

AUTUMN BUDGET SUBMISSION – SEPTEMBER 2024: Association of Professional Staffing Companies (Global) Ltd (APSCo)

About APSCo

The Association of Professional Staffing Companies (APSCo) is the only trade body dedicated to the international highly skilled recruitment sector. APSCo's 1,500 members range from SME recruiters to the largest global, listed recruitment companies and staffing outsource providers.

APSCo members recruit professionals into permanent and contract roles across STEM, accountancy, legal, finance, marketing and media – as well as highly regulated sectors such as qualified social work, teaching, and clinical healthcare.

APSCo OutSource members undertake the process of recruitment and worker management on behalf of employers and are at the forefront of skills-based hiring and workforce planning.

The recruitment sector is a UK success story – delivering innovation and opportunity to the UK workforce – and will be critical to delivering sustained economic growth.

With our international insight, via our offices in Europe, Asia, and Australia, APSCo are well-positioned to provide expertise as the Government seeks to bring forward reforms to employment rights, the labour market, and skills.

Tackling the professional skills crisis to achieve growth

Our members continue to report widescale skills shortages across the technical sectors supported by their clients. Our latest Engineering report evidences a reduction of permanent vacancies being advertised of 10.2% year on year (YOY) between April 2023-2024 and applications per vacancy for permanent roles down by 23% over that same period, suggesting a reduction in candidates looking for work. The sector is heavily biased towards permanent work, whilst pharmaceuticals has a greater balance between permanent and contract.

Pharmaceutical permanent vacancies were down 46% YOY June 2023-2024, with contract roles reducing by 15%. Applications for permanent roles were down in the pharmaceutical sector by 37% YOY although on average applications were still above 30 per role.

To address this skills crisis and to unlock sustained economic growth, we need a more dynamic, flexible, and innovative labour market that can attract the right talent.

We recommend several deliverable regulatory and labour market reforms designed to tackle skills shortages, maximise productivity, and enable economic growth:

- **Ensuring the Growth and Skills Levy is sufficiently flexible and aligns with skills needs**
- **Greater government collaboration with business on regional skills hubs and training**
- **More flexible visas for highly-skilled workers**
- **Legislation to define self-employment status**
- **Keeping Off-payroll (IR35) under constant review**
- **Update regulation for umbrella companies and greater work to tackle rogue umbrellas**
- **Action to exclude highly skilled workers from the Agency Workers Regulations**
- **Support reasonable payment terms to protect SMEs within the supply chain**

Workforce skills, training, and talent

Ensuring the Growth and Skills Levy is sufficiently flexible and aligns with skills needs

To meet the challenges of professional skills shortages, APSCo welcomes the Government's plans for an Industry Strategy supported by Skills England and reform of the Apprenticeship Levy, broadening it out into a Growth and Skills Levy (GSL). As the Government looks to implement this, we recommend:

- The GSL should enable funding for shorter, more flexible modular training for everyone, but with a particular focus on key sectors critical to growth such as the green transition, maximising accessibility for 18–24-year-olds, “reskillers”, and older workers.
- Development of the Growth and Skills Levy should work within the existing skills system but beyond Ofqual accreditation. Non-regulated accreditation must be facilitated to encourage quality assured training delivered externally or “in-house” putting maximal flexibility at the heart of Skills England’s mandate for administering the new GSL. This should align to individual and employer needs and be future proof to meet new skills training needs as they evolve on a commercial timetable.
- The scope of the GSL encompasses agency workers, independent professionals, and the self-employed workforce.
- Tailoring the new GSL for a more regional and sectoral approach, allowing the levy to be spent on targeting regions and technical sectors suffering from labour shortages and critical to the Industrial Strategy.
- Working with Combined Authorities to use skills investment funding to promote and support regional hubs with local economic strengths.

To improve participation and upskilling, additional long-term financial incentives, such as tax relief or expansion of the levy use to cover some costs are needed, recognising the financial and managerial commitment needed to provide work experience or training to a student or to support local skills programmes.

Members recognise the value of paying the Apprenticeship Levy particularly as it broadens into a wider Skills Levy. However, it is already an onerous additional cost for our SME members, many of whom pay the levy by way of their large contractor pay roll. The rate should not be increased and the £3Million band retained.

More flexible visas for highly skilled workers

The UK's ability to attract the best international talent is crucial to sustained economic growth. In alignment with the focus on developing domestic skills in the shorter term, more needs to be done to enable business to fill vacancies in labour-short, high-skilled sectors, such as teaching, clinical healthcare, green energy engineering, life sciences, digital and fintech. The lack of available highly skilled technicians and engineers is hindering growth.

- We support the Government's policy to align visas with specific evidence of domestic upskilling, getting people reskilled and back into work.

