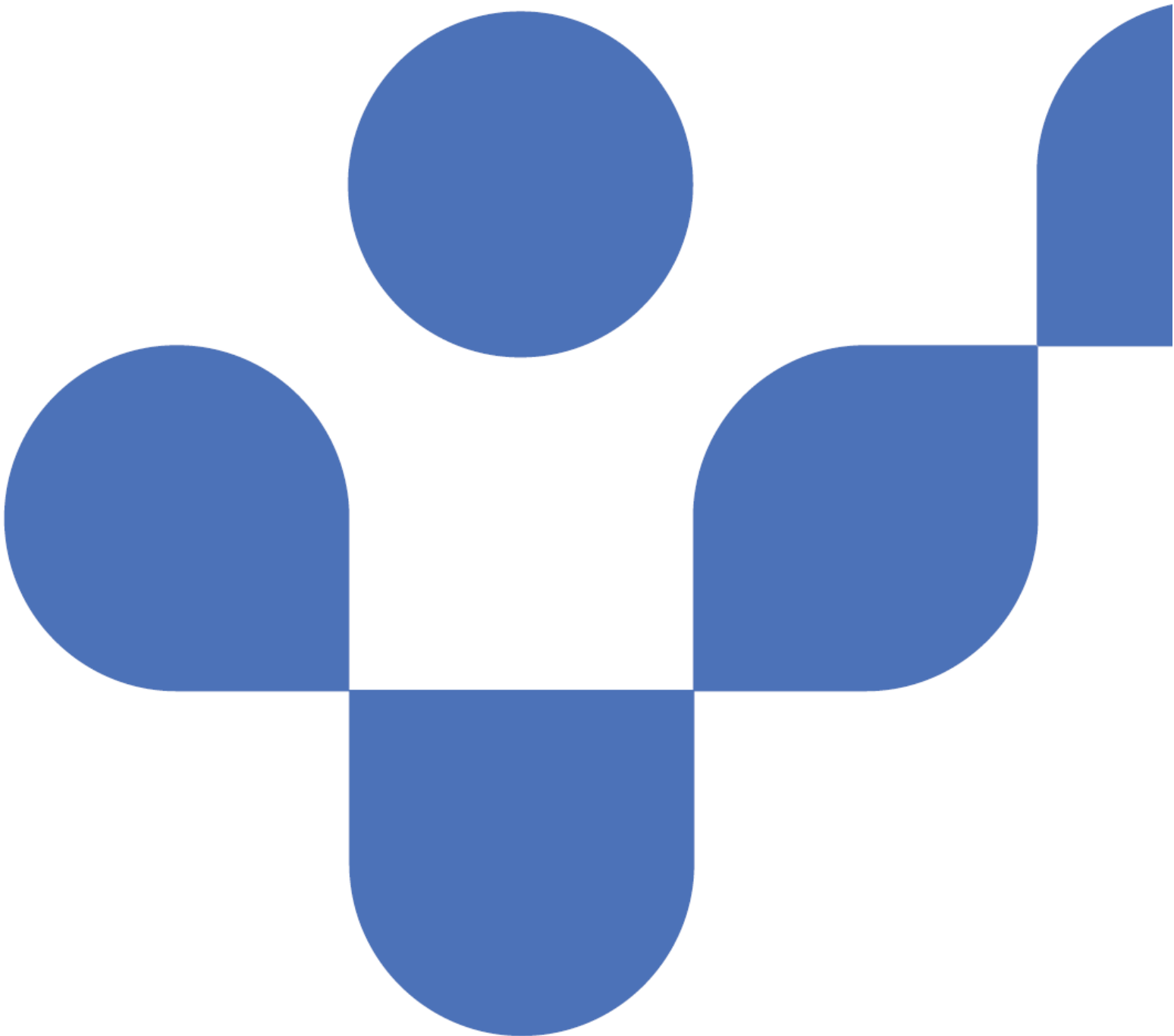


Comprehensive Spending Review

A response from the Recruitment & Employment
Confederation (REC)

February 2025



Executive Summary

This Spending Review represents an opportunity to reset and establish a government-wide strategy that prioritises sustained economic growth with an understanding of how to maximise the potential of a modern labour market. We welcome the government's focus on driving economic growth as the central priority for the coming years. After a tough period for the UK economy the REC understand the need for difficult fiscal choices. However, the critical test of the Spending Review will be whether it presents a clear, optimistic, and long-term path to growth, rather than sacrificing future prosperity for short-term financial or political gain, particularly when it comes to business. The Spending Review should work to support and enhance businesses in the UK with them in a partnership role, rather than making them bear any unfair financial burden that curbs their ability to invest in their own growth.

Part One of this consultation report reflects on REC's most recent job market analysis, which captures the current state of the labour market. It presents data showing employers' confidence in the UK economy, with insights into hiring and investment decisions, as well as key employment trends, including the number of permanent and temporary placements, unemployment, and staff availability.

Although there was an upturn in the labour market earlier last year (2024), momentum has slowed in recent months. Business confidence is at a crossroads, and it is essential that the government takes immediate steps to reinvigorate it. Businesses are waiting for a clear signal that will allow them to make decisions, invest, and hire with confidence. Therefore, a comprehensive industrial strategy that goes beyond narrow sector-based approaches is necessary. This strategy should focus on the enablers of growth across the economy, including the workforce, infrastructure, access to capital, and tax regimes.

