

# Modernising Workforce *Management*

A new approach to hiring contingent talent faster, with less compliance risk and at reduced cost



**workwell**  
Enterprise

# Executive *Summary*

Temporary workers are an increasingly important part of the modern workforce.

More businesses rely on contingent labour to plug skills gaps. Yet only 30% say they are sufficiently prepared to manage a workforce that will rely more on external contributors\*.

The hiring of contingent labour is all too often more complex, risky and expensive than it needs to be.

In-house recruiters frequently have to adapt legacy systems and processes designed for permanent employee hiring models, leading to inefficiencies, lack of control, and difficulties in budgetary management. Or they outsource contingent labour supply to recruitment agencies and Managed Services Providers (MSPs) but have little visibility or control over the supply chain, despite the consequences of non-compliance resting firmly at their door.

The prospect of heavy fines and even criminal conviction for non-compliance means contingent labour hiring and management must be water-tight. Current models are becoming increasingly unattractive and, indeed, untenable.



- Organisations must be able to adopt contractor management support services and technology designed to address the nuances of contingent workers.
- Risks associated with contingent labour management and pay must be firmly addressed.
- All umbrella workers need to be treated consistently, with the same benefits package in order to attract the best candidates.
- Modern workforces need to be able to cross borders, so organisations need to be able to attract and onboard talent internationally, wherever the right skills happen to be.
- Organisations need to be able to genuinely reduce the hiring costs and the time it takes to get the right skills into place.

As is so often the case, changes in the marketplace lead to new and better ways of working that significantly contribute to your organisation's ability to achieve business objectives and succeed in your chosen markets.



# Hiring & managing contingent workers in- house - *The Challenges*

“As organisations increasingly rely on both internal and external contributors, successful leaders are recognising the complexity of these workforce ecosystems and adapting their management practices to support these new systems.”\*

Hiring and managing contingent workforces in-house is becoming increasingly complex. The imperative of accessing the right skills at the right time coupled with the shifting legislative landscape gives rise to several challenges for the talent acquisition team.

## Challenge Number 1

# Compliance

Your organisation needs a compliant labour supply chain. There are two elements to assure – worker classification (IR35) and compliant payment.

This is the first point of serious risk. Wrong classification of roles and workers and deliberate or accidental mistakes with payments can lead to serious consequences, both financial and criminal.

Classification of roles needs to take place pre-hire and during the onboarding process as well as ongoing when the contractor is in post, so you are assured that working practices reflect the original status determination, especially for 'outside' IR35 roles.

You need to have robust processes, systems and controls embedded into your labour supply chain to ensure that contractors receive their gross or net pay compliantly.



## Challenge Number 2

# Cost, control & admin

Employee management systems and processes don't reflect the nuances of flexible workers who are not on the payroll; workers who need to undergo IR35 assessment, who submit timesheets and invoices and who utilise different 'payroll' options such as Umbrella companies.

The use of systems and technology that aren't designed for a contingent workforce management causes administrative headaches and unnecessary cost burdens. Procurement of such systems from multiple vendors with minimal or no genuine integration means it's difficult to take an integrated, streamlined approach.

## Challenge Number 3

# Worker experience

Organisations need to compete for the best talent and skills and in-house recruitment talent acquisition teams need to build ready access to contingent workers who can plug staff shortages or bring specialist skills to specific projects.

Having a brand which is synonymous with good practice makes it easier to attract contingent workers when you need them most.

However, because contingent workers so often fall outside the standard systems and processes that support permanent employees, it can be difficult to deliver a consistent experience and standardised approach to benefits such as pensions, healthcare and other 'perks' traditionally afforded to employees only.

## Challenge Number 4

# Ethical salary/wage advance technology

Some contractors and temporary workers are becoming used to being 'paid when worked', accessing their pay on demand based on the hours they have worked.

This is an increasing trend, especially amongst shift workers with irregular work patterns. Some companies have decided to embrace this demand, a change in temporary worker behaviour of receiving their pay upon completion of a shift for example brings with it candidate attraction and retention benefits.

Setting up these solutions isn't always easy and needs internal oversight and system integrations.

In addition, organisations have a moral responsibility to understand and ensure that contractors or temporary workers in their supply chain are receiving ethical pay; this is about fair wages and salaries based on their skills, experience and the industry they operate in. Alongside where Umbrella or EOR pay solutions are in the supply chain, the 'National Living Wage' is afforded as an absolute minimum.

