

Association of Professional Staffing Companies (Global) Ltd
Submission to the BEIS Committee inquiry on Post-pandemic economic growth: UK
labour markets
1 July 2022

About APSCo Global

APSCo Global is an international trade body offering global services with local delivery to the international recruitment. Through its member services it 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 Asia, APSCo Australia, APSCo Deutschland and APSCo United Kingdom as well as APSCo OutSource, the trade body for the RPO and MSP sectors.

APSCo UK and APSCo OutSource (APSCo) are the representative bodies for the professional recruitment sector and are comprised of over 1000 recruitment, outsourcing and Trusted Partner members from start-ups to listed global groups.

APSCo and OutSource members range from SMEs to the largest global, listed recruiters and outsourcers. 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.

The state of play in the UK labour market post-Brexit and the impact of the Covid-19 pandemic on recruitment, skills shortages, and the growth of the labour market

- Do we have enough workers with the right skills in the right places?
- Which sectors are experiencing the most acute shortages of workers since the pandemic? Have there been structural changes in the labour market post-Covid?
- What more can the Government do to ensure that employers are able to recruit people with the right skills for the job, including the effective use of apprentices?

APSCo's data on UK recruitment market

APSCo's members across all the skilled sectors they operate in are experiencing a very candidate short market. This is evidenced by the increase and longevity of job vacancies we see in our research and the "application per vacancy" levels across key sectors. According to APSCo's own Recruitment Trends research, provided by the global leader in software for the staffing industry, Bullhorn, the demand for talent is showing no signs of slowing.

For example, between May 21 and May 22 contractor jobs spiked 34% and permanent roles increased 25% year on year.

Between April – May 2022 the uptick in job numbers continued with job numbers up 16% for permanent and 19% for contract roles.

Many businesses are struggling to fill their vacancies, and this is a particular problem in skilled sectors where there is already a lower supply of suitable workers.

Policy recommendations for Government to support employers

Invest in urban hubs

In order to help ensure that employers are able to recruit people with the right skills for the job, urban hubs like Newcastle and Sheffield (where we've seen tech is the top sector for job vacancies) should see localised funding from Government to support tech start-ups, T-levels and SMEs accessing technology-based apprenticeships to help create centres of excellence across specific sectors and regions.

Attract skilled workers from abroad

Attracting the skilled workers we need from abroad is also key and APSCo welcomed the recent launch of the Global Business Mobility visas to help minimise skills gaps. However, we have found that the sponsorship requirement makes the route for independent contractors less viable. The Government has effectively rolled over its existing multi-national trade obligation to offer a visa for self-employed independent professionals into the Service Supplier route, offering no new flexibility.

Unfortunately, this will not plug the short to medium term skills gap as the UK looks to up-skill and re-skill the UK. The Government should ensure that discussions and agreements on trade deals focus on skills, the workforce and the mutual recognition of services and professional qualifications as well as tariffs and goods.

Apprenticeship Levy reform

The Apprenticeship Levy is also an underutilised resource. Many of our largest recruitment members have enormous levy pots. However, they are unable to spend this on upskilling their large payroll of agency workers and independent contracting candidates due to the constraints of the levy.

Apprenticeship Levy use should be broadened to cover administrative costs and "bench" salaries to allow recruitment firms to fund "flexi-job" apprenticeships enabling the professional development of agency workers from placement to placement.

The Apprenticeship scheme scope must also be widened to enable independent professionals and other members of the self-employed workforce to fund their skills training from employer levy pots.

Streamline the Kickstart scheme

The 2021 Kickstart scheme has been successful in helping over 100,000 young people access new jobs. However, APSCo and its members found it overly administrative, and a limited success as it did not deliver the volume of candidates for consideration needed. It's vital that future Government schemes are well planned with input from business of all sizes, not simply the largest.

Workers' rights and protections

- How can the Government improve employment rights, following Brexit and the Covid-19 pandemic?
- What opportunities should be taken to capitalise on the UK's departure from the EU to differentiate between the EU and UK standards in some areas of workers' rights and protections?

Update existing regulations

The Agency Workers Regulations are derived from an EU Directive and have not been updated in over 10 years. If these regulations are retained in post-Brexit Britain their applicability should be clearly aligned with the Employment Agencies Act and its regulations, employment legislation such as the Employment Rights Act 1996 and relevant sections of ITEPA 2003. Independent self-employed contractors must be excluded from recruitment, agency and worker laws and regulations.

Legislative changes also tend to impact the professional end of the recruitment market, adding unnecessary complexity and administration in some cases.

The lack of clarity in the law and regulation surrounding “umbrella companies” and evolving payroll intermediary models also risks the global attraction of the UK recruitment industry and labour market, due to the significant reliance on these entities following Off Payroll Working implementation.

Defining “Umbrellas” and other intermediaries more clearly in law and through more rigorous regulation will help to protect the rights of workers who are employed by umbrellas, thus ensuring the most compliant and attractive supply chain the UK can achieve.