The current landscape highlights the importance of fostering a strong, competitive labour market. However, businesses are increasingly concerned about the difficulty in attracting and retaining talent. While the REC has seen signs of improvement in the labour market, many firms are still facing skills shortages and barriers to attracting workers. The potential for the Employment Rights Bill (ERB) to impose additional burdens on businesses that detract from the growth agenda are real. Policies that increase the cost of employment, reduce flexibility in hiring practices, or undermine businesses' ability to scale will be counterproductive. In formulating such policies, we urge the Government continue to work with business, listening to the voices of businesses of all sizes and considering the real-life impact of legislative decisions.

Part 2 of this response outlines the REC's priority issues for the Spending Review. Creating jobs and creating growth are two sides of the same coin that need targeted investment in businesses, infrastructure, workforce skills, and key sectors. Below we propose three priority issues for Investment which will in turn create jobs, boost productivity, and grow the economy.

➤ **Priority 1: Drive growth and job creation through the Industrial Strategy**

A workforce strategy that promotes investment, flexibility, and smart regulation will help achieve 80% employment and sustain economic growth. Strong business partnerships will help close skills gaps, drive innovation, and expand job opportunities. Recognising the value of temporary and flexible work will boost workforce participation, particularly for older workers, long term unemployed, caregivers, and those with health conditions. Removing

employment barriers—through better public transport, continued childcare investment, and fairer tax policies—will enhance business confidence and drive long-term prosperity.

➤ **Priority 2: Flexibility matters - embrace the modern labour market**

There industrial strategy's success will be underpinned by a workforce plan that integrates skills, immigration, and labour market strategies to equip businesses and workers for future economic needs. Local Skills Improvement Plans (LSIPs) should leverage business expertise to align training with regional demands, ensuring adaptability in a fast-changing economy. Immigration policy must also be reformed by reducing visa costs, extending durations, and regularly reviewing the Immigration Salary List to attract skilled workers in key industries. Additionally, the Growth and Skills Levy should be restructured to support short-term training, enabling temporary and flexible workers to upskill and contribute to business growth. By fostering collaboration between businesses, government, and training providers, the UK can close the skills gap, drive productivity, and create a dynamic, resilient workforce - all of which will also be attractive to entice foreign investment.

➤ **Priority 3: Fix Public Sector Hiring**

Tackling NHS workforce shortages requires immediate reform to improve efficiency and sustainability. The REC calls for a government-led working group to enhance procurement transparency, a review of agency staffing to acknowledge its vital role, and the removal of barriers to permanent recruitment. Additionally, outdated agency rate caps should be updated to reflect market conditions. These changes will help build a more cost-effective, resilient, and high-quality NHS workforce.

Part 1 - REC job market analysis

The latest data shows that the UK labour market remains under pressure. While overall confidence in the economy has slightly improved (Figure 1), confidence in hiring and investment decisions has declined, reflecting ongoing caution. Hiring activity continues but varies across sectors and regions, with fluctuations in permanent placements and temporary billings (Figure 2). Staff availability remains a key factor (Figure 3), while vacancy trends highlight shifts in employer demand (Figures 4 and 5). Employers' hiring intentions remain subdued, particularly for permanent roles in the short term. The following graphs and data provide a detailed breakdown of these key labour market indicators.

Figure 1: Employers' confidence in the prospects for the UK economy and in making hiring and investment decisions, Jobs Outlook January 2025. Data collected October - December 2024.

Employer confidence trends

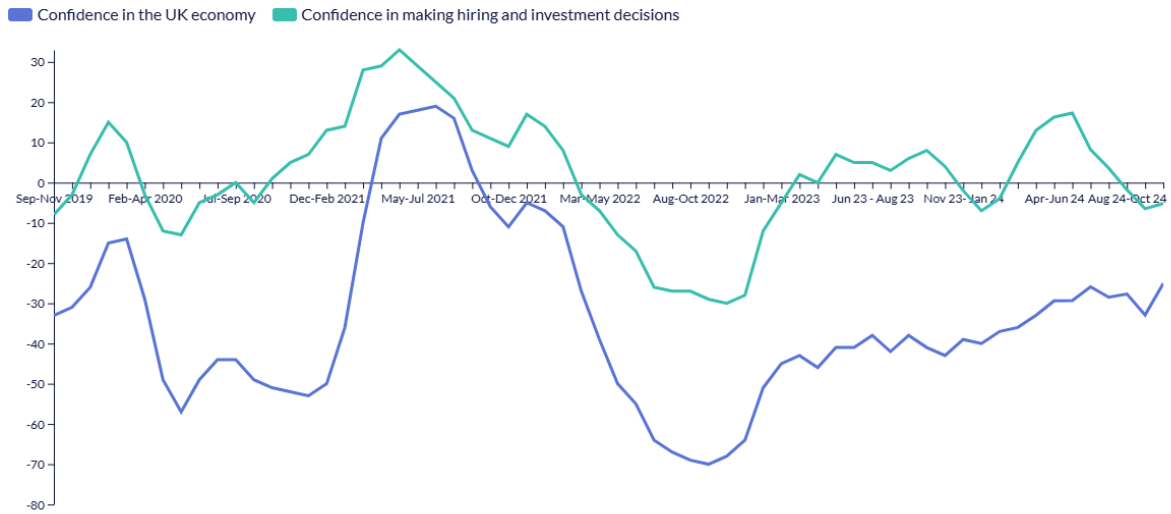


Figure 1: Employers' confidence in the prospects for the UK economy and in making hiring and investment decisions, Jobs Outlook January 2025. Data collected in Oct-Dec 24.

