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THE VIEW AND THE INTELLIGENCE

Act now to join team optimism p2



BIG TALKING POINT

What will our award winners do next? p4



LEGAL UPDATE

HMRC focuses on umbrella companies p6



Q&A

Creating the best culture and winning p7

Employment Rights Bill

Minister asks REC to help boost growth

The government wants the recruitment industry to help it achieve greater stability and protections for people at work, while also achieving much-needed economic growth, according to Justin Madders, Parliamentary Under Secretary of State at the Department for Business and Trade (pictured right).

Madders' comments at a key parliamentary reception are significant given his responsibility for the Employment Rights Bill, the Low Pay Commission and the Advisory, Conciliation and Arbitration Service (Acas). He was speaking at a reception hosted by the REC at the House of Commons in February.

The event was part of the REC's campaign to improve politicians' understanding of the value of the industry, before forthcoming parliamentary debates on employment rights. The REC's message is that the temporary labour market is critical to the government's plans for growth.

Madders' key message was that the recruitment sector is vital to achieving this. "We are under no illusions that

whatever the talk about AI and robotics, growth is still a people thing. It is about getting the right people into the right jobs – and that can only happen when we have a recruitment sector that is cultivated and championed by people such as the REC," he said.

"We are very aware of how important the sector is for supporting vital services and keeping the economy going and giving people their first structured work. We absolutely understand the importance you have in terms of getting people into the workplace and supporting employers to ensure they get the right fit."

He added that people deserve to be treated with dignity and respect at work "and that is something we share absolutely with the REC".

Madders also commented on the REC's recommendations to exempt recruiters from the zero-hours provisions in the Bill. "For businesses, workers, those on zero-hours contracts and



agency workers, [the REC's] input has been invaluable in getting this balance right. Making work pay is a core aim of this government and, with your help, we aim to deliver that in the best possible way."

Getting the Employment Rights Bill correct means the provisions must work – for everyone.

● See the full report on page 8.

the view...



No more gloom-loop. **Neil Carberry**, REC Chief Executive, explains why we all need to join Team Optimism – and act to get results.

The phrase that I have talked relentlessly about so far this year – so much so that some REC colleagues are starting to roll their eyes – is about us being on Team Optimism. That's not an empty gee-up. I am a real believer in a world where you have to go after positive goals, even when the risks are unpredictable and the weather changeable; what could be more like recruitment in 2025?

Whatever you think of the president of the United States, one of the things that underpinned his electoral appeal was a sense that he could get things done. My discussions with the government here are of a similar sort. We spent most of the autumn in a political gloom-loop. But these things are self-fulfilling: we need to set targets to get some results. Again, what could be more like recruitment?

Hence our commitment to Team Optimism. As I set out in the column at the start of the year, the UK's economic fundamentals are good, and there is potential as well as risk. For us as recruiters, the complexity and lack of supply in the labour market, driven by changing demographics, should also underpin our hopes.

So when we talk to the government about its spending review, we are asking ministers to shift away from the 'same-old, same-old' ways of thinking. Come to the table to discuss better, more sustainable public sector staffing, rather than complaining that workers make different choices today. Back our work on verifiable digital ID – simplifying right-to-work checks – to put pace into job finding and reduce red tape. Make the Industrial Strategy something that drives businesses to take their people planning more seriously.

But, as professionals, we also need to act – investing in our understanding and development matters. The REC's new AI hub and Academy are key to the support we offer you. We must use our skills to help clients reach the talent pool they need – our new guide to career returners reminds us, for example, not to drop people from a shortlist just because they have had a career gap, so check it out.

Team Optimism isn't about empty words. It is about getting stuff done, being on the stage, not in the audience. With clients, our teams and regulators, let's make a difference.



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



CAMPAIGNS

What we need from the Spending Review

Shazia Ejaz, Director of Campaigns at the REC

The Spending Review expected in June is a big deal. It is the first under a Labour government for 17 years and will set out how much money departments get, and what for, and shape policy for the rest of the parliament.

The same challenges that helped cause the Conservative's defeat last year are now Labour's to resolve. Its 'mission led' approach to governing makes economic growth a priority.

A positive outcome of the delayed review is that the REC has more time to influence it: hey spenders, spend a little time with us. One hope is that clear spending commitments (even when money is tight) will lead to decisions that deliver the outcomes the government is prioritising and the public want. A funding for missions rather than government departments would be radical and requires joined-up working across government.

The test of the Spending Review will be whether it lays out an optimistic plan for long-term growth, instead of focusing on short-term financial gains at the cost of future prosperity. It should support UK businesses, not create financial strains and curtail investment.

