

SPRING BUDGET SUBMISSION – JANUARY 2024: Association of Professional Staffing Companies (Global) Ltd (APSCo)

About APSCo

The Association of Professional Staffing Companies (APSCo) is an international trade body offering global services with local delivery to the international professional recruitment sector. APSCo helps differentiate the professional recruitment market by raising standards and delivering expert support and market intelligence to members of APSCo around the world.

APSCo Global comprises APSCo United Kingdom, APSCo Australia, APSCo Deutschland, and APSCo Asia, as well as APSCo OutSource. APSCo OutSource represents the Recruitment Process Outsourcing and Managed Service Provider sectors, which undertake the process of recruitment and staffing management on behalf of employers.

APSCo members range from SMEs to the largest global, recruitment and outsource providers. Members recruit professionals into permanent and contract roles across STEM, accountancy, legal, finance, marketing, and media in addition to highly regulated sectors such as qualified social work, teaching, and clinical healthcare.

Tackling the professional skills crisis

Insufficient access to highly skilled workers is an ongoing issue for UK businesses that is holding back our economy. APSCo is currently witnessing major shortages of workers, particularly in IT and digital, engineering, and other professional skills.

For example, in the pharmaceuticals and life sciences sector, our [research](#) showed that applications for roles nose-dived in November 2023, dropping 64% month-on-month. We've seen similar trends in Financial Services where permanent applications in August 2023 were down 37% compared to August 2022. In the healthcare sector, APSCo has seen recruitment stall, while in construction and engineering, the number of vacancies continues to remain high.

Alongside the availability of skilled workers, a key factor in the professional skills crisis is the rapid evolution in the skills demanded by the market, which is picking up pace. LinkedIn's [Future of Work](#) report also revealed the role of AI in accelerating matters, with the skills needed for jobs expected to change by at least 65% by 2030.

To address this skills crisis and to unlock faster economic growth, we need a more dynamic, flexible, and innovative labour market that can attract the right talent, both domestically and internationally. More should also be done to help existing workers to upskill and re-skill where they, or their employers, need to or want to.

In our submission, we recommend a number of deliverable regulatory and labour market reforms designed to tackle skills shortages, maximise productivity, and enable growth:

- Broadening the scope of the Apprenticeship Levy to align 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
- Supporting reasonable payment terms to protect SMEs within the supply chain

Workforce skills, training, and talent

Broadening the scope of the Apprenticeship Levy to align with skills needs

Many of APSCo's larger recruitment and outsourcing members have significant levy pots, that they are unable to spend on upskilling their large payrolls of staff, agency workers, and independent contractors due to current levy constraints. We recommend that:

- The levy is reformed to allow it to be used for shorter, more flexible modular training for everyone, but with a particular focus on maximising accessibility for 18–24-year olds, “lane changers”, and older workers.
- The levy is tailored for a more regional and sectoral approach. The scope of the levy is widened to enable agency workers, independent professionals, and members of the self-employed workforce to fund skills and statutory training requirements with levy funds, via their employment business, thereby improving the hiring and retention of workers in critically short supply such as NHS clinical staff.

Coordinated national strategy for skills investment

- We recommend that the Government further develops a coordinated national strategy for skills that aligns education investment with regional economic strengths to support advanced manufacturing and technology. As part of its levelling up work, we recommend that the Government uses skills investment funding to promote and support regional hubs with local economic strengths.
- To combat technical skills shortages, the Government should identify centres of excellence in specific sectors and use skills investment to align with their needs.
- As part of this Strategy, the Government should work with universities, colleges, and businesses to deliver T-level work placements, Skills Bootcamps, apprenticeships expedited Investment Zones and Local Skills Improvement Plans, to deliver the right skills in the right places to achieve economic growth.
- To help improve participation and upskilling, additional long-term incentives and support for employers are needed, recognising the financial and managerial commitment needed to provide work experience or other types of training to a student.

Flexible visas for high-skilled workers

The UK's ability to continue to attract the best international talent is crucial to the economy.

More needs to be done to ensure adequate investment and funding allow distinct skills shortages across high skilled areas of work, such as teaching, clinical healthcare, engineering, life sciences, digital and fintech to be filled, both by increasing funding to the Home Office to support the existing system and to look at new visa routes.

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 to create a flexible, non-sponsored, short-term visa route for highly skilled foreign employed and self-employed workers – and potentially targeted at known shortage skillsets. The Government has made progress on this issue, but we encourage all parties to go further.
- The expansion of existing programmes like the Global Talent Scheme, to attract a skilled workforce that will positively contribute to the UK's economic growth.

The right workforce regulatory environment

To ensure that the UK's labour market meets the speed of change in workplaces and working practices, we propose a series of reforms to the regulatory environment designed to protect individual workers, drive economic growth, and maximise productivity.

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 believes they should be encouraged to remain in the labour market up to retirement age. At this Budget, we recommend that the Government set in train work to clearly define and protect self-employed status in legislation, to help resolve the complexity of statuses for tax and employment rights in the labour market.

- 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 that the preparatory work for this Budget should include a comprehensive review of Off-payroll (IR35). Off-payroll has unintended consequences which has led to experts leaving the labour market in many skills-short sectors. This is due to the lack of legal clarity around highly skilled corporate 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.

- Off-payroll legislation 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 collaborate and consult closely with the recruitment sector, and with compliant umbrella companies, 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. Government must legislate to ensure that rogue players are liable and brought to account for their actions, and not let off the hook with supply chain liability.

To protect workers, we recommend that the Government use the Budget to:

- 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

APSCo believes that the Agency Workers Regulations 2010 (AWR) should be updated to exclude professional highly paid contractors, who earn rates many multiples of the National Minimum Wage. The AWR creates unnecessary complexity and administration at the professional end of the contracting market.

- We recommend that the AWR is expressly excluded if an hourly rate exceeds a set multiple of the National Minimum Wage, so as to exclude the very highly paid.

Support reasonable payment terms to protect SMEs within the supply chain

Late 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. This Code is currently a voluntary agreement that has been embraced by major names within UK plc. As such, it is the most reasonable way to set an industry standard in the UK economy, limit the financing burden currently placed on small businesses and bring stability to supply chains. Government has made progress on this issue for public sector contracts via the Procurement Act; APSCo believe that SMEs should also be protected within private sector 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 about this submission or would like to ask any questions, please contact:

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