## Challenge Number 5

# International Flexibility

The rise in remote working has meant organisations can look further afield for the talent they need.

A company that can attract and onboard talent compliantly anywhere in the world will have the greatest competitive advantage.

However, there are several hurdles to overcome: tax rules across different jurisdictions, employment status compliance, use of in-country Employer of Record, and payroll in different currencies, to name but a few.

# Hiring & Managing contingent Workers using agencies/MSPs - *The Challenges*

A large number of organisations outsource the hiring and management of contingent workers to recruitment agencies or Managed Service Providers (MSPs), leaving in-house talent acquisition teams to focus on permanent hires.

Whilst this approach has been common and mainstream over the past decade, the UK compliance landscape, coupled with the global skills and talent shortage and increased competitiveness, means there are several drawbacks to address.





Challenge  
Number

1

## Higher costs & compliance risk

Both MSPs and recruitment agencies undertake (and charge for) talent sourcing and acquisition, onboarding, payroll and management of contingent workers, which could otherwise be managed in-house normally by the Talent Acquisition Team.

Accessing the right CRM/VMS platform, embedding processes and controls to source, screen and onboard contingent labour in-house, you'll have more visibility and control over your contractor estate, in real-time whilst significantly reducing both fixed and variable costs.



## Challenge Number 2

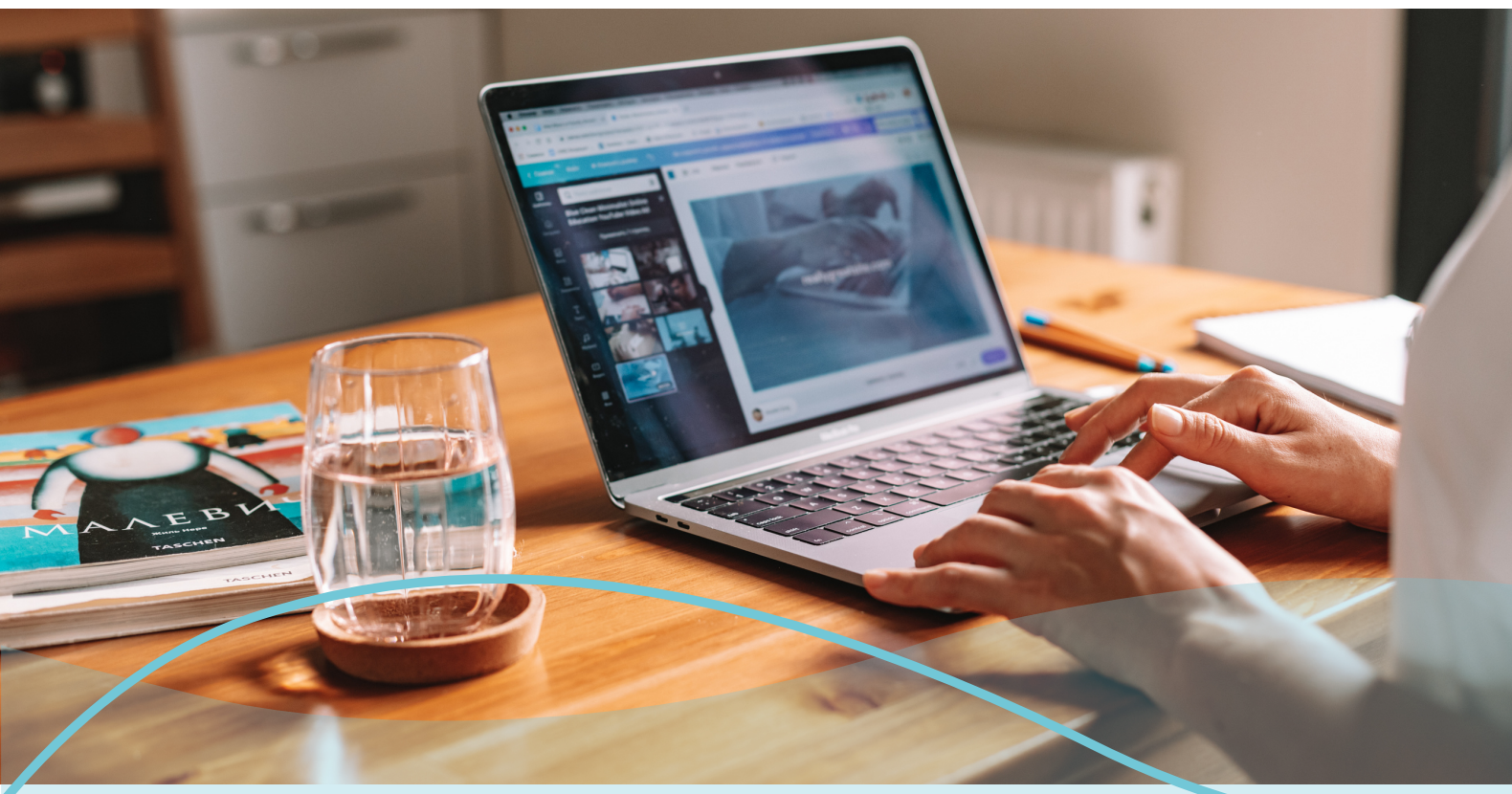
# Serious exposure to compliance risk

A recruitment agency or MSP will usually outsource the onboarding and payment of workers to partners of their choice, this is traditionally achieved by having an Umbrella provider preferred supplier list.

In many cases, the recruitment agency or MSP will have several preferred suppliers, often disproportionate to the contractor book they have. In this way, labour supply chains get convoluted, complex and out of control resulting in possible non-compliance and risk NOW in that supply chain.

This is a potentially dangerous situation. At best you could face financial liability and damage to your reputation, at worse, criminal conviction for offences such as facilitating tax evasion.

There are risks at almost every step.



