility for processing PAYE tax and National Insurance Contribution deductions for workers engaged through umbrella companies – evidence of the Government’s efforts to combat tax avoidance and fraud in the umbrella company market through recruitment businesses which exposes recruitment businesses using umbrella companies to risks.

Further changes that form part of the Employment Rights Bill on the regulation of umbrella companies are highlighted in the next section.

In December 2024, the High Court issued an interim freezing order against a widely used and long-standing umbrella company **Ducas Limited**. These developments highlighted the importance of robust due diligence checks when supplying temporary workers through an umbrella company.



What it means for your business

As a recruitment business you will be required to ensure compliance in relation to the workers you engage and those engaged by umbrella companies.

Actions you can take

If your agency works with umbrella companies, now is the time to strengthen your compliance framework.

Check:

- ▶ Do you have an umbrella specific contract in place?
- ▶ Do you know what is required from you as an intermediary working with umbrella companies and are you clear on the legal guidance around it?

If the answer is no, now is the time to ensure these fundamentals are in place and you are up to speed. The situation is changing quickly so make sure you are also keeping up to date with progress.



We're here to help.

Stay up to date with the REC's legal briefings and resources, including an intermediaries' checklist for umbrella companies, legal guide on umbrella companies, and a template umbrella-specific contract and supporting documents.

5. Employment Rights Bill – The biggest shake-up yet

The Employment Rights Bill (ERB) was published on the 10 October 2024. It introduces sweeping reforms that will reshape the employment landscape and recruitment industry. While many changes won't come into effect until 2026 at the earliest, it is critical businesses use this time to prepare.

Key proposals include:

- 1** The introduction of a right to guaranteed hours contracts for zero hour workers
- 2** Mandatory notice periods for shift changes and cancellation for zero hour workers with financial penalties for non-compliance
- 3** Unfair dismissal protections after the probationary period, removing the current two-year employment requirement to be able to bring an unfair dismissal claim
- 4** A ban on substitution clauses in employment and worker contracts likely to result in a limit on the use of independent contractors
- 5** Immediate Statutory Sick Pay (SSP) entitlement from day 1 of employment (including for temporary agency workers)
- 6** Restrictions on confidentiality clauses in settlement agreements for harassment claims

As a result of calls from the REC for greater umbrella company regulation, the government has tabled an amendment to the ERB to bring umbrella companies within the remit of the Conduct Regulations and the Employment Agencies Standard Inspectorate (EAS).

Notably, Minister Justin Madders reaffirmed the government's commitment to working collaboratively with the REC and acknowledged the constructive engagement of REC Chief Executive, Neil Carberry, on key issues, highlighting the value of an REC membership and the fact that legal enquiries raised by REC members directly feed into conversations with government.

Actions you can take

- ▶ Get involved and be part of the conversation.

REC member feedback directly shapes our position as we consult on these various legislative developments and informs next steps behind the scenes.

- ▶ The situation is progressing quickly, with many legal changes in the pipeline. Check you have the right level of support in place and can access the expertise and resources you'll need to confidently adapt to the changes that lie ahead.

If this isn't the case, now is the time to make that change to future-proof your business.





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- ▶ Listen to the REC Talking Recruitment podcast at rec.uk.com/podcast

Access member exclusive content

If you're not yet a member and would like to discuss how to access our exclusive legal and campaigns updates, model contracts or guides just reach out to us at enquiries@rec.uk.com or visit rec.uk.com/join to find out more about REC membership.

Find out more





The Recruitment & Employment Confederation is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower UK recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy.

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