We require specific strategies to ensure businesses can expand and hire without unnecessary obstacles. Government actions should promote investment in recruitment, while safeguarding current jobs.

Investing in people and offering access to quality employment, including temporary and flexible positions, can boost productivity, lower the tax burden, improve wellbeing and drive sustained economic growth. If the government works closely with the REC and its members, they can create a public sector procurement model that not only meets staffing needs, but also cuts costs and, in the NHS, improves care.

The government needs to work closely with businesses to create practical policies that support growth. To keep the UK an attractive investment destination, we need a competitive labour market and a stable economy. Our industry is central to that mission.



the intelligence...

The impact of the UK's Employment Rights Bill on youth recruitment

Mukul Tiwari, REC Research Manager

The employment landscape will shift because of recent legislation aimed at enhancing worker protection. It is vital that the outcome is for better protected young workers and not fresh obstacles to hiring them.

A research brief on youth unemployment from the House of Commons Library, based on data from the Office for National Statistics, shows that between September and November 2024 628,000 people aged 16 to 24 were unemployed, 98,000 more than in the previous year. The unemployment rate for young people was 14.5%, a rise from 12.4% the year before. The employment rate for young people was 50.4%, down from 51.8% the year before.

Even more concerning is the 3.02 million young people economically inactive (not in work and not looking for work) between September and November 2024. This is close to the highest recorded level since records began in 1992. The inactivity rate for young people was 41.1%, a rise from 40.8% last year.

The government is determined to deliver economic growth and it passionately believes it is pro-worker and pro-business to have genuine, two-sided flexibility for both employers and employees.

A recent survey on probable responses to the Employment Rights Bill, conducted by the REC in collaboration with Whites-



Between September and November 2024 628,000 people aged 16 to 24 were unemployed, 98,000 more than in the previous year.

tone Insights, reveals that 60% of employers (out of a sample of 233) expect no change in youth recruitment during this period of sluggish hiring. In the public sector, 79% of employers do not anticipate any change in youth recruitment, with a similar figure of 74% for the Northern region generally. Furthermore, 13% of employers expect that the Employment Rights Bill is likely to lead to a decrease in youth hiring, with this percentage rising to 28% in London and 26% in the Midlands.

This suggests that increased fears of regulatory requirements in the Bill may prompt employers to be more cautious about recruiting young and inexperienced workers. Entry-level positions could become less accessible as businesses seek to mitigate potential costs associated with enhanced worker protections.

The government's own impact assessment for its employment rights legislation estimates that the measures could cost busi-

nesses up to £5 billion annually. Small businesses continue to express their concerns about the affordability of compliance loudly, and some say they are scaling back recruitment plans. Additionally, National Insurance Contribution increases for employers from April 2025 are compounding cost pressures.

The REC is clear that the labour market needs reform, but managing these risks relies on improvements in other areas to help develop young people's skills, so they can take advantage of better opportunities.

To ensure that young people can transition into the workforce successfully, employers, educators and policymakers must collaborate better. For example, strengthening career guidance programmes can help young people to identify opportunities that align with their skills and aspirations. We must provide a structured entry point into the workforce as apprenticeships not only offer hands-on experience, but also foster skills development in high-demand sectors.

Financial incentives, such as tax relief or grants, could encourage businesses to invest in youth recruitment and training. These measures can offset the perceived risks associated with hiring inexperienced workers. By addressing the unique needs of young jobseekers, the UK can create a more inclusive and resilient labour market.

big talking point

Social success

What did winners of the REC's 2024 awards do to make a difference to society – and what will they do next?

Companies that win the REC Awards make a difference to society by supporting the people and businesses crucial to our economy. This is particularly true of the winners of awards related to social initiatives – those for Community Impact of the Year, Sustainability Impact of the Year and Diversity Initiative of the Year reveal the ways in which recruitment firms generate tangible benefits.

The winners' stories are inspiring. What are they doing? What lessons have they learned? And what do they plan to do next?

Community Impact of the Year: Hays

Every employee at Hays gets 16 hours of paid volunteering time. Some of this is spent on fundraising or collaborative activities, such as beach clean-ups, tree planting sessions and working at foodbanks. Some focus on using

recruitment skills to help disadvantaged young people into jobs and provide IT skills and marketing support to charities.

In total, Hays calculates that it generated £1 million in social value for communities in the UK and Ireland over the past financial year.

"We've always done lots in this area, but I was asked to pull it together," explains Karen Young, Hays social purpose lead. "The external environment is challenging, so we are asking how we can help."