To achieve a flexible workforce that allows the UK to secure global talent, we recommend:

- A rescoping of ‘permitted business’ within scope of the Standard Visitor and a flexible, non-sponsored, short-term visa route for highly skilled foreign employed and self-employed workers –potentially targeted at known shortage skillsets. This is crucial for sectors such as green energy and grid capacity where the UK needs short-term access to highly skilled professionals to deliver the transition to net zero.

- The expansion of existing programmes like the Global Talent visa, to attract a skilled workforce that will positively contribute to the UK's economic growth.

The right workforce regulatory environment

Most APSCo members have international businesses or deliver some recruitment services internationally – and their everyday experience proves the extent of the competition between developed economies for scarce talent and emerging skills.

For the UK to remain competitive, its labour market needs to be world-leading, fair and flexible. The market needs to evolve to increase productivity, whilst protecting the vulnerable and supporting the lower skilled in good work.

Define self-employed status in legislation

Those who choose professional self-employment tend to be highly productive workers. APSCo believe they should be encouraged to remain in the labour market up to retirement age.

- We recommend that the Government define self-employed status in legislation, to help resolve the complexity of statuses for tax and employment rights.

This legislation needs to differentiate self-employed independent professionals from dependent contractors, workers, other variants of self-employment and the lower skilled, less independent elements of the gig economy.

- The reform should define unequivocal indicators of running a business and professional self-employment, reducing red tape.
- Reform is needed to ensure that the self-employed are motivated and financially supported to upskill, including with access to enhanced Government benefits and support.

Keep Off-payroll (IR35) under constant review

We recommend a comprehensive review of Off-payroll (IR35) policy. Off-payroll has unintended consequences, leading to experts leaving the labour market in many skills-short sectors. This is due to the lack of legal clarity around highly skilled self-employment.

This creates false deemed employment due to clients' adverse approach to risk taking, partly due to HMRC's ongoing failure to win court decisions on IR35 reassessments.

- IR35 should be kept under constant review to enable a flexible, agile, and independent professional workforce. This includes tackling the issue of determining whether someone is an employee or self-employed through an overhaul of employment status law.
- The Government should work with the sector to help overcome challenges and remove the current burdens of Off-payroll on the professional recruitment sector,

Regulate umbrella companies

Whilst only a minority, some umbrella companies continue to abuse the tax system and workers' rights. The Government should consult closely with the recruitment sector to bring in regulation of umbrella companies which helps to protect workers – ensuring they receive benefits and pay they are due and pay the correct amount of tax. We recommend that the Government:

- Update the legal definitions for umbrella company employment.
- Introduce licensing of the umbrella market, including the mandatory use of client accounts, and the introduction of statutory compliance codes.
- Provide a larger budget to regulators to help them tackle rogue umbrellas.

Exclude highly skilled workers from the Agency Workers Regulations

Employment rights legislation should be primarily targeted at vulnerable and lower paid workers to address current inequalities, and to ensure ongoing reforms deliver maximum impact.

- We recommend that the Agency Workers Regulations 2010 (AWR) should be updated to exclude professional highly paid contractors who earn rates many multiples of the National Living Wage (NLW). Pay on assignment measured by multiples of the NLW is a simple tool to assess scope of AWR and other similar regulations.

Support reasonable payment terms to protect SMEs within the supply chain

Long payment terms within the private sector disrupt supply chains, creating significant financing costs for small businesses and denying SMEs the cashflow needed to pay staff and deliver services.

In the recruitment sector, for example, a recruiter is generally obliged to pay a contractor within 28 days, while large end-clients can insist on 90 or 120-day payment terms, requiring costly financing by the recruiter, often an SME. The extent of this problem is stark: across the economy there were around £20bn of invoices whose payments were overdue in 2021, causing 50,000 UK businesses to go under each year over cashflow issues.

At this Budget, we recommend that the Government protect small businesses by:

- Making the Prompt Payment Code mandatory for private sector larger businesses, to ensure that payments are made within a 60-day period. The code is the most reasonable way to set an industry standard in the UK economy, limiting the financing burden currently placed on small businesses and bring stability to supply chains.
- Amending the Payment Practices & Performance Regulations (PPPRs) to require payment practices and performance reports to be included in directors' statutory reporting.
- Amending the PPPRs to require an end client to report publicly on the number and value of contracts where a supplier is required by contract or by statute to finance payments down the chain – and the differential in payment terms.

Further information

With 25 years' experience, APSCo has significant experience of the regulatory policy affecting staffing and recruitment across the economy, ranging from healthcare to education, technology, marketing, finance, professional, engineering, and life sciences. Should you require any further information, please contact:

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