APSCo also believe that a consultation period is needed with the recruitment sector before changes are made to Regulation 7 of the Conduct Regulations in relation to allowing agency workers to step in during strike action.

Create a Single Enforcement Body

It is our view that the Government must prioritise adequate funding for the Single Enforcement Body to help protect workers’ rights and create an agile, productive compliant labour supply chain. HM Treasury must also ensure that the 2021 Off Payroll tax legislation is fair and ensure that everyone in the supply chain pays the right amount of tax, in accordance with HMRC’s Charter.

Employment status and modern working practices five years on from the Taylor Review

- What should the Government be doing five years on from the Taylor review of modern working practices to address the issues raised in that report?
- Are current legal definitions of employment status, in light of recent judicial rulings, still fit for purpose?

Self-employed status – Review of Employment Status

While the delay to the Employment Bill was understandable in the midst of the pandemic, society and the economy now need a new Employment Bill to come forward to support economic growth across the UK in a country living with Covid, recovering from the impacts of the pandemic and as the effects of the pandemic on how we live, and work become entrenched. Covid-19 has exacerbated the complexity of the labour market and current legislation and legal guidance just isn’t fit for purpose.

What is needed is for self-employed status to be defined in legislation that differentiates highly skilled self-employed independent professionals from dependent contractors, workers, other variants of self-employment and the lower skilled, less independent elements of the gig economy.

Reform is also needed to challenge current thinking around how workers and the self-employed can be financially assisted and access benefits that are currently largely enjoyed by employees, including enhanced pensions, life insurance, family and dependent related paid leave, training, and development.

Umbrella companies

There is also an urgent requirement to update the legal definition for umbrella company employment and provide more rigorous regulation, including statutory compliance codes, to drive compliance across the supply chain.

Umbrella companies have many advantages and offer workers continuous employment (bringing advantages such as easier access to competitive credit rates) and employee rights and benefits.

Running a high-volume payroll is a resource and cost intensive specialism for many businesses, especially SMEs. Such commitment also brings the need to provide and manage attendant worker rights, such as holiday leave and pay. Recruiters, particularly SME recruiters, have therefore adopted a strategy to focus on key recruiter skills, namely providing work finding services, working with partners to manage the contractor payroll.

Recruiters and outsourcers therefore build long term, mutually beneficial relationships with a Preferred Supplier List (PSL) of accredited umbrella companies, working together to make sure their supply chains comply with legislation such as Off-Payroll affecting personal service companies, employment rights and the Criminal Finances Act 2017. Umbrella companies are a necessity for recruiters and hence the UK Labour Market.

However, "Umbrella companies" is itself a widely misunderstood term. Government must futureproof the legislation and consider steps such as Single Enforcement Body (SEB) licensing of the "umbrella" market, the mandatory use of client accounts and the introduction of statutory compliance codes.

Artificial Intelligence (AI) and technology in the workplace

- How is AI currently being used in the workplace? Is it more prevalent in some sectors than others?
- Is AI improving productivity in the workplace?
- To what extent are employers using algorithms in recruitment?

AI in recruitment

AI is being used in the recruitment sector to save time and costs in the hiring process, supporting areas such as compliance and vetting checks, as well as minimising human subjectivity and bias when pooling candidates from various online sources such as LinkedIn. This assists recruiters to find and screen often scarce candidates more accurately, faster and without subjective biases to ensure businesses are being offered the best talent pool possible. Currently, these are often algorithms, rather than genuine AI and there is human oversight of the process.

Using technology for systematic, time consuming tasks frees recruiters' time for higher value relationship building with candidate talent pools and clients, which requires trust building and nuanced skills, such as persuasion, innovation, and emotional support.

However, while the use of AI in recruitment is gaining traction, it is still at an infancy stage when compared to other job functions such as marketing and sales. There are still limitations to the use of AI such as its ability to fully anonymise CVs or give context behind the reasons for declining a CV which isn't always entirely obvious. AI is also dependent on recruiters including everything they are looking for in the job description so that the technology knows exactly what to search for - if this data input isn't quite right the AI may not respond with the best candidate for the role.

Members report concerns about limitations in AI in that whilst it can overcome human subjective biases, it is still heavily influenced and reliant on the data pool it has access to, but this is evolving constantly. There's a view that increasingly "jobs" in professional sectors as they are now defined will be broken down into a series of tasks, some suitable for technology, others requiring human skills. We can already see an increase in outcomes-based project sourcing across commercial and public sector enterprises; meaning the move towards more flexible, agile, resourcing and workforce management may become the norm as the 4th industrial revolution evolves.

AI is already capable of searching, collating, and cross-referencing information on individuals publicly available on the internet meaning effectively the whole world can be a candidate pool, whether to

work in the UK or remotely. Although exciting in candidate scarce sectors, it does bring privacy and cross border issues which require careful legislative thought.

Overall, human judgement and evaluation still play a huge role in the professional recruitment sector and the highly technical and skilled roles it resources, such as those across STEM and clinical healthcare. The challenge for Government and the private sector is to create engaging, creative, skilled work whilst maximising the responsible use of technology as it evolves.

Contact

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