

# Long-term effects of the Off-Payroll working rules reform for public sector organisations

HM Revenue and Customers Research Report 639

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# 1 Glossary

**Agency:** Used in this report to refer to an organisation which supplies contractors to clients. If a client determines the off-payroll working rules apply then they, or an agency in the supply chain, will be responsible for deducting and paying to HMRC the Income Tax and National Insurance Contributions (NICs) due, and paying Employer NICs.

**Central body:** For the purpose of this research, public authorities can either be 'central bodies' or 'individual sites'. Those categorised as a '**Central body**' in this report are survey respondents that stated that they conduct payroll for more than one public sector site or organisation. Therefore, these respondents oversee and administer the processes relating to the off-payroll working rules for multiple sites (locations) within the same organisation, or multiple organisations.

**Check Employment Status for Tax tool (CEST):** Online tool used to help assess employment status for tax. Provides HMRC's view of a worker's employment status for tax, based on the information provided by the user.

**Client:** Used in this report to refer to the organisation for which a contractor is supplying services.

**Off-payroll contractor (OPC):** An individual who provides services to a client and is not an employee of the client. They may work through their own limited company (inside or outside of the off-payroll rules) or may work through a different structure (for example an umbrella, an agency, or as a sole trader).

**Personal service company (PSC):** A limited company which the worker typically controls and has some interest in, and supplies their services through.

**Public authority:** The off-payroll working reforms of April 2017 applies to public authorities. Public authorities are bodies so defined by the Freedom of Information Act 2000, or Scottish public authorities by the Freedom of Information (Scotland) Act 2002. Broadly this includes government departments, including their executive agencies; companies owned or controlled by the public sector; schools or universities; local authorities; and parts of the National Health Service. The rules also apply to the UK Parliament, the National Assembly for Wales Commission, and the Northern Ireland Assembly Commission.

**Site:** For the purpose of this research, public authorities can either be 'central bodies' or 'individual sites' (referred to as just 'sites'). Those categorised as an 'individual site' in this report are survey respondents that stated that they conduct payroll for their site only. These respondents therefore oversee and administer the processes relating to the off-payroll working rules for their own organisation in their location only, and no others. If an establishment did not deal with the administration of the reforms, either because they were dealt with by another organisation or another site within their organisation, they were asked to pass on details of the establishment where they were dealt with. Therefore, individual sites and central bodies are mutually exclusive groups.

**Umbrella:** There is no statutory definition of an 'umbrella company', although it is generally accepted that an umbrella company is a company that employs temporary workers (contractors) who work for different end clients'. . Umbrella companies do not source work. Typically, the umbrella company will enter into a contract with a recruitment agency that will source work from end clients.

## 2 Executive Summary

### Introduction

- 2.1 In 2020, IFF Research and Frontier Economics were commissioned by HMRC to gather evidence of the longer-term effects of the 2017 off-payroll working rules reform in the public sector, and to understand what further support public authorities might need for the off-payroll working rules.
- 2.2 The study was initially commissioned ahead of the off-payroll working reform to the private and voluntary sectors in April 2021, alongside the further changes for the public sector as part of the April 2021 reform. However, the second wave of the COVID-19 pandemic in the Autumn of 2020 meant fieldwork was halted to allow public authorities to respond to the pandemic. Fieldwork recommenced again at the beginning of summer 2021, as soon as the pressures on public authorities due to the COVID-19 pandemic had eased.
- 2.3 The two fieldwork periods were as follows: Phase 1 between September and November 2020, and Phase 2 between July and September 2021. Some small changes were made to the questionnaire between these periods to account for the fact the new reforms had come into effect in April 2021, in between the two phases of fieldwork
- 2.4 This report outlines findings based on 101 survey interviews with individual sites and 80 survey interviews with central bodies covering 2,653 sites, as well as qualitative follow-up interviews with 30 organisations. Individual sites are establishments who deal with the administration of the off-payroll working rules for that organisation in that location only. Central bodies deal with the administration of the rules for multiple locations or organisations. If an establishment did not deal with the administration of the reforms, either because they were dealt with by another organisation or another site within their organisation, they were asked to pass on details of the establishment where they were dealt with. Therefore, these two groups are mutually exclusive.
- 2.5 The report follows an interim report published in March 2021 which focussed on Phase 1 of the research. The findings published in March 2021 only included public authority sites in the Education sector<sup>1</sup> where enough interviews were achieved among this group to publish robust results. This report covers public authorities in all sectors; it incorporates findings from the Education sector report with findings from sites in the Public Administration sector and central bodies from across the public sector.
- 2.6 IFF Research and Frontier Economics also previously carried out research in 2017 (published in May 2018)<sup>2</sup> on the short-term impacts of the April 2017 reform in the public sector. Some comparisons are drawn between this and the current research where appropriate. This research is referred to as the “2017 study”.

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<sup>1</sup> <https://www.gov.uk/government/publications/effects-of-the-off-payroll-working-reform-education-report>

<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/704931/Off-Payroll\\_Reform\\_in\\_the\\_Public\\_Sector.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/704931/Off-Payroll_Reform_in_the_Public_Sector.pdf)

### **Current use of off-payroll contractors (OPCs)**

- 2.7 Overall, 93% of sites and 95% of central bodies said they had engaged off-payroll contractors working through any structure in March 2020<sup>3</sup>.
- 2.8 Sites reported a mean average of 79 direct employees for every off-payroll contractor. Central bodies reported a mean average of 293 direct employees for every off-payroll contractor.
- 2.9 Personal Service Companies (PSCs) were the most common way of engaging off-payroll contractors, accounting for a mean average of 57% of off-payroll contractors engaged by sites and 56% of those engaged by central bodies.
- 2.10 The qualitative findings highlighted that off-payroll contractors often played an important role in service delivery for public authorities, even though they were often a small proportion in comparison to overall employees or used fairly infrequently.

### **Changes to working structures compared with 2017**

- 2.11 Approaching half of sites and central bodies (46% and 45% respectively) said there had been no change in the number of direct employees between March 2017 and March 2020. Among the remaining sites there was an even split between those reporting an increase (25%) and a decrease (26%) in direct employees, while a higher proportion of central bodies mentioned an increase (38%, compared with 18% reporting a decrease).
- 2.12 A large majority of sites (72%) said there had been no change in the number of off-payroll contractors they had engaged between March 2017 and March 2020. Those sites where there had been a change, more commonly mentioned an increase (14% compared to 12% that said decrease). In terms of central bodies 53% reported a change between March 2017 and March 2020 in the proportion of off-payroll contractors engaged (48% said it stayed the same). Central bodies more commonly mentioned an increase (30%) than a decrease (23%).
- 2.13 Overall, 82% of sites and 91% of central bodies had engaged off-payroll contractors via PSCs in March 2020. Most sites (73%) and central bodies (60%) reported no change in volumes since 2017. Roughly the same proportion of central bodies reported an increase as a decrease (19% and 20% respectively), and a slightly higher proportion of sites reported a decrease than an increase (14% and 10% respectively).
- 2.14 Qualitative interviews illustrated a complex, mixed picture and provided evidence that changes to workforce structure were not always a direct response to the reforms. Other factors such as budget, recruitment drivers and new roles being created in the public sector also played a part in changes to workforce structures.

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<sup>3</sup> Note, all participants were initially screened to make sure that they had engaged off-payroll contractors, specifically via Personal Service Companies (PSCs), between April 1<sup>st</sup> 2019 and March 31<sup>st</sup> 2020. This finding shows some no longer did at the end of March 2020.

- 2.15 From in-depth interviews, there was some evidence of changes directly related to the reforms. Some mentioned changing their recruitment strategies to target permanent employees in place of off-payroll contractors or moving PSC contractors onto their payroll to avoid having to consider the off-payroll working rules; this was also considered a means of reducing costs and providing more stability to the workforce.
- 2.16 The survey also provided evidence that public authorities had taken some off-payroll contractors onto their payroll due to the impacts of the reforms: more than a third (37%) of sites and half (50%) of central bodies reported this. Sites took a mean average of seven percent of off-payroll contractors onto payroll due to the reforms, while central bodies took on a mean average of six percent.

### **How PSCs were engaged in comparison with 2017**

#### *Direct engagement*

- 2.17 Most sites (59%) and central bodies (74%) directly engaged<sup>4</sup> some PSC contractors in March 2020. The majority (79%) of sites reported no change in the number of PSC contractors engaged since March 2017, with the remainder fairly evenly split between reporting increases (8%) and decreases (10%).
- 2.18 Among central bodies, two-thirds (65%) reported no change in the number of PSC contractors engaged directly, with the remainder more likely to report a decrease (25%) than an increase (10%) in direct engagement.

#### *Engagement through agencies*

- 2.19 Fewer than half (46%) of sites and seven in ten (71%) central bodies reported engaging some PSC contractors via agencies in March 2020. The overall picture was not dissimilar to direct engagement at site level, with the same proportion (79%) reporting no change between March 2017 and March 2020. Fewer sites reported an increase (5%) than a decrease (11%).
- 2.20 Among central bodies, around seven in ten (69%) reported no change in the number of PSC contractors engaged via agencies; the remainder were evenly split between reporting increases (15%) and decreases (16%).

### **Engaging contractors through umbrella companies and awareness of structures to circumvent the rules**

- 2.21 The use of contractors via umbrella companies was rare and had changed little since March 2017. Overall, 11% of sites and 21% of central bodies engaged off-payroll contractors via umbrella companies in March 2020. Most (92%) sites reported no change in the number of contractors engaged via umbrella companies between March 2017 and March 2020.
- 2.22 Three-quarters (75%) of central bodies reported no change in the number of contractors they had engaged via umbrella companies; 11% mentioned a decrease and 5% an increase.

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<sup>4</sup>No employment agency in the labour supply chain.

- 2.23 Qualitative interviews provided insight on why engaging contractors via umbrella companies remained uncommon, and had decreased in some cases. A few public authorities mentioned being suspicious about umbrella companies. They perceived umbrella companies to be a means of circumventing the off-payroll working rules and therefore were considered risky to engage. A few public authorities mentioned they were unsure if they had used an umbrella company, with one saying they would expect an agency to also be in the supply chain.
- 2.24 Overall, there was limited evidence of awareness of structures used to circumvent the rules.

### **Impacts of the reforms on contractor recruitment and rates**

- 2.25 The majority of sites and central bodies found no change in their ability to fill contractor vacancies. However, a fifth of sites (19%) and a third of central bodies (34%) reported it had been more difficult to fill contractor vacancies since April 2017. These proportions were not significantly different to what was found in the 2017 study, showing no additional impact on public authorities in filling contractor vacancies since 2017.
- 2.26 Similar proportions of sites (21%) and central bodies (25%) agreed it was harder to recruit contractors with the right skills since the reform, but the majority disagreed (50% of sites and 48% of central bodies). One in four sites (24%) and a third (33%) of central bodies agreed that contractors were less willing to carry out work for them since the reforms came into effect, but the majority disagreed (53% of sites and 46% of central bodies). Again, these proportions were similar to those found in the 2017 study.
- 2.27 Most sites and central bodies reported the reforms had no effect on contractor rates<sup>5</sup> overall. When looking specifically at the ways contractors work, around two thirds of sites (64%) and half of central bodies (51%) reported that the reforms had no effect on rates paid to those working through PSCs both before and after the 2017 reforms. Around three in ten sites (28%) and four in ten central bodies (38%) reported an increase in rates for these contractors.
- 2.28 Findings were similar for contractors that worked through PSCs before the reform, but through a different structure after the reform, with around half reporting no effect on rates (sites: 58%, central bodies: 48%). One in four sites (25%) and three in ten central bodies (28%) reported an increase in rates for these contractors. From in-depth interviews, among those that reported an increase in contractor rates, this was often where specialist contractors could leverage their position to demand higher rates.

### **Compliance and administration of the reforms**

- 2.29 The majority of sites (63%) felt it had been easy to comply with the 2017 reforms to off-payroll working. Central bodies were more evenly split with around half (53%) saying it had been difficult, and slightly fewer (46%) saying it had been easy.
- 2.30 The Check Employment Status for Tax (CEST) tool played an important role in compliance generally. Among those that said it was easy to comply, the most common reason was that the CEST tool made assessments quick and easy (sites: 29%, central bodies: 27%). There was overall less negative feedback related to CEST in 2021 compared with the research in 2017, suggesting improvements to the tool had been well received.

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<sup>5</sup> The gross hourly rates paid for the contractor's services.



- 2.31 In qualitative interviews, central bodies that had difficult experiences with compliance commonly attributed this to information being difficult to understand, whereas sites pointed to a lack of confidence in their understanding of the reforms.
- 2.32 Sites and central bodies were more likely to say the cost of compliance had decreased than increased when comparing financial years 19/20 with 17/18, showing that the ongoing burden has stayed the same or reduced for most. However, a minority still faced sizeable costs, especially larger organisations with a higher number of engagements, or those where PSCs play a critical role and require senior staff involvement in assessments.

### **Working Status Determinations**

- 2.33 The majority of sites (88%) and central bodies (89%) assessed contracts on a case-by-case basis, while around three in ten used role-based determinations (sites: 31%, central bodies: 31%). Only 1% of central bodies and sites determined all contracts to be inside the rules without carrying out a formal assessment, also known as blanket determinations. No sites or central bodies determined all contractors to be outside of the rules without carrying out a formal assessment.
- 2.34 The qualitative interviews suggested that role-based determinations were used where job roles, responsibilities and pay were well defined and applied across many contractors. Typically, a finance professional had used the CEST tool for a previous contractor in an almost identical role and were therefore able to apply the same outcome without completing the whole assessment again.
- 2.35 Sites and central bodies assessed a similar average proportion of contractors as inside the rules (25% for sites and 22% for central bodies). A small proportion of sites (11%) and central bodies (12%) assessed 100% of their contractors as inside the rules after undertaking status determinations, while most assessed less than 25% as inside (69% of sites, 70% of central bodies).
- 2.36 Nine in ten sites (87%) and central bodies (93%) never outsourced status determinations, while 12% of sites sometimes or always outsourced, and 8% of central bodies sometimes outsourced.

### **Awareness and impact of the 2021 reforms**

- 2.37 Seven-in-ten central bodies (71%) and around half of sites (48%) said that they had a least some knowledge of the 2021 reforms. Around one-in-seven central bodies (15%) and three-in-ten sites (27%) had not heard of them before being asked.
- 2.38 Over half of sites (56%) and three quarters (74%) of central bodies said they were prepared for the 2021 reforms, with around a quarter saying they were very prepared (sites: 22% very prepared 35% quite prepared, central bodies: 25% very prepared 50% quite prepared).
- 2.39 In the in-depth interviews it was found that for most organisations the 2021 reforms had little or no impact. Most felt that the processes that they had put in place since the 2017 reforms meant that little needed to change. Most were already relying on the CEST tool to make employment status determinations, and therefore providing the Status Determination Statement (SDS) was a simple extension of this process. Many simply started formally recording the process that they already had in place.

### 3 Introduction

- 3.1 The off-payroll working rules, commonly known as IR35, were first introduced in April 2000. The rules are designed to ensure individuals working like employees but through their own limited company (often known as a 'personal service company' or 'PSC'), or other intermediary, pay broadly the same Income Tax and National Insurance Contributions (NICs) as individuals who are directly employed.
- 3.2 The Finance Act 2017 introduced reforms to how the off-payroll working rules operate in the public sector from 6 April 2017. When the rules were introduced in 2000, it was the responsibility of the contractor's own PSC to consider the off-payroll working rules and determine whether an engagement is inside or outside the rules (employed or self-employed for tax purposes) and deduct the relevant Income Tax and NICs. The 2017 reform moved the responsibility for operating the rules to the client organisation if the client organisation is a public authority.
- 3.3 Where a public authority engages an individual working through their own PSC or through another intermediary, the public authority became responsible for determining whether the rules apply and whether the contractor is employed for tax purposes for that particular engagement. If an engagement is determined to be inside the rules, and the public authority directly engages the contractor's PSC, the public authority is required to deduct the relevant Income Tax and Employer NICs before making any payments, and pay Employer NICs.
- 3.4 If the contractor is engaged through an agency, the public authority will pass their decision to the agency they engage, and it is the agency in the chain that pays the contractor's fees that is required to pay Employer NICs. The agency will also deduct the relevant Income Tax and Employee NICs from the agreed rate before making any payments.
- 3.5 The client organisation population in scope of the reform includes local government, the NHS, police forces, schools and Higher Education Institutions, and government departments including devolved administrations and arm's length bodies.
- 3.6 The public sector reform was introduced to help improve compliance with the rules. Contractors affected by the reform could in principle continue to work in the same way or change the way they work. If contractors continued to work in the same way and were already fully compliant with the existing rules, they would have felt little impact, and a reduction in their administration burden.
- 3.7 Contractors could also choose to change the way they work; they could in principle become an employee of the public authority or an employment agency, move to work through an umbrella company, or leave their role (potentially for a different self-employed role in the public sector, a role in the private sector, or stop working altogether). It is also possible that some contractors may have sought increases in their gross pay rates to make up for the increased Income Tax and Employee NICs, or that organisations may have tried to reduce rates to offset the costs of the reform, or that there has been no change.

- 3.8 Following a consultation, the government announced in the 2018 Autumn Budget its intent to roll out this change to medium and large private and voluntary sector organisations from April 2020. However, to allow organisations time to deal with the effects of the COVID-19 pandemic the reform was brought in from April 2021 instead. The April 2021 reform also included some further changes for public authorities.
- 3.9 This report focuses on the impact of the 2017 reform on public authorities and gathers insights into the readiness of public authorities for the 2021 changes.
- 3.10 Research by IFF Research and Frontier Economics into the short-term impacts of the 2017 reforms,<sup>6</sup> published in May 2018, concluded that the April 2017 reforms in the public sector had led to only minimal overall impacts on the number of contractors engaged on- or off-payroll. However, some impacts on the ability to fill vacancies and increases in contractor rates were reported by a minority of public authorities. Throughout this report, the findings of the previous study are referred to as the “2017 study” as the fieldwork was carried out in 2017.
- 3.11 In 2020, IFF Research and Frontier Economics were commissioned by HMRC to gather evidence of the longer-term effects of the 2017 off-payroll working reform, and to understand what further support public authorities might need for the off-payroll working rules. The study was initially commissioned for this research to be conducted ahead of the implementation of the off-payroll working reform to the private and voluntary sectors in April 2021 (alongside the further changes for the public sector as part of the April 2021 reform).
- 3.12 However, the second wave of the COVID-19 pandemic in the Autumn of 2020 meant fieldwork was halted to allow public authorities to respond to the pandemic. Fieldwork recommenced again once it was deemed that pressures on public authorities were decreasing. The second phase of fieldwork was after the further changes required for public authorities were introduced<sup>7</sup>.
- 3.13 The two fieldwork periods were as follows: Phase 1 between September and November 2020, and Phase 2 between July and September 2021. Some small changes were made to the questionnaire between these periods to account for the fact that the reforms had come into effect in April 2021, in between the two phases of fieldwork.
- 3.14 Mirroring the process used in the 2017 study, public authorities were classified through the survey as either central bodies or individual sites. Central bodies are public authorities that handle off-payroll administration for multiple locations or organisations. Individual sites are those that handle off-payroll administration for their organisation in their location only.

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<sup>6</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/704931/Off-Payroll Reform in the Public Sector.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/704931/Off-Payroll_Reform_in_the_Public_Sector.pdf)

<sup>7</sup> The 2021 changes required public authorities to communicate employment status determinations with contractors and agencies via a Status Determination Statement (SDS); keep detailed records of their status determinations; and have processes in place for dealing with any disagreements that arise from providing these determinations.

- 3.15 If an establishment did not deal with the administration of the reforms, either because they were dealt with by another organisation or another site within their organisation, they were asked to pass on details of the establishment where they were dealt with. Therefore, individual sites and central bodies are mutually exclusive groups. The current research looks to build on the 2017 study where possible, by drawing comparisons and exploring some subjects in greater detail.
- 3.16 This report outlines findings based on 101 survey interviews with individual sites and 80 survey interviews with central bodies covering 2,653 sites, as well as qualitative follow-up interviews with 30 organisations. The main sectors covered were Health and Social Care (shortened to Health sector), Education, and Public Administration and Defence (shortened to Public Administration).
- 3.17 The report follows an interim report published in March 2021 which focussed on Phase 1 of the research. The findings published in March 2021 were based on public authority sites in the Education sector only<sup>8</sup> as there was a high enough response rate among this group to publish statistically significant and robust results. This report covers public authorities in all three sectors mentioned above, as it incorporates findings from the Education sector report with findings from sites in the Public Administration sector and central bodies from across the public sector.

