



Tackling the professional skills crisis

Manifesto 2024

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Ann Swain, founder and CEO of APSCo Global introduces:

APSCo Global - the Association of Professional Staffing Companies - is the only trade body dedicated to the professional recruitment and staffing outsourcing sectors, in the UK and internationally with offices in the UK, Australia, Southeast Asia and Germany. APSCo Global provides a powerful, unified voice for the professional recruitment market, while raising standards and delivering expert support and market intelligence to its members locally through APSCo United Kingdom and APSCo OutSource (APSCo).

Members of APSCo are UK plc's experts on the future of the workplace. Productivity in workplaces in the public and private sectors depends on the right level of regulation to provide opportunity and protection for workers. APSCo understands that individuality matters most in staffing Britain's critical employment sectors and advocates strongly for a skills-based approach to the labour market, enabling it to remain competitive internationally, fair and flexible. Building on our international perspective, our recommendations are positioned to enhance individual opportunity, raise collective productivity, and drive economic growth.



APSCo United Kingdom represents leading professional staffing companies in the UK, specialising in finding permanent staff and contractors in highly skilled sectors, as well as temporary workers in high-touch compliance parts of the economy.

With 25 years' experience, APSCo United Kingdom has unrivalled experience of the regulatory policy affecting staffing and recruitment across the economy. APSCo United Kingdom members range from micro businesses to listed international (or global) recruitment organisations. The support they give includes: advising boards on permanent and interim C suite appointments; sourcing expert resource to support client projects and strategy; delivering consultancy services and supplying contractors and temporary workers to help the public and private sectors balance their workforces.

This is in addition to their valuable role as leading careers advisers to candidates in the tech and advanced professional sectors.



APSCo OutSource represents the recruitment outsourcing sector. These companies undertake the process of recruitment and worker management on behalf of employers.

- **Recruitment Process Outsourcing Providers** manage the hiring process for permanent staff from advertising to onboarding, using technology to manage recruitment.
- **Managed Service Providers** manage the recruitment of non-permanent staff, from temps to highly skilled contractors, to deliver workers against typically tight deadlines and to manage projects.

APSCo OutSource members, given their partnerships with the public sector and largest businesses, are at the forefront of skills-based hiring and workforce planning.

Changing skills demands

APSCo is currently witnessing major shortages of workers, particularly in IT and digital, engineering, healthcare and other professional skills. A key factor is the constant evolution in the skills demanded by the market. There's been a significant shift in skills requirements over the last decade further impacting the talent challenges of today. We are amid the fourth industrial revolution and the rate of change is startling.

Our research, prepared with Vacancysoft, shows a 30% decrease nationally in vacancies across all sectors over 2023. Application numbers also slowed across sectors, for example, our research prepared with BroadBean on the IT sector shows a decline of 38% year on year for permanent applications to December 2023. Data shows that skills are shifting at significant speed, with our Global Strategic Partner LinkedIn's Future of Work report revealing the role of AI in accelerating changes to jobs, with the skills needed for jobs expected to change by at least 65% by 2030.

Rapid change requires rapid policy response; a coordinated "one policy" approach across Government departments, and collaboration with business and education sectors, both in the UK and internationally.

Policy solutions

With its international insight and research into highly skilled recruitment and outsourcing, APSCo has developed regulatory and policy recommendations designed to tackle the UK's professional skills crisis, enhance individual opportunity, raise collective productivity, and drive economic growth. These recommendations cover the following themes and focuses:

The right workforce regulatory environment

Workforce skills, training, and talent development

Workforce access, fairness and inclusion

Harnessing technology for the skills revolution



Executive Summary

The right workforce regulatory environment

APSCo proposes a series of reforms to the regulatory environment designed to protect individual workers, drive economic growth, and maximise productivity.

APSCo recommends:

- Defining self-employed status in legislation, reviewing Off Payroll and IR35.
- Regulating umbrella companies.
- Excluding highly paid contractors from the Agency Workers Regulations 2010.
- Requiring reasonable payment terms throughout supply chains.
- Developing more sustainable supply chains for the NHS workforce with a compliance focus.

Workforce skills, training, and talent development

More should be done to overcome the skills shortages in the economy by upskilling the workforce.

APSCo recommends:

- Broadening the scope of the Apprenticeship Levy, in particular more flexible modular training, to align with skills needs.
- Develop a coordinated national strategy with more employer financial support.
- Introducing flexible short-term visas for the highly skilled including a rescoping of work permitted under the Standard Visitor Visa.

- A greater focus on services and skilled immigration in trade deals.