They work with several partners. "We started working with homeless charity EveryYouth doing fundraising activities, but then realised that we could do more for homeless people using our skills to support them to get housing and jobs," Young says. "We try to inspire people with targets – we once did 10,000 hours of volunteering in 10 working days – but we work with partners to ensure we provide what they need."



They found that a blended campaign of activities worked best. The 16 hours of paid leave can be split, so someone can mentor a young person for an hour a month, or do half or full days.

Working with charity Neighbourly, they connected 1,300 staff to 190 events around the country. Another, Project Flourish, has placed five young people in jobs and created a pipeline of 40 potential job opportunities. Work with Band of Builders focused on supporting mental health in the building sector.

"It's early days," Young says. "It's important to have executive sponsorship and to choose partners who know what they're doing and are culturally aligned with us."

It's also vital to make it easy for people to participate, she adds. "We needed robust internal communication to convince people to use this time." The feedback from beneficiaries and the benefits for staff mental and physical health from volunteering have been hugely rewarding.

The work has also generated good publicity and Young knows it has attracted talent. "People have told us they feel positive about us because of what we're doing," she says. "You can't buy that."

Diversity Initiative of the Year: Oyster Partnership

Successful diversity initiatives need not be expensive. This is the message from Oyster Partnership – one of its most visible events was a women's networking event in the main square in Cannes during the property sector's prestigious

MIPIM conference. In a male-dominated sector, women were invited to wear bright colours and gather for coffee.

Annelies Kruidenier, principal consultant at Oyster, describes how she was inspired by seeing a "sea of suits" around her. She put out a message hoping to make the women more visible and was delighted when 150 came to join her. "People asked me how I organised it. It's a free location and I used my network," she says.

Another highlighted people with disabilities working in property, while a fashion show in November 2023 raised £3,000 for a charity helping women from disadvantaged backgrounds into the workforce.

Mentoring is an important element and, in addition to supporting about 90 women directly, Oyster hosts mentoring events and webinars. This work led to requests for presentations to clients who wish to improve their DEI programmes. Kruidenier has devised a seven-step guide to support this.

Most recently Oyster hosted an event at which four panellists discussed how companies can embed DEI to make it business as usual and keep costs down.

They also practise what they preach. "We didn't set out to hire from specific backgrounds. We just focused on finding good people, which created a great environment and attracted more diverse applicants," explains Hannah Clarke, Oyster's director of people. "We don't focus on where you've been, but on where you want to go."

This means they interview a far wider group of people. "You don't need a host

of qualifications to do well," Clarke says. "We have 80 members of staff and being different is normal."

What would they advise others wanting to improve their DEI? "Just start" is the key message. Don't change everything at once – small changes can have huge impacts. Get commitment from the top and create a network.

Kruidenier says they will continue to develop what they do. DEI is still in demand, she says. "We say to clients give us time and we will look more broadly and find better people – who wouldn't want that?"

Sustainability Impact of the Year: Gattaca Plc

Three years ago, Gattaca had "minimal" procedures and policies to hold it accountable against its environmental impact. Today it has measurable targets approved by SBTi, a silver sustainability rating with EcoVadis, annual sustainability reports, and plans to improve its carbon footprint further in complex areas, including supply chains and contractor roles.

By the time Gattaca entered the awards, it had set up a green jobs microsite and reduced its scope 1 emissions by 49% and its scope 2 emissions by 63%, with clear year-on-year reductions. Scope 3 emissions had reduced by 12% and reducing these further will be a focus in future work.

The impetus came from various sources – clients were asking for sustainability data, the board wanted action and a new CEO was keen to back

developments. Gattaca operates in the STEM skills sectors, so works with firms that tend to have large carbon footprints, but there are also many emerging green roles.

"Our purpose is 'building a better future', so we realised we needed to act on sustainability," says Lucy Pope, head of ESG and sustainability. Ongoing employee engagement and education is an important element to maintain enthusiasm and interest.

Leadership from the top is vital to culture change, so Gattaca appointed leads in each area essential to success. "Winning the award is great because it puts a stamp of approval on what we've done," she says.

For others keen to improve their sustainability, Pope stresses that you can start small. "This is a complex and evolving area. I had no previous knowledge and found it overwhelming at first," she says. "But there are steps every business can take that are not expensive."

Gattaca worked with a specialist consultancy, but Pope points to free advice online, plus tools and technology for all levels. "Start measuring your impact first, then you can look at setting targets (however small) and reporting against them," she advises.