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<sup>8</sup> <https://www.gov.uk/government/publications/effects-of-the-off-payroll-working-reform-education-report>

## 4 Sampling and Methodology

4.1 This research took a mixed method approach:

- a quantitative computer-assisted telephone interviewing (CATI) survey of public authorities that had recent engagement with off-payroll contractors working through PSCs
- qualitative follow-up interviews with survey respondents whose responses indicated that they had been affected by the reform

4.2 Fieldwork for the research was split into two phases. This was to allow public sector organisations, in particular the NHS, to focus on responding to the COVID-19 pandemic. The research was re-started in July 2021 as soon as the pressures from the pandemic eased. The fieldwork dates were:

- phase 1: September to November 2020
- phase 2: July to September 2021

4.3 Prior to the survey, sampled public authorities were sent an advance letter which introduced the research and provided an opportunity to opt out. The letter also included a datasheet to help respondents collate volumetric data required in the survey. This was sent to organisations for both Phase 1 and Phase 2.

4.4 The sample for Phase 1 and Phase 2 was drawn from different sources.

4.5 For Phase 1, to obtain contact details for relevant organisations, a stratified random sample was drawn from a representative sample frame of organisations with a legal status of either “public corporation/nationalised body” or “local government”, provided by HMRC. Larger organisations with more employees were oversampled in order to maximise the chance of reaching central bodies, which are generally larger, and also because smaller organisations are less likely to deal with large numbers of off-payroll contractors.

4.6 For Phase 2, sample was provided by the commercially available provider Market Location. SIC codes were used to target the three sectors of public authority required, and larger organisations were again oversampled. The reason for the change in approach was to try and maximise response rates and avoid a bias towards the Education sector. The HMRC sample used at Phase 1 was largely dominated by Education establishments and had generated fewer central bodies than in the 2017 survey. The approach to sampling in Phase 2 was more in line with the approach taken in the 2017 research.

4.7 During the survey, the sample was screened to ensure that the public authorities interviewed had engaged off-payroll contractors working via PSCs in the previous financial year (1 April 2019 to 31 March 2020). This ensured the respondents could provide insight into ongoing operating costs and support needs, as they would have experienced complying with the rules. Across the entire fieldwork period, 18% of individuals that started the survey were screened out by this condition.

- 4.8 It is worth also noting that some public authorities may have engaged off-payroll contractors via PSCs at some point in the previous financial year, but in March 2020 they were no longer engaging any, which is one of the points in time that this research collects findings for. In the 2017 study, the sample was screened to ensure public authorities had engaged any off-payroll contractors in the previous financial year, whether through PSCs or through a different structure.
- 4.9 In total, 113 survey interviews were conducted via computer-assisted telephone interviewing (CATI) with sites, and 80 survey interviews with central bodies, between Phase 1 and 2. The central bodies covered a total of 2,653 sites. These interviews lasted on average 44 minutes and took place with “the person best placed to answer questions about the impacts of off-payroll reforms”. This tended to be a finance or HR professional within the organisation.
- 4.10 A sectoral breakdown of site interviews achieved and site coverage of central bodies is shown in Table 4-1 and Table 4-2. It should be noted that some central bodies covered sites across multiple sectors.

**Table 4-1 Site interviews achieved, by sector**

Industry	Phase 1 (2020)	Phase 2 (2021)	No. of interviews
Public Administration & Defence	18	32	50
Education	51	0	51
Health & Social work	12	0	12
<b>Total</b>	<b>81</b>	<b>32</b>	<b>113</b>

**Table 4-2 Sector coverage of the central bodies interviewed (80 central bodies)**

Industry	No. of sites covered
Public Administration & Defence	858
Education	769
Health & Social work	620
Other	382
Unassigned	24
<b>Total sites</b>	<b>2653</b>

## Analysis and weighting

- 4.11 The site data and central body data were analysed separately for reporting purposes. Site level results have been weighted to the total population according to the latest data from the Inter-Departmental Business Register (IDBR). Health & Social Work data was excluded due to the low number of interviews achieved among sites in this sector. It was not possible to apply weighting to central bodies results. Further information on analysis and weighting is provided in the technical annex.
- 4.12 With respect to the base size of 51 sites in the Education sector and 50 sites in Public Administration, a degree of caution is needed in interpreting the results because the associated margin of error is relatively large<sup>9</sup>. Where comparisons are drawn between sectors from the quantitative results however, only differences which are statistically significant at the 95% confidence level are reported, unless explicitly stated otherwise. Similarly, comparisons within sector are not drawn out for central bodies, due to the low base size here.
- 4.13 Comparisons are also drawn between this study and the 2017 study in this report, where base sizes are large enough to allow this<sup>10</sup>. To help with accessibility, all legends on charts follow the same order as the chart series presented.

## Qualitative analysis

- 4.14 Qualitative follow-up interviews were undertaken with sites that had taken part in the quantitative survey and had provided agreement to IFF to participate in follow-up research. The qualitative interviews sought to complement the survey data by exploring the impact of the reform in greater depth, focusing on cases where survey results indicated public authorities had been particularly impacted by an aspect of the reform.
- 4.15 These telephone interviews lasted around an hour and were with respondents who had already completed the CATI survey, who tended to be finance or HR professionals. Each public authority that agreed to take part in a qualitative follow-up interview chose a charity out of five (British Heart Foundation; MacMillan Cancer Support; Shelter; Great Ormond Street and Celia Hammond Animal Trust) for IFF Research to make a £40 payment to as a thank you for their time. The breakdown of these interviews in relation to sector is shown in Table 4-3.

**Table 4-3 Breakdown of qualitative interviews**

Industry	No. of interviews
Public Administration & Defence	15
Education	8
Health & Social work	7
<b>Total</b>	<b>30</b>

<sup>9</sup> Due to the low base size achieved among Health sites, these were not included in the analysis.

<sup>10</sup> Again, a confidence level of 95% was used as the cut off here, in accordance with typical social research standards.

- 4.16 For qualitative findings, in the absence of statistical measurement, we use terms such as 'many', 'some' or 'a few' to give a relative indication of the extent to which views were expressed or behaviours reported among the particular group of customers interviewed. The qualitative part of the research is based on 30 interviews and is not representative of all public authorities.
- 4.17 The term 'many' is used to mean that a view or behaviour is fairly widespread within a particular group of customers; while, at the other extreme, 'few' indicates that a finding applied only to a small handful. In some cases, just one respondent is drawn out as "one". 'Some' is used to indicate a middle-ground between 'many' and 'few'.



## 5 Use of off-payroll contractors

5.1 This section covers the use of off-payroll contractors in terms of their volume, importance to organisations and typical roles that they fill.

### The volume of off-payroll contractors engaged

5.2 Prior to the survey, participants were asked to complete a datasheet collecting volumetric information on their use of different workforce structures for their site, or in the case of central bodies, all of the sites they were responsible for in terms of the administration of the off-payroll working rules. This data provides insight into how prevalent the use of off-payroll contractors is among public authorities. Note, the survey results on the number of workers engaged via different workforce structures is covered more extensively in Chapter 6.

5.3 As Table 5-1 shows, sites reported a mean average of 79 direct employees for every off-payroll contractor in March 2020 with a larger ratio among Public Administration sites (mean average of 149:1) than Education (36:1), though note a low sample size of 35 and 36 respondents respectively. Central bodies reported a mean average of 293 direct employees for every off-payroll contractor.

5.4 Personal Service Companies (PSCs) tended to be the most common way of engaging off-payroll contractors, accounting for a mean average of 57% of off-payroll contractors engaged by sites and 56% of those engaged by central bodies.

**Table 5-1 Average ratio of direct employees to off-payroll contractors and the proportion of off-payroll contractors engaged via PSCs (March 2020)**

Type	Average <u>Mean</u> ratio of direct employees to off-payroll contractors	Average <u>Median</u> ratio of direct employees to off-payroll contractors	Average <u>Mean</u> proportion of off-payroll contractors engaged via PSCs	Average <u>Median</u> proportion of off-payroll contractors engaged via PSCs
<b>Total Sites</b>	79:1	18:1	57%	56%
<b>Public Admin Sites</b>	149:1	36:1	62%	77%
<b>Education sites</b>	36:1	15:1	54%	50%
<b>Total Central bodies</b>	293:1	27:1	56%	50%

Base for average ratio results: all providing exact number of paid employees and off-payroll contractors: Sites (71); Public Administration (35); Education (36); Central bodies (42).

Base for proportion of off-payroll contractors engaged via PSCs: all providing exact number of off-payroll contractors engaged in general and the number engaged via PSCs specifically: Sites (65); Public Administration (30); Education (35); Central bodies (41).

- 5.5 The rest of this section covers qualitative findings on how off-payroll contractors are used and perceptions of their importance among the subsample of public authorities selected for interview.

### Reliance on off-payroll contractors

- 5.6 Qualitative interviews found that public authorities' use of off-payroll contractors was often limited, but nevertheless off-payroll contractors had an important part to play operationally. Off-payroll contractors were used for a range of functions, including standard service delivery, added value services and for discrete projects. Use of off-payroll contractors was particularly important in the Health sector, with some mentioning them playing a vital part in keeping frontline services running.

*“On the scale it’s not a big group of people – few contractors but they provide vital services such as teaching and regeneration.”*

#### Public Administration, Central Body

- 5.7 One of the main reasons given by public authorities for using off-payroll contractors was that they provided a specialised skillset or experience that was not available within their own workforce. In these circumstances, the niche skillset that the off-payroll contractor provided was highly valued. Sometimes it was not so much about the skillset, but the ability of the off-payroll contractor to provide their service in the ‘right location’, namely somewhere where there were limited other resources available.

*“They can be important for bringing a specific skillset...for a dedicated piece of work. An IT bespoke project for example...a consultant on a specialist building project...advice or redesigning a clinical project.”*

#### Health, Central Body

- 5.8 Another reason for using off-payroll contractors was to fill vacant job roles quickly. In these situations, the off-payroll contractor was sometimes sourced via an agency and used as a temporary solution whilst recruitment took place for the permanent employee. A couple of public authorities mentioned that COVID-19 had increased their need to use off-payroll contractors as they needed to ramp up services at short notice. As one example, a public body in the Health sector cited the use of off-payroll contractors to cover the decontamination of ambulances during the pandemic.

*“We need them. For certain jobs we need to engage people ... and we can't get them any other way. We assess a lot of people every year, for lots and lots of different roles.”*

#### Public Administration, Central Body

- 5.9 A further reason given by public authorities for using off-payroll contractors was because they did not want to commit to a permanent addition to their payroll. Sometimes this was because there was insufficient work to warrant taking on a direct employee, or because it would be too expensive to employ the contractor on a permanent basis. In these situations, public authorities felt working off-payroll was mutually beneficial, because for the off-payroll contractors it was more financially lucrative and allowed work flexibility.

*“We engage expert witnesses, interpreters, doctors. People we don’t have permanent roles for ... people we only use on an ad hoc basis.”*

**Public Administration, Site**

*“The council doesn’t have enough money to have an establishment whereby we’ve got people permanently on the payroll to do everything that needs to be done.”*

**Public Administration, Central Body**

*“We couldn’t compete on salary in order to get people on payroll.”*

**Public Administration, Central Body**

5.10 Public authorities often mentioned engaging different off-payroll contractors in the same roles, for example if they were not consistently using the same individuals for the same types of work. That being said, in a few examples public authorities mentioned re-engaging the same contractors on a regular basis if they had provided a high standard of work.

*“If they do good work, you’ll go back to them. Why would you go anywhere else, when it worked for both parties?”*

**Health, Central body**

5.11 While many of the public authorities interviewed qualitatively felt off-payroll contractors were an integral part of the workforce, in a few cases they were perceived as a last resort option when a public authority was struggling to fill vacancies. Furthermore, some mentioned reducing their engagements of off-payroll contractors over recent years due to budget cutbacks, or to avoid difficulties with IR35. This is discussed in more detail in the next chapter.

*“The only time we use off-payroll contractors are in circumstances where we can’t employ someone.”*

**Education, Site**

## Roles provided by off-payroll contractors and how they were used

5.12 As would be expected, the sector that public authorities operated in influenced the types of professions that off-payroll contractors worked in.

5.13 Qualitative interviews highlighted that a low volume of engagements did not undermine the value attached to off-payroll contractors when they were used. In particular, for Education sites, they were regarded as being important in delivering specialist areas of education (for example PE and foreign languages) and support services (for example Special Education Needs staff). Off-payroll contractors were also recruited for one-off or short-term roles. For example, Further Education and Higher Education bodies cited engaging off-payroll contractors as guest lecturers, examiners and end point assessors.

5.14 In the Health sector, off-payroll contractors were commonly used in front-line clinical roles and for out-of-hours services and therefore formed an integral part of service delivery. These off-payroll contractors were typically sourced via employment agencies and staff banks. Alongside these medical roles, off-payroll contractors were also used for more short-term needs such as entertainers in hospitals, or consultancy work.

- 5.15 Off-payroll contractors were also an integral part of service delivery in the Public Administration sector, including core service delivery (for example waste and park operatives), but also for short to medium-term infrastructure projects, (for example management consultants and project managers) or in specialised roles in specific areas of work (for example expert witnesses in policing).
- 5.16 While the roles taken up by off-payroll contractors were often sector-specific, there were also common roles where off-payroll contractors were engaged spanning all sectors, including IT support and programming roles, cleaning staff and facilities maintenance<sup>11</sup>.

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<sup>11</sup> Other roles that were mentioned include: Careers advisor, educational psychologist, speech therapist, care workers, counsellors, locum doctors, nurses, specialist clinicians, conservation, regeneration planning, external training providers.

## 6 Workforce Structures

- 6.1 This section covers impacts of the off-payroll rules reforms on different working structures in public authorities, as well as awareness of methods to circumvent the rules.
- 6.2 An important aspect of this study was to assess the longer-term impacts of the 2017 off-payroll working reforms on employment and workforce structures. Data was captured on the use of different types of workforce structures as of March 31<sup>st</sup> 2020, and how this had changed over time (between March 2017 and March 2020). This date was chosen for a number of reasons:
- at the time the first phase of the research was conducted, this was the end of the most recent financial year
  - given that the reforms to off-payroll working were introduced in April 2017, this provided a suitable point to assess the impacts of the reforms three years after they had been introduced
  - the previous survey in 2017 collected workforce structures information as at the end of March 2017; therefore, collecting data as at the end of March 2020 provided a like-for-like time series for unchanged survey measures (and would control for any seasonal changes)
- 6.3 When comparing average volumetric data for March 2020 with March 2017, it should be noted that we are comparing different survey samples. March 2020 volumetric data was collected in the 2020-21 survey, whereas March 2017 data was captured in the 2017 survey. As mentioned above, it is possible to compare March 2017 and March 2020 volumetric data for the number of paid employees and the overall number of off-payroll contractors engaged via PSCs<sup>12</sup>. However, the rest of the March 2020 workforce structures data in this chapter cannot be compared with March 2017, either because particular structures were not covered in the previous survey or because of changes to design of particular questions<sup>13</sup>.
- 6.4 Participants in the 2020-21 survey were, however, asked to self-report the extent workforce structures had changed between March 2017 and March 2020 (whether they had increased, decreased, or stayed the same, and the extent of any increase or decrease). It is therefore still possible to ascertain changes in workforce structures over time for these measures, albeit not by comparing volumes between two data points. It should however also be noted that, for most workforce structures, respondents were not asked whether the off-payroll working reforms had influenced these changes<sup>14</sup>.

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<sup>12</sup> However it should be noted it was not necessarily the same sites and central bodies participating in the 2017 and 2020 research and therefore direct comparisons on averages should be treated with caution.

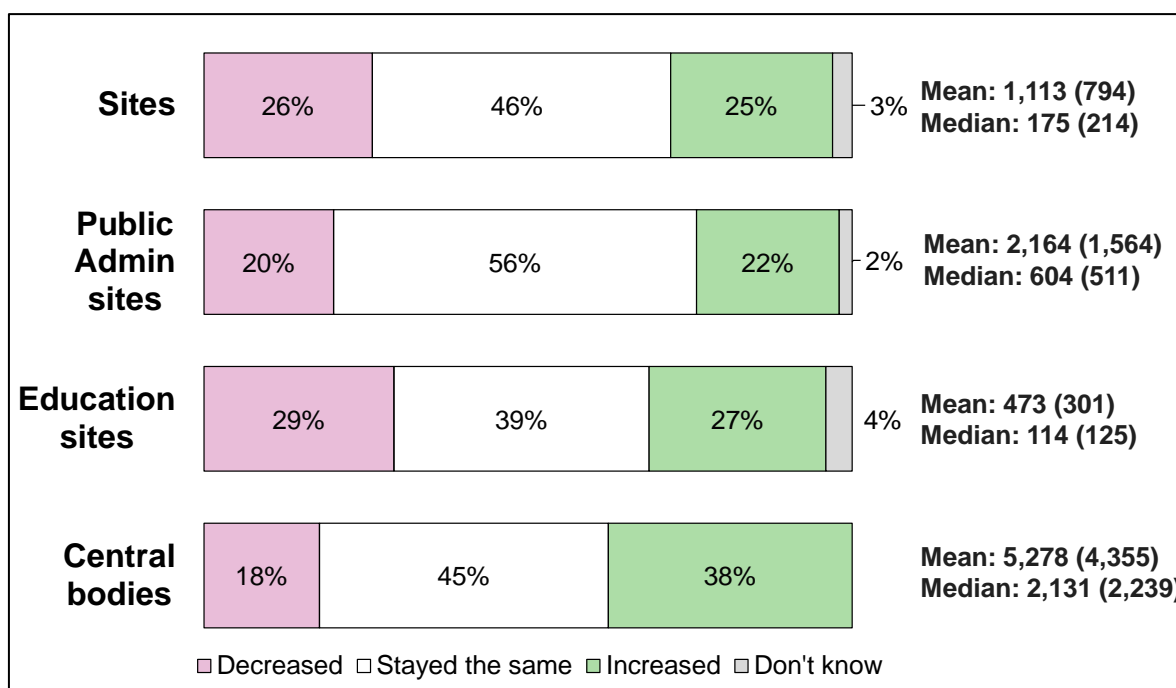
<sup>13</sup> For example, the definition of off-payroll contractors, included self-employed (sole trader) individuals, whereas in the 2017 survey they were not explicitly included.

<sup>14</sup> There were some exceptions to this. Public authorities that mentioned changes to the levels of engagement of off-payroll contractors via umbrella companies were followed up to check whether this was due to the 2017 reforms, although low base sizes mean this data is not reported. Similarly, public authorities were asked what proportion of their off-payroll contractors were taken onto payroll due to the impacts of the off-payroll reforms. Public authorities in the qualitative research were asked about the reasons for any changes to workforce structures.

## Change in number of paid employees

- 6.5 Overall, approaching half of sites and central bodies (46% and 45% respectively) said there had been no change in the number of direct employees between March 2017 and March 2020. While among the remaining sites there was an even split between those reporting an increase (25%) and a decrease (26%) in direct employees, a higher proportion of central bodies mentioned an increase (38%, with 18% reporting a decrease).
- 6.6 Figure 6-1 shows the mean and median number of direct employees engaged in March 2020 and corresponding March 2017 results. The mean average number of direct employees for all sites was 794 in March 2017 and for all sites that had engaged off-payroll contractors via PSCs in the year 2019-20 was 1,113 in March 2020 (median: 214 and 175 respectively). For central bodies' the mean average was 4,355 direct employees in March 2017 and 5,278 in March 2020 (median: 2,239 and 2,121 respectively). None of these changes are statistically significant.

**Figure 6-1 Change in the number of direct employees engaged between March 2017 and March 2020 and average volumes**



Figures in brackets show March 2017 results from the 2017 survey. Base for change results: All sites (101); Public Administration sites (50); Education sites (51); All central bodies (80): Base for averages: All answering with an exact figure or range: Sites (2021: 101; 2017: 90); Public Administration sites (2021: 50; 2017: 46); Education sites (2021: 51; 2017: 44); Central bodies (2021: 80; 2017: 114). For a more granulated view of the data presented in this chart, please see Table 12-1 in the annex.