Figure 2: Permanent placements index and temporary billings index, Report on Jobs February 2025. Data collected January 2025.

Permanent placements and temporary billings indices

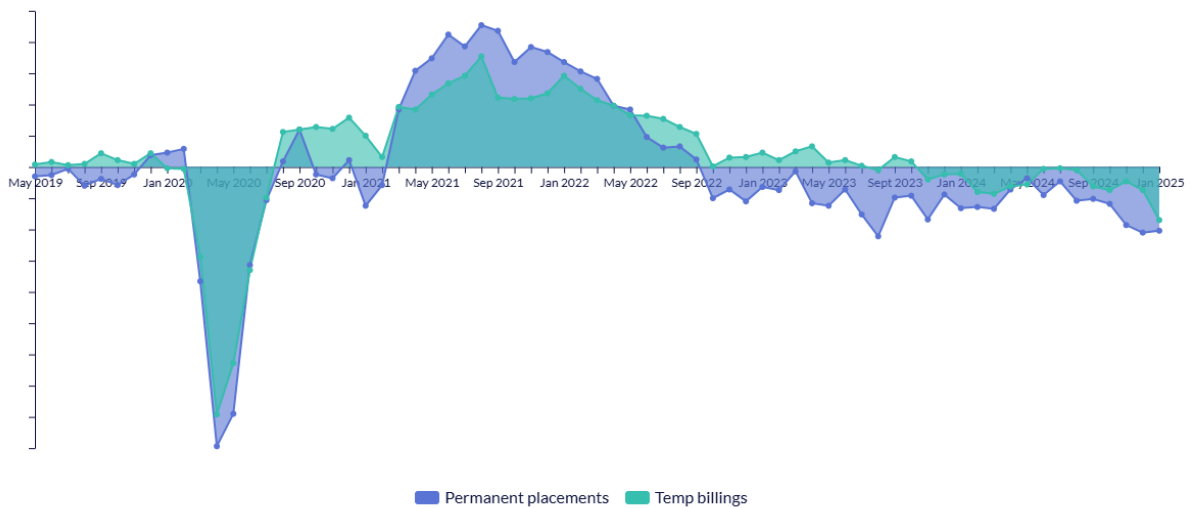


Figure 2: Permanent placements index/Temporary billings Index, Report on Jobs February 2025. Data collected in January 2025.

Figure 3: Staff availability index, Report on Jobs February 2025. Data collected January 2025.

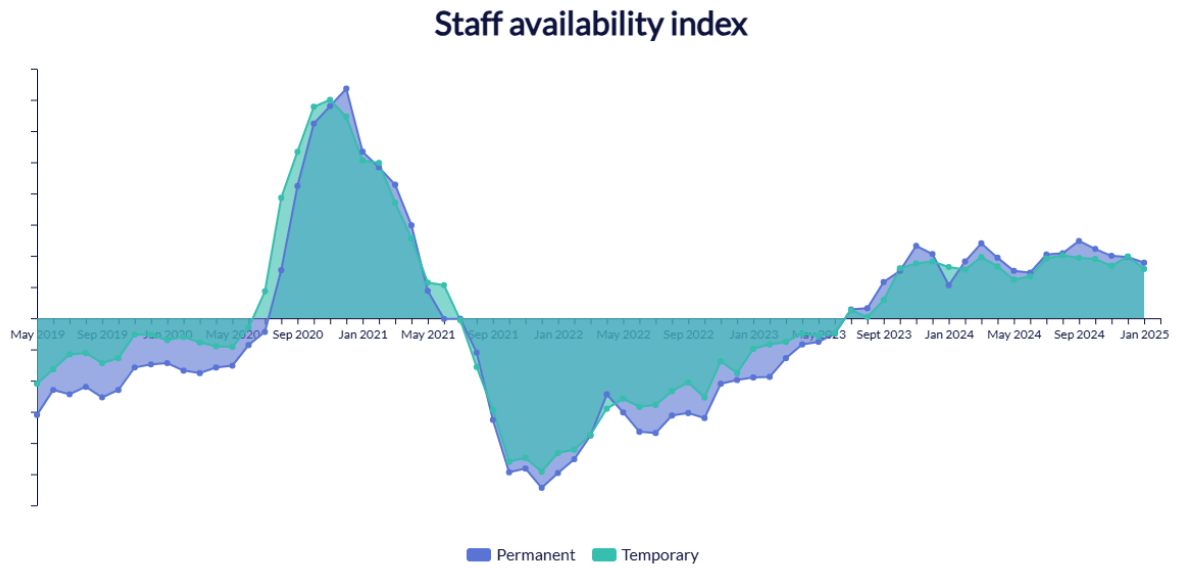


Figure 3: Staff availability index, Report on Jobs February 2025. Data collected in January 2025.