Workforce access, fairness and inclusion

Following the changes to the way we live and work since the pandemic, a new policy focus is needed to ensure legislation keeps up with the speed of change in hiring and working practices and workers' rights.

APSCo recommends:

- Legislating to support the move to "skills-based hiring".
- Legislating to encourage people to stay in and rejoin the workplace, including greater tax incentives on occupational health, mental health and health screening budgets.

Harnessing technology for the skills revolution

APSCo believes that when combined with a focus on skills-based recruitment, technology can be used to enhance opportunities for good work and drive economic growth.

APSCo recommends:

- Introducing recognised, auditable standards for the use of AI in recruitment.
- Making AI developers and technology providers accountable for the transparency and fairness of their technologies, including through clear routes of redress.
- Ensuring UK regulation is in alignment with global regulatory evolution.

The right workforce regulatory environment

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

Most APSCo members have international businesses or deliver some recruitment services internationally – and their everyday experience proves the extent of the competition between developed economies for scarce talent and emerging skills. For the UK to remain competitive, its labour market needs to be world-leading, fair and flexible. The market needs to evolve to increase productivity, whilst protecting the vulnerable and supporting the lower skilled in good work.

Define self-employed status in legislation

Those who choose professional self-employment tend to be highly productive workers. APSCo believes they should be encouraged to remain in the labour market up to and beyond traditional retirement. We recommend that the Government set in train work to clearly define and protect self-employed status in legislation, to help resolve the complexity of statuses for tax and employment rights in the labour market.

- This legislation needs to differentiate self-employed independent professionals from dependent contractors, workers, other variants of self-employment and the lower skilled, less independent elements of the gig economy.
- Legislative reform should define unequivocal indicators of running a business and professional self-employment, reducing red tape.

- Reform is needed to ensure that the self-employed are motivated and financially supported to upskill, including with access to enhanced Government benefits and support.

Overhaul of Off-Payroll and IR35

Defining self-employment in legislation is essential to resolve the challenges presented by Off-payroll (IR35). Off-payroll is an unsatisfactory law due to the lack of legal clarity around highly skilled corporate self-employment.

This creates false deemed employment due to clients' adverse approach to risk taking, partly due to HMRC's ongoing failure to win court decisions on IR35 reassessments. This has led to experts leaving the labour market in many skills short sectors.

- Off-payroll legislation should be kept under constant review to enable a flexible, agile, and independent professional workforce.
- We recommend that the Government undertakes a comprehensive review of IR35, which should include tackling the issue of determining whether someone is an employee or self-employed through an overhaul of employment status law.
- The Government should work with the sector to help overcome these challenges and remove the current burdens of Off-Payroll on the professional recruitment sector.



Regulate umbrella companies

Whilst only a minority, some umbrella companies continue to abuse the tax system and workers' rights. The Government should collaborate and consult closely with the recruitment sector, and with compliant umbrella companies, to bring in regulation of umbrella companies which helps to protect workers – ensuring they receive benefits and pay they are due and pay the correct amount of tax. This regulation will help to stamp out rogue umbrella companies from the UK's labour market, helping to drive a dynamic labour market that protects workers.

To protect workers, APSCo recommends that the Government:

- Updates the legal definitions for umbrella company employment.
- Introduces licensing of the umbrella market, including the mandatory use of client bank accounts, and the introduction of statutory compliance codes.
- Provides a bigger budget to regulators to tackle rogue umbrella companies.

Exclude highly skilled workers from the Agency Workers Regulations

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

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

Support reasonable payment terms to protect SMEs within the supply chain

Late payment terms within the private sector disrupt supply chains, creating significant financing costs for small businesses and denying SMEs the cashflow needed to pay staff and deliver services.

In the recruitment sector, for example, a recruiter is generally obliged to pay a

contractor within 28 days, while large end-clients can insist on 90 or 120-day payment terms, requiring costly financing by the recruiter, often an SME.

The extent of this problem is stark: across the economy there were around £20bn of invoices whose payments were overdue in 2021, causing 50,000 UK businesses to go under each year over cashflow issues.

To protect small businesses in the supply chain, APSCo recommends that:

- The Prompt Payment Code is made mandatory for private sector larger businesses, to ensure that payments are made within a 60-day period. This Code is currently a voluntary agreement that has been embraced by major names within UK plc. As such, it is the most reasonable way to set an industry standard in the UK economy, limit the financing burden currently placed on small businesses and bring stability to supply chains. Government has made progress on this issue for public sector contracts via the Procurement Act; APSCo believes that SMEs should also be protected within private sector supply chains.
- Payment Practices and Performance Regulations are amended to require payment practices and performance reports to be included in directors' statutory reporting.
- Amendments are made to the Payment Practices and Performance Regulations to require an end client to report publicly on the number and value of contracts where a supplier is required by contract or by statute to finance payments down the chain – and the differential in payment terms.