## Change in number of off-payroll contractors

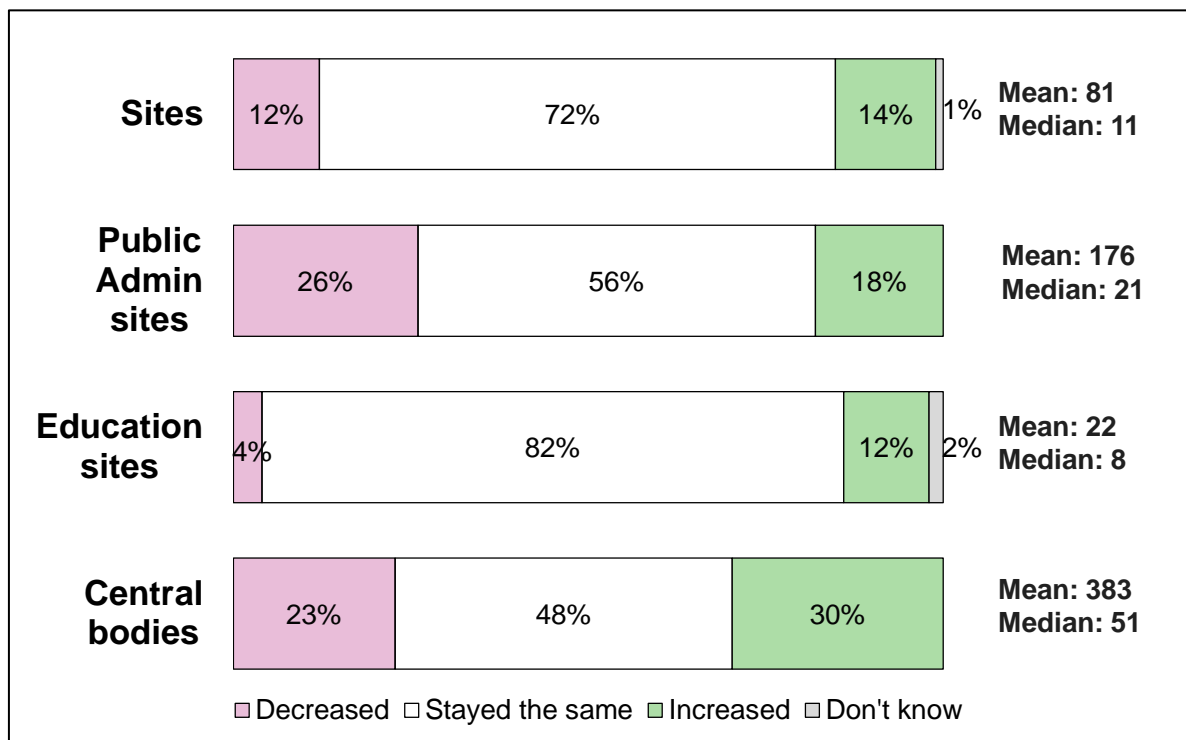
- 6.7 Off-payroll contractors in their broadest sense were defined in the survey as all individuals that worked for the public authority that were not on the payroll as employees, including those who worked through their own limited company as well as through other structures. Overall, 93% of sites and 95% of central bodies, that had engaged off-payroll contractors via PSCs in the year 2019-2020, said they continued to engage some off-payroll contractors in March 2020<sup>15</sup>.
- 6.8 As Figure 6-2 shows, a large majority of sites (72%) said there had been no change in the number of off-payroll contractors engaged between March 2017 and March 2020. Again, there was a fairly even split between the proportion reporting increases and decreases in their use of off-payroll contractors (14% and 12% respectively). A mean average of 81 off-payroll contractors were engaged by sites in March 2020 (median: 11).
- 6.9 There were some significant differences by sector among sites; Education sites were far more likely to report no change over this period than Public Administration sites (82% vs. 56%) and, where changes had occurred, more sites had reported increases than decreases (12% vs. 4%). In contrast, a higher proportion of Public Administration sites reported decreases in their use of off-payroll contractors than increases (26% vs. 18%). There were no statistically significant differences between Public Administration sites and Education sites in terms of the mean and median average number of off-payroll contractors engaged.
- 6.10 In contrast with sites, a slight majority of central bodies (53%) reported a change between March 2017 and March 2020 in the proportion of off-payroll contractors engaged. More commonly this was an increase (30%) than a decrease (23%). Central bodies engaged a mean average of 383 off-payroll contractors in March 2020 (median: 51)<sup>16</sup>.

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<sup>15</sup> Note, all participants were initially screened to make sure that they had engaged off-payroll contractors, specifically via Personal Service Companies (PSCs), between April 1<sup>st</sup> 2019 and March 31<sup>st</sup> 2020. 18% of public authorities that started the survey screened out for this reason. Note, it is possible that public authorities had stopped engaging off-payroll contractors in March 2020 (despite engaging them at some point in the 2019-20 tax year).

<sup>16</sup> It is not possible to compare average volume data with March 2017 due to wording changes in the 2020-21 survey.

**Figure 6-2 Change in the number of off-payroll contractors engaged between March 2017 and March 2020 and average volumes**



Base for change results: All sites (101); Public Administration sites (50); Education sites (51); All central bodies (80); Base for averages: All answering with an exact figure or range: Sites (100); Public Administration sites (50); Education sites (50); Central bodies (79). For a more granulated view of the data presented in this chart, please see Table 12-2 in the annex.

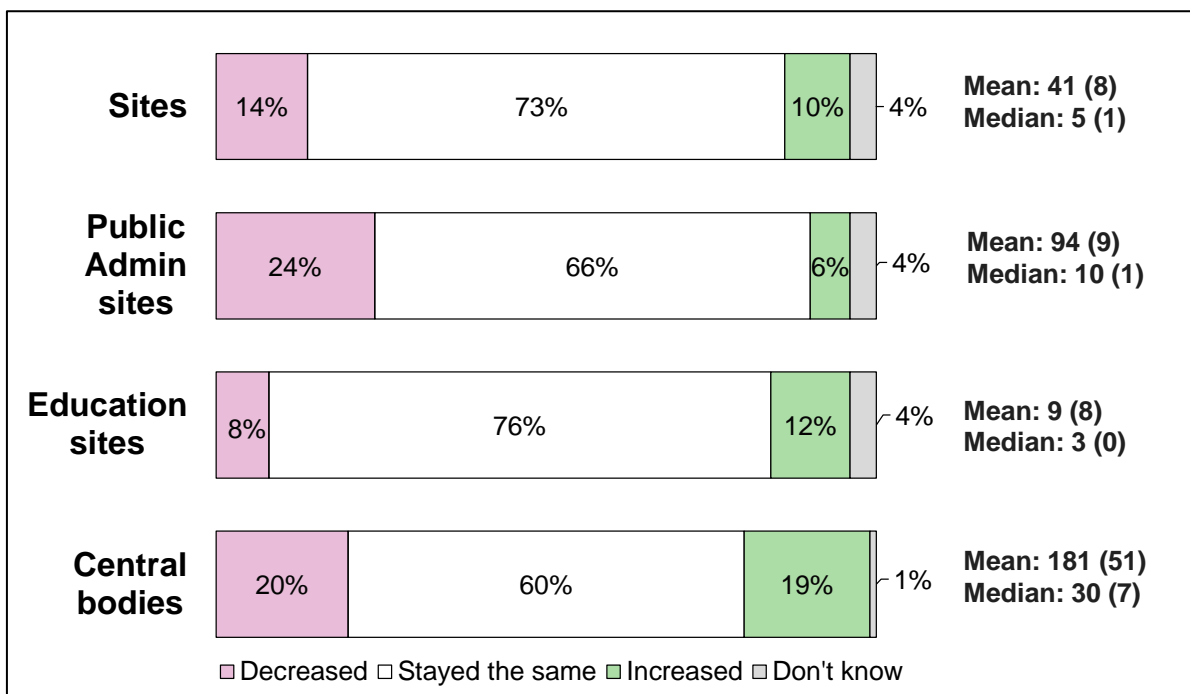
### Change in number of off-payroll contractors engaged via PSCs

- 6.11 The survey found that 82% of sites and 91% of central bodies that had engaged off-payroll contractors via PSCs in the year 2019-2020 continued to engage off-payroll contractors via PSCs in March 2020.
- 6.12 Most (73% of sites and 60% of central bodies ) said there had been no change compared with March 2017. Among sites, a higher proportion of the remaining public authorities reported a decrease in this type of workforce structure (14%) than an increase (10%). Among central bodies a smaller majority reported no change (60%) and the remainder were evenly split between reporting increases and decreases (19% and 20% respectively).
- 6.1 The mean average number of PSC contractors engaged among sites was 8 in March 2017 and was 41 in March 2020 (median: 1 and 8 respectively). The average number of PSC contractors engaged among central bodies was 51 in March 2017 and 181 in March 2020 (median: 7 and 30 respectively). Overall, the mean ratio of paid employees to PSC contractors among sites was 230:1 in March 2017 and 125:1 in March 2020, and among central bodies was 821:1 in March 2017 and 482:1 in March 2020. None of the changes here between March 2017 and March 2020 are statistically significant.



6.2 Mirroring the wider off-payroll contractor picture, while among both Public Administration and Education sites the majority reported no change in their engagement of PSC contractors (66% and 76% respectively), the remaining Public Administration sites more commonly reported a decrease (24%) than an increase (6%), a wider margin when compared to off-payroll contractors generally, whereas Education sites more commonly reported an increase (12%) than a decrease (8%).

**Figure 6-3 Change in the number of contractors engaged via Personal Service Companies (PSCs) between March 2017 and March 2020 and average volumes**



Figures in brackets show March 2017 results from the 2017 survey. Base for change results: All sites (101); Public Administration sites (50); Education sites (51); All central bodies (80). Base for averages: All answering with an exact figure or range: Sites (2021: 96; 2017: 87); Public Administration sites (2021: 47; 2017: 43); Education sites (2021: 49; 2017: 44); Central bodies (2021: 78; 2017: 94). For a more granulated view of the data presented in this chart, please see

	Total Sites 2019/20	Public administration and defence sites 2019/20	Education sites 2019/20	Central Bodies Total 2019/20
Unweighted base	101	50	51	80
Weighted base	101	38	63	-
Increased a lot	2%	4%	0%	8%
Increased a little	13%	14%	12%	23%
Stayed about the same	72%	56%	82%	48%
Decreased a little	9%	18%	4%	20%

Or decreased a lot	3%	8%	0%	3%
Don't know	1%	0%	2%	0%
Summary: Increased	14%	18%	12%	30%
Summary: Decreased	12%	26%	4%	23%
Mean	81	176	22	338
Median	11	21	8	51

Table 12-3 in the annex.

### Understanding the reasons why some employee and off-payroll contractor numbers have changed

- 6.3 The qualitative stage of the research allowed further in-depth exploration of the minority of public authorities that had reported changes to their workforce structures and the extent to which these changes were driven by the 2017 reforms. In many cases however, changes were due to other factors unrelated to the reforms.
- 6.4 Where there were increases in employment levels (both direct employees and off-payroll contractors) this was sometimes attributed to recruitment drives in specific parts of the public sector – for instance, in policing there was a campaign to take on extra officers. There was also increased demand for specific roles, for example, a Health sector site mentioned more off-payroll contractors were needed to decontaminate ambulances due to the COVID-19 pandemic.
- 6.5 Another reason for increases in levels of both direct employees and off-payroll contractors was the emergence of new roles in the public sector due to policy changes. For example, an Education site mentioned the need for exam invigilators and assessors following the introduction of the end point assessment process which now forms part of apprenticeship standards.
- 6.6 Some mentioned that reductions in off-payroll contractors were often due to budgetary constraints in the public sector; with some citing COVID-19 as a reason for pressures on budgets. However, a few mentioned these reductions were temporary, and the number of off-payroll contractors had since returned to previous levels.
- 6.7 There were however other examples where public authorities had made deliberate changes in response to the reforms. Some mentioned changing their recruitment strategies to target permanent employees in place of off-payroll contractors, or moving PSC contractors onto their payroll to avoid having to deal with the off-payroll working rules; this was also considered a means of reducing costs and providing more stability to the workforce. Survey data showed that more than a third (37%) of sites and half (50%) of central bodies had taken some off-payroll contractors on as direct employees due to the impacts of the 2017 reforms, taking on an average of 7% and 6% of off-payroll contractors onto their payroll respectively (median: 0% and 1% respectively).

*“We certainly converted a number of people who were engaged as PSCs, or others where there was an intermediary arrangement, onto the Payroll [PAYE] ... a number of people [vendors] we engaged with changed their working practices and set up a Payroll, rather than paying sub-contractors as self-employed.”*

**Public Administration, Central body**

*“When we first did this the local authority was very receptive to taking on people as IR35 contractors but they're definitely not now. If anything, they really don't want to do it which makes life difficult.”*

**Education, Site**

- 6.8 Qualitative interviews also found that a few public authorities that had sourced contractors via agencies wrote to the agencies they had used to tell them that they would not be using their contractors unless they were moved onto the agency's payroll. Some Health and Public Administration central bodies mentioned using alternative structures to reduce their engagement of PSC contractors via agencies, including NHS banks and agency direct employment.
- 6.9 This approach to reduce engagement with off-payroll contractors working through a PSC was typically more common within the Public Administration and Health sectors due to the fact that they engaged high enough volumes of off-payroll contractors working through a PSC to make managing administration of the rules and the potential risk of non-compliance a concern. This is in contrast with the Education sector, which engaged a comparatively low volume of off-payroll contractors working through PSCs. In a few cases however, efforts to take on direct employees were ultimately unsuccessful and public authorities had to resort back to using off-payroll contractors working through PSCs to fill vacancies. One Public Administration body also mentioned that the 'rigidity' of their workforce structures prevented them from taking on PSC contractors as employees and therefore they had no choice but to engage PSC contractors to fill vacancies.
- 6.10 Qualitative interviews also found that in a few cases, the 2017 reforms had an adverse impact on service delivery, particularly within the Public Administration sector. One Public Administration site mentioned that they had stopped doing specific types of work (usually technical project work) which would require engaging off-payroll contractors and another mentioned now only engaging them for larger projects. It should be noted this was not a common view among the minority of public authorities participating in the follow-up research.

*"It's basically stopped us doing things we want to do rather than making it harder to do stuff we're already doing."*

**Public Administration, Site**

- 6.11 A few public authorities also mentioned that some off-payroll contractors working through PSCs had moved to find work elsewhere due to the reforms. One organisation heard 'through the grapevine' that this had happened where off-payroll contractors were unhappy about being assessed as inside the off-payroll working rules.

*"Only through the grapevine. I've heard some contractors have said 'well this other council doesn't treat me like this, I'll just work for them.' I haven't seen them get paid again so they've definitely not worked for us but can't be sure where they've gone."*

**Health, Central Body**

- 6.12 In another instance, a Health sector central body mentioned losing contractors to other public authorities. In some cases, this meant that work previously undertaken by off-payroll contractors working through PSCs had to be absorbed by direct employees.

*"We try and do as much as we can using our own staff."*

**Public Administration, Site**

- 6.13 The few respondents who were aware that contractors had sought work elsewhere believed that their contractors had moved to the private sector in order to prevent a decrease in their take

home pay (prior to the reforms being introduced to the private sector). This was mentioned by those in the Public Administration sector in relation to IT and specialist roles.

*“What they’re saying to me is they could go and work for the [private sector] and get paid five grand more.”*

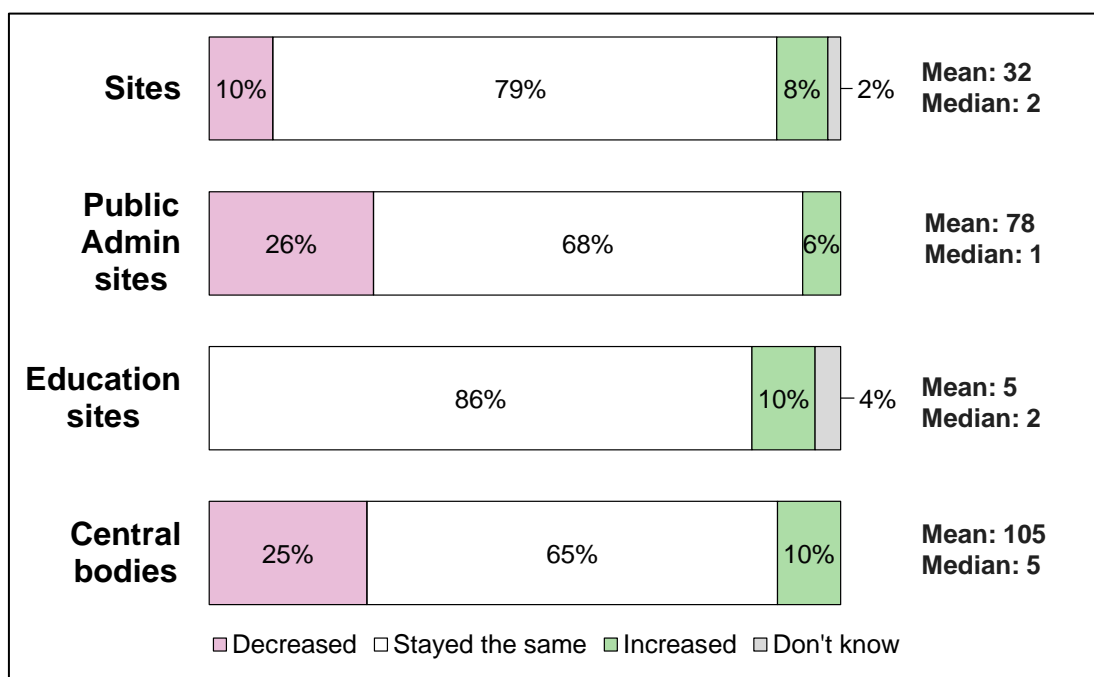
### **Public Administration, Single Site**

- 6.14 Most public authorities confirmed in the qualitative interviews however, that the April 2017 reforms had not led to public sector bodies allocating more work to their existing permanent staff which would have previously been done by off-payroll contractors. Some mentioned that they had recently seen an increase in the work allocated to permanent staff but put this down to the impacts of the COVID-19 pandemic and the loss of EU workers through Brexit.

## Changes in how PSCs were engaged

- 6.15 Overall, the survey found that the majority of sites and central bodies reported no change in their engagement of PSC contractors either directly or via employment agencies between March 2017 and March 2020.
- 6.16 Overall, six in ten (59%) sites and three-quarters (74%) of central bodies that had engaged off-payroll contractors via PSCs in the year 2019-20 engaged some PSCs contractors directly in March 2020. As Figure 6-4 shows, the vast majority (79%) of sites reported no change in the number of PSC contractors engaged directly over the period in question, with the remainder fairly evenly split between reporting increases (8%) and decreases (10%). Overall, sites engaged a mean average of 32 PSC contractors directly in March 2020 (median: 2).
- 6.17 Again, there were differences by subsector. Public Administration sites were significantly less likely than average to report no change (68%) and, similar to the pattern seen for PSC contractors generally, a higher proportion of the remainder reported a decrease (26%) than an increase (6%) in engagement. Education sites on the other hand were significantly more likely than average to report no change (86%), and all sites that mentioned a change reported that this was an increase (10%).
- 6.18 Among central bodies, two-thirds (65%) reported no change in the number of PSC contractors engaged directly, with a higher proportion reporting a decrease (25%) than an increase (10%) in engagement. Overall, they engaged a mean average of 105 PSC contractors directly in March 2020 (median: 5).

**Figure 6-4 Change in the number of contractors engaged via Personal Service Companies (PSCs) who were engaged directly between March 2017 and March 2020, and average volumes**



Base for change results: All sites (101); Public Administration sites (50); Education sites (51); All central bodies (80); Base for averages: All answering with an exact figure or range: Sites (95); Public Administration sites (46); Education sites (49); Central bodies (77). For a more granulated view of the data presented in this chart, please see Table 12-4 in the annex.

