



## Workers' tax

# Tax timebomb is ticking for recruiters

**T**he government announced in last year's Budget that from April 2026 recruitment businesses will be responsible for processing PAYE tax and National Insurance Contribution deductions for any of their workers engaged through umbrella companies.

The government's recent announcement that umbrellas will be regulated is a win for the REC, which has long campaigned for this parity with employment businesses. We will continue to work to ensure the regulations are fit for purpose so compliant businesses are not unduly penalised.

However, there are concerns that agencies may not have registered their new responsibilities when using umbrellas because they are overwhelmed with other impending changes. Part of the REC's work to help members prepare for the new rules includes a survey asking how agencies plan to respond to the changes and whether they see any unintended consequences we should flag with the government.

The clock is ticking, but there is still time for the industry to think about how this will change the way it operates and manages engagement with umbrella firms in its supply chains.



REC members can access the SafeRec platform at a discounted rate to conduct due diligence on umbrella companies in their supply chain and to automate pay slip audits. There is little time to waste preparing for the additional compliance – especially as agencies must also contend with changes introduced by the Employment Rights Bill in 2026.

The REC's expert legal team will be

monitoring updates and details that emerge on the planned rule change. They are also available to advise on how to stay compliant. REC members are encouraged to get in touch with the campaigns team to give their feedback on the potential impact of this new regulation.

*Please send your emails on this issue to [campaigns@rec.uk.com](mailto:campaigns@rec.uk.com)*

## the view...



Aim for a brighter future, but keep some energy to deal with surprises when you get there, advises **Neil Carberry**, REC Chief Executive

It was great to see so many friends, old and new, at the RecExpo in March. What was particularly pleasing was the sense of optimism and enthusiasm that wafted through the Excel Centre after a long winter.

I've always loved the buccaneering spirit of this sector. We can't pretend that the past few years have been easy – and we all know how much is changing in the market every day.

In my session, I loosely mirrored the themes of the children's book *We're Going On a Bear Hunt* to explore what is happening now. If you aren't familiar with what was always a bedtime classic with our kids, the story focuses on a family who set out on a trek to find a bear.

They have an arduous journey and endure many challenges – recruiters may replace mud, rivers and snow with variable client demand, new regulations or evolving technology. But their optimism and enthusiasm help them to overcome all these barriers.

Then their problems really begin. This is not because they fail, but because they are successful. They find a large bear – and promptly run away.

What are we to make of this for recruitment? My point was that the growth you are seeking may well be out there, but it may prove to be different from your expectations or it may require your firm to have different approaches or infrastructure.

That's uncomfortable, but it's essential to address. Whether it means a different entry point for clients, different delivery models or internal changes, it is always worth having in mind that the market, as it comes back, is unlikely to look like it did before.

We all know that our sector follows the economic cycle, but as you navigate that challenge, remember to save some of your effort and enthusiasm to consider the question of what a good market will look like now. Then prepare for that.

When you find your bear, you'll know what to do.



If you want to keep up to speed with all things recruitment then follow me on X @RECNeil



CAMPAIGNS

## On the front foot in gov.uk consultations

**Shazia Ejaz**, Director of Campaigns at the REC

One of the very few times gov.uk provides excitement for the REC campaigns team is when a consultation is published. These come in different forms. For example, the Department for Business will publish a 'condoc' on zero-hours contracts measures, which will ask for specific answers from non-government respondents, whereas Green Papers allow people inside and outside Parliament to give feedback on policy or legislative proposals.

These are opportunities for the REC to influence government. In the case of the Employment Rights Bill (ERB), we warned of unintended consequences to a number of proposals. Now, however, we are lobbying for a change to the timing of a consultation on the reinstatement of the School Support Staff Negotiating Body (SSSNB), which was abolished in 2010. The reform will see agency workers in support roles at state schools included in nationally-set terms and conditions, with pay rates agreed in negotiations between employers and trade unions.

It is encouraging to see agency workers included in these reforms, and we are ready to represent agencies as needed, but we are concerned that the consultation will run from June until just before the summer holidays. This is the period when education recruiters are least available to engage in the consultation process. The Department for Education (DfE) needs meaningful input, especially around overlap between the SSSNB and other rules governing the agency market. A rushed consultation could waste an opportunity to address labour shortages in state schools.

Departments' willingness to engage with the REC in consultations varies. The Department for Health and Social Care is ignoring healthcare agencies over policy changes that will ban the use of contingent workers at bands 2 and 3, so we make our case more via the media. The DfE approach to pay is more inclusive and considered than in the NHS, so we hope it will agree to change the timing of this important consultation.



## the intelligence...

## Beyond sick leave: the business imperative for supporting employee wellbeing

**Mukul Tiwari**, REC Research Manager

Sickness absence has become a significant and growing concern across the UK labour market, piling pressure on organisations of all sizes and sectors.

According to research recently commissioned by the REC, the most commonly reported consequence of sickness absence is reduced productivity. This affects 48.5% of the organisations we questioned. The impact is felt most acutely in London, where 59.9% of businesses reported productivity loss, and among large employers (those with 250 or more staff), where the figure rises to 60.3%.

This comes at a time of acute labour and skills shortages across our economy. The government is implementing several initiatives to reduce sickness absence in the workplace, including the *Get Britain Working White Paper* and Occupational Health Taskforce.

Other problems caused by sickness absence include a decline in service quality (cited by 36.5% of organisations surveyed) and decreased morale among co-workers (cited by 30.9%). Both challenges are particularly acute in London, where 48.2% and 50.2% of employers respectively reported these issues.

Financial pressures are also significant – 25.9% of respondents highlighted increased direct and indirect costs associated with sickness absence. This concern is highest in the North (39.7%)



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and among mid-sized firms (those with 50-249 employees), 38.9% of which reported financial strain. Health and safety risks are a key issue, cited by 20.9% of respondents overall. These risks are most prominent in the North (33.2%) and Midlands (26.2%).

In response to these growing concerns, many employers have begun implementing measures to enhance employee health and wellbeing. Flexible work policies are the most widely adopted initiative, implemented by 51% of employers overall. These are commonest in London (67.3%) and the Midlands (66.8%), and in large organisations (66.3%).

Among public-sector employers, 48.3% offer such policies. Smaller firms (those with up to 49 employees) are also less likely to adopt flexible work practices – 48% used them, suggesting there is a gap in support for employees in these environments.

Workplace safety initiatives, such as health and safety training or guidance, are the next most common measure. Overall, 39.6% of employers use them. They are

most popular in the South (excluding London), where 47.2% of organisations provide such support, and in mid-sized businesses (58%). This highlights a growing recognition of the importance of preventative strategies to reduce absence and foster a safe, more supportive working environment.

Mental health support is also gaining traction. Nearly 30% of employers offer Employee Assistance Programmes (EAPs) or counselling services. They are commonest in large organisations (48.9%), and in the North, (38.4%). Health and wellbeing education is provided by 37% of employers overall, particularly in the South (including and excluding London), where more than 45% offer such initiatives. Large organisations lead the way, with over half offering this support.

However, 13.1% of employers offer no measures to support employee wellbeing. Among smaller businesses this rises to 16.2%. Regional disparities are also evident – in the North, 23.5% report no wellbeing support.

A proactive, data-led approach to employee health and wellbeing is vital to mitigate the risks associated with sickness absence and to build a healthier, more resilient workforce for the future.

*REC Corporate Members Employee Assistance Programme by Health Assured provides lifestyle support, legal information bereavement support and medical information.*



## big talking point

# Common good

What would digital verification look like and why should everyone in the recruitment industry be excited about getting involved?

**Y**ou walk into the station, scan your phone and pass through the barriers. Before your train leaves, you wave your phone at a barista and receive a latte and a croissant. So far, so normal. This could also be normal in the world of employment if the recruitment industry unites in pushing for the common advantages it would provide for candidates and clients.

In a perfect world, a candidate could walk into a recruitment agency, discuss what they're looking for and present their phone. Their digital wallet will identify them and verify their right to work, their professional qualifications, certificates, DBS checks and HGV licence, along with references from their previous position. This is the vision for a universal digital verification that the REC is advocating for the UK labour market.

The advantages of such a system are obvious. Every recruiter knows the host of routine checks necessary to get a single person into a role and the many government and trade bodies involved. Add to this the need to chase (and in turn give) references multiple times and the costs in time and money add up significantly – especially for those who place temps and interims. Employers

and others who rely on the accuracy of checks could verify all the information shared by the individual in a second, at a fraction of current costs.

Furthermore, the government is desperately seeking growth and long delays and high costs are inefficient, creating barriers to employment. The REC has raised this issue in its response to the Comprehensive Spending Review:

*"The delays caused by the current system are significant. Members report that placing a locum doctor can take 4-6 weeks due to repeated verification requirements. Workforce shortages are worsening in key sectors, with vacancy rates at 40% in healthcare, 38% in education (up from 22% in 2017), and 40% in construction. In education alone, only 59% of the target recruitment was achieved in 2022/23. These inefficiencies impact major government priorities, including reducing the NHS backlog, cutting reliance on benefits, recruiting and retaining teachers, and accelerating housebuilding."*

### Secure and universal

The technology already exists, so digital verification could become reality if all the issuing institutions provide certificates and verifications digitally to candidates.

However, all recruitment firms must collaborate. The system will work only if everyone joins it. The REC is therefore driving the initiative to communicate and promote collaboration between recruitment firms and their partners.

The first steps have already been taken. Supported by the REC, a group of leading recruitment firms and the Velocity Network Trust Framework are creating a simple path to issue and verify digital credentials via a web-based platform and candidate digital wallet. The intention is for this to go live in the summer.

All the personal data in individual digital wallets will be secured by blockchain technology, making it tamper-proof. It is owned by the candidate, but the recruitment consultant can verify that the information is reliable and current. They then move straight to identifying suitable roles and the candidate could, potentially, start work the following morning.

The REC is asking the government for regulatory changes to enable the digital verification solutions to be widely adopted. The government is listening because the system would help it to move claimants off benefits and into tax-paying roles.

### Wow factor

The recruitment agencies working on the project with the REC are clear that this must be an industry-wide not-for-profit initiative that works for all types of recruitment agency.

To make this happen, these recruiters are investing time and money to get the project off the ground. "I don't normally join projects like this," admits Stinus Andersen, information and systems director at Morson Talent, who is part of the group. "But I felt real excitement when I saw this. I thought, wow! It has real potential to change the way we work for the better. I think I will look back and be proud to have been involved."

He adds that in an intensely competitive industry, it felt good to work on a collaboration that will benefit everyone – particularly clients and candidates. "We are investing time and money in this because these things don't just happen and we need to make sure that it works for everyone," he explains.

"The benefits are clear," he adds. "There are huge gains to be had in terms of efficiency, control and quality. We'll be able to tell clients and candidates that they can start work without any delays, and when a contractor leaves us we

can give them a secure digital reference that the next employer can read. Best of all, the data can't be altered, but the candidate retains full control over who sees it, when and why."

He is already looking at how Morson can adapt its onboarding processes so that people know when they join that they can take their Velocity reference and all the checks with them when they finish a contract. "It's very rare that you have something genuinely new to offer people," he says. "The only challenge is to get competing firms to collaborate on this, so I want to have a playbook I can



take to others in our sector and say 'this is how we've done it and what it involves.'"

In the long term, he believes the issue will be less about gaining a competitive advantage and more about not being at a competitive disadvantage. "This is about future-proofing our profession," he says.

### Seamless transition

Graham Lucas, a managing director at Michael Page, who is also in the pioneer group, agrees. "Our industry should welcome this," he says. "This is an opportunity for us to reduce friction and cost and make working transitions seamless from a data and security perspective."

He emphasises the benefit to clients and candidates. "The government has already committed to making driving licences digital by 2027 and many people have digital wallets. I don't think in five years' time anyone will expect to print things out or send documents for accreditation elsewhere to prove their ID or start a new job."

The important issue now is that the whole recruitment industry gets behind the project, he stresses.

"We don't want to build something that works for only a handful of businesses. It's got to be simple to use, but flexible to meet the compliance needs of every type of recruitment agency in every sector, all salary levels and types of contract. It must also be totally trustworthy."

The idea and the aims are straightforward, but the practical development is complex. This is why Lucas welcomes the role of the REC in bringing together founding members who can commit to driving this forward, shaping its development and promoting it in their sectors.

"If you hired a dedicated team to build this it would increase the costs 50 times because we're donating our ideas and expertise to making it work for everyone," he says. "We're doing it for the whole industry, because we want to be involved."

In the end, he adds, the industry has to build this because recruiters are the people who know what is involved. "The product is new, but the service is what we've been doing for decades. We already know what works."

# legal update

## Cost rises: what recruitment firms need to know

By **Melissa Mhondoro**, REC Solicitor and Head of Legal Advice

**E**mployer costs rose in April 2025 and there are some key themes raised by recruitment businesses:

### NMW and Pay Reference Periods

National Minimum Wage (NMW) applies to work done in a pay reference period and so does not always automatically affect wages paid out from the date of the uplift. This means that when applying the increased NMW rate, the new rate only has to be applied to work completed in any pay reference period starting from 1 April 2025.

For example, if a worker is paid weekly and pay relating to work completed from 24-30 March is paid on 4 April, that payment does not need to reflect the new rate as it would relate to a pay reference period before the increase. Additionally, if NMW increases in the middle of a pay reference period, the increased rate will apply only from the start of the next pay reference period.

### Employer NICs

Employer NICs cannot be deducted from pay. It is unlawful to pass on the

costs of employer obligations to workers, and any deductions from a worker's pay to recover employer NICs are likely to amount to an unlawful deduction from wages. But employers can claim employment allowance, which provides a £10,000 NIC relief for businesses. Additionally, from April access to this relief was extended to all businesses – by removing the £100,000 eligibility threshold that previously applied.

### Statutory payments

The National Insurance Lower Earnings Limit (LEL), which determines eligibility for statutory payments such as Statutory Maternity Pay (SMP) and Statutory Sick Pay (SSP), has increased. Workers will now need to be earning at least £125 per week to be entitled to these payments. It is worth noting that workers who were eligible under the previous LEL and who began receiving the payments before the increase remain entitled to the payments.

It is important to include the right to claim employer costs from clients in contracts with clients, because there is

no automatic legal right to do so. This is particularly vital because businesses supplying temps are legally obliged to pay their workers regardless of whether a client has paid the business.

Lastly, businesses should have prepared for the changes by completing the following actions:

- Reviewed terms of business with new or prospective clients to cover the increased costs
- Engaged in early renegotiation of contracts with existing clients
- Examined payroll processes to ensure there are mechanisms to reflect the changing costs
- Considered redoing due diligence checks to ensure that any intermediaries you work with, such as umbrella companies or personal service companies, have complied with the changes since they came into effect
- Ensured that you can demonstrate your compliance with the new obligations if you supply to the public sector, because non-compliance could result in bans and/or exclusions from being a public-sector supplier in future.

## Demystifying digital transformation in recruitment

**Linda Sandberg**, Sales Consultant, Vision33



The recruitment industry is evolving, with firms under pressure to streamline operations, reduce costs and stay competitive via digital transformation. But what is digital transformation?

### What is digital transformation?

Digital transformation is about using the right tools to work smarter, not harder. An often overlooked area is finance. An outdated finance system slows growth, increases risk and drains resources.

Many recruiters use spreadsheets and manual

workarounds to manage finances, leading to inefficiencies, errors and compliance risks. A cloud-native finance system such as Sage Intacct offers automation, real-time reporting and seamless integration with applicant tracking systems, time and billing, payroll and other critical systems.

### How to reach digital maturity

Start by assessing IT spend, identifying bottlenecks and integrating systems for a single source of truth. A cloud-native finance system improves

multi-entity consolidation, real-time expense tracking and profitability insights.

### The bottom line

Digital transformation is about modernising finance operations, so recruitment firms gain financial control, improve decision-making and free up time to focus on placing the right talent in the right roles.

*Linda Sandberg, a global Sage Intacct partner, can help your firm start digital transformation. Visit our REC Business Partner profile to learn more.*

## Lessons from new starts in recruitment

# What I know



**Jake Beechey** is senior consultant at Stonehouse Recruitment Group and REC Best Newcomer winner

### Choose a company that shares your ethos

I joined Stonehouse Recruitment Group 18 months ago when it was still only a couple of years old with a team of three people. It was my first recruitment job. Most of my interview was about what drives me and the agency's values. The ethos here is that people really matter. I made my mind up halfway through the interview, which aimed to find people aligned with the ethos, regardless of recruitment experience.

### It's hard work, but rewarding.

My first year was intense. We were developing the business, so I was thrown in at the deep end, but I loved it. It's exhausting because each conversation has

to be the best you have that day. My favourite part of the job is the conversations. You are emotionally invested in the candidates because you know them so well. It can be hard to ask personal questions, but sometimes you must find out what really makes people happy – it makes a difference to their lives.

### Town planning is a hot topic

I specialise in Town Planning. The more I learn, the more I see how integral it is to local government and the UK. It's a hot topic and has a massive impact on the economic structure of the area and people's lives. It's also hugely varied. There is huge demand for planners from local authorities, but it's a high pressure and stressful job. It's not for everyone, so you must get it right.

# Q&A



**James Pailor** is general manager at TechPool Recruitment

### After a career as an offshore electrical technician, you set up a recruitment agency. Why?

I saw a gap in the market for a specialist maritime and offshore recruiter who really understands what it's like to work offshore, and the skills needed for offshore roles. I contacted current and former colleagues and many signed up immediately. I also know potential clients from previous roles. I have been a candidate and a client of recruitment firms for 15 years and have been bombarded with emails offering me wildly different, unsuitable roles and candidates. I never met a recruiter who had worked offshore.

### How did you prepare?

I got in touch with the REC and completed the Certificate in

Recruitment Practice. My wife is co-director with me and she has a background in office management. I previously ran my own property business and I received mentor support from Hartlepool Council. A lot of recruitment is about being responsible and approachable and we really understand and care about the people we work with.

### What was the biggest challenge?

I'm not a salesman and I find sales calls stressful, but I aim to do a few high-quality calls each day based on thorough research. Most people will talk, but it can be tough. Some days are hard, but others are amazing. One day recently a former contact got in touch out of the blue and we're now on their preferred supplier list. I had to learn to take time out.



# Career returners tell recruiters and employers to change their approaches to employment breaks

The REC and social impact organisation Career Returners are continuing to promote to recruiters and employers the importance of hiring more people returning to work after a break because of, for example, illness, caregiving, further education, relocation or travel. They have produced new online guidance offering practical steps to help recruiters support more returners as candidates and the tools to encourage client employers to do the same.

The REC's influential *Overcoming Shortages* report highlighted that labour shortages in the UK could cost the economy up to £39 billion annually – almost as much as funding two entire Elizabeth Lines on London Underground. This is why initiatives such as this are so crucial. The guidance seeks to reshape perceptions and policies, encouraging recruiters and employers to appreciate the value of individuals returning to work after career breaks.

REC member f1, which is B Corp certified, has pioneered this approach. In March it held its annual two-week Back2business bootcamp and its message to fellow recruiters was “you snooze on hiring such workers and you lose in this tight labour market”.

*Recruitment Matters'* Hamant Verma attended the final event of f1's Back2business programme, which is now in its 13th year. This was a formal speed networking event where career returners in marketing and communications delivered their elevator pitches and got feedback from a room full of employers. All were keen to secure a job offer.

At the Back2business 10th anniversary celebration in 2023, f1 conducted a survey and found that 85% of its alumnae had managed to get back into their careers within a year of attending the programme.

Petula Kincaid, 60, from Clapham in London, has been on a two-year break from work since she finished a maternity cover role in marketing. Her message to in-house and agency recruiters is simple: “There is a misconception that older workers are more expensive – we are not. The children have flown the nest, I have a desire to add more purpose to my life and I have a lot of freedom and confidence.”

Another attendee, Laurence Bird from Wandsworth in London, has spent 28 years in director roles in marketing and research. “I feel recruiters could offer more advice on personal marketing,” he said. “Is there something on my CV that is not working?”



Meanwhile, Kristina Moskalenko, who has 11 years of journalism experience and seven-and-a-half years in editorial leadership wants to return after a three-year break dealing with caring responsibilities. She said she finds it odd that recruiters approach her on LinkedIn, sometimes about specific roles, yet she does not receive any feedback. She also said too many firms want her in the office five days a week, which is not possible with her child-caring responsibilities.

Career returner Monique Walcott, of South East London, who previously worked in B2B sales, said recruiters and employers need to “embrace diversity of thought, think outside the box and be open to looking at skills as well as recent experience”.

Among the firms at the speed networking event were John Lewis, Primark, Zeno Consulting, Teneo Consulting, Hope and Glory, London Marathon and FleishmanHillard.

Speaking after the event to RM magazine, Amanda Fone, founder of f1 Recruitment and co-founder of Back2business with human resource development and career coach Liz Nottingham, reminded recruiters of their huge influence with their clients. “We have access to hiring managers and client decision-makers to ask salient questions about career returners,” she pointed out. “If recruitment consultancies across the UK offered one-day programmes or short workshops showcasing the untapped potential of career returners in their sectors, clients could discover the significant benefits of hiring from this valuable talent pool.”



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