**IR35 Off Payroll** – can you be sure that roles and contractors are correctly classified for tax purposes and that you have ongoing processes, controls and audit in place to mitigate risk and, in readiness for HMRC enforcement – which is happening now.

**Payment processing** – can you see that payments to contractors in your supply chain are being processed correctly, with the correct tax, National Insurance and other statutory deductions being made?

What processes, controls and systems are in place to assure your labour supply chain, specifically having confidence that all contractors are receiving the correct 'gross – net' amount where they are using an Umbrella provider, for example?

Have the payment providers in your supply chain taken the necessary precautions against cyber attacks to prevent hackers from stealing data or interrupting payments?

Are the umbrellas in your supply chain subject to untenable credit terms which put them at risk of insolvency resulting in your contractors not receiving their pay?


And how do you know if other commercial arrangements are in place at the cost of compliance and contractor satisfaction and better take-home pay? These are all real risk factors.

**Motivations** – unfortunately, despite attempts at self-regulation, the umbrella industry is still rife with poor practice.

Without clear visibility and understanding of the organisations in your supply chain, you risk inadvertently using non-compliant umbrellas including mini umbrellas/ loan schemes and other types of tax avoidance.

This can result in considerable financial penalty, both at a corporate and personal level, not withstanding the obvious reputational damage to your brand.

How do your recruitment partners/MSPs choose their Umbrella supply chains? Disreputable third parties can seep into your supply chain without robust controls in place, at best motivated by ignorance about compliance and good practice and, at worst, motivated by rebates in return for contractor referrals.



Challenge  
Number **3**

## Lack of consistency in worker experience

An extended supply chain using a myriad of providers will lead to inconsistent treatment of workers and discrepancies in pay dates and benefits packages. Poor service delivered by your recruitment partner, MSP or the 3rd parties they choose has an impact on your organisation's reputation and ability to attract the right talent.

This is poor practice for organisations that seek to be good employers to attract and retain the best talent. But it's also a risk for those whose clients undertake supply chain audits – a lack of transparency and consistency may lead to a loss of business.



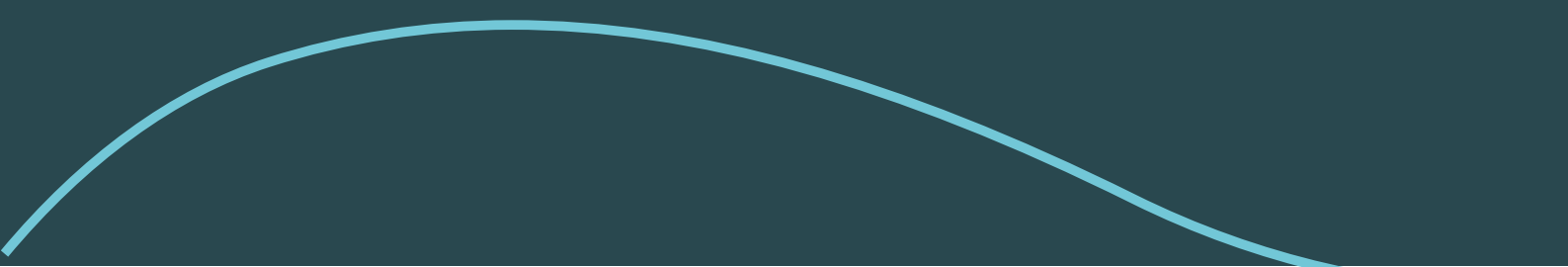
# A Better *Way*

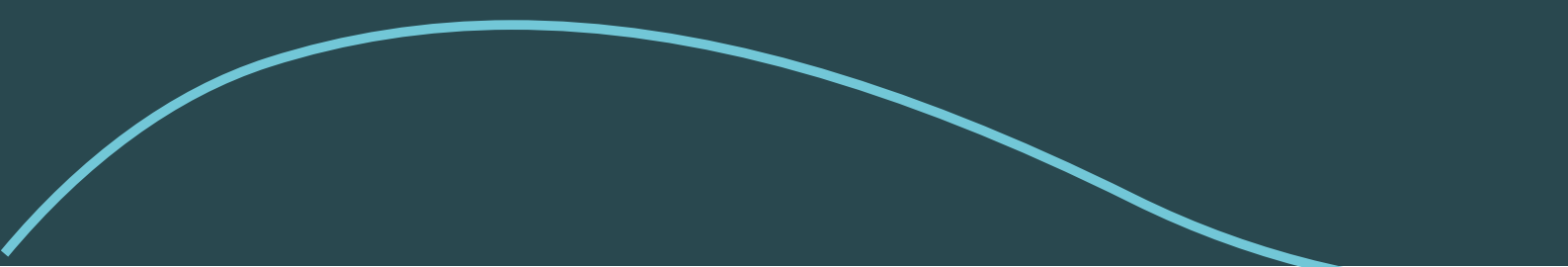
Given the serious risks now facing talent acquisition teams, it makes sense to keep your supply chain as short as possible, auditable, and under your control at all times.

Understanding the biggest challenges, and top considerations, when you're looking at temporary works as part of your current and future workforce, it's time to look differently at how you hire, onboard and manage temporary labour.

The changing legislative landscape, as well as the emergence of new technology and services, allows in-house recruiters to look toward a better approach. The answer lies in keeping your supply chain as short as possible and gaining transparency and control, however you engage with contract workers.

Key considerations:

- Ensuring the process is risk-free is paramount to success
  - Transparency & visibility - ensure all workers can provide audit assurance regularly and simply to prove compliance with UK and international tax rules
  - Risk and liability - visibility of how and where the worker is engaged and paid means employers can help with no financial or criminal liability building up in the supply chain as a result of non-compliant tax and employment practices
  - Reputation and wellbeing - employers are increasingly needing to demonstrate they know where and how all contingent workers are engaged, how they are treated and how much pay they are receiving
  - Efficiency - minimising the flow of information and funds between the hirer and employer of record will create a more efficient process for employers and contractors dramatically
  - Understanding where to outsource non-value added process
  - Brand reputation and ensuring you're attracting, and able to re-engage the right talent for your business
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- Pre-hire - IR35 Off Payroll Compliance including assessing new roles for IR35 status
  - Compliant engagement of worker
  - Transparent background screening and onboarding
  - Management - what CRM/VMS platform for instant and total visibility of where and how workers are engaged, essential in mitigating your compliance risk
    - How to submit timesheets & payments processed
    - IR35 assessment platform to give simple and fast verification of IR35 compliance when workers are in post, with audit trail
    - Consistent approach to terms and conditions for all workers
    - Consistent service levels and worker benefits package
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## Another Option: The Workwell Solution

Adopting an EoR model whereby you outsource everything except talent sourcing to one compliant workforce management provider.

An EoR differs to a Managed Service Provider in that its primary function is to onboard, employ ( providing all statutory employment benefits and rights ), pay and manage the contractor estate compliantly, whereas an MSP could provide a 'pay' solution which traditionally is either standard 'PAYE' or more popular use of an Umbrella PSL of which brings with it its own challenges and possible commercial gain.

Whether you recruit in-house or use recruitment agencies, everything except talent sourcing can be channelled through your EoR, thus removing all the risks and gaining complete control of your contingent labour supply chain.

That means your in-house recruiters or recruitment agency partners can focus on what they do best – attracting the best available talent - whilst your EoR takes care of every aspect of getting that worker set up and paid compliantly, with a consistent experience for every member of your contingent workforce.

The model should enable you to outsource all steps in the hiring process.

**Get in touch**

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