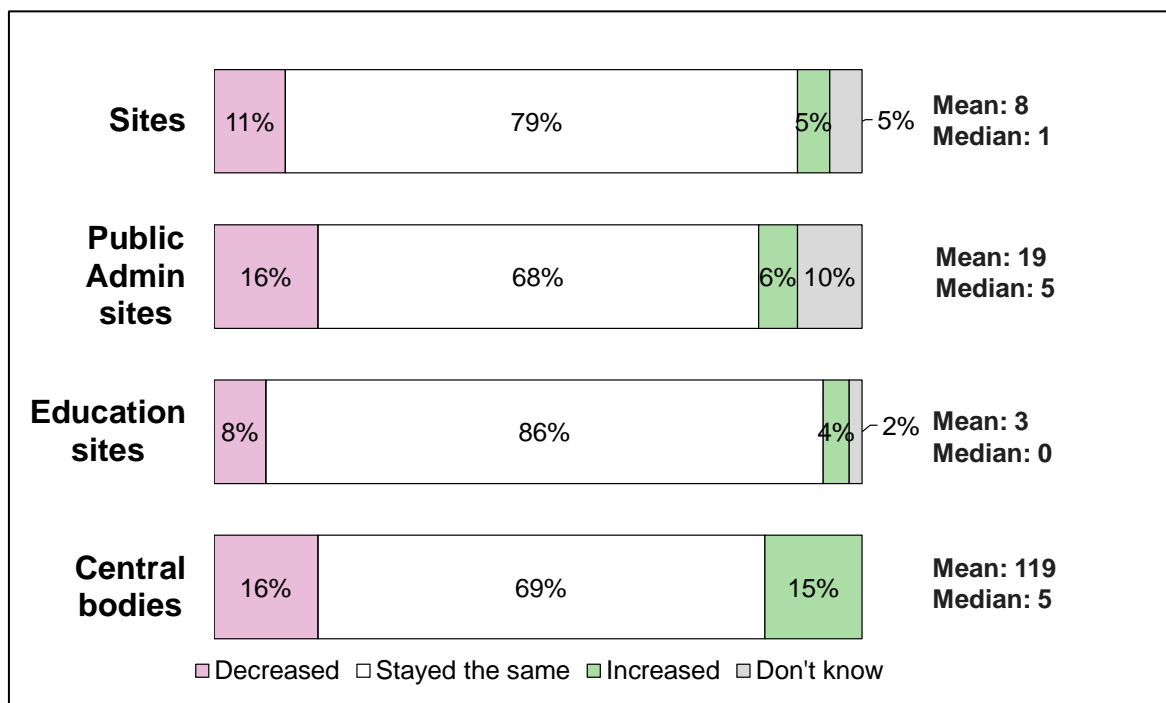
6.19 Fewer than half (46%) of sites and seven in ten (71%) central bodies reported engaging some PSC contractors via agencies in March 2020.

6.20 As Figure 6-5 shows, overall, the picture was not too dissimilar to direct engagement at site level, with the same proportion (79%) reporting no change between March 2017 and March 2020; of the remainder a slightly higher proportion reported a decrease (11%) than an increase (5%). Overall, sites engaged a mean average of 8 PSC contractors via agencies (median: 1).

6.21 Public Administration sites were again significantly less likely to report no change than Education sites (68% vs. 86%); however, in contrast with direct engagement, higher proportions of both Public Administration and Education sites reported a decrease than an increase (16% vs. 6% among Public Administration sites; 8% vs. 4% among Education sites).

6.22 Among central bodies, around seven in ten (69%) reported no change in the number of PSC contractors engaged via agencies; and the remainder were evenly split between reporting increases (15%) and decreases (16%); this is in contrast with direct engagement, where, as discussed above, more than double the proportion of central bodies reported a decrease than an increase (25% vs. 10%). Overall central bodies engaged a mean average of 119 PSC contractors via agencies in March 2020 (median: 5).

**Figure 6-5 Change in the number of contractors engaged via Personal Service Companies (PSCs) who were engaged via employment agencies between March 2017 and March 2020, and average volumes**



Base for change results: All sites (101); Public Administration sites (50); Education sites (51); All central bodies (80). Base for averages: All answering with an exact figure or range: Sites (92); Public Administration sites (43); Education sites (49); Central bodies (77). For a more granulated view of the data presented in this chart, please see

*Table 12-5 in the annex.*



- 6.23 Among central bodies, the larger impact of the reforms on direct engagement of PSCs compared with engagement of PSCs via agencies could be due to their greater reliance on the latter structure. Survey data shows that central bodies were more likely to use PSC contractors engaged via agencies than directly (on average 56% of PSC contractors were sourced via agencies vs. 44% engaged directly)<sup>17</sup>.
- 6.24 Qualitative interviews found that Health sector central bodies in particular needed to source workers via agencies given their need for large volumes of staff on a temporary basis and often at short notice. In other sectors too, there were examples where public authorities were only able to fill a specific job role by using an employment agency. This reliance on employment agencies, particularly among large central bodies, might explain why there was relatively little net proportional change in the use of agency contractors among central bodies compared to direct engagement.

#### Change in number of off-payroll contractors engaged via umbrella companies

- 6.25 Umbrella companies usually employ contractors who work or provide services for different end clients. Umbrella companies do not source work; they typically enter into contracts with a recruitment agency that will source work from end clients. Given that contractors working via this structure are usually employees of the umbrella company, their taxes are paid via PAYE.
- 6.26 Engagement of off-payroll contractors via umbrella companies was uncommon. Overall, 11% of sites and 21% of central bodies that had engaged off-payroll contractors via PSCs in the year 2019-20 had also engaged off-payroll contractors via umbrella companies in March 2020. It should be noted however that in qualitative interviews a few public authorities mentioned being unsure about whether they had engaged contractors via umbrella companies, citing that those that they had sourced via agencies may have ultimately worked through an umbrella company.
- 6.27 As Figure 6-6 shows, the vast majority (92%) of sites in the survey reported no change in the number of contractors engaged via umbrella companies between March 2017 and March 2020. A mean average of 5 off-payroll contractors were engaged via umbrella companies in March 2020 (median: 0).
- 6.28 Qualitative interviews provided insight on why engaging contractors via umbrella companies remained uncommon, and has even decreased in some cases. A few public authorities mentioned being suspicious about umbrella companies. They perceived umbrella companies to be a means of circumventing the off-payroll working rules and therefore were considered risky to engage. One Public Administration site perceived umbrella companies to be a more complicated structure when compared with direct engagement and engagement via employment agencies. They cited practical barriers, including the perception that they would struggle to get the Status Determination Status (SDS) to the appropriate person via this structure. It should be noted that this is a misinterpretation of the legislation as an SDS would not be required for off-payroll contractors engaged via umbrella companies as they would likely be employees of that umbrella company and so would not be within scope of the off-payroll working rules.

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<sup>17</sup> Note, this is based on a low sample size of 39 central bodies.

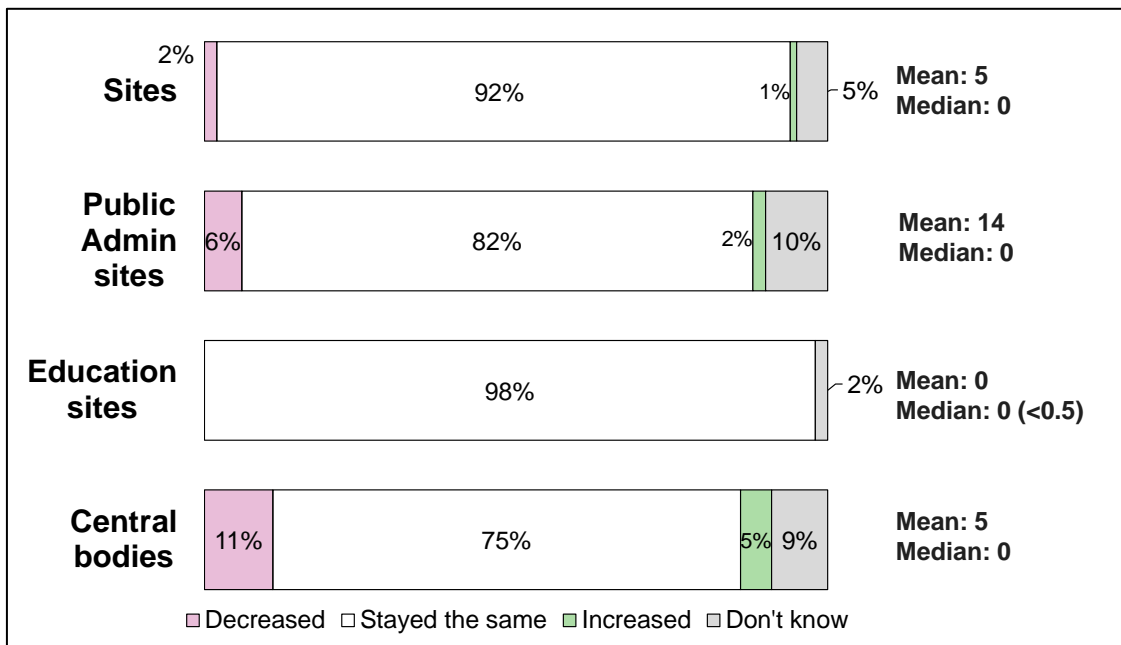
*“It’s hidden and getting the SDS to the right person is going to slow it down. We’re liable for anything that’s wrong.”*

**Public Administration, Site**

6.29 Education sites were significantly more likely than Public Administration sites to report no change (98% vs. 82%), mainly due to having very little engagement with them. Where Public Administration sites had reported a change, this was more likely to be a decrease than an increase (6% vs. 2%).

6.30 Three-quarters (75%) of central bodies reported no change in the number of contractors they had engaged via umbrella companies; the remainder were more likely to report decreases (11%) than increases (5%). Their levels of engagement were also low compared to other forms of workforce structures, with a mean average of 5 contractors engaged via umbrella companies in March 2020 (median: 0).

**Figure 6-6 Change in the number of off-payroll contractors engaged via umbrella companies between March 2017 and March 2020, and average volumes**



Base for change results: All sites (101); Public Administration sites (50); Education sites (51); All central bodies (80); Base for averages: All answering with an exact figure or range: Sites (86); Public Administration sites (41); Education sites (45); Central bodies (64). For a more granulated view of the data presented in this chart, please see

Table 12-6 in the annex.

## Awareness of methods that could be used to circumvent off-payroll working rules

6.31 In qualitative interviews, participants were asked about whether they were aware of ways in which the off-payroll working rules could be circumvented. In most cases, respondents were unaware of any methods, but a few gave some examples they were aware of (though they had not engaged in):

- As discussed above, a few associated umbrella companies with circumventing the rules, though they were generally unable to give specific information about how this was achieved. One Public Administration central body mentioned being aware that umbrella companies had been involved in disguised remuneration, and explained they were aware that HMRC was closing these types of schemes down.
- One Health sector central body mentioned some bigger agencies setting up as Managed Service Providers, assuming this provided a tax benefit.
- A few also believed that it was possible to manipulate status determinations by answering questions in a particular way so that contractors were not found to be inside the off-payroll working rules. For example, one Public Administration central body mentioned that substitution rules could be manipulated in this way.

6.32 None of these public authorities had any direct evidence of this occurring, however.

*“Not long after April [2017] a few of the big agency players set up their own consultancy firms...what you’d be doing is contracting a supplier to do a piece of work or a project for you. I think it was called Managed Service Provision.”*

**Health, Central body**

*“Once you’ve used the [CEST] tool a few times, you know roughly if someone will be inside or outside ... it’s quite easy to get the outcome someone wants, outside of the rules. I’m relying on the information given to me. We have a system where the supplier fills out one questionnaire and the hirer in the university fills out the other, then look for discrepancies... Sometimes the [contractor] or the hirer has not misread the question but maybe looked at it with a different view.”*

**Education, Central body**

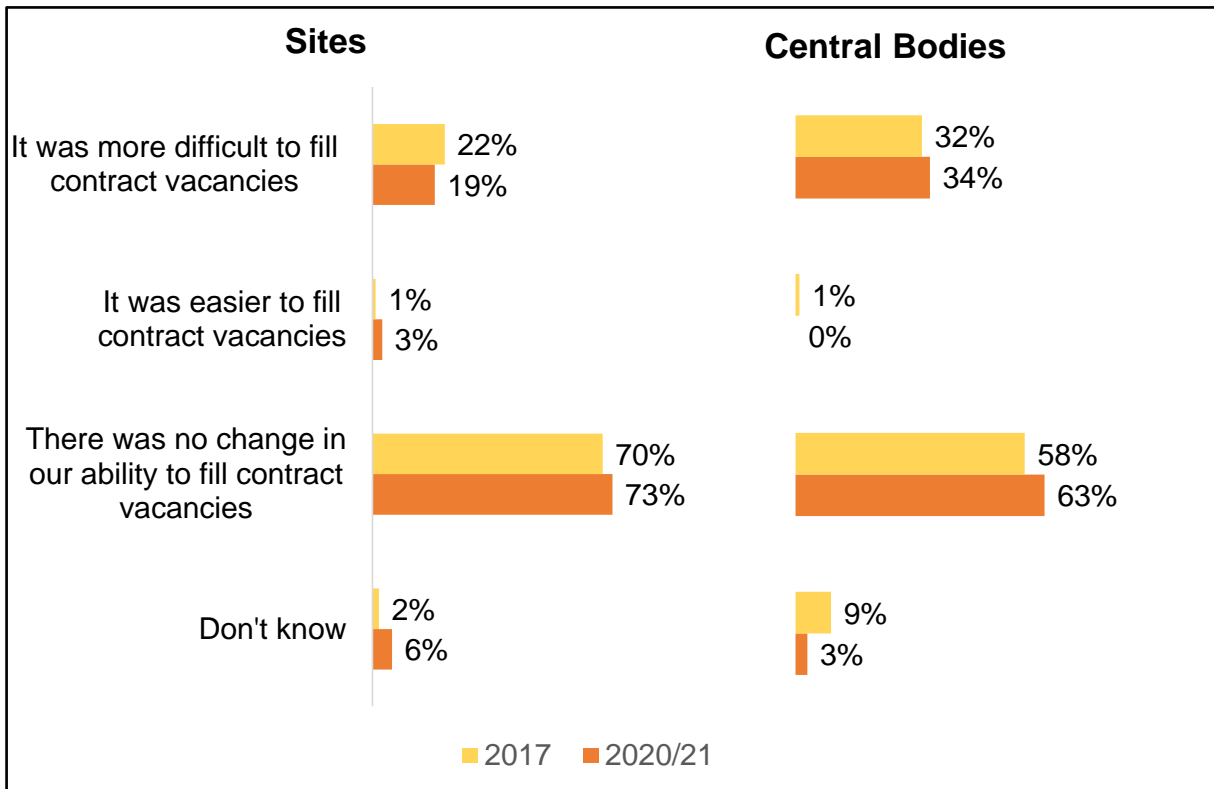
## 7 Filling Vacancies

- 7.1 This section covers any difficulties the off-payroll rules reforms may have caused in terms of filling vacancies.
- 7.2 As shown in Figure 7-1 **Error! Reference source not found.**, most individual sites (73%) and central bodies (63%) reported there was no change in their ability to fill contract vacancies that would typically have been filled by PSC contractors from April 2017 to March 2021, in comparison to pre-April 2017<sup>18</sup>, before the introduction of the off-payroll reforms.
- 7.3 However, a sizeable minority did report difficulties. A fifth of sites (19%) and a third of central bodies (34%) reported it had been more difficult to fill contractor vacancies since April 2017. These proportions were not significantly different to what was found in the 2017 study, suggesting there was no additional impact on public authorities in this respect since the reform was first introduced in 2017.
- 7.4 Of those who found it more difficult to fill vacancies, nearly all (95% of sites and 100% of central bodies) agreed that the off-payroll reforms had made it more difficult to fill these vacancies between April 2017 and March 2021.
- 7.5 Public Administration sites were more likely than those in Education to report it was more difficult to fill contract vacancies (36% vs. 7%).

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<sup>18</sup> In Phase 1 of the 2020/21 research, the question asked about vacancies “since April 2017”. To ensure Phase 2 responses reflected the experience of the 2017 reforms, the question was updated to specify the period “between April 2017 to March 2021”. This also enabled the data to be combined with the Phase 1 data.

Figure 7-1 How difficult it was to fill off-payroll contractor vacancies



D2. Base: Public authorities who engaged with off-payroll contractors through PSCs before March 2017 / between April 2017 and March 2021 (2021: Sites: 88, CB: 71) (2017: Sites: 100, CB: 117). For a detailed view of the data presented in this chart, please see

Table 12-7 in the annex.

- 7.6 Qualitative interviews also suggested that most respondents had experienced no changes when trying to fill typical off-payroll contract vacancies. Some Health sector participants mentioned still being reliant on agencies to fill their vacancies (for example NHS banks).

*“It’s probably not had any impact on filling vacancies – the agencies have a pool of people who are interested in agency work, often because that’s like a secondary employment for them – they might have a main contract too.”*

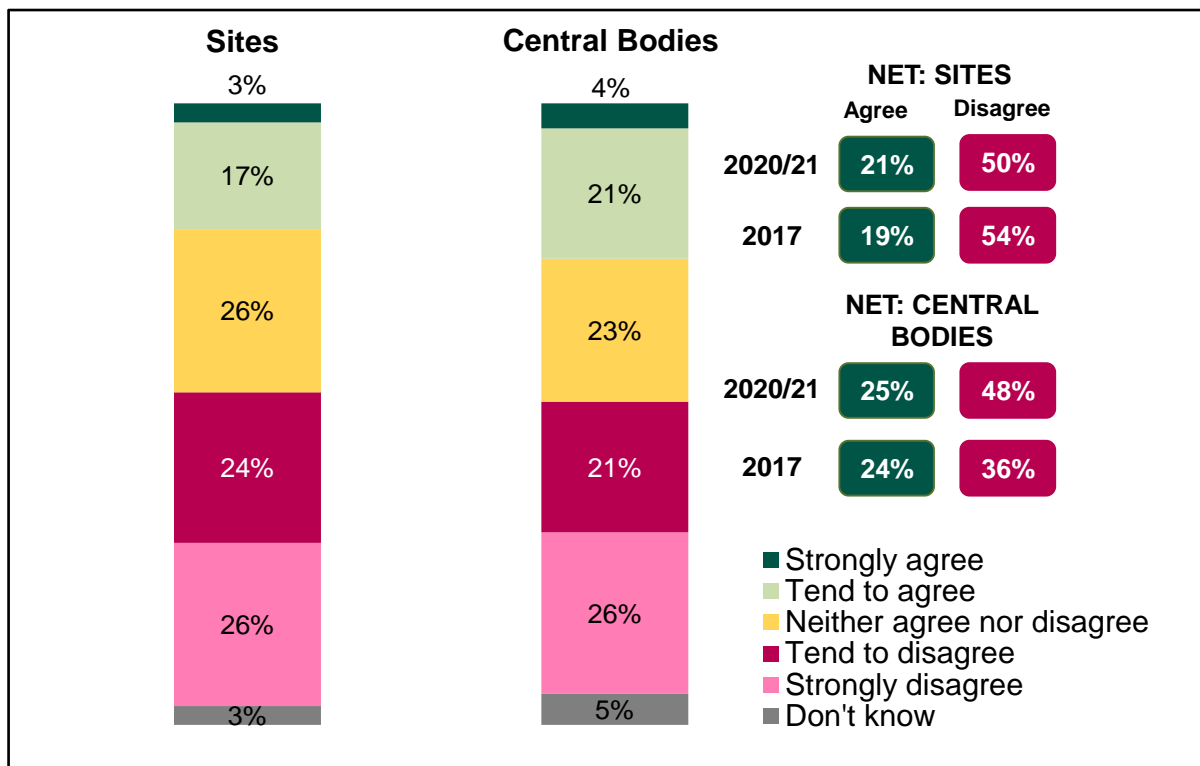
**Health, Site**

- 7.7 A few sites said that there had been no change because they had always had difficulties filling contract vacancies due to the geography and remote location of their organisation.
- 7.8 A couple of respondents noted that at the outset of the reforms there was scepticism surrounding the procurement of contractors, as they felt that the new reforms in place would mean it was harder to fill vacancies. However, they had seen no such difficulties in filling vacancies.
- 7.9 The impact of the reform on filling vacancies was further explored in the survey, when public authorities were asked the extent to which they agreed that they had found it harder to recruit contractors with the right skills or experience since the April 2017 reforms came into effect. As shown in Figure 7-2, the majority of sites (50%) and central bodies (48%) disagreed that it had been harder to recruit contractors with the right skills or expertise since the reform. A fifth of sites (21%) and a quarter (25%) of central bodies agreed with this statement. These proportions were similar to those found in the 2017 study.
- 7.10 Public Administration sites were more likely than Education sites to agree that it was harder to recruit contractors since the reforms (36% vs. 12%).