A stronger, more sustainable workforce for our NHS

With its experience supporting members recruiting into clinical healthcare, including NHS Professionals, APSCo is familiar with the workforce and recruitment challenges faced by the NHS. The clinical healthcare recruitment sector recognises that the NHS is unsustainably reliant on temporary workers to remain operational.

To achieve a faster, safer, more sustainable workforce for the NHS, APSCo recommends:

- A partnership with NHS Employers, recruitment companies and framework organisations to deliver the long-term workforce plan, recognising that contracting and temporary work has a place to manage peaks and troughs in demand and to deliver projects and change implementation.
- Reform of hiring practices for temporary staff, including reducing so-called “off framework” placements across primary care and within Trusts, which would have an immediate effect.

To enhance compliance, reduce red tape and raise safeguarding standards, APSCo recommends:

- Mandating that NHS Employers' standards must be consistent with current Government standards, such as Digital Right to Work recognition.
- Standardising compliance standards across all providers, to achieve one set of rules and one set of audit standards, which could potentially be extended into social care.
- Developing a digital work “passport”, which would contain key credentials, such as proof of right to work and qualifications.

Workforce skills, training, and talent development

More should be done to overcome the skills shortages in the economy by upskilling the workforce. APSCo recommends Apprenticeship Levy reforms; more flexible visas; a greater focus on services and highly skilled immigration in trade deals; and greater Government collaboration with business on skills and training.

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

Many of APSCo's larger recruitment and outsourcing members have significant levy pots yet are unable to spend these on upskilling their large payrolls of staff, agency workers, and independent contracting candidates due to the constraints of the levy.

APSCo recommends that:

- The levy is reformed to allow it to be used for shorter, more flexible modular training for everyone, but with a particular focus on maximising accessibility for 18–24 year-olds, “lane changers” and older workers.
- The levy is tailored for a more regional and sectoral approach, allowing the levy to be spent on targeting hard to reach workers and technical sectors suffering from labour shortages.
- The scope of the levy is widened to enable agency workers, independent professionals and members of the self-employed workforce to fund their skills training with levy funds.

Coordinated national strategy for skills investment

- We recommend that the Government further develops a coordinated national strategy for skills that aligns education investment with regional economic strengths to support advanced manufacturing and technology. As part of its levelling up work, we recommend that

the Government uses skills investment funding to promote and support regional hubs with local economic strengths.

- To combat technical skills shortages, the Government should identify centres of excellence in specific sectors and use skills investment to align with their needs.
- To help improve participation and upskilling, additional long-term incentives and support for employers are needed, recognising the financial and managerial commitment needed to provide work experience or other types of training to a student.

Flexible visas for highly skilled workers

The UK's ability to continue to attract the best international talent is crucial to the economy. To achieve a flexible workforce that allows the UK to secure global talent, APSCo recommends:

- A rescoping of ‘permitted business’ within scope of the Standard Visitor visa to create a flexible, non-sponsored, short term visa route for highly skilled foreign employed and self-employed workers – and potentially targeted at known shortage skillsets. The Government has made progress on this issue, but we encourage all parties to go further.

- The expansion of existing programmes like the Global Talent Scheme, to attract a skilled workforce that will positively contribute to the UK's economic growth.

Focus on services in new trade agreements

The professional skills shortage should also be addressed through a greater focus on the services sector during trade negotiations. APSCo recommends that the Government prioritises securing more – and more enhanced – mutual recognition agreements for professional qualifications and skills, to facilitate the transfer of highly skilled individual professionals.



Workforce access, fairness and inclusion

Following the changes to the way we live and work since the pandemic, a new policy focus is needed to ensure legislation keeps up with the speed of change in working practices and workers' rights. Employment and recruitment legislation must aim to improve protections and transparency for workers regarding pay and working conditions, while the Government should consider options to enhance fairness, access and inclusion in the workplace.

Move to skills-based recruitment

To address the crisis in professional talent and to make progress on diversity and social mobility in the labour market, a shift to skills-based recruiting is vital.

Skills-based hiring:

- Is a move away from an over-reliance on qualifications and relevant experience, which has traditionally meant able candidates with lateral skills, or without formal higher education, miss out on job opportunities.
- Is an assessment of soft and hard technical skills required for a role against broader criteria than a traditional CV allows.
- Has already been shown to increase the number of under-represented applicants considered for roles.

Skills-based hiring delivers significant value to businesses. In a recent report, our Global Strategic Partner LinkedIn revealed that not only are talent pools expanded tenfold when implementing this strategy, but it also aids diversity in the workforce. Openness to diversity, as we know, not only promotes individual opportunity, but also supports collective productivity:

- Those using a skills-based approach in jobs where women are under-represented are likely to see a 24% increase in the number of female applicants.
- The report revealed that this strategy can increase the level of applicants who don't have a bachelor's degree by 9%, bolstering opportunity and social mobility in talent pools.

Achieving a skills-based, skills-first approach will require a step-change in mindsets and regulation, as well as a removal of some elements of the recruitment process that are arguably outdated, such as replacing the job specification with a hard/soft skills and tasks specification.

Diversity, equality, and inclusion

In the current professional skills shortage, more inclusive and welcoming workplaces are an essential part of individual performance, employee development and staff retention – which in turn drives productivity and generates opportunities in the economy.



To support the creation of a common culture in workplaces and recruitment, where individuals can fulfil their potential regardless of their protected characteristics, APSCo recommends that:

- Legislation is used to encourage people to stay in the workplace, including greater tax incentives on occupational health, mental health and health screening budgets.
- Reform of childcare financial support, driven by a holistic approach, that recognises the high costs, including safeguarding and labour costs, that care providers face. Childcare must be a well-regarded, reasonably paid career to genuinely support working parents.
- Diversity, equality and inclusion should be part of recruitment and working practices by design, to protect under-represented groups. Greater skills-based hiring will help with this.
- Employers are supported by policy to bring older workers and hard-to-reach candidates – such as the differently abled and neurodivergent – into the workforce. Flexible, modular training options, occupational health and flexible working support will drive change.

Harnessing technology for the skills revolution

APSCo believes that when combined with a focus on skills-based recruitment technology can be used to enhance opportunities for good work and drive economic growth. APSCo believes that there is a role for artificial intelligence in selecting the candidates of the future.

Use of AI in recruitment

Delivering the benefits of skills-based hiring will require development in the technology used to match candidates to vacancies, and skills with demands. This means harnessing the power of automation, including artificial intelligence machine learning (AI), to complete tasks such as sifting and matching candidates with vacancies and screening processes.

Skills-based datasets for recruitment are de-personalised to protect candidates from bias and ensure that they don't miss out on opportunities – not just the removal of names, but also any personal or social identifiers such as educational institutions, geographical locations, and employer names. This opens opportunities for older, differently abled, and hard-to-reach workers who might have the skills, but not the proven experience or higher-level education.

However, AI is a relatively new technology and there are concerns among recruiters, candidates and employers about how the technology will be used. As such, APSCo recommends that:

- A balanced set of regulations are developed for AI that enable skills-based hiring, boosting opportunity and productivity, while protecting individuals and recruiters.
- The watchwords and guiding principles for AI regulation should be: **transparent, explainable, and accountable.**

To ensure transparency:

- APSCo recommends that a recognised standard for the use of AI in recruitment is developed, so that recruiters have a basis to audit against. This could be a 'British Standard' or shared international standard, but a benchmark is necessary to ensure recruiters follow responsible best practice and protect their reputations.

To remain explainable:

- APSCo recommends that any use of AI in the recruitment process should be explained transparently meaning that whether and how it is used should be disclosed, alongside an explanation of the coding, priorities and behaviour of the AI deployed.

To ensure accountability:

- AI developers must be accountable for their technologies, including through clear routes of redress, with ultimate responsibility for AI tools in the hands of technology providers.
- The onus should be on the technology providers and AI developers to explain the factors considered by machine learning and address risks for the user of AI technology. This is to protect SME businesses and their candidates and clients who do not have the bandwidth or expertise to complete extensive audits and impact assessments on how AI affects their recruitment.

To ensure this works for international recruiters in the UK:

- APSCo recommends that UK AI regulations align with EU and US regulations, as well as those of other global business centres, such as Singapore. A majority of APSCo United Kingdom and OutSource members have international businesses or deliver some recruitment services internationally, so they need to be able to comply within key international jurisdictions.





Further information

With 25 years' experience, APSCo has significant experience of the regulatory policy affecting staffing and recruitment across the economy, ranging from healthcare to education, technology, marketing, finance, professional, engineering, and life sciences.

Should you require any further information about our Manifesto proposals, or would like to ask any questions, please contact:

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