Figure 4: Vacancies index, Report on Jobs February 2025. Data collected January 2025.

■ Permanent Vacancies Index
■ Temporary Vacancies Index
 sa, >50 = growth since previous month

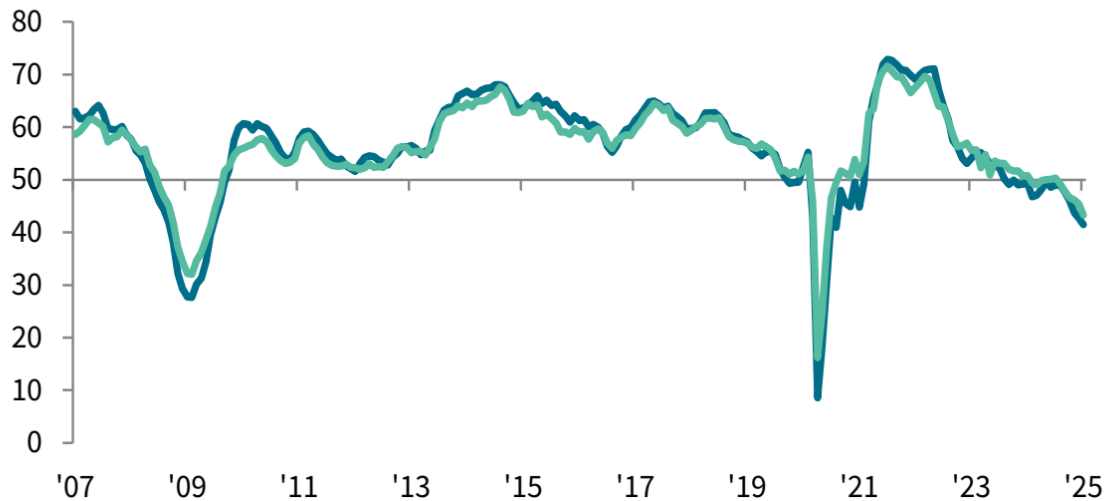


Figure 4: Vacancies index, Report on Jobs February 2025. Data collected in January 2025.

Figure 5: Vacancy index summary

Vacancy Index summary

sa, >50 = growth since previous month. *Not seasonally adjusted.

	Permanent				Temporary		
	Total	Total	Private*	Public*	Total	Private*	Public*
Aug '24	49.0	49.0	49.6	41.9	49.2	49.9	45.9
Sep '24	47.6	47.6	48.6	42.9	47.8	48.0	42.5
Oct '24	46.1	46.1	48.3	41.2	46.6	48.0	40.8
Nov '24	43.9	43.8	43.7	43.8	46.2	49.0	39.8
Dec '24	42.8	42.7	42.7	42.7	45.4	46.0	42.5
Jan '25	41.6	41.5	41.8	40.0	43.3	43.3	43.1

Figure 5: Vacancy index summary, Report on Jobs February 2025. Data collected in January 2025

Part 2 - REC priority issues for the Spending Review

Priority Issue 1: Drive Growth and Job Creation

The Recruitment and Employment Confederation (REC) believes that a strong partnership between government and businesses is essential for long-term economic growth and job creation.

➤ Ensuring Business Involvement in Policy Development

Open dialogue between government and businesses will ensure that policies account for real-world consequences, including tax policies, compliance burdens, and regulatory challenges. Businesses provide valuable insights into potential unintended effects of legislation, helping to shape balanced policies that encourage sustainable growth and job creation. By integrating business perspectives early in policymaking, the government can enhance economic stability and foster a thriving labour market. Business input into the ERB seen a probationary period retained in the current proposals, compared to the original proposal of protection from day one, which shows good compromise from the government. Governments should recognise that businesses operate in diverse sectors, each with unique challenges.

In implementing policy such as the Employment Rights Bill (ERB), the worst of all worlds is new laws push up costs for the compliant but where the non-compliant continue to operate in an unlawful manner, therefore effective enforcement through the new Fair Work Agency and other enforcement bodies is key. Incorporating sector-specific insights into policymaking is crucial for improving policy effectiveness. For example, the recruitment industry has raised concerns about the financial and administrative burdens imposed by certain compliance measures, such as the upcoming due diligence regime for umbrella companies. Addressing

these challenges will enable businesses to focus on growth and job creation rather than navigating excessive bureaucracy.

When implementing policies like the ERB, it is vital to ensure that new laws do not merely increase costs for compliant businesses while allowing non-compliant ones to evade consequences. Effective enforcement is key to creating a fair and balanced regulatory environment.

The impact of these costs for doing business need to be considered across all new legislation to ensure it supports rather than hinders economic growth. This is particularly crucial for the ERB, where careful consideration of its details is needed to avoid undermining business confidence, deterring investment, or stifling job creation.

➤ **Working with Business to Create the Best Possible National Careers and Jobs Service (NCJS)**

Ask: Fund pilot programmes to embed recruitment industry expertise into job centres, enhancing job matching and employability support.

A truly effective National Careers and Jobs Service (NCJS) must harness the expertise of the private sector, particularly businesses within the recruitment industry. This sector possesses a deep understanding of employer needs, candidate assessment, and the skills required to navigate the hiring process. A structured partnership between the public and private sectors will create a system that connects job seekers with meaningful employment opportunities, ensuring long-term success for individuals and businesses alike.

Recruitment agencies are integral to the employment landscape, yet their expertise in CV review, employability assessment, and interview preparation remains underutilised. Integrating this industry insight into the work of the job centre plus offering will elevate career guidance beyond basic applications, ensuring individuals apply for roles that are right for them and that they have what the employer needs. A targeted approach—providing tailored coaching, refining CVs, enhancing interview techniques, and aligning candidates with employer expectations—will lead to higher retention rates and greater employer satisfaction.

To facilitate this, the Treasury should fund pilot programmes embedding recruiters within the process of work finding that Job Centre Plus (JCP) delivers. These pilots should focus on CV screening, application support, interview coaching, sector-specific guidance, and improved job-matching. Covering the cost of recruiter involvement will demonstrate the value of private sector collaboration in meeting the 80% employment target and provide a foundation for national implementation.

Employer engagement with JCP and the DWP is alarmingly low, with 84% of businesses reporting no contact. A new model is needed to encourage active business participation in job-matching. Establishing a single, accessible point of contact and deploying employer engagement teams within Strategic Authorities to gather labour market insights will ensure services are shaped around real business needs. Dedicated account managers must facilitate collaboration between businesses, recruiters, and job centres, while greater emphasis on inclusive recruitment and workplace adaptation will help promote best practices.

Temporary work plays a vital role in employment activation, offering individuals experience, confidence, and flexible job opportunities while helping businesses meet short-term workforce needs. Many job seekers secure their first role through temporary placements,

which act as stepping stones to permanent employment. Recognising temporary work as a core element of the NCJS strategy will ensure job seekers benefit from these opportunities while supporting businesses facing labour shortages.

For employment support to be effective, it must serve both job seekers and businesses. A joined-up approach is essential to ensure employment services are responsive to supply and demand. The NCJS should conduct a full audit of all DWP and Department for Education (DfE) employability programmes to identify gaps and areas for improvement. By embracing a more integrated and business-friendly approach, the NCJS can play a transformative role in strengthening the UK workforce, ensuring more job seekers find sustainable employment while businesses access the talent they need.

➤ **Promoting Temporary and Flexible Work**

Ask: Promote temporary and flexible work to support diverse workforce participation.

A flexible labour market is essential for supporting an ageing population and underrepresented groups. Temporary and flexible work arrangements enable older workers, individuals with long-term health conditions, younger workers, and caregivers to access employment and advance their careers. It is also important to recognise that temporary and flexible work extends to highly skilled contractors in specialised fields, such as IT and Oil & Gas, which play a vital role in the economy, and that workers who work on flexible contracts cannot be treated as a monolith.

The REC's *Voice of the Worker* campaign highlights that temporary work is often a deliberate and positive choice, offering opportunities for progression and stability. The survey behind the campaign found that:

- 79% of temp agency workers value the flexibility it provides.
- 53% believe it suits their current stage in life.
- 68% say it enhances their work-life balance.

Many temporary workers actively choose this path to balance work with personal responsibilities or transition between careers. Policymakers must acknowledge the importance of flexible work structures and ensure these workers' voices are considered in legislative decisions. Addressing misconceptions about temporary work will also help shape more inclusive employment policies.

As the government prioritises economic growth, it is crucial that changes to flexible working do not undermine this goal. Restricting access to agency work would force some workers out of the labour market entirely rather than into alternative employment, ultimately harming workforce participation and economic growth.

To support flexible employment, the government should reform the off-payroll working rules (IR35), which remain overly complex and fail to place sufficient responsibility on end-hirers for assessments. The vast majority of businesses want to be compliant with the IR35 rules, but ambiguity over employment status for tax purposes increases the risk of falling foul of the rules and being fined. Not getting IR35 right also results in lost revenue to the Exchequer.

➤ **Investing in Infrastructure to Support Employment**

Ask: Accelerate investment in public transport and childcare to remove barriers to employment and increase workforce participation.

Access to reliable public transport and affordable childcare is crucial for enabling individuals to secure and retain employment. Many skilled workers, particularly in rural and underserved areas, face significant barriers due to inadequate transport links and limited childcare options. Addressing these infrastructure gaps through targeted investment will enhance workforce mobility, increase productivity, and support economic growth.

- **Public Transport:** Inadequate transport connectivity restricts access to job opportunities, limiting workforce participation. Many skilled individuals are unable to take up roles simply because they cannot reach them. Investment in transport infrastructure, particularly in underserved regions, will facilitate workforce mobility, reduce skills mismatches, and drive productivity. Ensuring reliable and affordable transport options is essential to enabling people to work and businesses to thrive.
- **Childcare Provision:** A lack of accessible and affordable childcare remains one of the most significant barriers to employment, particularly for parents and caregivers. Expanding the **30-hour childcare entitlement** to include those in training or education would allow parents to upskill and re-enter the workforce. Women, who are disproportionately affected by childcare responsibilities, would particularly benefit, promoting greater gender equality in employment. Extending childcare support to those returning to work after a career break would further help address labour shortages and enhance workforce participation.

➤ **Reforming the UK's Tax System to Support Growth**

Ask: Create a fair, stable, and competitive tax system by simplifying tax rules, maintaining a 25% Corporation Tax rate, extending business rate relief to recruitment firms, and strengthening regulations on umbrella companies to prevent tax avoidance while protecting workers and legitimate businesses.

A more straightforward and predictable tax regime would reduce administrative burdens, provide businesses with greater confidence, and encourage long-term investment in the UK economy. While the publication of the 'Business Tax Roadmap' is a step in the right direction, providing much-needed clarity and stability, more radical structural reform is needed.

The November 2024 Budget has exacerbated existing challenges, damaging business confidence and potentially deterring growth. Increases in National Insurance thresholds and Capital Gains Tax add financial strain on businesses already operating in a difficult environment. Additionally, rising costs—including a significant increase in the National Minimum Wage—further impact business sustainability and investment capacity. The wage increases include a 6.7% rise for those over 21 (taking hourly pay from £11.44 to at least £12.21) and a 16.3% rise for those aged 18-20 (raising the rate to £10 per hour). While fair wages are essential, these increases, combined with higher taxes, significantly raise operational costs, making it harder for businesses to invest in growth and development.

While it is positive that Corporation Tax will remain at 25% for the duration of this Parliament, it is essential for the government to commit to maintaining this rate in the long term. Fluctuating corporate tax rates create uncertainty, which can deter investment.

The REC also welcomes long-overdue business rates reform but is concerned that recruitment businesses, including those with high street offices, are excluded from the 40% relief available to retail, hospitality, and leisure sectors. This exclusion highlights a significant gap in support for recruitment businesses, which face high operational costs. Future business rates reforms must consider this to ensure fair treatment across all sectors.

Additionally, while the government acknowledges tax avoidance by umbrella companies, the Treasury's Red Book fails to differentiate between rogue umbrella companies and the legitimate temporary labour market. The REC strongly challenges this mischaracterisation. The government should assess the role of umbrella companies as part of the Spending Review, focusing on their impact on tax compliance and the integrity of the system. While umbrella companies can facilitate flexible work arrangements, some have enabled tax evasion and false self-employment, leading to significant revenue losses and unfair advantages for non-compliant businesses. False self-employment undermines workers' rights and shifts employer responsibilities, weakening the tax base and public services. Strengthened regulations and enforcement are essential to prevent abuses, protect workers, and ensure a fair and transparent tax system that supports economic stability and public funding.

Priority Issue 2: Embrace the Modern Labour Market

The REC welcomes the opportunity to contribute to the discussion on closing the UK's skills gap and investing in the workforce. The challenges posed by a rapidly changing labour market, an ageing population, and the evolving needs of businesses require immediate and strategic action. To effectively address these challenges, we propose several key measures that will help ensure the UK's workforce is equipped with the skills needed for the future.

➤ **Developing a Comprehensive Workforce Plan to underpin the Industrial Strategy:**

Ask: Develop and implement a UK-wide Workforce Plan that integrates skills, immigration, and labour market strategies, ensuring businesses and workers are equipped for the future economy.

Skills and labour shortages are holding back growth. Our [Overcoming Shortages Report](#) found that the UK economy could lose up to £39bn a year from 2024, the equivalent of almost the entire defence budget or two Elizabeth lines. We believe that a comprehensive Workforce Plan for the UK, developed in collaboration with businesses and employee representative bodies is an essential piece of work to underpin the growth to be gained from the Industrial Strategy. This plan should take a comprehensive approach to workforce development, aligning skills provision with the needs of the economy. A cohesive workforce strategy that places people planning at the heart of the UK's growth strategy - spanning skills, immigration, regional investment, and labour market activation - would create the dynamic labour market needed to fuel the government's growth ambitions. By involving both employers and trade unions in the planning process, we can ensure that training and education are closely aligned with industry needs, while also addressing the career development needs of workers.

➤ **Getting the Growth and Skills Levy Right**

Ask: Reform the Growth and Skills Levy to include short-term training programs, ensuring temporary and flexible workers have access to upskilling opportunities that drive productivity and business growth.

It is crucial that the Government gets the new growth and skills levy right. Expanding the levy to support short course training, which would benefit individuals across all age groups will ensure more access to skilled workers at pace. Businesses require the additional flexibility promised in the growth and skills levy, as it removes the restriction that funding must be spent solely on apprenticeships. Currently, nearly 960,000 temporary workers are excluded from levy funding due to the stipulation that assignments must last at least 12 months - a condition met by only 2% of temporary roles. This restriction denies many workers access to training opportunities that could enhance their skills, improve career prospects. Reforming the levy to include short-term assignments and diverse training options would open new pathways to skilled work, boosting business growth and driving productivity.

➤ **Local Skills Improvement Plans (LSIPs)**

Ask: Ensure LSIPs effectively use local business expertise to identify and address skills shortages, with strong collaboration between employers, training providers, and local government to support regional economic growth.

The REC support the government's commitment to retain and strengthen Local Skills Improvement Plans (LSIPs). In particular, we welcome plans to incorporate working with recruiters into statutory guidance on the LSIP process. Recruiters are experts on their local labour markets and are uniquely positioned to understand the specific needs of their regions and provide targeted insights into the evolving demands of the local economy. By ensuring that LSIPs reflect local priorities, we can better align skills training with the needs of businesses and workers, helping to close the skills gap and providing individuals with training that leads directly to local job opportunities. LSIPs need to better use local business expertise to identify and target relevant skills shortages, with strong collaboration between local employers, educational institutions, and training providers essential for the success of this initiative. Additionally, the role of local government in supporting the delivery of these plans should be considered, given their deep understanding of their communities.

Driving innovation should also be a shared priority. Through public-private partnerships, governments and businesses can fund research and development projects that foster technological advancements and bolster competitiveness. These efforts can catalyse growth in emerging sectors while ensuring traditional industries adapt to modern challenges.

➤ **Introduce Digital ID to Streamline Hiring**

Ask: The Government should engage with urgency at Ministerial level with the REC and others to allow Government accreditations - alongside those from other issuers - to be securely carried in citizen's digital wallets

The REC is calling on the Government, at Ministerial level, to engage with us in rolling out digital identification via secure verifiable credentials. This is a more secure and better value-for-money choice than spending on Government apps. This initiative would simplify verification processes, allowing people to enter the workforce more quickly while simplifying compliance for employers. Government would roll claimants off benefits and receive tax receipts more quickly.

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.

The increasing complexity of right-to-work, background, and competency checks is a growing financial burden. REC estimates that members spend at least £78 million annually on digital right-to-work checks alone, with in-person checks costing even more.

A secure digital identity protocol would bring several benefits. Verification would be faster and more secure, reducing fraud risks across right-to-work, qualification, and work history checks. Businesses would face lower costs while improving hiring speed. Candidates would gain control over their own data, stored securely on their devices, offering significant GDPR benefits. Regulators and issuing bodies would have access to a secure solution without requiring major government investment. The Home Office has indicated that a proper digital right-to-work system is not currently a priority, making REC's proposal a practical and much-needed solution. The technology exists to move quickly on this -in the form of the Velocity protocol - and REC members are already exploring Issuing things like work history and training accreditations by this route.

By implementing a system based on secure blockchain-based verifiable credentials, the Government can support faster hiring, cut costs, and strengthen workforce security, delivering real benefits to itself employers, recruiters, and jobseekers alike, while never having the actual data leave its own systems.

➤ Immigration Policy Revisions

Ask: Reduce the costs of work visas, extend visa durations, and conduct regular ISL reviews to ensure the UK remains an attractive destination for skilled workers and effectively addresses labour shortages.

The UK's labour market is undergoing significant shifts, particularly in sectors such as health and social care, technology, and construction, where there is a growing need for skilled workers. To ensure that the UK remains competitive and can meet the demands of its industries, we support the proposal to revise immigration policies to align with a transitioning labour market. A flexible, responsive immigration system will be essential for addressing skills shortages and attracting talent to the UK in critical areas. Reducing the high costs of sponsoring work visas and extending visas from two to at least five years would make it easier for employers to tackle acute labour shortages where domestic talent doesn't exist. Additionally, the Skilled Worker Visa's salary thresholds should be revisited to support the goal of fostering growth.

The REC also believes there should be regular reviews of the Immigration Salary List (ISL) to ensure they are up-to-date and relevant to the changing needs of the economy. The old Occupation Shortage List had gone over 2 years without review before it was replaced by the ISL. By aligning immigration policies with the needs of the labour market, we can help to address skills gaps and ensure that the UK remains an attractive destination for skilled workers.

Priority issue 3: Fix public sector hiring

Funding to train more substantive NHS staff is welcomed but not a panacea especially in the short to medium term. The role of agency staff in the NHS has been used a political football

by successive governments and needs realistic and thoughtful consideration as an Important pillar in providing patient care, reducing waiting lists and retaining existing staff. With over 39,400 nursing vacancies, 10,000 medical practitioner shortages, and 47,400 unfilled care worker positions, the NHS is at a breaking point. Instead of headline grabbing broad brush bans on agency staff the government should recognise the critical role of agency staff and adopt evidence-based reforms. Key actions include reviewing agency rates, updating frameworks, removing recruitment barriers, and reforming off-framework practices to build a sustainable and efficient workforce.

The REC's 'Report on Jobs' highlights persistently high demand for healthcare staff, further underscoring the need for systemic change. While agencies help bridge staffing gaps, restrictive policies are driving NHS Trusts toward costlier, less transparent options like off-framework staffing and staff banks, compounding inefficiencies and jeopardising sustainability.

➤ **A Collaborative, Evidence-Based Approach to NHS Staffing Procurement**

Ask: Establish an NHS staffing procurement working group and hold a government-led summit to review, reform, and improve transparency in NHS workforce procurement.

The NHS staffing procurement system is broken, with Trusts often forced to rely on off-framework agencies or staff banks due to rigid price caps and controls on framework agencies. These models are often more expensive and less effective, ultimately driving up NHS spending without delivering improved outcomes for patients. One REC member, for example, sent us the below breakdown of costs where one of their agency workers was moved to a staffing bank:

Hourly Cost via Agency		Hourly Cost via Bank	
Base Pay	£87.88	Base Pay	£115.00
NI	£12.12	NI	£15.87
Agency Commission	£8.00	Pension at 20.6% (BMA rate)	£23.69
VAT	£21.60	VAT	£0.00
Total	£129.60	Total	£154.56

The REC recommends the establishment of a dedicated NHS staffing procurement working group, chaired by the government, to ensure transparency and collaboration between all stakeholders. This working group should collect and publish datasets that illustrate NHS staffing procurement trends, including skillset requirements, seasonal fluctuations, geographic and demographic variations, and costs associated with different staffing models.

The Department of Health and Social Care (DHSC) and HM Treasury should host a summit with key stakeholders to assess the current system, agree on key actions for reform, and create a framework for transparent reporting on NHS staffing procurement.

➤ **Recognition of the Value of Agency Staff**

Ask: Conduct a full review of agency staffing to ensure they are recognised as an integral and necessary part of NHS workforce planning.

Agency staff are not a second-tier solution but an integral part of the NHS workforce, providing flexibility to cover sickness, emergency situations, and shortages. Despite this, the

government continues to pursue policies that undermine agency staff usage, including proposals to ban agency workers in Band 2 and 3 roles. Such measures fail to recognise the role that agency staff play in maintaining patient safety and care quality.

The REC would like to see a more balanced approach to staffing, where agency work is viewed as a complementary part of a sustainable workforce strategy. Agency staff should not be demonised but rather integrated into an effective, cost-efficient staffing mix that ensures flexibility, adaptability, and quality care.

A full review of agency staffing is needed, one that recognises the value of temporary workers in providing flexible, high-quality care, particularly in times of high demand or unexpected absenteeism.

➤ **Remove Permanent Recruitment Barriers**

Ask: Reform NHS budgeting rules to prioritise long-term workforce planning and remove financial barriers to permanent recruitment.

NHS Trusts are often unable to approve the recruitment of permanent staff due to rigid budgeting systems that focus on short-term recruitment costs. As a result, Trusts increasingly rely on temporary staff, often from overseas, leading to higher costs and a reliance on a less stable workforce.

The government should address the short-term focus of NHS recruitment budgets by incentivising permanent recruitment over temporary staffing. This could be achieved by removing barriers on recruitment fees for permanent staff and ensuring that long-term workforce planning is factored into departmental budgets.

A review of NHS recruitment budget systems should be carried out to ensure they allow for sustainable investment in permanent staffing, rather than solely focusing on the immediate cost of recruitment fees.

➤ **Review of Agency Rates and Frameworks**

Ask: Conduct a full review of NHS agency rate caps and staffing frameworks to ensure they are fair, sustainable, and reflective of current market conditions.

NHS agency rates, set in 2016, have not been reviewed since their introduction. As a result, agencies are often forced to supply staff at rates that no longer reflect the realities of inflation, rising minimum wage, or other costs of doing business. This has created a situation where agencies are unable to provide quality staff at sustainable rates, and Trusts are turning to more expensive off-framework providers.

We urge the government to review and update the NHS agency rates to reflect current market conditions. This would help agencies remain competitive, retain talent, and ensure that Trusts receive high-quality, cost-effective staffing solutions. A properly designed framework system could also provide a better value for money alternative to NHS staffing banks, which are often more expensive than agency staff on a per hour basis.

A comparison should be made between alternative staffing models considering the cost-benefit analysis of using framework agencies versus off-framework providers.

Conclusion

In this response to the government's consultation on the Comprehensive Spending Review the REC stresses the importance of a long-term economic growth strategy that avoids short-term fiscal decisions which could hinder future prosperity. While the REC welcomes the government's focus on economic growth, it emphasises the need for a broader industrial strategy that addresses key growth enablers such as the workforce, infrastructure, and access to capital. The REC also highlights the importance of fostering a strong, competitive labour market, addressing skills shortages, and improving NHS staffing efficiency. Key priorities for the government include protecting jobs, investing in skills development, reforming NHS staffing procurement, and working closely with businesses to create policies that promote sustainable growth and job creation.

As a trusted partner of the government, the REC is always eager to engage in discussions, offer insights from our members, and provide relevant data to support the development of government strategy.

For further information please contact: Patrick Milnes, Campaigns & Government Relations Manager, Patrick.milnes@rec.uk.com; or Holly Whitbread, Public Affairs Advisor, holly.whitbread@rec.uk.com

About the REC

The Recruitment & Employment Confederation (REC) is the professional body for the UK recruitment industry. We represent over 3,000 recruitment businesses and 11,500 individual recruiters. The UK recruitment sector places over a million people into permanent jobs each year and ensures that a further one million are working flexibly through temporary assignments on any given day. The professional staffing sector is bigger in scale than either law or accountancy and contributed over £44 billion to UK GDP in 2023.

As a representative of thousands of UK employers, who place thousands of workers into jobs, both temporary and permanent, the REC is uniquely positioned to provide insight into what actions can be taken to improve and enhance the economy and create and protect jobs.