*“My sense is, it’s not the regulations that are causing the problem, but it’s the availability of the skills”*

**Public Administration, Site**

**Figure 7-2 Extent of agreement with attitudinal statement: ‘We found it hard to recruit contractors with the right skills and experience since the reforms.’**

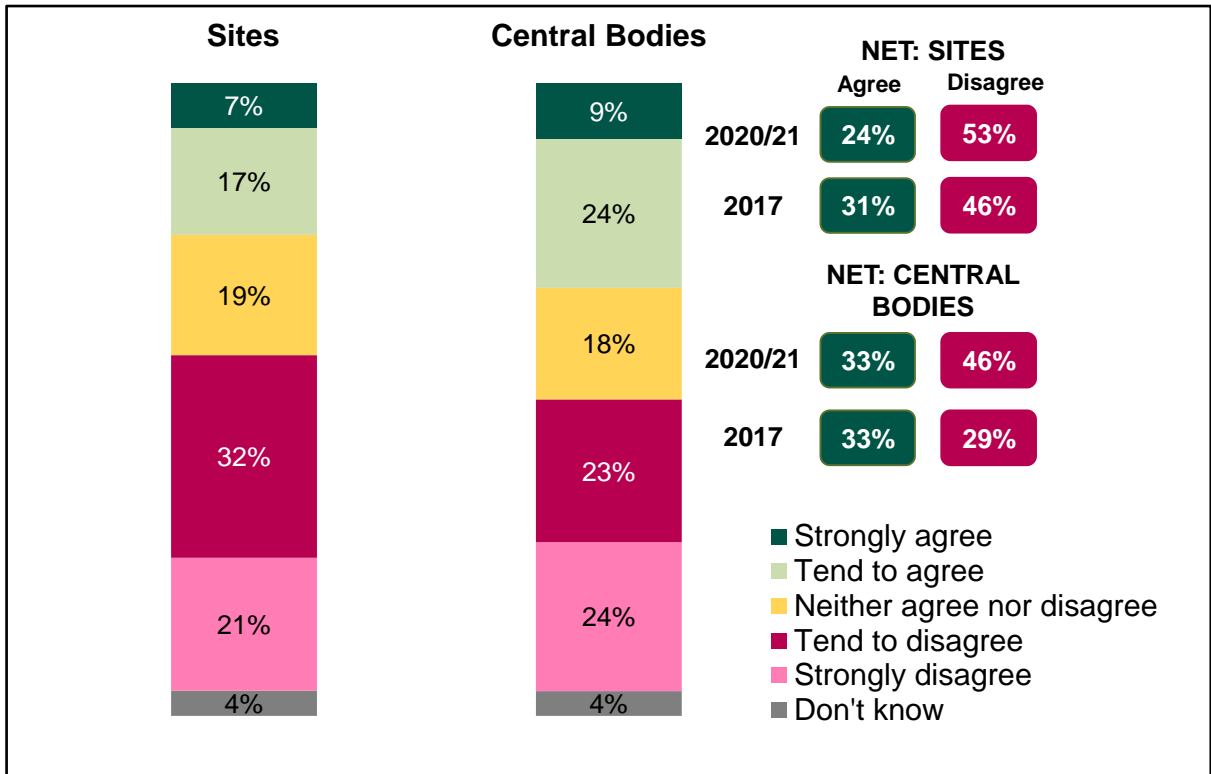


C9\_5. Base: Public authorities that engaged off-payroll contractors through PSCs between April 2019 and March 2021 (Sites: 101, Central Bodies: 80). For a detailed view of the data presented in this chart, please see Table 12-8 in the annex.

- 7.11 As shown in Figure 7-3, the majority of sites (53%) and under half of central bodies (46%)<sup>19</sup> disagreed that contractors were less willing to carry out work since the April 2017 reforms came into effect. However, a quarter of sites (24%) and a third (33%) of central bodies still agreed that it was harder to recruit contractors with the right skills or experience since the reforms.
- 7.12 Education sites were more likely than Public Administration sites to disagree that off-payroll contractors were less willing to carry out work since the reforms came into effect (63% vs. 36%).
- 7.13 Comparing current central body data to the 2017 study, a higher proportion disagreed that the reforms had made contractors less willing to carry out work (46% vs. 29% in 2017). There were no statistically significant changes at site level.

<sup>19</sup> Though this was still higher than the proportion that agreed among central bodies (33%).

Figure 7-3 Extent of agreement with attitudinal statement: “Contractors working off-payroll are less willing to carry out work for us since the reforms came into effect”.



C9\_6. Base: Public authorities that engaged off-payroll contractors through PSCs between April 2019 and March 2021 (Sites: 101; Central Bodies: 80). For a detailed view of the data presented in this chart, please see

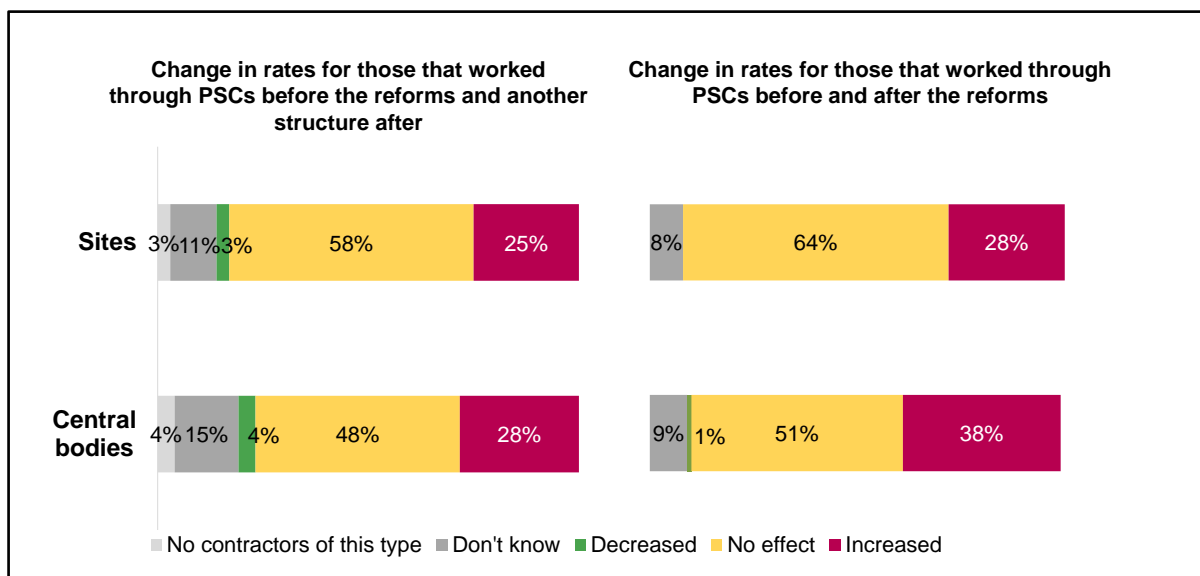


*Table 12-9 in the annex.*

## 8 Contractor Rates

- 8.1 This section covers the effect of the off-payroll rules reforms on changes to gross hourly rates paid by public authorities to contractors engaged through PSCs, as well as a discussion of the drivers and impacts of any rate changes.
- 8.2 As shown in Figure 8-1, around two thirds of sites (64%) and half of central bodies (51%) reported that the reforms had no effect on the gross hourly rates paid to those working through PSCs both before and after the 2017 reforms. However, almost three in ten sites (28%) and four in ten central bodies (38%) said that rates paid to these contractors had increased due to the impact of the reforms, while no sites and only 1% of central bodies said rates had decreased. Sites in Public Administration were more likely than those in Education to say there was an increase in rates (50% vs. 12%).
- 8.3 Findings were similar for contractors that worked through PSCs before the reform, but through a different structure after the reform, with around half reporting no effect on rates (Sites: 58%, central bodies: 48%). Around one in four sites (25%) and central bodies (28%) reported rates paid to this group had increased, and a small percentage in both reported a decrease (3% and 4% respectively). Sites in Public Administration were more likely than those in Education to say there was an increase in rates (43% vs. 12%).

Figure 8-1 Change in gross hourly rates for contractors that worked through PSCs



B3. Base: Public authorities who engaged off-Payroll contractors through PSCs in March 2020 and before March 2017. (CB: 68; Site: 74) B3A. Base: Public authorities who engaged off-Payroll contractors through PSCs before March 2017. (CB: 71; Site: 86). For a more granulated view of the data presented in this chart, please see

	Total Sites 2020/21	Central Bodies Total 2020/21	Total Sites 2017	Total Central bodies 2017
-				
Unweighted base	101	80	89	114
Weighted base	101	-	89	-
Strongly disagree	21%	24%	-	-
Tend to disagree	32%	23%	-	-
Neither agree nor disagree	19%	18%	-	-

Tend to agree	17%	24%	-	-
Strongly agree	7%	9%	-	-
Don't know	4%	4%	-	-
Summary: Agree	24%	33%	31%	33%
Summary: Disagree	53%	46%	46%	29%

Table 12-10 *in the annex.*

- 8.4 Respondents in the qualitative interviews were split on whether rate changes were driven by contractors or public authorities, with contractors pushing for increases, and public authorities aiming to keep rates the same. As mentioned, organisations most commonly reported no change in contractors' rates due to the reforms. Several organisations mentioned this was due to rigid pay structures imposed in the public sector, especially within the Health sector (NHS frameworks).
- 8.5 Others noted that while there may have been some increase in rates since 2017, it was not possible to link this directly to the reforms. For some, this was because they had only engaged PSCs infrequently since the reforms, and therefore they felt unable to judge whether rates had changed substantively. Others felt that contractor rates were mostly a result of supply and demand in the market rather than the impact of the reforms. Several organisations reported proactively contacting off-payroll contractors and agencies around 2017 to make clear that they would not accept increased rates. One organisation in the Health sector also mentioned a pay cap had been introduced for some roles to counteract contractors' attempts to increase rates.

*"If they wanted £750 a day through PSC, they'll often ask for a rate that results with them having "750 in their hands after deductions for tax and NI, but they won't get this... usually our comment is, we'll go back to the marketplace to see what we can get for that amount of money."*

**Health, Central Body**

- 8.6 Among the minority who felt that the 2017 reforms had caused contractors to increase their rates, several reasons were reported. Some felt that contractors that had worked through PSCs, both before and after the reforms, had directly passed on the costs of what they perceived as an additional tax, by increasing their rates. One public authority said this perceived additional tax liability had similarly been passed on by PSCs engaged via employment agencies.
- 8.7 Contractors who had increased their rates tended to be those with leverage: either due to being in short supply, or critical to service delivery. These were usually contractors filling specialist roles such as clinical staff, engineers, planners, consultants where the organisation had few other labour market options. Respondents reported that where higher rates were requested, these were not always granted.

*"The workers haven't changed, but what has changed is that the agencies are now paying them with PAYE deductions. And that fee increase has then been passed on to us."*

**Health, Central Body**

### Impacts of rate changes

- 8.8 The qualitative interviews explored the impacts of changes to contractor rates among the minority of respondents that reported a change in the quantitative survey.
- 8.9 For most in this small group, higher contractor rates did not have a large impact on the organisation. This was either because the organisation tended to engage so few contractors via PSCs, or because their requirement for them was flexible, or non-critical.
- 8.10 However, there were a few organisations where increased contractor rates caused larger impacts. Two organisations felt that increased rates simply meant that budgets were more

stretched and money had to be found from elsewhere. In the Health sector particularly, certain critical medical roles often had to be filled using agencies that provided contractors engaged through PSCs. The spike in demand for these roles caused by COVID-19 also made this more problematic.

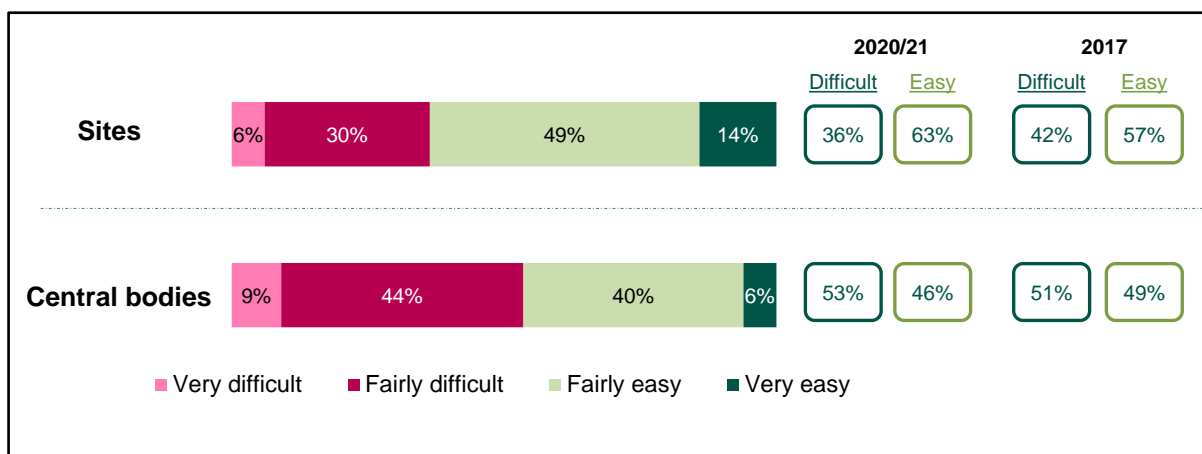
*“It has increased the cost of capital projects, due to the cost of the consultants being higher than we’d estimated.”*

**Public Administration, Site**

## 9 Administration of the 2017 reforms

- 9.1 This section covers compliance with the 2017 reforms, ongoing administration costs and any impacts of those costs.
- 9.2 As shown in Figure 9-1, the majority of sites (63%) said that it was easy to comply with the 2017 reforms to off-payroll working, with just under half (46%) of central bodies also saying this.
- 9.3 However, over half of central bodies (53%) said that it had been difficult for them to comply with the reforms, with less than two-fifths (36%) of sites saying this. These proportions were not significantly different to what was found in 2017. This suggests there has been no additional burden since the rules were first introduced in 2017.

**Figure 9-1 Ease of complying with the 2017 reforms**



C3: Base: Public authorities that engaged Off-Payroll contractors through PSCs between April 2019 and March 2020 (2020/21 Site: 101; Central: 80) Base: All who used Off-Payroll contractors since April 2017 (2017 Site: 89; Central: 114). For a detailed view of the data presented in this chart, please see

Table 12-11 in the annex.

- 9.4 Among those that said it was easy to comply, the most common reason was that the CEST tool made assessments quick and easy (sites: 29% of those that said it was easy or 18% of all sites. Central bodies: 27% of those that said it was easy or 13% of all central bodies). Around one in seven sites (15%) and one in five central bodies (22%) said that they had systems in place to manage the reforms effectively, and around the same proportions said the rules did not tend to apply to the contractors they used (sites: 19%, central bodies: 19%).
- 9.5 Around one in ten sites (11%) and one in six central bodies (16%) said it was easy to comply because they outsourced assessments. One in ten central bodies (11%) said it was easy to comply because they were confident in their understanding of the legislation, with a similar proportion (13%) of sites also said this. Around one in eight sites (12%) said it was easy to manage due to being a small establishment<sup>20</sup>.
- 9.6 Qualitative interviews with those who found compliance easy tended to confirm these findings. These respondents reported that using the CEST tool was fairly simple, and that they had systems in place that were well understood by the staff that used them. They also tended to engage fewer contractors.
- 9.7 Among those that said it was difficult to comply with the reforms, around one in four sites (25%) and a third of central bodies (33%) said this was because information given was unclear or difficult to understand<sup>21</sup>. Sites were most likely to say that they were not confident in their understanding of the legislation (27%), with one in six central bodies giving this reason (17%).
- 9.8 In qualitative interviews with those who said that compliance was difficult, respondents tended to attribute this to their confidence in making status determinations, especially where the CEST tool provided an “undetermined” result. A few sites also mentioned that the legislation was complex and difficult to understand in general.
- 9.9 A minority also said that compliance was difficult because they had encountered difficulties with CEST (sites 16% of those that said compliance was difficult, or 6% of all sites. Central bodies: 19% of those that said compliance was difficult, or 10% of all central bodies). This was a reduction compared to 2017 among central bodies (central bodies, 2017: 43%) but not a statistically significant reduction among sites (sites, 2017: 25%).
- 9.10 The perceived ease of complying with the reforms was reflected in organisations’ responses when asked the extent to which they agree that the overall level of ongoing administrative burden relating to the off-payroll working reform is reasonable. As shown in Figure 9-2, the majority of sites (72%) and central bodies (56%) agreed. Just one in ten sites (11%) and one in three central bodies (31%) disagreed with this statement.

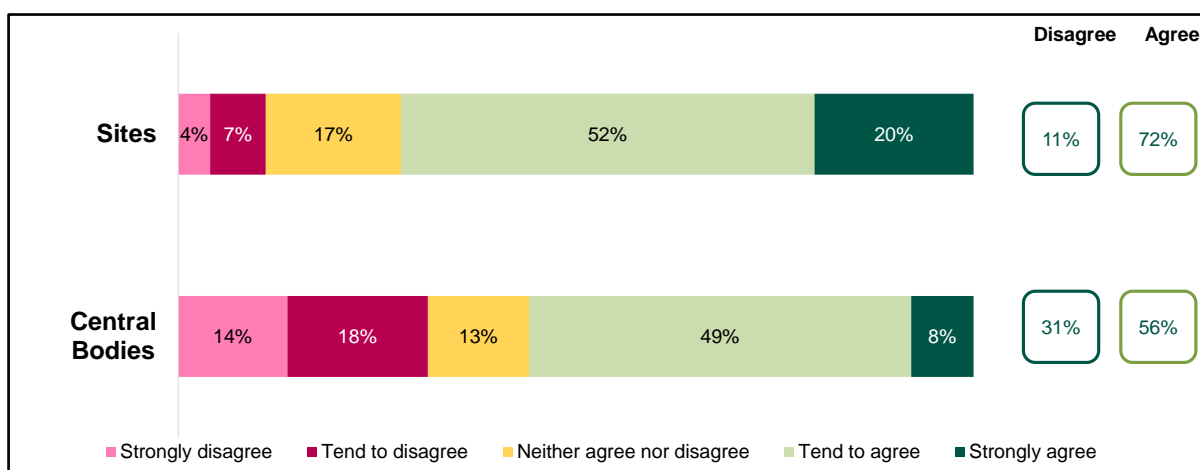
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<sup>20</sup> Note low base sizes here: 60 sites and 37 central bodies said it was easy to comply.

<sup>21</sup> Note low base sizes here: 39 sites said it was difficult to comply and 42 central bodies.

- 9.11 Public Administration sites were more likely than those in Education to disagree that the burden of the reforms was reasonable (20% vs. 6%).
- 9.12 Although phrased slightly differently in the previous survey, in 2017 half of sites (50%) and six in ten central bodies (61%) agreed the reform had been burdensome, which suggests the burdens may have reduced over time<sup>22</sup>.
- 9.13 Indeed, most participating in the qualitative research confirmed that since 2017, the ongoing burdens had reduced considerably as organisational understanding of the reforms improved. Some also mentioned that burden fell mostly on agencies, or they had outsourced the process.

**Figure 9-2 Extent of agreement with attitudinal statements about the impacts of the off-payroll working reform: Level of administrative burden is reasonable**



C9-3 Base: Public authorities that engaged Off-Payroll contractors through PSCs between April 2019 and March 2020 (2020/21 Central: 80; Sites: 101). For a detailed view of the data presented in this chart, please see Table 12-12 in the annex.