While gathering data and getting official ratings is time-consuming, Pope says it has been good for business. "We're now working to provide data on our contractor footprint and to help under-represented groups into green jobs," she says. "It starts conversations with clients, improves our reputation and keeps our employees engaged."



legal update

HMRC focuses spotlight on umbrella companies

By Emma Anglade-Ravez, Legal and Compliance Advisor at the REC

A High Court injunction against a widely used umbrella company focuses a spotlight on the risks involved in the use of such companies.

In December 2024 HMRC obtained a freezing order against umbrella companies Ducas Limited and FL Capital Holdings Ltd, effectively preventing them from removing their assets from the UK. Such an order is often sought to stop a potential defendant from moving its assets until a judgement is obtained.

HMRC sought the order because of an alleged fraud relating to non-payment of employer's NICs. The High Court believed that HMRC had credible evidence to establish a case.

This development emphasises the importance of undertaking in-depth due diligence before engaging with umbrella companies, but also the need to monitor them throughout the relationship. Recruitment businesses should take steps such as routinely verifying payments made to agency workers to spot evidence of fraud at the earliest opportunity.

The umbrella company market is

unregulated, leaving agencies and agency workers open to the risk of engaging with a non-compliant company. To mitigate that risk, the government has announced a raft of measures to tackle persistent non-compliance.

In the Autumn 2024 Budget it announced that from April 2026 it will make recruitment agencies responsible for accounting for PAYE on payments made to workers supplied via umbrella companies. Where there is no agency, under the new measures this responsibility will sit with the end-user. The aim is to protect workers from unexpected tax bills resulting from the actions of non-compliant umbrella companies.

On the 30 October 2024 a policy paper entitled 'Tackling non-compliance in the umbrella company market' was published providing details of these measures. It also explains the next steps, including their introduction in draft legislation as part of the Finance Bill 2025.

Predictably, this announcement has caused apprehension in the recruitment

sector, as it shifts the responsibility for tackling fraud and tax avoidance in the umbrella company market further towards recruitment businesses and their clients.

On 17 January 2025, HMRC published the 'Guidelines to Compliance', a product aimed at helping businesses such as recruitment agencies to identify, mitigate and reduce labour supply chain risks. This tool provides guidance on carrying out compliance checks on companies within an agency's supply chain, including intermediaries such as umbrella companies and personal services companies. By following these guidelines, businesses can strengthen their due diligence processes, reduce legal and financial risks, and ensure compliance with HMRC's expectations.

As labour market regulations continue to evolve, staying informed and proactive will be essential for companies relying on complex supply chains. Recruitment agencies are encouraged to review the guidelines in detail and implement the recommended best practices to safeguard their operations.

Unlocking the growth from within: we're better together

Roger Brown, Head of UK Partnerships, Bibby Financial Services



With around one in 10 of our clients operating in the recruitment sector, we regularly talk to businesses in the industry to get a sense of their reality. Last month the Chancellor spoke of "going further and faster" to kickstart economic growth. Against a backdrop of subdued hiring, and the upcoming rise in payroll costs, it may seem hard to feel the substance behind the statements.

The January S&P Global UK services PMI showed employment declining for the third month in a row and input cost inflation accelerating to an eight-month high. A number of high profile large businesses, including Sainsburys and Tesco are cutting jobs. One of our clients supplying highly qualified candidates into the tech sector talked of a static market where many businesses are seeking a safety net, security, and a helping hand. It's tough out there!

Yet businesses need the right people. This was evident in our research of 1,000 SMEs across sectors. More than a quarter (27%) identified taking on new staff as a key opportunity for their business in next six months and 17% believe staff and labour shortages are key challenges. Among the 250 construction sector businesses responding, almost three-quarters believe skilled labour shortages threaten their industry.

You are the people to help businesses find the right people! We are the partner to help you fund that ambition. Almost a third of the businesses we surveyed cited cashflow as their key issue. We have been a funding partner to the recruitment sector for 40 years. We can help smooth out cashflow so you can support your existing clients and seek new contracts. Whether your goal is growth or stability, ask us how we can help.

The value of culture, influence and celebration

What I know



James Fernandes is managing director at Carrington West

A sticky culture aids retention. We specialise in temporary and permanent technical roles in the built environment – such as engineers, town planners and surveyors. Our aim is to work with clients to develop better teams, so culture is hugely important. In our own business, we aim to create a 'sticky' culture, so people love coming to work. Our emphasis on wellbeing and development has led to a 90% staff retention rate.

Clients benefit from long relationships. Our work on our culture benefits our clients. We believe we have the most highly trained and motivated recruiters in a world-class team. They develop long-term relationships with clients and pass on the lessons we've learnt.

Culture is key. Engineers and building professionals are in short supply. There is a push to attract more women to these roles and improve inclusivity. It is improving, but retention is vital. We have long-term relationships with clients and culture is often the main issue. We've worked with the Trellis Collective on training for early-stage career women, and this informs our advice to our clients.

Be consistent Many firms say they put people first, then make them redundant in tough times. During Covid we furloughed a few people briefly, but most stayed on full pay and we focused on learning and wellbeing. Do the right things, and the right things will follow. We want clients that value this, not a race to the bottom.

Q&A



James Boyce is general manager, Corporate Accounts, at VHR and REC Recruiter of the Year 2024

What is VHR? VHR provides contract and permanent staffing solutions across engineering industries worldwide. With offices in the Middle East, Asia, Europe and the US, we build long-term relationships with clients and candidates. Beyond matching CVs to jobs, we ensure candidates are happy and supported.

What do you do? I focus on aviation recruitment. Our sector has an ageing workforce, and I aim to encourage more women into engineering roles. Many candidates come from less developed regions, and I collaborate with clients to rethink workforce strategies. With three stepdaughters, I'm proud to create opportunities that didn't exist before.

We travel with clients to countries including

the Philippines, Sri Lanka and India, conducting three-stage interviews so we fully understand candidates. Onsite, we offer full candidate support and representation, and aim to elevate diversity practices in all regions where we operate.

In London, we're speaking to MPs about supporting careers advice in schools for engineering jobs and addressing the gender gap in STEM subjects.

What does the award mean to you? The ceremony was on my birthday! Becoming Permanent Recruiter/Recruiter of the Year was unbelievable and unexpected. It reflects years helping clients to scale teams and candidates to life-changing opportunities. It is a testament to my team and to all those I've worked with during my career.

Recruitment industry takes centre stage at House of Commons event

On Wednesday, 5 February, REC members gathered at the House of Commons for a celebration of the industry's contribution to the UK economy at a parliamentary reception. The well-attended event provided a platform for members to engage with policymakers, discussing the impact of legislation on the labour market and sharing concerns about aspects of the Employment Rights Bill.

The reception attracted a strong political presence, with two government ministers and several MPs and peers from across the House, including members of key select committees. A standout feature of the event was the 'data station' run by the REC Research Team, where MPs could access valuable information on labour market trends within their constituencies.

Key speakers and industry insights

The event featured an impressive line-up of speakers: **The Rt Hon Liam Byrne MP**, chair of the Business and Trade Select Committee; and **Justin Madders MP**, parliamentary under secretary of state at the Department for Business and Trade (responsible for employment rights).

To open the event, REC chair Michelle Mellor highlighted the £44 billion contribution of the recruitment industry to the UK's GDP – which surpasses both the legal and accountancy sectors combined. She emphasised the crucial role of temporary employment, showcasing the REC's Voice of the Worker campaign, which champions opportunities for those facing employment barriers, including individuals with disabilities, career returners, and young professionals entering the workforce.

A constructive relationship with government

During his speech, Minister Justin Madders reaffirmed the government's commitment to working collaboratively with the REC. He acknowledged the constructive engagement of REC Chief Executive Neil Carberry on key issues, including the consultation on agency worker regulations.

The Minister emphasised the need to balance support for the recruitment sector with maintaining stability and protection for workers. He acknowledged the REC's vital role in shaping policies that ensure fairness in the labour market, saying: "For



Powerful perspectives: Justin Madders MP, Michelle Mellor, Neil Carberry and Right Honorable Liam Byrne MP

businesses, workers, those on zero-hours contracts, and agency workers, your input has been invaluable in getting this balance right. Making work pay is a core aim of this government and, with your help, we aim to deliver that in the best possible way."

Championing the temporary labour market

Also speaking at the event, Liam Byrne MP praised the REC's strong working relationship with the Business and Trade Select Committee – to which Neil Carberry gave evidence just a few weeks ago.

He also recognised the organisation's efforts at championing business interests while scrutinising the Employment Rights Bill, stating: "Workforce issues are probably the number one concern for British businesses. That's why your work is so important."

Carberry echoed these sentiments, reinforcing the critical role of the temporary labour market in driving economic growth. The reception highlighted the REC's ongoing advocacy for policies that support both businesses and workers, ensuring the UK's labour market remains resilient and dynamic.

The event underscored the REC's standing as a key business voice, demonstrating how its insights and expertise are actively shaping policy discussions at the highest levels. As the industry navigates ongoing legislative changes, the REC remains a strong advocate for a fair and thriving labour market.



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