### Costs of administration

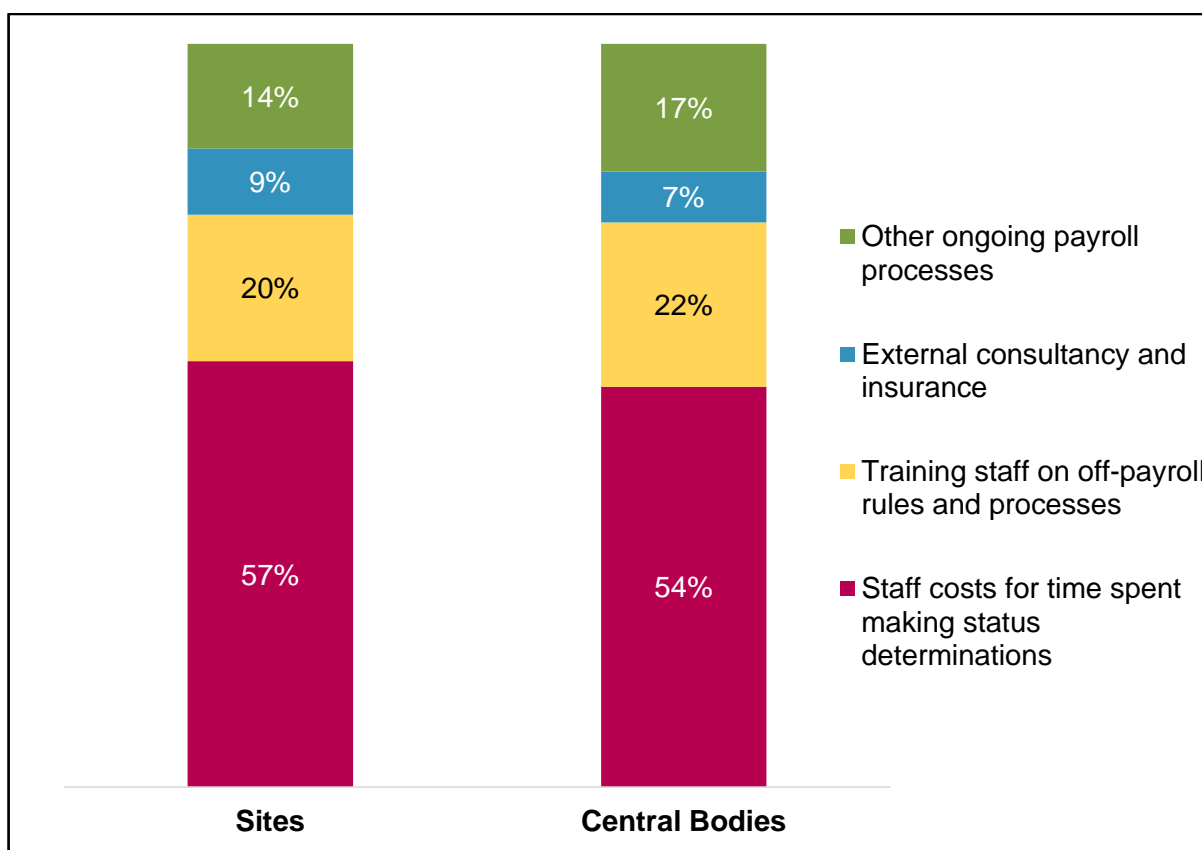
- 9.14 This section covers public authorities' estimates of the breakdown of the operating costs relating to the ongoing administration of the off-payroll working rules between April 2019 and March 2020.
- 9.15 Eight in ten sites (80%) and over nine in ten (93%) central bodies reported some ongoing costs. Two fifths of sites (39%) and three fifths of central bodies (61%) reported a total cost of over £1,000 for the year 2019-2020. Sites with 250 or more employees were more likely than those with less than 250 employees to have costs over £1000 (69% vs. 16%).
- 9.16 The mean total operating costs to sites for the ongoing administration of the off-payroll working rules for those working through PSCs between April 2019 and March 2020 was £6,068, with a median of £350. Administration costs to central bodies for the same period were on average £24,915, with a median cost of £3,000.
- 9.17 Around a third of sites (34%) and two fifths of central bodies (38%) said the costs between April 2019 and March 2020 had decreased compared to the period between April 2017 and March

<sup>22</sup> In 2017 respondents were asked about agreement with the statement: "Reforms to off-payroll working have been burdensome to our organisation"

2018. A slightly higher proportion (40% of sites and 39% of central bodies) said that costs had stayed the same, and just over a fifth of sites (22%) and around a quarter (24%) of central bodies said that these costs had increased. Sites in Public Administration were more likely than Education sites to report a decrease in costs (48% vs. 25%). Sites with 250 or more employees were more likely than those with less than 250 employees to say the costs decreased between these two periods (49% vs. 23%).

9.18 As shown in Figure 9-3, the majority of ongoing costs for both sites (57%) and central bodies (54%) were for staff time spent making working status determinations, followed by staff training (sites: 20%, central bodies: 22%), and other ongoing payroll processes (sites: 14%, central bodies: 17%). Only 1% of sites had taken on extra staff to help with the implementation and administration of the off-payroll working reforms, with just over one in twenty (6%) central bodies reporting this. These proportions were similar to those found in 2017 (sites 2%, central bodies 5%).

**Figure 9-3 Breakdown of the ongoing administration costs of the off-payroll working reform**



*A20B\_Mean\_prop. Base: Public authorities who had any costs for ongoing administration of the off-payroll working rules for off-payroll contractors engaged via PSCs (CB:72; Sites:79). For a detailed view of the data presented in this chart, please see Table 12-13 in the annex.*

9.19 Qualitative interviews highlighted that many of the administration costs of the reform were due to setting up and bedding in the processes to deal with the initial reform. This included existing administrative or finance staff time, specific compliance training and seminars, external consultants, and occasionally new staff, as well as training wider staff who might be involved in engaging contractors. Administration costs were high during this period, as determinations for



all existing contractors had to be made, and those making the determinations were becoming familiar with the process.

9.20 The qualitative interviews also corroborated that for those that kept the administration internal, costs were now generally confined to the time of those directly involved in making the determination. This meant costs were particularly low where the total number of off-payroll contractors working through a PSC was minimal, and engagements were infrequent and could all be dealt with by finance staff, for example payroll managers or bursars.

9.21 In larger organisations, other staff were often involved in the process of engaging contractors, such as a senior manager or department lead. In these organisations, the administration costs could include any time these staff spent on the processing, as well as any ongoing training required for this, and time finance workers spent on compliance testing or lending expertise on marginal cases.

9.22 There were a small number of organisations that reported that ongoing costs remained high. In some cases, this was simply due to the large number of engagements of contractors, requiring one or more full-time positions to manage the compliance with the reforms. High numbers of engagements could also require ongoing training of all staff involved in engaging contractors, which could be quite costly.

9.23 The other key reason for high ongoing costs was the level of senior involvement in determinations, either through senior managers making the engagement, or senior finance staff helping to process marginal cases where the status determination was not clear, and the risk of non-compliance necessitated their involvement.

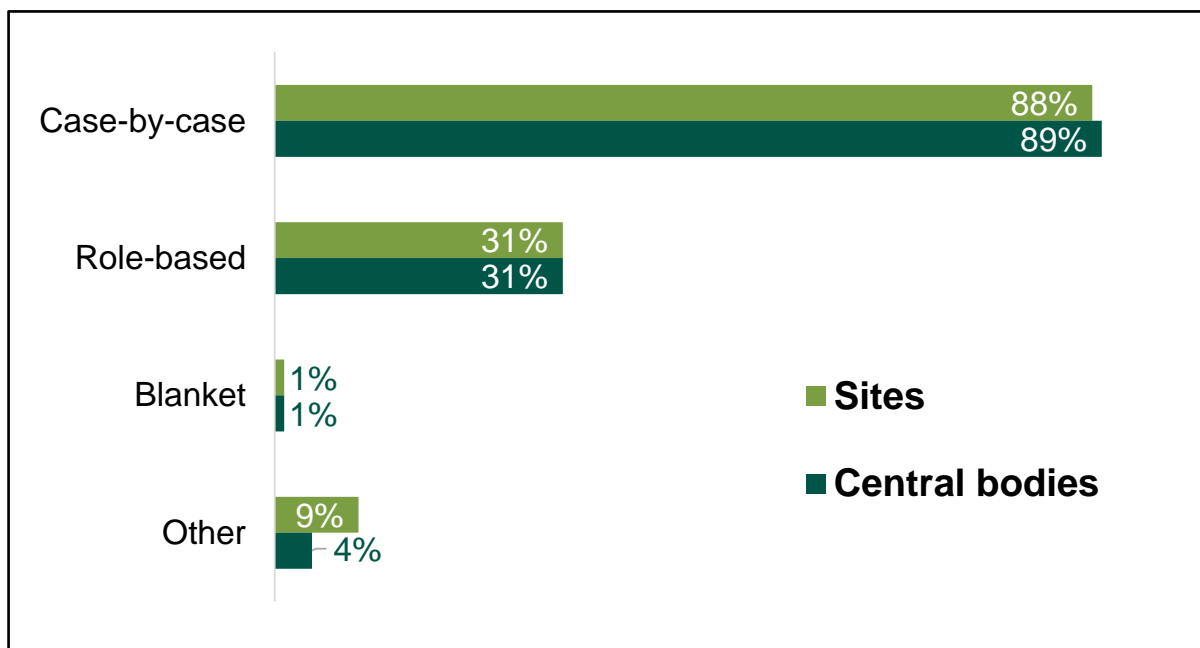
*“Whereas before this would have been solely a payroll issue, they have had to train staff in procurement, accounts payable, legal and other departments, as well as the vendors directly engaging with individuals.”*

**Public Administration, Site**

## Making employment status determinations

9.24 As shown in Figure 9-4, around nine in ten sites (88%) and central bodies (89%) assessed some of their contracts on a case-by-case basis, while around three in ten used role-based determinations (sites: 31%, central bodies: 31%). Only 1% of sites and central bodies determined all contracts to sit inside the rules without carrying out formal determinations, also known as blanket determinations.

Figure 9-4 Method used for assessing contracts



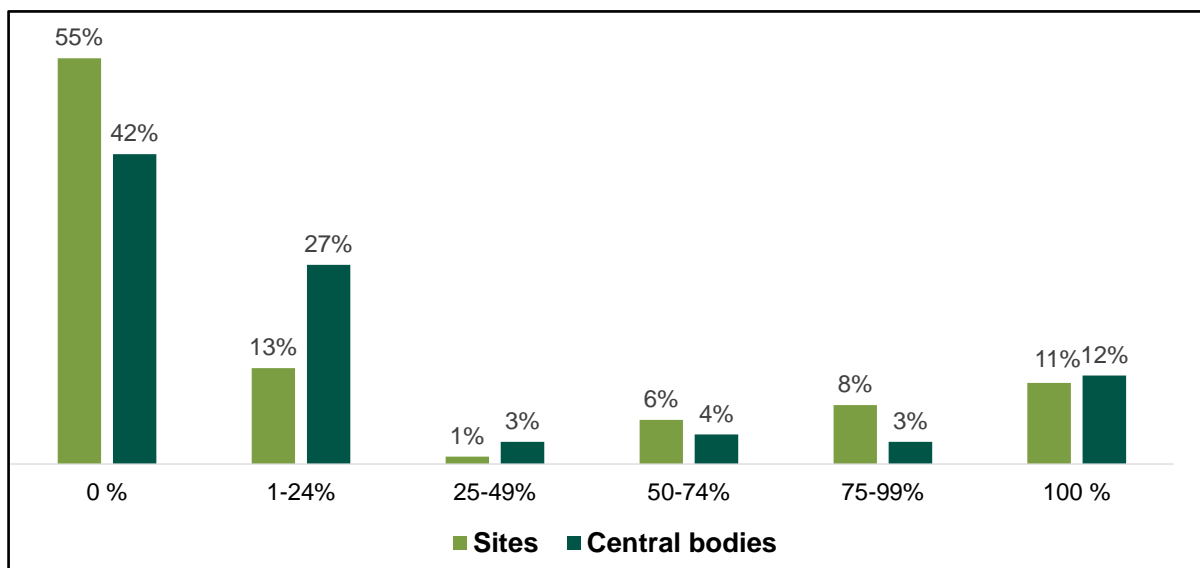
C12a. Base: Public authorities that engaged off-payroll contractors through PSCs between April 2019 and March 2020 (CB:80; Sites: 101). For a detailed view of the data presented in this chart, please see Table 12-14 in the annex.

9.25 From qualitative interviews, those who used only case-by-case assessments tended to have a lower number of engagements, and therefore were able to assess each case fully using the CEST tool and the specifics of the engagement. However, some also mentioned avoiding the use of role-based assessments, despite the fact that they may have been less burdensome, in order to reduce the risk of non-compliance.

9.26 Role-based determinations tended to be used where roles, responsibilities and pay were well defined and applied across many contractors. Typically, a finance professional had used the CEST tool for a previous contractor in an almost identical role, and were therefore able to apply the same outcome without completing the whole assessment again. This was prevalent in the Health sector, for contractors such as GPs and other clinical roles. Within Public Administration, organisations mentioned that they used role-based assessments for barristers, solicitors, builders, engineers, assessors, coroners, and other trades people.

9.27 As shown in Figure 9-5, both sites and central bodies were most likely to say none of the PSCs they engaged were assessed as inside the off-payroll working rules and so all of the PSCs they engaged would have been assessed as outside the rules (55% of sites and 42% of central bodies said none). For both sites and central bodies the mean proportion of PSCs assessed as inside the rules (sites: 25%, central bodies: 22%) was much larger than the median (sites: 0%, central bodies: 1%). This was because a small proportion of sites (11%) and central bodies (12%) assessed 100% of their contractors as inside the rules, while most assessed less than 25% as inside (sites: 69%, central bodies 70%).

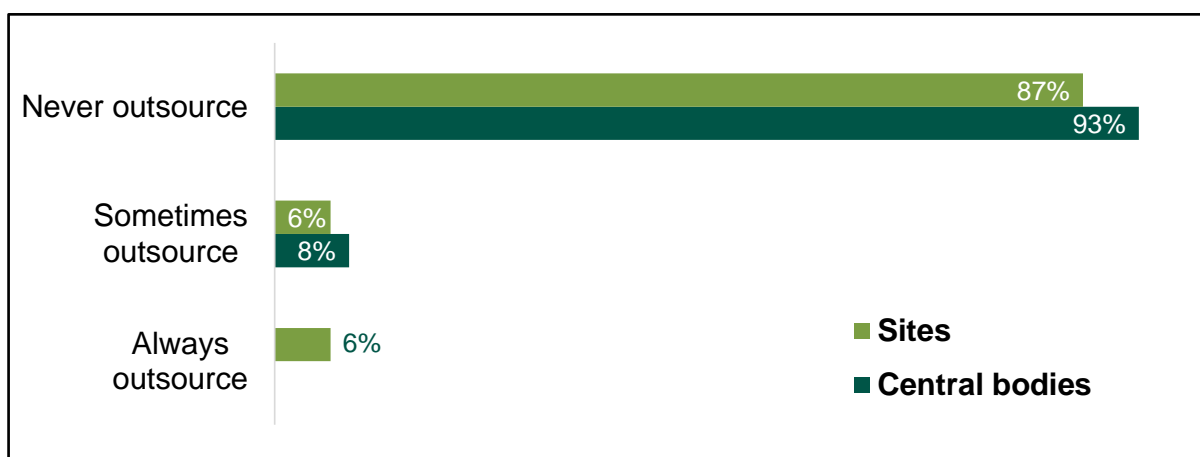
**Figure 9-5 Proportion of off payroll contractors assessed as inside the off-payroll working rules**



A12NW. Base: Public authorities that engaged off-payroll contractors through PSCs in March 2020 (CB:73; Sites:84). For a detailed view of the data presented in this chart, please see Table 12-15 in the annex.

9.28 As shown in Figure 9-6, around nine in ten sites (87%) and central bodies (93%) never outsourced status determinations, with 8% of central bodies sometimes outsourcing them, and 12% of sites sometimes or always outsourcing them.

**Figure 9-6 How employment status determinations were made**



C12NW. Base: Public authorities that engaged off-payroll contractors through PSCs between April 2019 and March 2020 (CB:80; Sites:101. For a detailed view of the data presented in this chart, please see

-	Total Sites 2020/21	Central Bodies Total 2020/21
Unweighted base	83	73
Weighted base	84	-
0%	55%	42%
1-24%	13%	27%
25-49%	1%	3%
50-74%	6%	4%

75-99%	8%	3%
100%	11%	12%
Don't know	6%	8%

Table 12-16 in the annex.

9.29 In all cases in the qualitative interviews, CEST was used in the process of making the determination, other than if it was outsourced. Occasionally finance workers relied on their wider knowledge gained from various advice sources (discussed in Chapter 10) to finalise the decision. This was especially the case where the CEST tool returned an undetermined outcome.

9.30 Two organisations in the Health sector had implemented a system that all contractors would be inside the off-payroll rules, unless a hiring manager specifically raised the case to be assessed. A couple of other organisations had considered this approach to reduce workload, but had not gone ahead due to their perceptions of the risk of non-compliance.

The process for making status determinations was typically as follows:



The requirement to engage an off-payroll contractor is identified, usually by a manager or department head (hiring manager) who requires the resource, who may be in a separate organisation in the case of central bodies.



At this stage, either the hiring manager or a finance worker (for example payroll manager, head of finance, head of HR, bursar etc.) will make a decision as to whether or not a status determination is required. Some organisations have policies where a determination is made for any engagement of a contractor, but others rely on the hiring manager to flag this requirement. In smaller organisations the finance worker often has oversight of all hiring decisions and can identify this requirement themselves.



Next, the hiring manager and a finance worker will generally complete the status determination together, occasionally involving the contractor themselves. In smaller organisations or those that engage fewer off-payroll contractors, this was sometimes performed just by a finance or human resources professional. In organisations where there were larger volumes of engagements, and the hiring managers had received training, they could often complete the status determination themselves.



Hiring managers could then use finance colleagues' expertise if the case was marginal or undetermined. Some organisations had a process in place where finance workers would only check the case if it had been determined as outside the rules. For example, one council had set up a panel specifically to review these cases.

## Disputes

- 9.31 More than a quarter of sites (27%) and a third (35%) of central bodies reported having had at least one dispute with contractors or employment agencies about whether they fall inside or outside the off-payroll rules between April 2019 and March 2020.
- 9.32 In the majority of cases where they had had disputes, this was a result of contractors or agencies disputing a determination that they were inside the off-payroll working rules (72% sites, 86% central bodies). Only 10% of sites and 4% of central bodies reported having had disputes where the contractor or agency disputed being assessed as outside the rules. A minority said they had experienced a mix of both (18% sites, 11% central bodies).
- 9.33 The qualitative interviews supported the picture that disputes were mostly around contractors disagreeing that they should be assessed as inside the off payroll working rules. Respondents felt contractors tended to dispute the determination due to the reduction in net pay they would receive by being brought onto payroll. Some reported that contractors occasionally claimed to have completed the CEST tool themselves, and arrived at a different determination, or to have worked elsewhere in the same role but outside of the rules (IR35).
- 9.34 Disputes were also reported over issues separate to the decision in the status determination. For example, they could be caused by someone in the organisation engaging the contractor without having completed a status determination assessment, or a hiring manager having done the assessment wrong and a finance colleague having to provide a different decision. This could also lead to delays in pay to the contractor, another source of disputes.
- 9.35 Most mentioned that they were able to settle the disputes simply by providing the information about the determination from the CEST tool. A couple also said that disputes could be settled by simply indicating that they would refer the case to HMRC, although this is not part of the legislation. However, for some organisations this did lead to contractors not taking the work.
- 9.36 Those that had experienced any disputes were more likely to say that the level of disputes had decreased (39% sites, 43% central bodies) than increased (16% sites, 21% central bodies) since April 2017, though this finding should be treated with caution due to low base sizes<sup>23</sup>. Furthermore, the level of disputes reported in 2017 was higher for both sites (31%) and central bodies (46%) compared to between April 2019 and March 2020, although these changes were not statistically significant. Over a third said the level had stayed the same (sites 38%, central bodies 36%).
- 9.37 In the qualitative interviews, respondents tended to agree that the level of disputes had decreased since 2017. Several mentioned that initially there had been disputes with IT contractors and other types of consultants that had been working through PSCs. After the initial round of determinations in 2017, some organisations brought contractors onto their payroll, and had to negotiate rates, while some said that contractors left due to the determination. However, as organisations and contractors became more familiar with the reforms, and the use of CEST, the volume of disputes had tended to reduce.

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<sup>23</sup> Low base size: 30 sites and 28 central bodies

## 10 Sources of advice and guidance

### Prevalence of use and sources of advice used

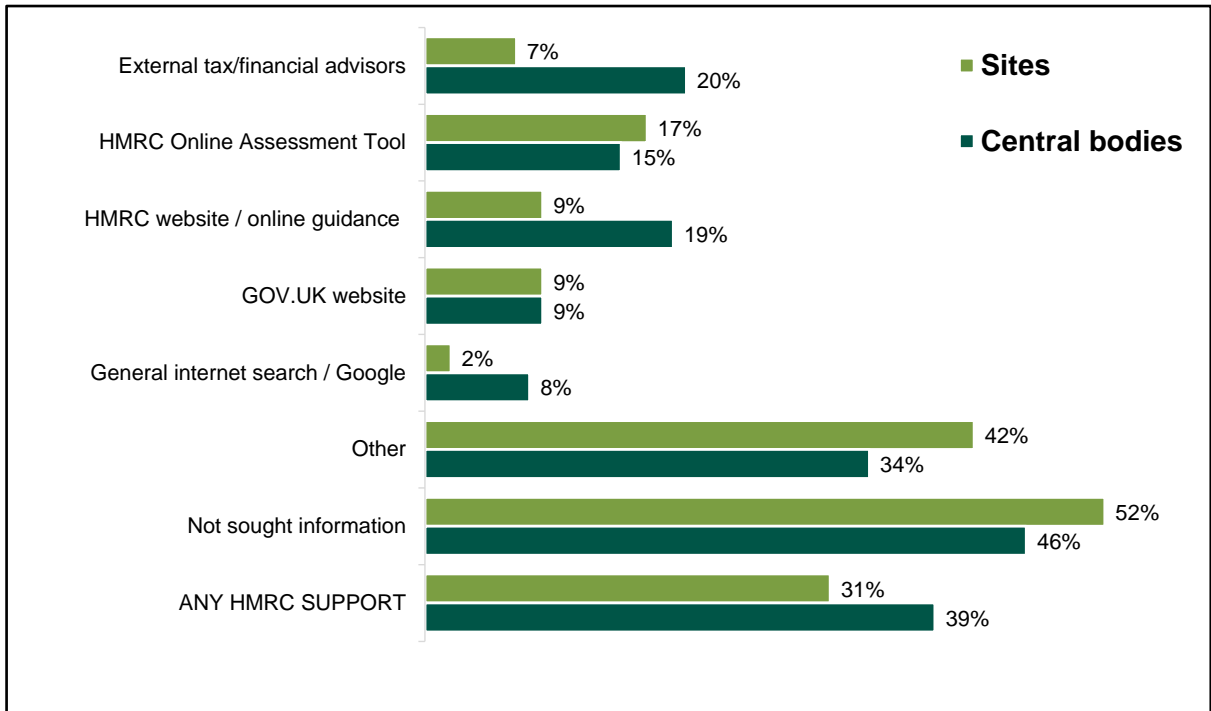
- 10.1 This section covers the different sources of advice that were used to help comply with the off-payroll reforms, as well as how useful they were.
- 10.2 Just under half of sites (48%) had sought information, advice or guidance to help them implement changes required to be compliant with the reforms in the last 12 months, which was a smaller proportion than found in the 2017 study (87%). This could include information, advice or guidance for continuing to comply with the 2017 reform, or for the changes as part of the April 2021 reform. Sites in Public Administration were more likely than those in Education to report they had sought advice and guidance on the off-payroll working rules (62% vs. 39%). Over half of central bodies (53%) had done this, lower than the proportion found in the 2017 study (84%).
- 10.3 As seen in Figure 10-1, when asked to list any sources of information, advice or guidance used without being prompted on any particular source, among sites, the most common source used was HMRC's CEST tool (17%)<sup>24</sup>, followed by the GOV.UK website and HMRC website/online guidance (both 9%). These results replicate the findings seen in the 2017 data, where the most reported sources used by sites were the HMRC CEST tool (45%) and the GOV.UK website (41%).
- 10.4 Among central bodies the most common source of information, advice and guidance used, without prompting, was external tax/financial advisors (20%), followed by the HMRC website/online guidance (19%) and HMRC's Check Employment Status for Tax (CEST) tool (15%). In the 2017 study, the most reported sources used, when unprompted, were the HMRC CEST tool (38%), external tax/financial advisors (35%) and the GOV.UK website (32%), showing a slight variation in the ranking of sources used between 2017 and current data.
- 10.5 Overall, before being asked specifically on their usage of CEST, a third (31%) of sites and two fifths (39%) of central bodies spontaneously mentioned using some form of HMRC support and guidance.
- 10.6 However, when asked specifically on their usage of the CEST tool, 81% of sites and 90% of central bodies reported having used the CEST tool whether that be before or after it was updated<sup>25</sup>.

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<sup>24</sup> This question was asked based on the sources of information, advice and guidance given without being prompted on any particular source. It was before participants were asked specifically if they used CEST.

<sup>25</sup> In November 2019 HMRC made improvements to the CEST tool, such as adding additional questions, as well as issuing new guidance on its use.

**Figure 10-1 What sources of information respondents used to ensure compliance with the off-payroll working rules**



D2: All public authorities. Sources with less than 7% for central bodies not shown. Base: (Sites: 101), (Central Bodies: 80). For a detailed view of the data presented in this chart, please see

Table 12-17 in the annex.

10.7 The most commonly used sources of information were also reported as the most helpful sources. For sites, this was the HMRC CEST tool (24% of those who had sought information said this was the most helpful source) and the GOV.UK website (13%). Among central bodies, this was external tax advisors (24%) followed by the HMRC CEST tool (14%<sup>26</sup>).

10.8 During qualitative interviews, many respondents noted using the HMRC website. The majority felt that the guidance provided was clear and that they often used it for general advice on making status determinations. However, there were also some respondents that felt the guidance on HMRC's website was difficult to decipher and understand due to the use of "jargon" and these respondents felt it could be improved by simplifying the language.

*"The HMRC website is sometimes very useful, it corroborates the research I've done on my own,"*

**Education, Site**

10.9 A few respondents felt that, although the HMRC website provided useful general guidance on the reform, the website itself was difficult to use and they had struggled with locating the information they were looking for.

*"The advice is all there ... but it's not in one place. If you put IR35 in their search engine, it'll take you to one page but then it will stop ... seems to be a bit all over the place."*

**Public Administration, Site**

10.10 Of those who used external tax advisors, organisations reported that this was through attending seminars, private training courses and having advisors come into the business to streamline and review their payroll process to ensure compliance.

*"By attending these seminars we knew that the change in responsibility was coming up"*

**Public Administration, Central Body**

*"It was such a fundamental change [implementing IR35], we wanted to make sure we got it right... They [tax advisors] really helped me to sell it (the importance of compliance) to senior managers"*

**Public Administration, Site**

## Perceived usefulness of CEST tool and guidance

10.11 The use of the CEST tool and its accompanying guidance was explored in greater depth, given its importance for many in making accurate status determinations. In November 2019 HMRC made improvements to the CEST tool, such as adding additional questions, as well as issuing new guidance on its use. Overall, 81% of sites and 90% of central bodies had used the CEST tool to make status determinations at some point.

10.12 As shown in Figure 10-2, the majority of CEST users felt that the tool was helpful or very helpful (88% of sites and 90% of central bodies). A greater proportion of sites than central bodies reported the tool as very helpful (53% vs. 37% of central bodies). For sites, a similar proportion said the CEST tool was helpful or very helpful in 2017 study (91%). However, the proportion of

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<sup>26</sup> Low base size of 42, caution should be taken when interpreting results.



central bodies reporting the tool as helpful or very helpful has increased since the 2017 study (90% vs. 78% in 2017).

10.13 The CEST tool was discussed further in the follow-up interviews. The CEST tool was considered the ‘go-to’ information source, with many respondents mentioning they rely on the tool to make status determinations.

*“I don’t know how I would assess it [contractors employment status] without the tool”*

**Public Administration, Site**

10.14 Some respondents noted that improvements to the layout and structure of the CEST tool had been helpful when processing contractors. One respondent mentioned that previously they would be asked all questions in the tool, whereas since the update, now only the relevant questions are asked based upon previous answers given and this has cut down the time on assessing a contractors’ working status.

*“Simplified the layout so you’re only looking at one question at a time, rather than scrolling through multiple”*

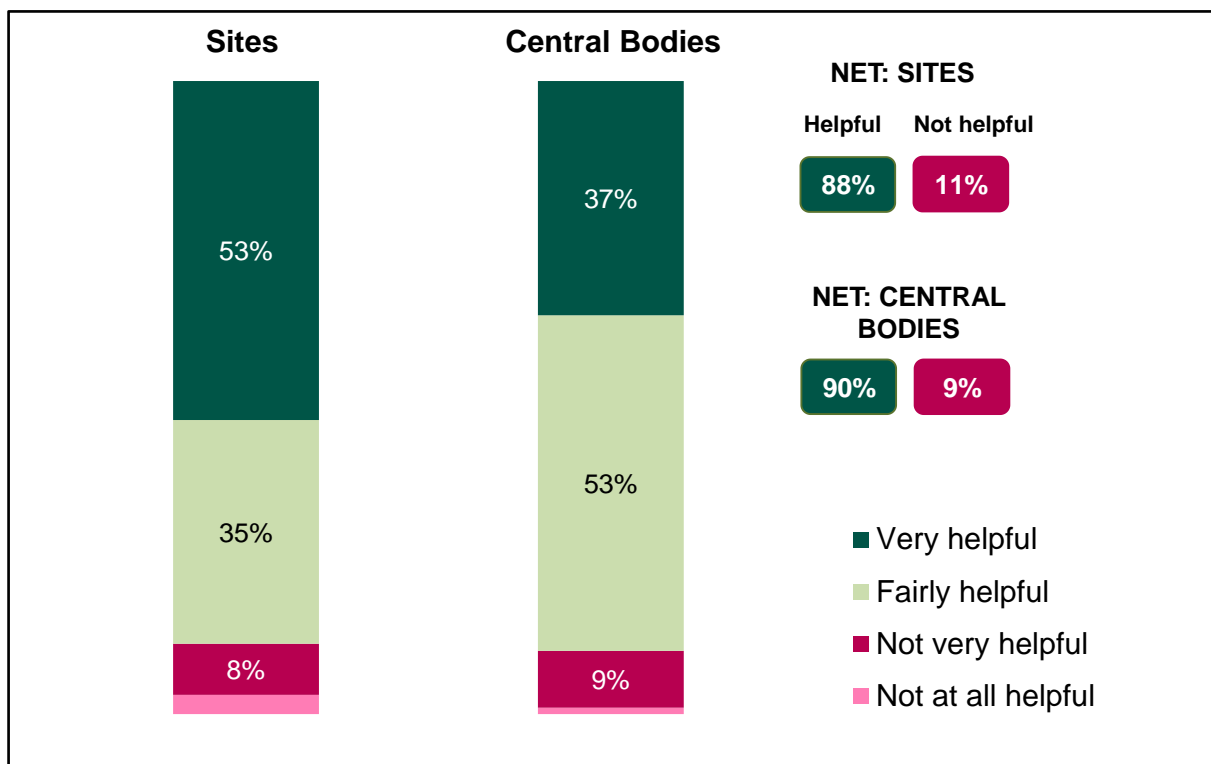
**Health, Central Body**

10.15 Some respondents mentioned that improvements to the questions had been made, making them more precise and straightforward to understand, creating a more ‘user friendly’ experience when using the tool in comparison to before the update.

*“It’s become more precise, and less vague”*

**Public Administration, Central Body**

**Figure 10-2 How helpful respondents found CEST**



D8b. Base: Public authorities that used CEST (Central Bodies: 70; Sites: 77). For a detailed view of the data presented in this chart, please see Table 12-18 in the annex.

10.16 The minority of central body and sites respondents (note very low base size here of 8 sites and 6 central bodies) who felt the CEST tool was not helpful explained that this was due to the questions being unclear or ambiguous, that the tool had provided inconsistent advice, or that the outcomes were unclear.

*"I could come back to it 15 minutes later, [input slightly different answers], and get a slightly different outcome because the questions aren't clear cut"*

**Education, Site**

10.17 A few respondents mentioned they had experienced an "unable to determine" outcome when using the CEST tool, which they found limited in its usefulness. This led to more administrative time being used up in order to come to the correct determination and prolonged discussions with off-payroll contractors about decisions. Although, most of those that had used CEST before and after the 2019 enhancements felt the changes had led to fewer "unable to determine" results.

*"At first it [unable to determine] was popping up quite a lot, but I think it's decreased since then."*

**Education, Site**

10.18 Two central bodies within the Public Administration sector mentioned specific difficulty when it came to the question of 'substitution rules' in the tool, they felt that the questions were confusing, and they would benefit from a more detailed explanation.

*"I still think that people who need to fill it in, who aren't that experienced ... challenge us on the answer to a question because they don't understand the question ... [for example] if you can't do the job and you provide someone else, the substitution rules, how that works ... I don't think CEST itself is very good at describing those things."*

**Public administrative, Central Body**

10.19 Among central bodies, 76% had used CEST before and after it was updated, 9% only before it was updated, 5% only after it was updated in November 2019 and 9% had never used CEST. Of the central bodies who had used CEST before and after it was updated, over half (54%) agreed the changes had improved its usefulness, while only 2% disagreed<sup>27</sup>.

*"Much more reliable, much easier to use ... it's fairly stable"*

**Health, Central Body**

*"It's become much more precise, less vague"*

**Public Administration, Central Body**

10.20 A lower proportion of sites had used CEST before and after it was updated (59%), whilst 15% had used it only before it was updated, 8% only after it was updated in November 2019 and

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<sup>27</sup> 44% of central bodies reported they neither agree nor disagreed that changes to CEST guidance had improved its usefulness.

18% had never used CEST. Of the sites who had used CEST before and after it was updated, six in ten (60%) agreed the changes had improved its usefulness, while only 9% disagreed<sup>28</sup>.

*“Questions are a lot more detailed now ... you have to really look at them ... it is more in-depth, so makes it easier for me to get an outcome and explain it [to a contractor].”*

**Public Administration, Site**

10.21 Alongside the enhancements made to the CEST tool in November 2019, new CEST-specific guidance was also published. Over two thirds (69%) of sites and three quarters (76%) of central bodies were aware of this CEST guidance.

10.22 Of those aware of the new CEST guidance, 87% of sites and 83% of central bodies had actually used the guidance<sup>29</sup>. The majority (60%) of sites and central bodies (63%) that had used the CEST tool since the update had also used the guidance, and most had also found it helpful (92% of sites and 88% of central bodies that had used it)<sup>30</sup>.

10.23 The use of the new CEST guidance was discussed further in the follow-up interviews, with many respondents agreeing the guidance was clear and helped them to navigate the tool. One respondent noted they recently attended a webinar on the use of the tool and found it helpful.

*“I just attended the latest webinar on using the tool. I got the other staff to attend, to refresh, it was really useful because you can ask questions ... that was a real positive.”*

**Public Administration, Site**

Other forms of support public sector bodies would like to receive

10.24 The main theme emerging from the qualitative interviews was that no further advice or guidance was required, but for those few who were interested in further guidance, some common topics were raised.

10.25 Some respondents felt that, when unable to come to a final decision regarding a status determination due to “unable to determine” outcomes or disputes with contractors, that HMRC should be responsible for making that final decision.

*“You’d want someone to say. I’ve got this person, here’s a copy of the contract, this is what I’ve come up with, is that right?”*

**Public Administration, Central Body**

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<sup>28</sup> 30% of individual sites reported they neither agree nor disagreed that changes to CEST guidance had improved its usefulness.

<sup>29</sup> Low base sizes: sites (46) and central bodies (48) aware of the new CEST guidance, caution should be taken when interpreting results.

<sup>30</sup> Low base sizes: sites (40) and central bodies (40) who had used the new CEST guidance, caution should be taken when interpreting results.

10.26A few reported they would benefit from HMRC guidance surrounding how to handle disputes around status determinations, whether this be by contacting HMRC directly by phone or guidance online.

*“I don’t think there is any clear guidance around handling disputes”*

**Health, Central Body**

10.27One respondent also felt that they would benefit from HMRC creating a status determination statement template for organisations to use, making it easier for organisations to process contractors and prevent the use of incorrect templates when making an assessment.

*“Some sort of template for SDS, especially where we’re communicating the reasons for this assessment, a template so everyone isn’t inventing their own weird and wonderful templates. It doesn’t have to be perfect, but would be a starting point...”*

**Health, Site**

10.28Others mentioned wanting more general support from HMRC including<sup>31</sup>:

- alerts from HMRC when new legislation would come into place via email or post
- simplification of the wording used in HMRC resources
- making the routes of contact to HMRC easier

## 11 The 2021 reforms

11.1 This section looks at how aware and prepared public authorities were for the reforms that came into force in April 2021.

11.2 Under the April 2021, all public authorities are required to communicate employment status determinations to contractors via a Status Determination Statement (SDS); pass this SDS to any agencies they engage off-payroll contractors through, where that contractor is working through a PSC and determined to be inside the rules (in order to pass on the responsibility for deducting Income Tax and Employee NICs, and paying Employer NICs); keep detailed records of their status determinations; and have processes in place for dealing with any disagreements that arise from these determinations.

11.3 As set out in section 0, fieldwork took place in two phases. Phase 1 ran before the April 2021 reforms had come into force, between September and November 2020, which coincided with HMRC increasing their customer Education programme to help customers prepare for the 2021 reforms discussed here. Phase 2 ran from July to September 2021, after the reforms had come into effect. The wording of questions in this section were changed to reflect this, and data has been combined from Phase 1 and Phase 2 in several places, noted in the footnotes.

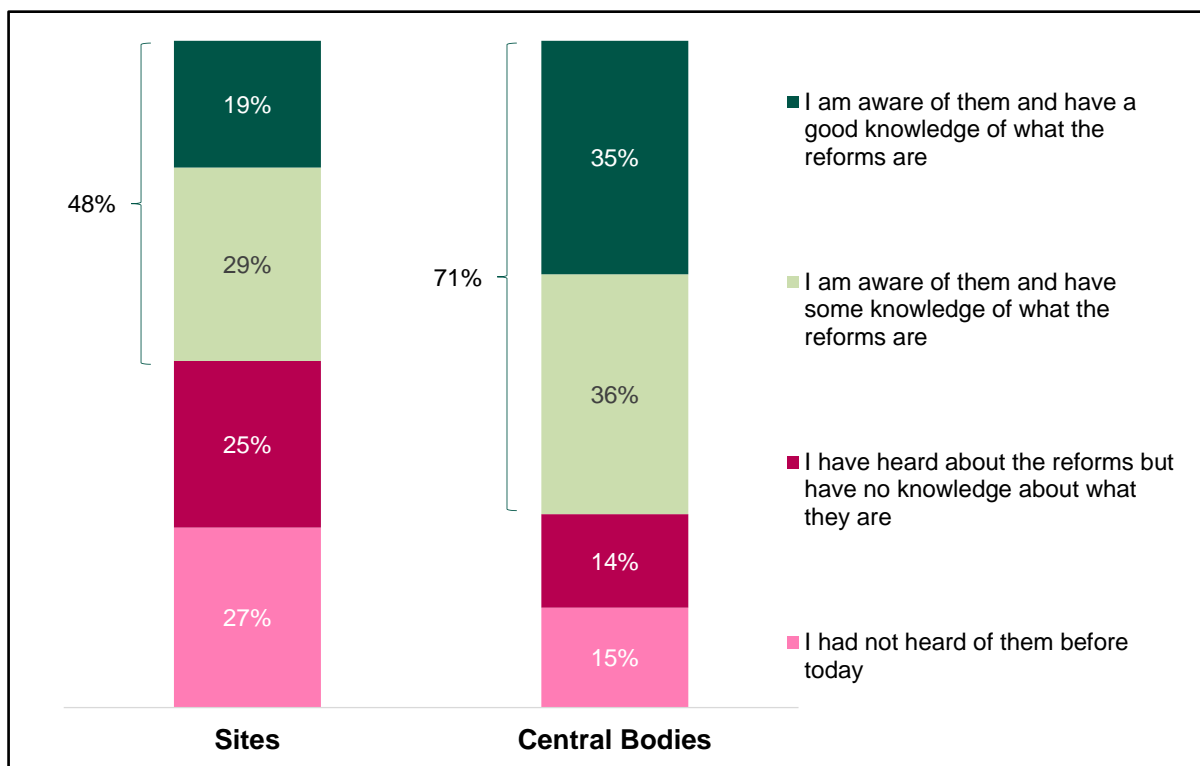
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<sup>31</sup> Any further support and guidance related to the April 2021 reforms are covered separately in chapter 11 ‘The 2021 reforms’ section.

## Preparedness for the 2021 reforms

11.1 As shown in Figure 11-1, around half of sites (48%) and seven in ten central bodies (71%) said that they had a least some knowledge of the 2021 reforms. Around three in ten sites (27%) and one in seven central bodies (15%) had not heard of them before being asked<sup>32</sup>.

**Figure 11-1 Awareness of the 2021 reforms**

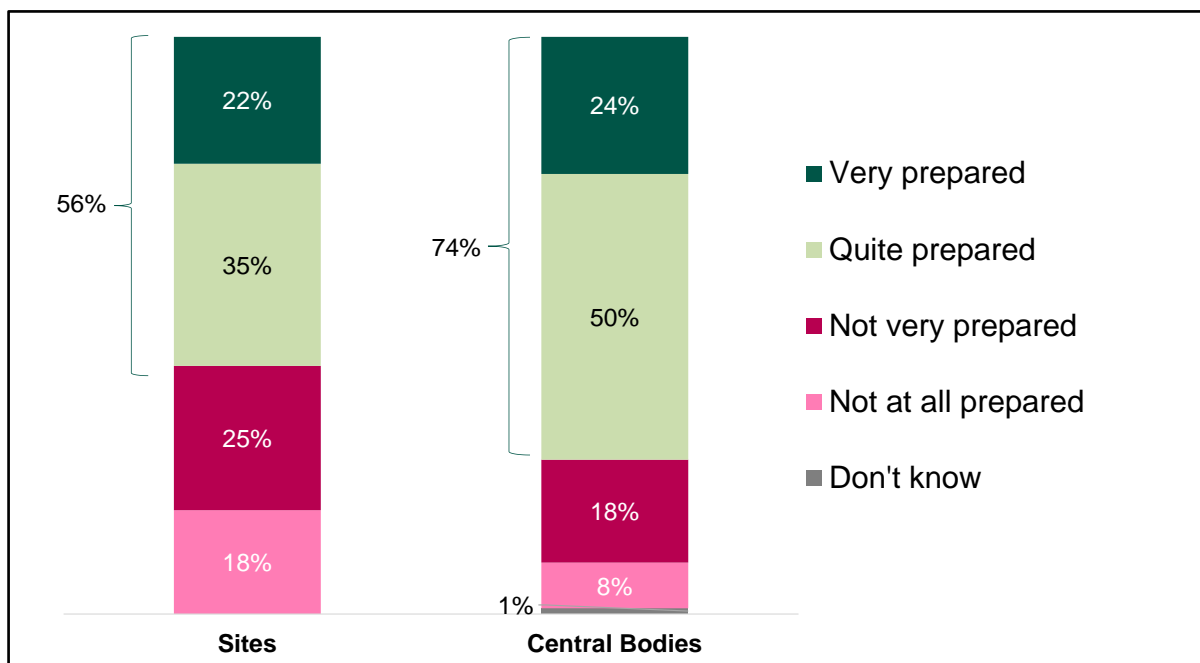


*E1. Base: Public authorities that engaged off-payroll contractors through PSCs between April 2019 and March 2020 (Sites:101 CB:80). For a detailed view of the data presented in this chart, please see Table 12-19 in the annex.*

11.2 Respondents were read an overview of the 2021 reforms before then being asked how prepared their organisation was. Over half of sites (56%) and three quarters (74%) of central bodies said they were prepared for the 2021 reforms, with nearly a quarter saying they were very prepared (22% sites, 24% central bodies). Under one in five sites (18%) and under one in ten central bodies (8%) said they were not at all prepared.

<sup>32</sup> Data for awareness and preparedness were combined from Phases 1 and 2.

Figure 11-2 Preparedness for the 2021 reforms



E2. Base: Public authorities that engaged off-payroll contractors through PSCs between April 2019 and March 2020 (Sites:101 CB:80). For a detailed view of the data presented in this chart, please see Table 12-20 in the annex.

- 11.3 Awareness and preparedness for the reforms were also explored further in the qualitative follow-up interviews. The majority of the qualitative interviews took place in Phase 2, after the reforms had come into force.
- 11.4 From the qualitative interviews in Phase 1, some sites felt confident that they were already complying with the upcoming reform, or would need to make minimal changes, as they were supplying status determinations to the contractor as standard. However, some schools that lacked awareness mentioned relying on the local authority to provide them with information about the upcoming reform and had yet to receive any information about the 2021 reform.
- 11.5 From the qualitative interviews in Phase 2, most organisations were aware of and had been prepared for the reforms, often citing the fact that there were limited changes compared to 2017. Organisations that were less prepared for the 2021 reforms tended to be those that made fewer contractor engagements generally. A few also cited the other urgent work that had been taking place due to the pandemic as a reason for lacking preparation.
- 11.6 Those that said they were prepared often explained in follow up interviews that this was due to having implemented robust processes to deal with the initial reforms in 2017, and keeping abreast of any regulatory changes through GOV.UK, HMRC emails, compliance training, trade bodies and professional memberships.

## Impacts of the 2021 reforms

- 11.7 Respondents were also asked about the impacts of the 2021 reforms in the follow-up interviews. For most organisations the 2021 reforms had little or no impact. Most felt that the processes that they had put in place since the 2017 reforms meant that little needed to change. Most were already relying on the CEST tool to make employment status determinations, and therefore providing the SDS was a simple extension of this process.
- 11.8 Many simply started formally recording the process that they already had in place. Several also mentioned that the delay to the reforms from April 2020 provided them the “breathing space” with which to set up the appropriate systems ahead of the rules coming into force. Furthermore, those that had less awareness of the reforms, or felt less prepared, often experienced little impact due to the small number and infrequent need for engaging PSCs.
- 11.9 However, two organisations interviewed in Phase 2 (both central bodies) did feel the 2021 reforms had caused significant burden. Both had needed to make substantial changes to their administration of the off-payroll reforms, which came at a difficult time for these particular organisations.
- 11.10 Among those who were aware of, and had some knowledge of the reforms (sites 48%, central bodies 71%), seven percent of sites and central bodies said they had taken off-payroll contractors onto their payroll as employees due to the 2021 reforms<sup>33</sup>. From the qualitative interviews, none of the respondents said they had seen, or expected to see, any additional impact on working structures from the 2021 reforms.
- 11.11 Respondents were also asked about whether the 2021 reforms had had an impact on disputes. A few organisations did mention some concern around the fact that since the reform, contractors were more aware of their right to challenge the determination. Where organisations made many engagements, especially through agencies, this could invite a large number of challenges and create additional burden. Only one organisation reported experiencing an increase in disputes however, with others suggesting this more speculatively.

## Support requirements for the 2021 reforms

- 11.12 The research also covered support requirements for the 2021 reforms<sup>34</sup>. Sites were most likely to say they would seek support for the 2021 reforms directly from HMRC (87%), with GOV.UK (85%) as another common source. Almost half (46%) said they would seek support from their local authority and a quarter from external financial advisors (26%).
- 11.13 The types of support most commonly cited by sites to help them prepare for the reforms were webinars (41%), advice webpages (38%), and general technical guidance (24%).

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<sup>33</sup> Phase 1 respondents were asked whether they had taken any off-payroll contractors onto their payroll as employees in response to the ‘upcoming reforms’ given that these were not yet in effect at the time of Phase 1 fieldwork. The context was slightly different for Phase 2 respondents, in that at the point at which they were interviewed the reforms had already been introduced. The results from both phases have been combined for analysis purposes.

<sup>34</sup> These questions were only asked in Phase 1 of fieldwork. The base size for central bodies was too low to be reliable here, therefore only data for sites is reported.

11.14 Some suggestions for additional support were also mentioned in follow-up interviews. A couple of respondents felt a phone number to call after using the CEST tool would be useful, for situations where the result is undetermined, or finance professionals had a specific query. Some mentioned that they had used such a service before, but others felt it was difficult to speak to the right person. Another suggested that an online chat service via HMRC's website could be useful for resolving difficulties. One also felt that guidance that was targeted at contractors themselves rather than finance professionals might help prevent disputes.



## 12 Annex

### Accessibility data tables for charts

Table 12-1 Change in the number of direct employees engaged between March 2017 and March 2020 and average volumes

	Total Sites 2019/20	Public administration and defence sites 2019/20	Education sites 2019/20	Central bodies total 2019/20	Total Sites 2017	Public administration and defence sites 2017	Education sites 2017	Central bodies total 2017
Unweighted base	101	50	51	80	90	46	44	114
Weighted base	101	38	63	-	90	35	55	-
Increased a lot	7%	8%	6%	11%	-	-	-	-
Increased a little	19%	14%	22%	26%	-	-	-	-
Stayed about the same	46%	56%	39%	45%	-	-	-	-
Decreased a little	22%	14%	27%	18%	-	-	-	-
Or decreased a lot	3%	6%	2%	0%	-	-	-	-
Don't know	3%	2%	4%	0%	-	-	-	-
Summary: Increased	25%	22%	27%	38%	-	-	-	-
Summary: Decreased	26%	20%	29%	18%	-	-	-	-
Mean	1113	2164	473	5278	794	1564	301	4355
Median	175	604	114	2131	214	511	125	2239

Table 12-2 Change in the number of off-payroll contractors engaged between March 2017 and March 2020 and average volumes

	<b>Total Sites 2019/20</b>	<b>Public administration and defence sites 2019/20</b>	<b>Education sites 2019/20</b>	<b>Central Bodies Total 2019/20</b>
-				
Unweighted base	101	50	51	80
Weighted base	101	38	63	-
Increased a lot	2%	4%	0%	8%
Increased a little	13%	14%	12%	23%
Stayed about the same	72%	56%	82%	48%
Decreased a little	9%	18%	4%	20%
Or decreased a lot	3%	8%	0%	3%
Don't know	1%	0%	2%	0%
Summary: Increased	14%	18%	12%	30%
Summary: Decreased	12%	26%	4%	23%
Mean	81	176	22	338
Median	11	21	8	51

Table 12-3 Change in the number of contractors engaged via Personal Service Companies (PSCs) between March 2017 and March 2020 and average volumes

	Total Sites 2019/20	Public administration and defence sites 2019/20	Education sites 2019/20	Central Bodies Total 2019/20	Total Sites 2017	Public administration and defence sites 2017	Education sites 2017	Central Bodies Total 2017
Unweighted base	101	50	51	80	87	43	44	94
Weighted base	101	38	63	-	87	33	55	-
Increased a lot	1%	2%	0%	3%	-	-	-	-
Increased a little	9%	4%	12%	16%	-	-	-	-
Stayed about the same	73%	66%	76%	60%	-	-	-	-
Decreased a little	12%	18%	8%	18%	-	-	-	-
Decreased a lot	2%	6%	0%	3%	-	-	-	-
Don't know	4%	4%	4%	1%	-	-	-	-
Summary: Increased	10%	6%	12%	19%	-	-	-	-
Summary: Decreased	14%	24%	8%	20%	-	-	-	-
Mean	41	94	9	181	8	9	8	51
Median	5	10	3	30	1	1	0	7

**Table 12-4 Change in the number of contractors engaged via Personal Service Companies (PSCs) who were engaged directly between March 2017 and March 2020, and average volumes**

-	<b>Total Sites 2019/20</b>	<b>Public administration and defence sites 2019/20</b>	<b>Education sites 2019/20</b>	<b>Central Bodies Total 2019/20</b>
Unweighted base	101	50	51	80
Weighted base	101	38	63	-
Increased a lot	2%	2%	2%	3%
Increased a little	6%	4%	8%	8%
Stayed about the same	79%	68%	86%	65%
Decreased a little	8%	22%	0%	21%
Decreased a lot	2%	4%	0%	4%
Don't know	2%	0%	4%	0%
Summary: Increased	8%	6%	10%	10%
Summary: Decreased	10%	26%	0%	25%
Mean	32	78	5	105
Median	2	1	2	5

Table 12-5 Change in the number of contractors engaged via Personal Service Companies (PSCs) who were engaged via employment agencies between March 2017 and March 2020, and average volumes

-	<b>Total Sites 2019/20</b>	<b>Public administration and defence sites 2019/20</b>	<b>Education sites 2019/20</b>	<b>Central Bodies Total 2019/20</b>
Unweighted base	101	50	51	80
Weighted base	101	38	63	-
Increased a lot	1%	2%	0%	3%
Increased a little	4%	4%	4%	13%
Stayed about the same	79%	68%	86%	69%
Decreased a little	9%	14%	6%	15%
Decreased a lot	2%	2%	2%	1%
Don't know	5%	10%	2%	0%
Summary: Increased	5%	6%	4%	15%
Summary: Decreased	11%	16%	8%	16%
Mean	8	19	3	119
Median	1	5	0	5

Table 12-6 Change in the number of off-payroll contractors engaged via umbrella companies between March 2017 and March 2020, and average volumes

	<b>Total Sites 2019/20</b>	<b>Public administration and defence sites 2019/20</b>	<b>Education sites 2019/20</b>	<b>Central Bodies Total 2019/20</b>
Unweighted base	101	50	51	80
Weighted base	101	38	63	-
Increased a little	1%	2%	0%	5%
Stayed about the same	92%	82%	98%	75%
Decreased a little	2%	4%	0%	10%
Decreased a lot	1%	2%	0%	1%
Don't know	5%	10%	2%	9%
Summary: Increased	1%	2%	0%	5%
Summary: Decreased	2%	6%	0%	11%
Mean	5	14	0	5
Median	0	0	0	0

Table 12-7 How difficult it was to fill off-payroll contractor vacancies

-	Central Bodies Total 2017	Total Sites 2017	Central Bodies Total 2020/21	Total Sites 2020/21
Unweighted base	117	100	71	88
Weighted base	-	100	-	86
More difficult	32%	22%	34%	19%
Easier	1%	1%	0%	3%
No change	58%	70%	63%	73%
We've had no contract vacancies	0%	5%	0%	0%
Don't know	9%	2%	3%	6%

Table 12-8 Extent of agreement with attitudinal statement: 'We found it hard to recruit contractors with the right skills and experience since the reforms.'

-	Total Sites 2020/21	Central Bodies Total 2020/21	Total Sites 2017	Total Central bodies 2017
Unweighted base	101	80	89	114
Weighted base	101	-	89	-
Strongly disagree	26%	26%	-	-
Tend to disagree	24%	21%	-	-
Neither agree nor disagree	26%	23%	-	-
Tend to agree	17%	21%	-	-
Strongly agree	3%	4%	-	-
Don't know	3%	5%	-	-
Summary: Agree	21%	25%	19%	24%
Summary: Disagree	50%	48%	54%	36%

Table 12-9 Extent of agreement with attitudinal statement: “Contractors working off-payroll are less willing to carry out work for us since the reforms came into effect”.

-	Total Sites 2020/21	Central Bodies Total 2020/21	Total Sites 2017	Total Central bodies 2017
Unweighted base	101	80	89	114
Weighted base	101	-	89	-
Strongly disagree	21%	24%	-	-
Tend to disagree	32%	23%	-	-
Neither agree nor disagree	19%	18%	-	-
Tend to agree	17%	24%	-	-
Strongly agree	7%	9%	-	-
Don't know	4%	4%	-	-
Summary: Agree	24%	33%	31%	33%
Summary: Disagree	53%	46%	46%	29%



**Table 12-10 Change in rates for contractors that worked through PSCs: On the left, those that worked through PSCs both before and after the reforms. On the right, those that worked through PSCs before the reform, but through another structure after.**

	Those that worked through PSCs both before and after the reforms	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>	Those that worked through PSCs before the reform, but through another structure after.	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>
Unweighted base	-	76	68	-	88	71
Weighted base	-	74	68	-	86	-
Increased them a lot	-	3%	4%	-	2%	4%
Increased them a little	-	25%	34%	-	23%	24%
Reduced them a lot	-	0%	1%	-	3%	4%
No effect	-	64%	51%	-	58%	48%
No OPCs working via a PSC prior to reforms	-	0%	0%	-	3%	4%
Don't know	-	8%	9%	-	11%	15%
Summary: Increased	-	28%	38%	-	25%	28%
Summary: Reduced	-	0%	1%	-	3%	4%

**Table 12-11 Ease of complying with the 2017 reforms**

-	Total Sites 2020/21	Central Bodies Total 2020/21	Total Sites 2017	Central Bodies Total 2017
Unweighted base	101	80	89	114
Weighted base	101	-	89	-
Very easy	14%	6%	14%	4%
Fairly easy	49%	40%	43%	45%
Fairly difficult	30%	44%	33%	41%
Very difficult	6%	9%	9%	10%
Don't know	2%	1%	1%	0%
Summary: Easy	63%	46%	57%	49%
Summary: Difficult	36%	53%	42%	51%

**Table 12-12 Extent of agreement with attitudinal statements about the impacts of the off-payroll working reform: Level of administrative burden is reasonable**

-	Total Sites 2020/21	Central Bodies Total 2020/21
Unweighted base	101	80
Weighted base	101	-
Strongly disagree	4%	14%
Tend to disagree	7%	18%
Neither agree nor disagree	17%	13%
Tend to agree	52%	49%
Strongly agree	20%	8%
Summary: Agree	72%	56%
Summary: Disagree	11%	31%

**Table 12-13 Breakdown of the ongoing administration costs of the off-payroll working reform**

-	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>
Unweighted base	79	72
Weighted base	77	-
Staff costs for time spent making off-payroll working rules status determinations	57%	54%
Training staff on off-payroll rules and processes	20%	22%
External consultancy and insurance costs	9%	7%
Other ongoing payroll processes for off-payroll contractors	14%	17%

**Table 12-14 Method used for assessing contracts**

-	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>
Unweighted base	101	80
Weighted base	101	-
Case-by-case basis.	88%	89%
Role-based determinations	31%	31%
Blanket	1%	1%
Other	9%	4%
Don't know	2%	1%
Summary: Case by case or role based determinations	95%	96%
Summary: Blanket determinations	1%	1%

**Table 12-15 Proportion of off payroll contractors assessed as inside the off-payroll working rules**

-	Total Sites 2020/21	Central Bodies Total 2020/21
Unweighted base	83	73
Weighted base	84	-
0%	55%	42%
1-24%	13%	27%
25-49%	1%	3%
50-74%	6%	4%
75-99%	8%	3%
100%	11%	12%
Don't know	6%	8%

**Table 12-16 How employment status determinations were made**

-	Total Sites 2020/21	Central Bodies Total 2020/21
Unweighted base	101	80
Weighted base	101	-
Yes - always	6%	0%
Yes - sometimes	6%	8%
No - never	87%	93%
Don't know	1%	8%
Summary: Yes	12%	0%

**Table 12-17 What sources of information respondents used to ensure compliance with the off-payroll working rules**

-	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>
Unweighted base	101	80
Weighted base	101	-
HMRC Online Assessment Tool / Check Employment Status for Tax tool / CEST	17%	15%
GOV.UK website	9%	9%
HMRC website / online guidance	9%	19%
External tax/financial advisors	7%	20%
General internet search/Google	2%	8%
Other	42%	34%
Not sought information	52%	46%
Summary: Any HMRC support	31%	39%

**Table 12-18 How helpful respondents found CEST**

-	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>
Unweighted base	73	70
Weighted base	77	-
Very helpful	53%	37%
Fairly helpful	35%	53%
Not very helpful	8%	9%
Not at all helpful	3%	0%
Don't know	1%	1%
Summary: Helpful	88%	90%
Summary: Not helpful	11%	9%

**Table 12-19 Awareness of the 2021 reforms**

-	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>
Unweighted base	101	80
Weighted base	101	-
I had not heard of them before today	27%	15%
I have heard about the reforms but have no knowledge about what they are	25%	14%
I am aware of them and have some knowledge of what the reforms are	29%	36%
I am aware of them and have a good knowledge of what the reforms are	19%	35%
Summary: Any knowledge	48%	71%

**Table 12-20 Preparedness for the 2021 reforms**

-	<b>Total Sites 2020/21</b>	<b>Central Bodies Total 2020/21</b>
Unweighted base	101	80
Weighted base	101	-
Very prepared	22%	24%
Quite prepared	35%	50%
Not very prepared	25%	18%
Not at all prepared	18%	8%
Don't know	-	1%
Summary: Prepared	56%	74%

# IFF Research illuminates the world for organisations businesses and individuals helping them to make better-informed decisions.

## Our Values:

### 1. Being human first:

Whether employer or employee, client or collaborator, we are all humans first and foremost. Recognising this essential humanity is central to how we conduct our business, and how we lead our lives. We respect and accommodate each individual's way of thinking, working and communicating, mindful of the fact that each has their own story and means of telling it.

### 2. Impartiality and independence:

IFF is a research-led organisation which believes in letting the evidence do the talking. We don't undertake projects with a preconception of what "the answer" is, and we don't hide from the truths that research reveals. We are independent, in the research we conduct, of political flavour or dogma. We are open-minded, imaginative and intellectually rigorous.

### 3. Making a difference:

At IFF, we want to make a difference to the clients we work with, and we work with clients who share our ambition for positive change. We expect all IFF staff to take personal responsibility for everything they do at work, which should always be the best they can deliver.

OFFICIAL



5th Floor  
St. Magnus House  
3 Lower Thames Street  
London  
EC3R 6HD  
Tel: +44(0)20 7250 3035  
Website: [iffresearch.com](http://iffresearch.com)

Contact details: