



UK Government

# **Make Work Pay: Modernising the Agency Work Regulatory Framework**

**6 February 2026**

**Closing Date: 1 May 2026**

# Foreword

This government is determined to ensure that employment rights and protections keep pace with the realities of the 21st-century workplace. Our Plan to Make Work Pay is rooted in the belief that everyone deserves fair treatment, transparency, and genuine choice in how they work. The introduction of the Employment Rights Act 2025 within our first 100 days in office marked a major step towards these ambitions.

The world of work has changed dramatically since the framework which governs the temporary labour market was first introduced. The rise of umbrella companies and the increasing complexity of temporary agency work have created new challenges, as well as new opportunities. We have listened carefully to feedback from businesses, workers, and representative bodies across the country. The need for change is clear.

Responsible businesses are calling for a level playing field and a modern regulatory environment that is easier to navigate, rewards good practice and innovation, and keeps costs to business proportionate, allowing the recruitment sector to flourish. At the same time, the current framework is not always supporting workers in the way it should. Persistent non-compliance among umbrella companies, for example, is well documented. Too many workers, both freelancers and agency staff, are left worse off due to hidden costs, opaque deductions, and a lack of clarity about their rights.

This means we now must act to protect workers from unscrupulous practices, reduce unnecessary administrative burdens and to give businesses the confidence that the rules are effective, fair and work to support rather than hinder them.

That is why we are seeking views on how to modernise and streamline the rules which govern the temporary labour market, ensuring they are fit for the contemporary world of work. We want to ensure these rules provide robust and targeted protections for workers in the areas that matter most, while empowering businesses in this sector to do what they do best: support a flexible and responsive labour market. Our aim is to create a framework that is effective, proportionate, and responsive to the way the modern agency work market operates. We want to close loopholes, improve enforcement, and streamline rules and obligations. Modernising this framework is a vital step in supporting a dynamic, productive temporary labour market that drives economic growth and job creation.

We are grateful for the ongoing involvement of partners in the recruitment industry, including umbrella company accreditation bodies and responsible umbrella companies. We want to support the continued success of temporary placement activity in the labour market, which contributed around [£34 billion to the UK economy in 2023](#).

This consultation is your opportunity to shape a regulatory framework for the temporary labour market that reflects the realities of today's world of work. We

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encourage workers, businesses, trade unions, and all interested parties to share their insights and help us build a system that earns the trust and confidence of everyone it serves.

Thank you for reading and responding to this consultation. Together, we can build a labour market where choice, transparency, and security are the norm for all workers, and businesses are supported to thrive.



**The Rt Hon Peter Kyle MP**

*Secretary of State for Business and Trade and President of the Board of Trade*

A handwritten signature in blue ink that reads "Peter Kyle".



**Kate Dearden MP**

*Minister for Employment Rights, Competition and Markets*

A handwritten signature in blue ink that reads "Kate Dearden".

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# **Introduction**

## **Background**

1. The UK's temporary labour market is governed by a framework of legislation designed to both protect workers and support business.
2. At the core of this framework is the Employment Agencies Act 1973 and, under this Act, the Conduct of Employment Agencies and Employment Businesses Regulations 2003 (“the Conduct Regulations”). These laws set minimum standards for the conduct of recruitment businesses – both employment agencies (generally involved in permanent recruitment and known as recruiters) and employment businesses (generally involved in temporary recruitment and known as temp agencies) – in Great Britain. They are currently enforced by the Employment Agency Standards Inspectorate (EAS) and will be enforced by the new Fair Work Agency from April 2026.
3. The Conduct Regulations establish requirements around:
  - the correct treatment that both employment agencies and businesses must give work-seekers, for example not withholding pay, not including detrimental terms in contracts, and not preventing transfers to permanent work;
  - the information and checks required before supplying agency workers, for example that the experience and qualifications of a worker are appropriate, and that workers are aware of health and safety risks;
  - record-keeping and transparency.
4. Agency workers additionally benefit from rights under the Agency Workers Regulations 2010, which ensure equal treatment with directly employed staff. These rights are enforced by individuals via the employment tribunal.
5. Together, these laws aim to ensure fair treatment for agency workers, who often bear more risk in a less predictable form of work than conventional employees, while providing clarity and a level playing field for businesses, both those in the recruitment sector and those who use its services.

## **Policy rationale**

6. This government's top priority is to grow the economy and improve living standards. For too long employment law has failed to keep pace with fundamental changes to how, when and where individuals work. The Plan to Make Work Pay will modernise employment rights legislation, extending the employment protections already given by many British companies to millions more workers across the country. Strengthening this underlying framework will

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make work more secure and predictable, reinforcing the foundations that underpin a modern economy.

7. At the same time, the government recognises that complexity in the UK regulatory system can reduce competition and diminish growth. Regulation should work for and with businesses, supporting them to create jobs, innovate and put more money into working people's pockets. That is why the government has committed to cut the administrative burden of regulation on business by 25% by the end of the parliament.
8. The framework which governs the temporary labour market is intended to be both protective and enabling. It seeks to empower workers with information and rights, while ensuring that businesses operate under a clear set of rules. This enables businesses to compete on service quality rather than a race to the bottom.
9. However, the temporary work sector has evolved significantly since these regulations were introduced. Digitisation, new business models, and changes in the ways in which people work and hire have all altered the complexity of the relationships involved in agency work, raising questions about whether the current framework remains fit for purpose. Agency work is diverse by nature, with analysis of the Labour Force Survey showing that agency work is prominent in a range of sectors, including education, health and social care, administration and transport and storage. As such there remain questions around the appropriateness of a rigid framework.
10. One of the most significant developments in the temporary labour market has been the emergence and rapid growth of umbrella companies. These are payment intermediaries that employ workers – often agency workers – on behalf of recruitment agencies and end hirers. Umbrella companies process payroll and manage employment-related obligations, but the worker typically performs their duties for a third-party client rather than the umbrella company itself.
11. Recent estimates from [HMRC's 2024 policy paper on tackling non-compliance in the umbrella company market](#) and [the FCSA's response to the previous government's Umbrella Company Market Call for Evidence](#) suggest that in total there are around 700,000 individuals currently working through around 500 umbrella companies. Although many umbrella companies act in the best interests of their workers, the government recognises that there is significant non-compliance with both employment and tax law in the umbrella company industry.
12. The Conduct Regulations were brought into force before umbrella companies became widespread, meaning that many of the protections and enforcement mechanisms do not apply directly to workers engaged through these intermediaries. This has created gaps in protection and an uneven playing field. Workers can be left worse off due to hidden costs, unclear deductions, and a lack of clarity about their rights and pay. Under the current framework the activities of

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umbrella companies sit outside the scope of the Conduct Regulations and therefore the enforcement mechanisms of EAS. Individuals must often enforce their rights themselves, which can be particularly challenging for lower paid agency workers and where opaque supply chains leave workers unsure of who is accountable.

13. The government has already begun taking action to respond to changes in the temporary labour market, through a two-pronged approach to tackling non-compliance of umbrella company business models. Through the Employment Rights Act 2025, the government is amending the definition of “employment business” in the Employment Agencies Act 1973 to include the activities of umbrella companies. This change will bring umbrella companies into scope for regulation through the Conduct Regulations. Separately, through the Finance Bill 2026, [the government is introducing joint and several liability](#) to address issues around tax non-compliance. This is due to come into force in April 2026.
14. However, the government’s view is that these changes alone will not be enough to bring the framework that governs the temporary labour market into the modern world of work.
15. The Conduct Regulations, while designed to protect agency workers and ensure fair treatment, can place significant administrative and operational burdens on businesses in the recruitment sector. Employment agencies and businesses are required to comply with a range of obligations, including providing detailed contracts, confirming the suitability and willingness of work-seekers, and supplying comprehensive information to both clients and candidates. These requirements can result in increased paperwork, additional compliance checks, and the need for ongoing record-keeping, all of which can be time-consuming and costly for businesses, hampering their ability to operate effectively. A DBT review of impact assessments pertaining to these regulations indicates that they cost businesses millions of pounds per year. Particularly in a sector where speed is key, it is important that regulation does not get in the way.
16. So, the government recognises that, firstly, the Conduct Regulations in their current form do not accurately regulate the activities of umbrella companies and, secondly, there is appetite for the Conduct Regulations to be updated to reflect the realities of the modern labour market more broadly.
17. With changes to the way these regulations are enforced due to come into force in 2026, now is also the time to consider the wider framework. The government’s view is that this framework should ensure workers are protected from real world, tangible harms – and enforcement activities are focused accordingly – while businesses in this sector can prosper without duplicative, unnecessary, or excessively complex regulation.

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18. In light of this, the government is consulting on simplifying and modernising these regulations, as well as seeking views on aspects of the Agency Workers Regulations 2010. The government wants to ensure they are clear, proportionate and work effectively for all relevant actors in the market: employment businesses and agencies, umbrella companies, agency workers, and end hirers.
19. Depending on the responses to this consultation, the government may run a second consultation seeking views on more detailed proposals to streamline and simplify the regulatory framework. This consultation lays out in detail proposals relating to ensuring the regulations apply effectively to umbrella companies. The government does not expect to consult again on these specific proposals, unless consultation responses prompt the government to deem further consultation necessary.
20. The government intends for the new definition of “employment business” and amended regulations to come into force in parallel.

# Consultation details

**Issued:** 6 February 2026

**Respond by:** 1 May 2026

## Enquiries and responses to:

[Agencywork@businessandtrade.gov.uk](mailto:Agencywork@businessandtrade.gov.uk)

## Write to:

Agency Work Team, Employment Rights Directorate  
Department for Business and Trade  
Old Admiralty Building  
Admiralty Place  
London  
SW1A 2DY

## Consultation reference:

Modernising the Agency Work Regulatory Framework

## Audiences:

- businesses
- trade unions
- business groups or representatives
- workers
- non-governmental organisations
- members of the public
- all other interested parties

## Territorial extent

The Conduct of Employment Agencies and Employment Businesses Regulations 2003 extend to England, Wales and Scotland only. The Agency Workers Regulations 2010 extend to England, Wales and Scotland only, save as provided for in Schedule 1 (consequential provisions). Employment law is devolved to Northern Ireland.

## How to respond

### Respond online:

[https://ditresearch.eu.qualtrics.com/jfe/form/SV\\_1AYa66VGLQO3AnI](https://ditresearch.eu.qualtrics.com/jfe/form/SV_1AYa66VGLQO3AnI)

or

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**Email to:** [agencywork@businessandtrade.gov.uk](mailto:agencywork@businessandtrade.gov.uk)

or

**Write to:**

Agency Work Team, Employment Rights Directorate  
Department for Business and Trade  
Old Admiralty Building  
Admiralty Place  
London  
SW1A 2DY

We strongly encourage that responses are made via the online platform. Using the online survey will assist our analysis of the responses, enabling more efficient and effective consideration of the issues raised.

If you are responding in writing, please make it clear which question or paragraph number each comment relates to.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

When responding, please state whether you are responding as an individual or representing the views of an organisation.

## **Confidentiality and data protection**

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We are trialling Artificial Intelligence (AI) solutions to support the delivery of our functions. Unless made expressly clear to you, we will not solely use AI to either make or inform decisions about you. We will apply effective data minimisation techniques to all such uses of your data.

Your responses, including any personal data, may be shared with a third-party provider, or other government department or organisation acting on behalf of the Department for Business and Trade under contract or an equivalent agreement, for the purpose of analysis and summarising responses for us and they may use technology, such as artificial intelligence. Further detail on how AI is used, including its scope and safeguards and third-party sharing is available in our Privacy Notice.

An anonymised version of responses in a list or summary of responses received, and in any subsequent review reports may be published. We may also share your

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personal data where required to by law. You can leave out personal information from your response entirely if you would prefer to do so.

Wherever possible avoid including any additional personal data in free-text responses beyond that which has been requested or which you consider it necessary for DBT to be aware of.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will publish a government response on GOV.UK.

### **Quality assurance**

This consultation has been carried out in accordance with the governments [consultation principles](#). If you have any complaints about the way this consultation has been conducted, please email: [enquiries@businessandtrade.gov.uk](mailto:enquiries@businessandtrade.gov.uk).

## **Key terms**

**Employment Agencies Act 1973 (EAA)** – legislative framework which defines “employment agency” and “employment business” and provides the Secretary of State with powers to create regulations pertaining to their conduct.

**The Conduct of Employment Agencies and Employment Businesses Regulations 2003 (the Conduct Regulations)** – the regulations, made under the powers in the EAA, which set requirements on the recruitment industry, to protect the interests of workers and hirers using their services.

**Employment Agency Standards Inspectorate (EAS)** – government body that enforces the Conduct of Employment Agencies and Employment Businesses Regulations 2003.

**Employment business** – for the purpose of this document, this refers to the pre-Employment Rights Act 2025 definition, so will be referring to employment businesses that are in the business of supplying workers to end-hirers (commonly referred to as recruitment agencies), as per the current definition in section 13(3) of the Employment Agencies Act 1973.

**Employment Agency** - a business that finds work for work-seekers who are then employed and paid directly by the hirer. The agency’s role is to introduce candidates to employers for permanent or fixed-term positions: once the introduction is made, the employment relationship is between the worker and the hirer, not the agency.

**Fair Work Agency** – due to be created as part of the Employment Rights Act 2025, will incorporate the Employment Agency Standards Inspectorate, amongst other enforcement bodies.

**Umbrella company** – a payment intermediary, which may or may not be a company, that takes on the employment responsibility on behalf of employment businesses and end hirers. Typically found in the agency worker supply chain but can also be used by individuals who regard themselves as self-employed or “freelance”.

**Work-seeker** – a person to whom an agency or employment business provides or holds itself out as being capable of providing work-finding services.

# Consultation

## About you

Please provide the following information to help us understand the context of your response:

**Question 1:** Please indicate whether you are responding as:

- an individual
- an academic, or on behalf of an academic or research organisation
- an employer – employment business
- an employer – employment agency
- an employer – umbrella company
- an employer – end hirer of agency workers
- an employer – other
- a legal representative
- a business representative organisation (please specify)
- a trade union or staff association (please specify)
- a charity or interest group
- other – please specify
- prefer not to say

**Question 2:** If responding as an individual, please specify if you are or have been in the last 12 months:

- an agency worker, paid directly by your employment business
- an agency worker, paid via an umbrella company
- a self-employed or “freelance” individual, paid via an umbrella company
- a worker who has otherwise found work through an employment business or agency
- other – please specify
- prefer not to say
- not applicable

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**Question 3:** If responding as an employer, business, business owner or business representative, approximately what is the size of your business? If responding as an individual or worker, what size workplace are you employed in?

- micro (1 to 9 employees)
- small (10 to 49 employees)
- medium (50 to 249 employees)
- large (250+ employees)
- don't know
- prefer not to say
- not applicable

**Question 4:** Which region are you predominantly located in?

- North-East
- North-West
- Yorkshire and The Humber
- East Midlands
- West Midlands
- East of England
- London
- South-East
- South-West
- Wales
- Scotland
- Northern Ireland
- UK-wide
- prefer not to say

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**Question 5:** If responding as an employer, business, business owner or business representative, what sector(s) are you based in? *[If applicable, select multiple options.]*

- accommodation and food service activities
- activities of households as employers; undifferentiated goods and services-producing activities of households for own use
- administrative and support service activities
- arts, entertainment and recreation
- agriculture, forestry and fishing
- construction
- education
- electricity, gas, steam and air conditioning supply
- financial and insurance activities
- human health and social work activities
- Information and communication
- manufacturing
- mining and quarrying
- production
- professional, scientific and technical activities
- public administration and defence; compulsory social security
- real estate activities
- services sector
- transportation and storage
- water supply; sewerage, waste management and remediation activities
- wholesale and retail trade; repair of motor vehicles and motorcycles
- other service activities
- prefer not to say
- not applicable

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**Question 6:** If responding as an individual, what sector(s) do you predominantly work in? *[multi-option]*

- accommodation and food service activities
- activities of households as employers; undifferentiated goods and services-producing activities of households for own use
- administrative and support service activities
- arts, entertainment and recreation
- agriculture, forestry and fishing
- construction
- education
- electricity, gas, steam and air conditioning supply
- financial and insurance activities
- human health and social work activities
- information and communication
- manufacturing
- mining and quarrying
- production
- professional, scientific and technical activities
- public administration and defence; compulsory social security
- real estate activities
- services sector
- transportation and storage
- water supply; sewerage, waste management and remediation activities
- wholesale and retail trade; repair of motor vehicles and motorcycles
- other service activities
- prefer not to say
- not applicable

**Question 7:** If responding as an individual, what was your most recent role?  
*[FREE TEXT]*

## **Chapter 1: Security**

21. Temporary work is inherently flexible, both for workers who benefit from on demand access to income opportunities and assignments that fit their schedule, and for those businesses who utilise the temporary labour market to meet market demand.
22. But this flexibility should not come at the expense of having any security at all – either for agency workers, the employment businesses who engage them, or the hirers that need their services. There is a balance to be struck.
23. There is a clear lack of security in the agency worker market, with the government's [2021 agency worker survey](#) finding that less than half of agency workers were satisfied with their level of job security.
24. The government is already increasing security for agency workers by extending the new right to guaranteed hours to agency workers, ensuring that eligible agency workers will be able to access a contract which reflects the hours they regularly work. Eligible agency workers will also benefit from a right to reasonable notice of shifts, and a right to payment for shifts cancelled, curtailed, or moved at short notice.
25. While the current Conduct Regulations offer additional important protections for agency workers, they were designed for a simpler supply chain involving just the worker, the hirer, and the employment business or employment agency. With changing business models, including the growing use of umbrella companies, supply chains have become more complex, creating gaps in the security that the regulations once offered to workers. While the Employment Agency Standards Inspectorate is able to pursue employment businesses who withhold payment from agency workers, they are not able to do so when an umbrella company withholds payment. The Conduct Regulations were not designed with such loopholes in mind.
26. Equally, the current Conduct Regulations can be overly complex for those operating in the market, especially smaller employment agencies and businesses. Certain requirements – such as the requirement to obtain confirmation from the work-seeker that they are willing to work in the position being offered before introducing them to a hirer – add layers of administration and raise questions around which requirements genuinely contribute to increased security, and which may unnecessarily add cost and delay. The government believes that there is potential for some of these obligations to be more effectively managed through business-to-business agreements, allowing parties the flexibility to develop bespoke agreements that suit their specific needs.
27. The government believes that the regulations that govern the agency work market should be underpinned by the following key security objectives:

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- **ensuring fair remuneration:** agency workers should receive prompt and full payment for all work undertaken, with robust mechanisms in place to resolve instances of non-payment. Likewise, employment businesses and agencies should have the autonomy to negotiate agreements with hirers that ensure fair compensation for their services.
- **ensuring wide-ranging coverage of protection:** a wide range of agency workers should benefit from the safeguards designed to protect them, regardless of novel engagement methods or the complexity of the supply chain.
- **providing assurance for businesses:** hirers should have confidence that the workers supplied to them possess the necessary qualifications and suitability for the roles they are engaged to perform, to support informed hiring decisions and safeguarding standards.

28. This chapter seeks views on how the regulatory framework should be adapted to meet the security objectives set out above. The government is particularly interested in views on how the framework can best achieve an effective balance between these objectives and the need to support a flexible and responsive business landscape.

### Overarching questions

**Question 1a – Do you agree that the key objectives listed should underpin the regulations: ensuring fair remuneration; ensuring a wide-ranging coverage of protection; providing assurance for business?**

- yes
- no
- don't know

**Question 1b – Please explain your answer.**

[FREE TEXT]

**Question 2a – In your view, do the current regulations meet these objectives?**

- yes
- no
- don't know

**Question 2b – How could the current regulations be adapted to better meet these objectives?**

[FREE TEXT]

### Questions on specific regulations

29. This set of questions seeks views on specific existing regulations (both under the Conduct Regulations and the Agency Workers Regulations 2010) which seek to provide security to workers, employment agencies, employment businesses and hirers.

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30. Regulation 8 of the Conduct Regulations prevents employment agencies, in most cases, from either paying a work-seeker's wages, making arrangements for those wages to be paid, or otherwise being involved in their payment. Employment agencies differ from employment businesses in that they introduce work seekers to be hired by, and generally employed directly by, an end hirer. The employment agency usually ends their relationship with the work seeker once the introduction has been made (up to or until the individual is again seeking work). Employment agencies can be commonly referred to as recruiters or head-hunters.
31. There are a greater set of obligations under the Conduct Regulations that apply to employment businesses, in part because the control exercised over the worker is greater than in the relationship between employment agency and work-seeker.
32. Regulation 8 therefore sets an important distinction between employment agencies and employment businesses – maintaining a key differentiation between the relationship each type of businesses has with a work-seeker: namely, whether or not they are involved in the payment of workers.
33. The government is aware that changing business practices, including novel models facilitated by technology, has made it difficult for enforcement bodies to establish if and how this regulation has been breached, and has blurred the lines between employment agencies and employment businesses who merely outsource payment functions.
34. The government's preliminary view is that this regulation plays a key role in ensuring both workers and business are clear on the service they can expect and the requirements they must comply with respectively. However, there have been issues with business models operating at the margins. The government is therefore interested in views on how the distinction between the activities undertaken by employment businesses and employment agencies can be kept clearly defined in the modern world of work, where payment arrangements may be obscured by unusual business models or technological solutions.

**Question 3a – Do you have views on how the government can ensure that the distinction between the activities of employment agencies and employment businesses are clearly defined? For example, changes to regulation 8, or publishing specific guidance.**

- yes
- no
- don't know

**Question 3b – If yes, please explain your answer.**

*[FREE TEXT]*

35. Regulation 10 of the Conduct Regulations sets out the circumstances in which employment businesses can charge end hirers (such as through transfer, 'temp-to-perm' or 'temp-to-temp', fees). Should an employment business choose to charge a transfer fee, that fee may only be charged within a specific time period.

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The level of fees allowable is not set out, as this is deemed to be a business-to-business arrangement.

36. The government believes that it is important to maintain balance between supporting the temporary labour market and facilitating moves into permanent work. The government is aware that temp-to-perm and 'temp-to-temp' fees are an important source of income and provide financial security for employment businesses, as highlighted through responses received to the government's [consultation on applying zero hours contracts measures to agency workers](#). The government maintains that, wherever feasible, business-to-business arrangements should be permitted to negotiate terms that best meet their specific needs. Currently, the level set for temp-to-perm or 'temp-to-temp' fees can be freely negotiated, while the timeframe during which they can be charged cannot.
37. The government is therefore seeking views on whether the restrictions on how and when employment businesses can charge end hirers should be relaxed.

### **Question 4a – Do you think the government should relax restrictions on how and when employment businesses can charge end hirers?**

- yes
- no
- don't know

### **Question 4b – Please explain your answer.**

*[FREE TEXT]*

38. Regulation 12 of the Conduct Regulations ensures that employment businesses cannot withhold, or threaten to withhold, payment for any work done by a work-seeker, including where the end hirer has not paid the employment business.
39. When the Conduct Regulations were first brought into force, the dominant model in the agency worker supply chain was a three-way relationship between the worker, hirer and employment business. The government recognises the temporary labour market has changed, including with the rise of individuals working through umbrella companies. However, the often-vulnerable position that agency workers occupy in the market has not changed. The government believes that the fundamental principle that agency workers should always be paid for work done should be maintained and it should apply to agency workers regardless of who pays them. The government's view is that this is one of the key protections that the Conduct Regulations should cover.
40. In particular, if an agency worker is paid through an umbrella company rather than directly by the employment business, under current legislation the Employment Agency Standards Inspectorate (EAS) cannot intervene if the worker is not paid for work completed. This leaves some workers without the safeguards the regulations were intended to provide.

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41. Regulation 12 as currently drafted would not provide sufficient protection to agency workers who are employed and paid by an umbrella company. So the government proposes that regulation 12 should be amended to account for scenarios where agency workers are paid via an umbrella company, including where the umbrella company may not have received payment from an employment business.

**Question 5a – Do you agree that the principle that employment businesses cannot withhold, or threaten to withhold, payment for work done should be maintained?**

- yes
- no
- don't know

**Question 5b – Please explain your answer.**

*[FREE TEXT]*

**Question 6a – Do you agree that regulation 12 should place an obligation on umbrella companies to pay workers for all work done, including in situations where they have not received payment from an employment business?**

- yes
- no
- don't know

**Question 6b – Please explain your answer.**

*[FREE TEXT]*

42. Regulations 19 and 20 of the Conduct Regulations relate to information that employment agencies and employment businesses must obtain before work is able to commence. This covers information that must be provided to both the work-seeker and hirer. The next 5 questions will focus on information that must be provided to the hirer (information that must be provided to the work-seeker is considered in more depth in Chapter 2).

43. Information under these regulations include ensuring that hirers and work-seekers are aware of any requirements imposed by law, as well as qualifications or authorisations that the hirer considers necessary that must be satisfied for the work-seeker to work in the position the hirer seeks to fill. Regulation 21 stipulates that when an employment agency or employment business proposes a work-seeker to a hirer, it must give the hirer all the information it has obtained about the work-seeker under the requirements of regulation 19. Regulation 22 outlines additional measures that must be taken when work-seekers will be working with vulnerable people, for example young or elderly people, or where professional qualifications or authorisations are required.

44. It is crucial that employment agencies and employment businesses carry out due diligence on the work-seekers that they provide, so that hirers continue to have confidence in those supplied to them. However the government's view is that, in a

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market where speed is key, hirers should be empowered to make decisions around what information is necessary for their recruitment decisions.

45. The government is therefore seeking views on how requirements around information which must be provided to hirers before work commences could be streamlined. The government's objective is to achieve balance between the need for hirers to have confidence in those supplied to them, and the need to support fast-paced ways of working that prioritise getting workers into roles swiftly and efficiently.
46. The government's view is that the essential information that must be given to hirers under the regulations, before work commences, could be streamlined and consolidated to:
- any requirements or authorisations required by law (for example right to work checks), and;
  - any requirements or authorisations required by a relevant professional body or regulator (for example Disclosure and Barring Service (DBS) where relevant, or other checks for regulated professions such as nurses or solicitors).
47. The contractual agreements between employment agencies, employment businesses and hirers should continue to stipulate any additional requirements currently covered by the regulations that the hirer deems necessary. This may include training or experience not affiliated to a professional body, DBS checks where not required by a professional body or regulator, or confirmation that the work-seeker is willing to work in the position being offered.
48. The government considers that additional obligations and safeguards where the work-seeker will be required to work with vulnerable persons remain appropriate.

**Question 7a – Is there additional information beyond requirements or authorisations required by law, and requirements or authorisations required by a relevant professional body or regulator, that should be obtained and provided to hirers under these regulations, rather than agreed to through contractual arrangements?**

- yes
- no
- don't know

**Question 7b – Please explain your answer.**

*[FREE TEXT]*

**Question 8a – Where an umbrella company is involved, should the umbrella company be obliged to pass on any information they are aware of, relating to the two areas outlined above, to the relevant employment business (or to the end hirer when there is no employment business in the supply chain)?**

- yes
- no

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- don't know

**Question 8b – Please explain your answer.**

*[FREE TEXT]*

**Question 9a – Do you agree that additional obligations and safeguards should remain in place where the work-seeker will be required to work with vulnerable persons?**

- yes
- no
- don't know

**Question 9b – Please explain your answer.**

*[FREE TEXT]*

**Question 10a – Do you have views on how the processes relating to information gathering and sharing should be streamlined in order to facilitate workers taking up positions quickly and to reduce the administrative costs involved?**

- yes
- no
- don't know

**Question 10b – If yes, please explain your answer.**

*[FREE TEXT]*

**Question 11a – In your view, are there any alternatives to these obligations which would give hirers and clients the necessary security and confidence?**

- yes
- no
- don't know

**Question 11b – Please explain your answer.**

*[FREE TEXT]*

49. The Agency Workers Regulations 2010 were introduced to provide agency workers greater security and fairness in the workplace. Under these regulations, agency workers are entitled to equal treatment with directly employed workers. From the first day of an assignment, workers are entitled to equal access to collective facilities and amenities (for example, canteens and childcare facilities) and access to information about job vacancies at the hirer's organisation. After 12 weeks in the same role with the same hirer, workers are additionally entitled to equal basic working and employment conditions. This includes pay and working hours, including rest breaks and annual leave. The government agreed with the Trades Union Congress (TUC) and Confederation of British Industry (CBI) on 20 May 2008 to set the qualifying period for agency workers to receive the same basic working and employment conditions at 12 weeks.

50. The government is of the view that fair treatment of agency workers should be a core principle underpinning the wider framework that governs the temporary

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labour market. Through the Employment Rights Act 2025, the government is increasing security for agency workers by ensuring that those who do work that is not genuinely temporary will be able to have a contract that reflects this fact. Hirers will have to comply with the terms of the Act, offering agency workers a guaranteed hours contract after a specified period (to be set through regulations). The government recognises that these obligations will add new complexity to the matrix of regulation which hirers need to consider when taking on agency workers.

51. In light of this, the government is interested in views on whether the terms of the Agency Workers Regulations 2010 remain relevant and fit for purpose, particularly in light of how they will interact with the measures contained in the Employment Rights Act 2025.

**Question 12a – In your view, should the government make changes to the length of the qualifying period (12 weeks) after which agency workers are entitled to equal basic working and employment conditions, including equal pay?**

- yes
- no
- don't know

**Question 12b – Please explain your answer.**

*[FREE TEXT]*

**Question 13a – In your view, should the government consider any other changes to the Agency Workers Regulations 2010 to reduce administrative burdens for businesses?**

- yes
- no
- don't know

**Question 13b – Please explain your answer.**

*[FREE TEXT]*

52. The government additionally views the following regulations as relevant to providing security for those operating in the temporary labour market. The government is seeking views on how these regulations operate in practice, and whether respondents have recommendations for how these could be streamlined or otherwise amended in order to support the market.

### Remaining regulations relating to security

- **Regulation 28: Confidentiality-** Makes exceptions for employment agencies and employment businesses to disclose information about a work-seeker without prior consent of the work-seeker, including for the purpose of legal proceedings.
- **Regulation 29: Records-** Requires all employment agencies and employment businesses to keep records which are sufficient to show the

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provisions of the Employment Agencies Act 1973 and the regulations are being complied with.

- **Regulation 30: Civil Liability-** If an employment agency or employment business does not comply with the provisions of the Employment Agencies Act 1973 or the regulations, they can be taken to court, such as by a work-seeker, a hirer, or another employment business or employment agency. Under the Employment Agencies Act 1973 breach of the regulations is also a criminal offence.
- **Regulation 31: Effect of prohibited or unenforceable terms and recoveries of monies-** Any contract which has terms that are unenforceable due to these regulations will still bind the parties to it, if it can continue without that term(s).

**Question 14a – Do you have any views on how the regulations listed above operate in practice, and whether there are any changes that the government should consider?**

- yes
- no
- don't know

**Question 14b – If yes, please explain your answer.**

*[FREE TEXT]*

### Final questions relating to Chapter 1: Security

**Question 15a – Do you have any views, not already captured, on how the regulations discussed in this chapter should be streamlined to reduce administrative burden for businesses?**

- yes
- no
- don't know

**Question 15b – If yes, please explain your answer.**

*[FREE TEXT]*

## Chapter 2: Transparency

53. Transparency is fundamental to a fair and effective temporary labour market. However, this has historically been a problem area for workers in the temporary labour market. This is particularly true when it comes to transparency of payment rates and terms, something which the growth of increasingly complex supply chains has exacerbated.
54. The government's 2021 [Agency Worker Survey Report](#) found that transparency issues remain widespread in the agency worker market. 14% of agency workers said it was not made clear who was paying them, and 15% did not receive payslips for their most recent assignment. Additionally, 15% of agency workers who experienced salary deductions (for example DBS checks, training, uniform costs, etc) had not been notified in advance, while nearly a third (32%) did not receive a written statement detailing key information about their assignment. These findings show clear issues of transparency around pay, deductions, and documentation within the temporary labour market.
55. The transparency challenges found in the government's 2021 [Agency Worker Survey Report](#) are particularly significant for those working through umbrella companies. The survey found that 22% of those paid by an umbrella company were not clear about who was paying them (as opposed to 9% of agency workers paid directly by their employment business), and that 23% of those paid by an umbrella company had not received a contract. The same survey found that payslip issues were more common for those being paid through an umbrella company, with 9% reporting issues accessing their payslip and 12% having difficulties understanding their payslip. This is compared to only 3% of workers reporting these issues when paid by an employment business.
56. Similarly, a [Contractor Calculator survey](#) found umbrella company workers were confused about pay. An assignment rate is an amount that will be advertised to work-seekers and is inclusive of an umbrella company's margin and employer deductions (such as employer National Insurance contributions, employer pension contributions and Apprenticeship Levy, if applicable). It does not generally represent the amount that the worker will receive. Only 49% of respondents reported that they understood the difference between an assignment rate and a Pay As You Earn (PAYE) rate. Only 40% of respondents understood whether their payslip was accurate.
57. Evidence also suggests that umbrella company workers are not being granted full employment rights, with 72% of respondents expressing this view in a 2022 [IPSE survey](#). 38% of survey respondents reported that they did not understand how holiday pay is calculated and administered, while 24% of respondents in the aforementioned survey conducted by Contractor Calculator had not been automatically enrolled into a pension.

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58. Transparency is essential not only for workers, but also for the businesses who operate in this market. It helps to establish and maintain a level playing field and minimises the risk of disputes between all parties. The government's view is that regulation should be targeted to those areas where lack of transparency causes the most harm, and should be simple to comply with so that those businesses who operate in the temporary labour market are able to focus on getting people into work, rather than on excessive paperwork.
59. The government's view is that the current regulations do not fully take into account the nature of the modern temporary labour market. This is a fast-paced industry, where businesses are looking for a reliable workforce that can be mobilised quickly, and workers are seeking to take up roles on demand. As the growth of umbrella companies in the market has demonstrated, increasingly complex supply chains mean that businesses who want to do the right thing and abide by the full terms of the regulations are undercut by those who prioritise acting quickly.
60. The government believes that the regulations that govern the agency work market should be underpinned by the following key transparency objectives:
- **clarity for workers:** agency workers should have key, relevant information about the hirer they are being assigned to, and the role they will be carrying out, before they accept the role. They should be kept informed of who their employer is, and what type of contract they are engaged under (and therefore what employment rights they are entitled to).
  - **pay transparency:** agency workers should have the opportunity to agree an actual (gross) rate of pay with the employment business before they accept an assignment, and should be informed of deductions that are likely to be made from their pay.
  - **proportionality:** requirements should provide clarity and transparency for workers, without creating unnecessary administrative burdens for businesses or overwhelming work-seekers with excessive information that is difficult to decipher.
61. This chapter will seek views on how the Conduct Regulations should be adapted to meet these transparency objectives. The government is particularly interested in views on how the framework can best achieve an effective balance between these objectives and the need to support a flexible and responsive business landscape.

### Overarching questions

**Question 16a – Do you agree that the key objectives listed should underpin the regulations: clarity for workers; pay transparency; proportionality?**

- yes

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- no
- don't know

**Question 16b – Please explain your answer.**

*[FREE TEXT]*

**Question 17a – In your view, do the current regulations meet these objectives?**

- yes
- no
- don't know

**Question 17b – How could the current regulations be adapted to better meet these objectives?**

*[FREE TEXT]*

### Questions on specific regulations

62. This set of questions seeks views on specific existing regulations which seek to provide transparency, in particular to work-seekers and workers.
63. Regulations 13 to 15 (inclusive) detail various requirements, for both employment businesses and employment agencies, which must be satisfied before work-finding services are provided. This includes the provision of a Key Information Document (regulation 13A). The government is publishing a post-implementation review relating to this regulation, which finds that in practice this regulation is not meeting its objective to provide clarity to work-seekers, particularly on pay. The effectiveness of the KID requirement is compromised by significant lack of compliance with this regulation, whereby KIDs are often not received by workers, or they may be issued late or be missing important details. Many workers find themselves in complex employment relationships and do not have the necessary information to make well-informed decisions regarding their employment. It is therefore important to reconsider the processes of information provision, both to streamline it for business and to increase compliance and ensure transparency for workers.
64. Regulations 18 and 21 outline information that an employment business or agency must get from the hirer, and what information must be passed on to the work-seeker, for example information regarding health and safety risks.
65. Regulation 27 places additional obligations on employment agencies and employment businesses when they advertise roles. This includes detail about the employment agency or business itself, as well as (where a rate of pay is specified) additional details about the nature of the work, the location and the minimum experience required. This regulation also requires employment agencies and employment businesses to have the authority of the hirer for each role advertised.

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66. Regulation 23 deals with situations where more than one employment agency or employment business is involved. Currently, the regulations require that employment agencies and employment businesses get the consent of the work-seeker if the employment agency and employment business wishes to sub-contract any of its obligations.
67. That means that once the new definition of “employment business” comes into force, any employment business wishing to sub-contract its obligations to an umbrella company will have to obtain prior consent of the work-seeker (or hirer, if relevant) in order to do so, as well as recording the terms upon which the obligations are sub-contracted in a single document and providing the worker (or hirer) a copy of this document.
68. Where an agency worker is either an employee or a worker (rather than self-employed), they will also be entitled to a written statement of employment particulars from their employer. In many cases, the employer for this purpose will be either the employment business or the umbrella company. A written statement includes many of the same details covered by regulations 13 to 16, for example around pay and notice periods, but is provided on or before the first day of employment (rather than before the work-seeker engages the services of an employment business or agency).
69. The government believes that this matrix of regulation around the information that must be given to or made available to the work-seeker creates unnecessary and burdensome complexity which risks overwhelming workers with difficult-to-decipher information. This can prevent compliant employment agencies and employment businesses from responding quickly to market demands. The government believes these requirements can be streamlined, to the benefit of all parties, and is seeking views on how this can best be achieved.
70. The government’s view is that the key information that a work-seeker should be provided with before work-finding services – or payment services, in the case of umbrella companies – are provided to them should cover:
- what type of contract the work-seeker will be engaged under (for example whether the work-seeker will be an ‘employee’ or ‘limb (b) worker<sup>1</sup>), and the implications of this for both employment rights (including holiday pay and statutory sick pay) and tax
  - whether the employment business or employment agency will be sub-contracting any of its obligations under the regulations and, if so, to whom

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<sup>1</sup> See section 230 of the Employment Rights Act 1996 for the definitions of employee and limb (b) worker

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- where the business will be paying the worker, what deductions will be made from that pay and how they will be calculated
- any chargeable services they may provide to (or arrange for) the work-seeker, including what the service is, how payment is calculated and on what terms the work-seeker can withdraw from these services

71. In addition, the government's view is that the key information that work-seekers should be provided with before agreeing to a specific assignment should cover:

- the identity of the hirer
- the nature of the work
- their gross rate of pay, and how any deductions will be calculated
- any health and safety risks involved, and how these will be mitigated

**Question 18a** – Do you agree that those listed above represent the key pieces of information required to ensure transparency for work-seekers regarding how they will be engaged, how they will be paid and what type of work they will be doing?

- yes
- no
- don't know

**Question 18b** – Please explain your answer.

[FREE TEXT]

**Question 19a** – Do you have any views on when or how this information should be provided to work-seekers?

- yes
- no
- don't know

**Question 19b** – If yes, please explain your answer.

[FREE TEXT]

**Question 20a** – Do you agree that where an umbrella company is offered to a worker as a means of providing payment, there should be an obligation on the umbrella company to provide a representative breakdown of how much they will charge for their services, and how deductions will be calculated?

- yes
- no
- don't know

**Question 20b** – Please explain your answer.

[FREE TEXT]

72. The government recognises that there is an issue with so-called 'kickbacks' in the industry, whereby an employment business receives a payment, or other inducement, from the umbrella company for inclusion on a 'Preferred Supplier

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List'. [Anecdotal evidence collected by Contractor UK](#) suggests that 'kickbacks' are a commonplace arrangement between employment businesses and the umbrella companies they engage and are often paid on a per worker or per timesheet basis.

73. The government believes that, in a free and fair market, businesses should be free to agree to such terms as they see fit when it comes to contractual arrangements. However, such 'kickbacks' are often difficult to understand, and can have detrimental impacts on workers' take-home pay. As highlighted in responses to the previous government's consultation on tackling non-compliance in the umbrella company market, unexplained deductions (often in the form of "employment costs", or "timesheet rebates") are sometimes deducted from a worker's pay and can be paid back to the employment business.
74. The government's view is that workers should not be forced to pay a premium to have their pay processed by an umbrella company (about which they often have no choice – see Chapter 3). It should not be permissible to pass the payment of such 'kickbacks' onto workers. The government is therefore proposing that the Conduct Regulations are amended to prevent umbrella companies from making deductions to a worker's pay that relate to payments made to the work-finding employment business.
75. An alternative option would be to create a restriction which mirrors regulation 10 (which sets out the limited circumstances in which employment businesses can charge end hirers). Such a restriction would be placed on employment businesses taking fees from umbrella companies.
76. The government's view is that, where possible, businesses should be free to agree to their own terms. However, we are interested in views on whether this option would successfully meet the objective to protect workers' pay.
77. The government's understanding is that, in a simple supply chain, the end client will pay the employment business for work done. The employment business will then pass it on to the umbrella company so the worker can be paid. There is no clear reason why employment businesses should be charging umbrella companies any fees, as the umbrella company provides the service.

**Question 21a – Do you agree that the government should regulate to restrict the use of 'kickbacks' in the umbrella company market?**

- yes
- no
- don't know

**Question 21b – Please explain your answer.**

[FREE TEXT]

**Question 22a – Which of the two options would be, in your view, most effective at restricting the use of 'kickbacks' in the umbrella company market?**

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- option 1 – regulating to prevent umbrella companies from passing on these charges to a worker
- option 2 – regulating to restrict employment businesses from charging fees to umbrella companies
- other
- don't know

**Question 22b – Please explain your answer.**

*[FREE TEXT]*

78. The government additionally views the following regulations as relevant to providing transparency to those operating in the temporary labour market. The government is however seeking views on how these regulations operate in practice, and whether respondents have recommendations for how these could be streamlined or otherwise amended to support the market.

### Remaining regulations relating to transparency

- **Regulation 27A: Advertising in EEA states-** Places a requirement on employment agencies and employment businesses if they are publishing advertisements in the European Economic Area, including advertising in Great Britain at the same time, requiring them to publish the advertisement in English in Great Britain at the same time, or for 28 days prior to this.
- **Regulation 33: Electronic and other communications-** Places obligations on employment agencies and employment businesses regarding how they must provide communications to a work-seeker (giving or receiving in person in paper form or sending by post or electronic means is permitted).

**Question 23a – Do you have any views on how the regulations listed above operate in practice, and whether there are any changes that the government should consider?**

- yes
- no
- don't know

**Question 23b – If yes, please explain your answer.**

*[FREE TEXT]*

### Final questions relating to Chapter 2: Transparency

**Question 24a – Do you have any views, not already captured, on how the regulations discussed in this chapter should be streamlined to reduce administrative burden for businesses?**

- yes
- no
- don't know

**Question 24b – If yes, please explain your answer.**

*[FREE TEXT]*

## Chapter 3: Choice

79. At the heart of a well-functioning labour market is choice. Not only is choice central to upholding dignity at work, but it also serves to foster healthy competition within the labour market. The government wants businesses to be able to compete fairly, and to be able to offer choice in service provision without the threat of being undercut.
80. Workers should also have a genuine choice about the work they do and be free to shop around for the offer that is best for them. Where payment through umbrella companies is on offer, workers should be able to choose whether this is how they want to be engaged.
81. By enshrining genuine choice within the temporary labour market, businesses that operate in this sector will be empowered to compete based on the quality of their service provision, rather than relying on opaque practices such as kickbacks and undisclosed financial incentives.
82. The government is aware that workers often do not have a choice in whether they work through an umbrella company and are often given few, if any, options of which umbrella company to work through. This was highlighted in the [2021-22 Call for Evidence on umbrella companies](#) which found that 95% of respondents who worked through an umbrella company did so because they had no choice, and 50% had no option on which umbrella company to work through. 70% of an [IPSE survey](#) respondents reported that they lost independence and control over their work when working through an umbrella company. The government believes that the regulations that govern the agency work market should be underpinned by the following key objectives on choice:
- **Choice in engagement:** agency workers should not be forced to be engaged and paid via an umbrella company.
  - **Choice in work:** agency workers should be free to turn down work without detriment.
83. This chapter will seek views on how the Conduct Regulations should be adapted to meet the choice objectives set out above. The government is again particularly interested in views on how the framework can best achieve an effective balance between these objectives and the need to support a flexible and responsive business landscape.

### Overarching questions

**Question 25a – Do you agree that the key objectives listed should underpin the regulations?**

- yes
- no
- don't know

**Question 25b – Please explain your answer.**

*[FREE TEXT]*

**Question 26a – In your view, do the current regulations meet these objectives?**

- yes
- no
- don't know

**Question 26b – How could the current regulations be adapted to better meet these objectives?**

*[FREE TEXT]*

### **Questions on specific regulations**

84. This set of questions seeks views on specific existing regulations which aim to provide choice, in particular for work-seekers and workers.

85. Under the Employment Agencies Act 1973, agencies and employment businesses are prohibited from charging work-seekers a fee for work finding services. They can, however, charge work-seekers for other services, for example CV writing.

86. Regulation 5 prohibits employment agencies and employment businesses from making their (non-chargeable) work-finding services conditional upon a work-seeker using any other goods or services they (or someone else “connected” to them) provide. The meaning of “connected” for these purposes is set out in regulation 3.

87. The government’s view is that this is a key protection for work-seekers and should be maintained. As noted above, the government appreciates that umbrella companies provide a service which many workers and work-seekers choose to use. However, some feel forced to do so.

#### **Examples from two individuals working through an umbrella company:**

“After a short period in alternative employment, I returned to my previous agency. I presumed I would be signed back up under the same terms and conditions as I had been working under previously. However, I was signed up to an umbrella company without my awareness of the terms, and I’m now having difficulty opting out.”

“I had planned on using an umbrella company I had previously worked with but was instead forced to use the company chosen by the client as their sole partner for consultancy and temporary workers.”

88. The government’s objective is to give workers greater choice over their working arrangements, including whether they choose to work through an umbrella company at all.

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89. The government therefore proposes that regulation 5 should be amended so that employment businesses cannot make work-finding services conditional upon workers working through an umbrella company. To facilitate this, the government also proposes amending regulation 3 to make clear that umbrella companies and the employment businesses they work with should be considered “connected” for the purpose of the Conduct Regulations.

90. The government is aware that some smaller employment businesses do not operate in-house payroll services and would have to look for alternative ways to provide this in instances where workers choose to not be engaged through an umbrella company, such as engaging a payroll bureau.

**Question 27a – Do you agree that the government should regulate to ensure that workers cannot be forced to work through, or be paid via, an umbrella company?**

- yes
- no
- don't know

**Question 27b – Please explain your answer.**

[FREE TEXT]

**Question 28a – Do you agree that the government proposal – regulating to restrict employment businesses from making work-finding services conditional upon workers using an umbrella company – is the most effective way of achieving this?**

- yes
- no
- don't know

**Question 28b – Please explain your answer.**

[FREE TEXT]

**Question 29a – Do you have any views on *when* a work-seeker should choose whether they would like to be engaged and paid through an umbrella company?**

- yes
- no
- don't know

**Question 29b – If yes, please explain your answer.**

[FREE TEXT]

91. Regulation 6 prohibits employment agencies or employment businesses from subjecting or threatening to subject a work-seeker to any detriment following the work-seeker terminating or giving notice to terminate a contract with the employment business or agency or taking up employment elsewhere. It also limits employment agencies or employment businesses from requiring a work-seeker to notify them of the identity of the work-seeker's future employer. The

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regulation does not apply where the relevant individual is employed by an employment business under a contract of service or apprenticeship.

92. The government is aware that individuals working through umbrella companies are generally classified by the umbrella company as employees for employment rights purposes, i.e. working under a contract of service. This would mean that a significant number of individuals working through umbrella companies would not be afforded the same protections as those engaged directly through an employment business.

93. The government therefore proposes that the protections against detriment under regulation 6 should extend to those who work under a contract of service or apprenticeship where that contract is with an umbrella company, to ensure that those working through umbrella companies are fully protected. The government is also interested in views on whether the exception to these protections more generally remains appropriate.

**Question 30a – Do you agree that the government should amend the exception for individuals working under a contract of service or apprenticeship to ensure those working through an umbrella company are protected against detriment?**

- yes
- no
- don't know

**Question 30b – Please explain your answer.**

*[FREE TEXT]*

**Question 31a – Do you have any views on whether the exception for individuals working under a contract of service or apprenticeship more generally remains appropriate? I.e., where the individual is working directly through an employment business.**

- yes
- no
- don't know

**Question 31b – If yes, please explain your answer.**

*[FREE TEXT]*

94. Regulation 32 allows work-seekers to opt out of the regulations where the work-seeker is a company, for example an individual working through their own personal service company (PSC). Currently, this regulation also allows umbrella companies to opt out of the Conduct Regulations on behalf of the individuals who work through them.

95. A [Contractor Calculator](#) survey found that 49% of respondents did not know whether they had opted out of the Conduct Regulations, with 14% saying they had been offered work conditional on them opting out. This suggests that workers are not able to enjoy free choice on the question of opting out of the Conduct

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Regulations, leading to reduced opportunities or a reduction in their rights at work.

96. The government is therefore proposing amending Regulation 32 to ensure that umbrella companies are no longer able to opt out of the Conduct Regulations on behalf of workers. Individuals working through umbrella companies must agree to the opt-out, but some umbrella company contracts are currently opt-out by default, and the implications are not always fully explained to the worker.

97. In order to do this, the government proposes that the opt-out should be limited to personal service companies (PSCs), and suggests a definition of a PSC that would cover the following key characteristics of a PSC for the purposes of the legislation:

A limited company:

- a) where the sole or main shareholder of which is also its director, who, instead of working directly for clients, or taking up employment with other businesses, operates through their own company; and
- b) where the individual referred to in paragraph (a) has control of the company.
- c) “control of the company” in paragraph (b) means that the individual:
  - i. is the beneficial owner of more than half of the ordinary share capital of the company, and
  - ii. has the legal power to direct, or cause the direction of, the general management of the company.

98. The government believes this would allow flexibility for workers who choose to operate through their own PSC, while increasing protection for workers who are engaged through umbrella companies, particularly where opt-out contracts may be used by default.

99. The government’s view is that, where regulation is well designed, proportionate, and effective, there should be little need for workers – however they are engaged – to opt out of the protections that are designed to protect both themselves and the businesses they work for. The government is therefore also seeking views on whether a more appropriate option would be to remove the ability to opt out entirely. This would mean that all those who find work through an employment agency or employment business – including those working through their own PSC, who likely would consider themselves self-employed – would be subject to the protections that the regulations offer.

**Question 32a – Do you agree that the government should regulate to prevent umbrella companies from opting out of the Conduct Regulations on behalf of workers?**

- yes
- no

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- don't know

**Question 32b** – Please explain your answer.

[FREE TEXT]

**Question 33a** – In your view, which of the two options would be most effective at ensuring that the opt-out is not abused by businesses who seek to engage workers?

- option 1 – restricting the opt-out to personal service companies only
- option 2 – removing the option to opt out entirely
- other
- don't know

**Question 33b** – Please explain your answer.

[FREE TEXT]

**Question 34a** – Do you think the definition above accurately captures how a personal service company operates?

- yes
- no
- don't know

**Question 34b** – Is there an alternative definition which better defines a personal service company?

- yes
- no
- don't know

**Question 34c** – Please explain your answer. For example, do you think there are any other characteristics of a PSC that the definition should cover?

[FREE TEXT]

### **Final questions relating to Chapter 3: Choice**

**Question 35a** - Do you have any views, not already captured, on how the regulations discussed in this chapter should be streamlined to reduce administrative burden for businesses?

- yes
- no
- don't know

**Question 35b** – If yes, please explain your answer.

[FREE TEXT]

**Question 36a** - For the purposes of drafting the regulations specific to umbrella companies, the government intends to use the payment limb of the definition of “employment business” in the Employment Rights Act 2025 (Clause 36, subsection 3B(b) “paying for, or receiving or forwarding payment for, the services of those persons, in consideration of directly or indirectly receiving a fee from those persons”) as a basis for applying obligations or any other provision specifically to umbrella companies. Do you see any issues with this approach?

- yes

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- no
- don't know

**Question 36b – Please explain your answer.**

*[FREE TEXT]*

## Chapter 4: Further opportunities for modernisation

100. This section provides an overview of the remaining regulations in the Conduct Regulations not covered in the previous chapters.
101. This includes regulations relating to Schedule 3 occupations, predominantly those in the performing arts, creative professions, and sports – for example, actors, musicians, models, artists, and professional sports persons. The Conduct Regulations apply to these occupations differently, based on the specific nature of these sectors. Historically, agencies serving these sectors have operated on a representation model, where the work-seeker is the client.
102. The government welcomes views on how these regulations might be streamlined or amended in order to support security, transparency and choice for workers and business while reducing administrative burden.

### Remaining regulations

- **Regulation 2: Interpretation** – Sets out who the regulations apply to, based on the definitions in the Employment Agencies Act 1973.
- **Regulation 4: Transitional and savings provisions** – Sets out what Schedule 1 of the regulations applies to.
- **Regulation 7: Restriction on providing work-seekers in industrial disputes** – Places restrictions on employment businesses providing work-seekers to undertake the duties of an individual who is taking part in a strike or other industrial action.
- **Regulation 16: Requirement to obtain agreement to terms with work-seekers and content of terms with work seekers: Agencies** – Requirement on an employment agency to agree terms with a work-seeker before providing work-finding services, where regulation 26 applies (and the agency is permitted to charge a fee).
- **Regulation 24: Situations where work-seekers are provided with travel or required to live away from home** – Requires employment agencies and employment businesses to ensure that work-seekers (except those that will be employees of the hirer) who must work away from home have suitable accommodation.

For such workers, the employment agency or employment business must arrange free travel for the work-seeker's journey to the place of work and either pay for the return journey or obtain an agreement for the hirer to pay for the return journey.

Further obligations are placed on employment agencies and employment businesses regarding lending work-seekers money for travel, including ensuring the work-seeker is not required to repay more than the value of the loan.

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- **Regulation 25: Client accounts** – Sets limits and obligations on employment agencies when creating a current/deposit account for a work-seeker seeking work in a Schedule 3 occupation.
- **Regulation 26: Circumstances in which fees may be charged to work-seekers** – Creates a limited set of scenarios where work-seekers can be charged fees for work-finding activities where this is in Schedule 3 occupations.
- **Regulation 34: Review** – Places obligations on the Secretary of State to review the regulations and publish a report. This should take place every five years.

**Question 37a** – Do you have views on how the regulations listed above should be amended to account for modern working practices and business models, including the use of umbrella companies?

- yes
- no
- don't know

**Question 37b** – If yes, please explain your answer.

*[FREE TEXT]*

**Question 38a** – Do you have any views on how the regulations listed above should be streamlined to reduce administrative burden for businesses?

- yes
- no
- don't know

**Question 38b** – If yes, please explain your answer.

*[FREE TEXT]*

## **Next steps**

103. The consultation will close on 1 May 2026. Following the closure of this consultation, we will analyse all responses and publish a government response in due course. More detail about the approach the government will take to improving regulation of the temporary labour market will be set out in this response. Depending on the responses received, the government expects to consult again on streamlining specific regulations to reduce administrative burdens.

# Summary of consultation questions

## Chapter 1: Security

**1a)** Do you agree that the key objectives listed should underpin the regulations: ensuring fair remuneration; ensuring a wide-ranging coverage of protection; providing assurance for business?

**1b)** Please explain your answer.

**2a)** In your view, do the current regulations meet these objectives?

**2b)** How could the current regulations be adapted to better meet these objectives?

**3a)** Do you have views on how the government can ensure that the distinction between the activities of employment agencies and employment businesses are clearly defined? For example, changes to regulation 8, or publishing specific guidance.

**3b)** If yes, please explain your answer.

**4a)** Do you think the government should relax restrictions on how and when employment businesses can charge end hirers?

**4b)** Please explain your answer.

**5a)** Do you agree that the principle that employment businesses cannot withhold, or threaten to withhold, payment for work done should be maintained?

**5b)** Please explain your answer.

**6a)** Do you agree that regulation 12 should place an obligation on umbrella companies to pay workers for all work done, including in situations where they have not received payment from an employment business?

**6b)** Please explain your answer.

**7a)** Is there additional information beyond requirements or authorisations required by law, and requirements or authorisations required by a relevant professional body or regulator, that should be obtained and provided to hirers under these regulations, rather than agreed to through contractual arrangements?

**7b)** Please explain your answer.

**8a)** Where an umbrella company is involved, should the umbrella company be obliged to pass on any information they are aware of, relating to the two areas outlined above, to the relevant employment business (or to the end hirer when there is no employment business in the supply chain)?

**8b)** Please explain your answer.

**9a)** Do you agree that additional obligations and safeguards should remain in place where the work-seeker will be required to work with vulnerable persons?

**9b)** Please explain your answer.

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**10a)** Do you have views on how the processes relating to information gathering and sharing should be streamlined in order to facilitate workers taking up positions quickly and to reduce the administrative costs involved?

**10b)** If yes, please explain your answer.

**11a)** In your view, are there any alternatives to these obligations which would give hirers and clients the necessary security and confidence?

**11b)** Please explain your answer.

**12a)** In your view, should the government make changes to the length of the qualifying period (12 weeks) after which agency workers are entitled to equal basic working and employment conditions, including equal pay?

**12b)** Please explain your answer.

**13a)** In your view, should the government consider any other changes to the Agency Workers Regulations 2010 to reduce administrative burdens for business?

**13b)** Please explain your answer.

**14a)** Do you have any views on how the regulations listed above operate in practice, and whether there are any changes that the government should consider?

**14b)** If yes, please explain your answer.

**15a)** Do you have any views, not already captured, on how the regulations discussed in this chapter should be streamlined to reduce administrative burden for businesses?

**15b)** If yes, please explain your answer.

## **Chapter 2: Transparency**

**16a)** Do you agree that the key objectives listed should underpin the regulations: clarity for workers; pay transparency; proportionality?

**16b)** Please explain your answer.

**17a)** In your view, do the current regulations meet these objectives?

**17b)** How could the current regulations be adapted to better meet these objectives?

**18a)** Do you agree that those listed above represent the key pieces of information required to ensure transparency for work-seekers regarding how they will be engaged, how they will be paid and what type of work they will be doing?

**18b)** Please explain your answer.

**19a)** Do you have any views on when or how this information should be provided to work-seekers?

**19b)** If yes, please explain your answer.

**20a)** Do you agree that where an umbrella company is offered to a worker as a means of providing payment, there should be an obligation on the umbrella company to provide a representative breakdown of how much they will charge for their services, and how deductions will be calculated?

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**20b)** Please explain your answer.

**21a)** Do you agree that the government should regulate to restrict the use of 'kickbacks' in the umbrella company market?

**21b)** Please explain your answer.

**22a)** Which of the two options would be, in your view, most effective at restricting the use of 'kickbacks' in the umbrella company market?

**22b)** Please explain your answer.

**23a)** Do you have any views on how the regulations listed above operate in practice, and whether there are any changes that the government should consider?

**23b)** If yes, please explain your answer.

**24a)** Do you have any views, not already captured, on how the regulations discussed in this chapter should be streamlined to reduce administrative burden for businesses?

**24b)** If yes, please explain your answer.

## Chapter 3: Choice

**25a)** Do you agree that the key objectives listed should underpin the regulations?

**25b)** Please explain your answer.

**26a)** In your view, do the current regulations meet these objectives?

**26b)** How could the current regulations be adapted to better meet these objectives?

**27a)** Do you agree that the government should regulate to ensure that workers cannot be forced to work through, or be paid via, an umbrella company?

**27b)** Please explain your answer.

**28a)** Do you agree that the government proposal – regulating to restrict employment businesses from making work-finding services conditional upon workers using an umbrella company – is the most effective way of achieving this?

**28b)** Please explain your answer.

**29a)** Do you have any views on when a work-seeker should choose whether they would like to be engaged and paid through an umbrella company?

**29b)** If yes, please explain your answer.

**30a)** Do you agree that the government should amend the exception for individuals working under a contract of service or apprenticeship to ensure those working through an umbrella company are protected against detriment?

**30b)** Please explain your answer.

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**31a)** Do you have any views on whether the exception for individuals working under a contract of service or apprenticeship more generally remains appropriate? I.e., where the individual is working directly through an employment business.

**31b)** If yes, please explain your answer.

**32a)** Do you agree that the government should regulate to prevent umbrella companies from opting out of the Conduct Regulations on behalf of workers?

**32b)** Please explain your answer.

**33a)** In your view, which of the two options would be most effective at ensuring that the opt-out is not abused by businesses who seek to engage workers?

**33b)** Please explain your answer.

**34a)** Do you think the definition above accurately captures how a personal service company operates?

**34b)** Is there an alternative definition which better defines a personal service company?

**34c)** Please explain your answer. For example, do you think there are any other characteristics of a PSC that the definition should cover?

**35a)** Do you have any views, not already captured, on how the regulations discussed in this chapter should be streamlined to reduce administrative burden for businesses?

**35b)** If yes, please explain your answer.

## Chapter 4: Further opportunities for modernisation

**36a)** For the purposes of drafting the regulations specific to umbrella companies, the government intends to use the payment limb of the definition of “employment business” in the Employment Rights Act 2025 (Clause 36, sub-section 3B(b) “paying for, or receiving or forwarding payment for, the services of those persons, in consideration of directly or indirectly receiving a fee from those persons”) as a basis for applying obligations or any other provision specifically to umbrella companies. Do you see any issues with this approach?

**36b)** Please explain your answer.

**37a)** Do you have views on how the regulations listed above should be amended to account for modern working practices and business models, including the use of umbrella companies?

**37b)** If yes, please explain your answer.

**38a)** Do you have any views on how the regulations listed above should be streamlined to reduce administrative burden for businesses?

**38b)** If yes, please explain your answer.

# Annex A: The Conduct of Employment Agencies and Employment Businesses Regulations 2003

## **General and Interpretation**

Regulation 1 – Citation and commencement

Regulation 2 – Interpretation

Regulation 3 – The meaning of “connected”

Regulation 4 – Transitional and saving provisions and revocation

## **General obligations**

Regulation 5 – Restriction on work-seekers to use additional services

Regulation 6 – Restriction on detrimental action relating to work-seekers working elsewhere

Regulation 7 – Restriction on providing work-seekers in industrial disputes

Regulation 8 – Restriction on work-seekers’ remuneration

Regulation 10 – Restriction on charges to hirers

Regulation 12 – Prohibition on employment businesses withholding payment to work-seekers on certain grounds

## **Requirements to be satisfied before work-finding services are provided**

Regulation 13 – Notification of charges and terms of offers

Regulation 13A – Key information document

Regulation 14 – Requirement to obtain agreement to terms with work-seekers: employment businesses

Regulation 15 – Content of terms with work-seekers: employment businesses

Regulation 16 – Requirement to obtain agreement to terms with work-seekers and content of terms with work-seekers: Agencies

## **Requirements to be satisfied in relation to the introduction or supply of a work-seeker to a hirer**

Regulation 18 – Information to be obtained from a hirer

Regulation 19 – Confirmation to be obtained about a work-seeker

Regulation 20 – Steps to be taken for the protection of the work-seeker and the hirer

Regulation 21 – Provision of information to work-seekers and hirers

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Regulation 22 – Additional requirements where professional qualification or authorisation are required where work-seekers are to work with vulnerable persons

### **Special situations**

Regulation 23 – Situations where more than one agency or employment business is involved

Regulation 24 – Situations where work-seekers are provided with travel or required to live away from home

### **Client accounts and charges to work-seekers**

Regulation 25 – Client accounts

Regulation 26 – Circumstances in which fees may be charged to work-seekers

### **Miscellaneous**

Regulation 27 – Advertisements

Regulation 27A – Advertising in EEA states

Regulation 28 – Confidentiality

Regulation 29 – Records

Regulation 30 – Civil liability

Regulation 31 – Effect of prohibited or unenforceable terms and recoverability of monies

Regulation 32 – Application of the regulations to work-seekers which are incorporated

Regulation 33 – Electronic and other communications

Regulation 34 – Review

## Annex B: Analytical Annex

This analytical annex lays out the evidence underpinning the need to bring umbrella companies within the scope of the conduct regulations, as well as modernise the framework. It begins with a background to the relevant markets, before turning to a discussion of the potential impacts of the options presented above.

### Umbrella and Agency Worker Market Overview

#### Temporary labour market

1. The temporary labour market in the UK plays a significant role in the UK economy, enhancing both flexibility and the management of short-term needs. The temporary/contract sector of the labour market contributed around [£34 billion to the UK economy in 2023](#). In Quarter 2 of 2025/2026, [there were 1.6 million temporary workers](#), making up an estimated 5.5% of total employment. These roles are vital sources of income for those who cannot find a permanent role and provide flexibility for workers. For employers, the utilisation of temporary work strengthens the ability to manage short-term needs and uncertainty.
2. Employment agencies seek to facilitate temporary workers in finding employment. Data from the Labour Force Survey found that, in March 2025, there were around 900,000 agency workers in the UK. Similarly, a [Recruitment & Employment Confederation report](#) estimated that there were approximately one million temporary agency workers in the UK in the 2023/2024 financial year.
3. DBT analysis of Labour Force Survey data shows that in Quarter 1 2025 the human health and social care (17%), and education (15%) sectors employed the largest shares of agency workers. Agency work is disproportionately concentrated in London, where 24% of agency workers are based, compared to 14% amongst non-agency workers. Individuals aged 35-49 make up the largest share of the agency workforce (32%), although this is slightly lower than the equivalent proportion among non-agency workers (34%). While individuals from the 'white' ethnic group make up the largest share of agency workers, they account for 64% of agency workers compared to 83% of non-agency workers. The next largest group is those identifying as 'Black/African/Caribbean/Black British' who represent 16% of agency workers, higher than their representation among non-agency workers (5%). The sex distribution within the agency workforce closely mirrors that of the broader labour market, with males comprising 52% of agency workers and 51% of non-agency workers.

#### The umbrella company market

4. Umbrella companies are payment intermediaries that employ individuals on behalf of employment businesses that do not want to (or are unable to) run their payroll. [HMRC guidance](#) notes that they often used by employment businesses to pay temporary workers. Reports from external commentators [including the](#)

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[FCSA's response to the previous government's Umbrella Company Market Call for Evidence](#) estimate that there were at least 500 umbrella companies operating in the UK in 2022.

5. The umbrella company market in the UK has seen significant growth over the past decade. [HMRC analysis](#) indicates that umbrella companies were used to engage at least 700,000 workers in 2022–2023, up from [HMT estimates](#) of 100,000 in 2008. This growth has been attributed to reforms to the IR35 legislation in 2017 and 2021, which shifted tax liability to employers and made umbrella companies a more attractive option for managing temporary workers.
6. Broadly speaking, there are 2 ways in which an umbrella company can operate. An employer can directly engage an individual and use an umbrella company to pay them, or an umbrella company can sit between an employment business (recruitment or temporary agency) and an agency worker. In both cases, umbrella company employees do not in practice perform work for the umbrella company but rather for the end hirer. It is challenging to disaggregate these two populations.
7. [Research conducted by HMG](#) in 2021 found that umbrella companies were responsible for paying 15% of agency workers. However, the [Low Incomes Tax Reform Group](#) suggests that 50% of agency workers used umbrella companies in 2021. As noted above, Labour Force Survey data shows that, as of March 2025, there are around 900,000 agency workers in the UK. Applying these percentages, there are between 135,000 and 450,000 agency workers working through umbrella companies.
8. Workers may be engaged directly or via agencies, and the supply chains often involve multiple intermediaries such as vendors, agencies, and umbrella companies.
9. [HMRC estimates](#) that there are 700,000 umbrella company workers. Applying this to the Low Incomes Tax Reform Group's finding that 50% of agency workers use umbrella companies, and assuming there are 900,000 agency workers (as the Labour Force Survey shows), there could be around 450,000 UC workers who use agencies. Estimates similarly vary for the number of umbrella company workers who are not also engaged by an agency. The [TUC claims](#) that 325,000 "freelancers" use umbrella companies. However, this may be an overestimate since many of those who use an umbrella company and consider themselves "freelance" and use an umbrella company may go through an agency at some point in the chain.
10. government understands that umbrella companies operate across all sectors and regions in the UK, and that varying professions utilise umbrella companies. [IPSE research](#) of freelancers working in the top three highly skilled Standard

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Occupational Categories finds that in 2025, 28% of highly skilled contractors operate via an umbrella company.

11. Demographic estimates of those who use umbrella companies vary. Historically, it has been noted that agency workers tend to be younger than the overall working population. In 2014 the [TUC claimed](#) that those aged under 30 accounted for 37% of all agency workers. However, more recent statistics from the Labour Force Survey suggest that the ages of agency workers are not significantly different from that of the general working population. Across most demographic characteristics we have very little information on the profiles of workers who use umbrella companies. We will develop our evidence base in this area as policy develops.
12. HMG's [2021 Agency Worker Survey Report](#) found that those who had on-going relationships or contracts with multiple agencies were more likely than average to be paid by an umbrella company (21% among those contracted to two or more agencies, compared with 9% of those contracted to just one agency).

## Economic case for intervention

13. The government is responding to issues with the umbrella company market and the need to reform the temporary worker market through this consultation. The case for intervention has been made throughout the body of the consultation. This annex provides further detail on the surveys used as evidence sources in the main body of the consultation.

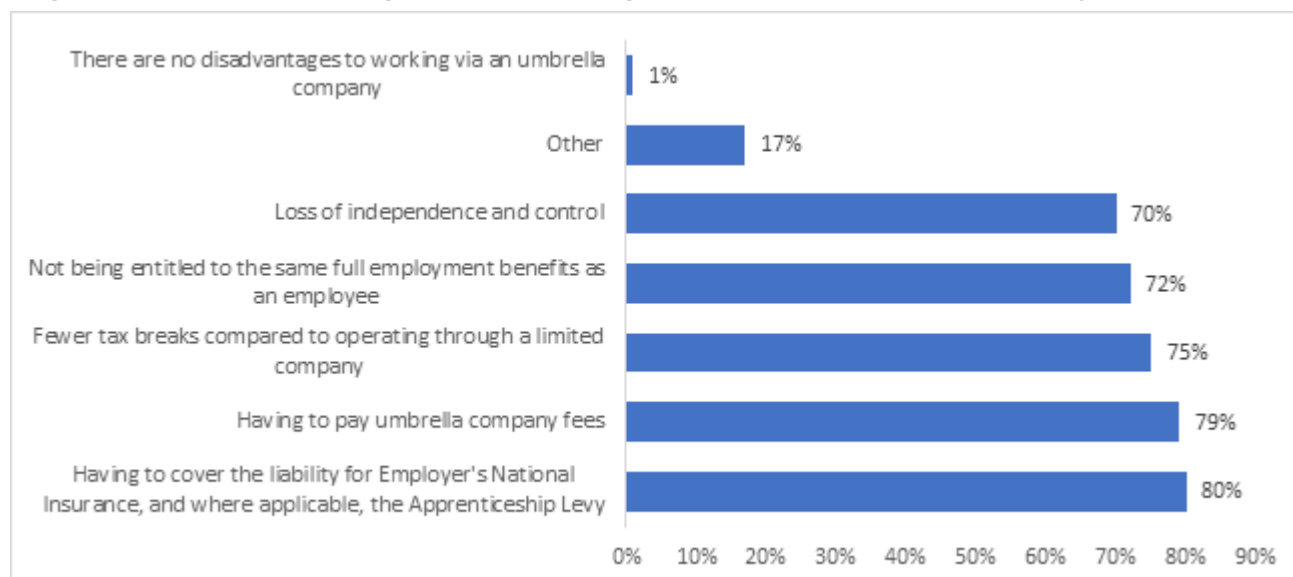
### Agency Worker Survey Report, 2021

14. The previous government's [2021 Agency Worker Survey](#) survey received 547 responses from agency workers from an online panel.
15. The survey found clear issues of transparency within the temporary labour market surrounding pay, documentation, and unclear deductions.
16. The survey also found significant variations between umbrella company workers and agency workers in their understanding of how they are paid.
17. Payslip issues were more common for those being paid through an umbrella company, with 9% reporting issues accessing and 12% having difficulties understanding their payslip. This is compared to only 3% of workers reporting these issues when paid through an employment business.
18. 22% of those paid by an umbrella company were unclear about who was paying them (as opposed to 9% of agency workers), and 23% of those paid by an umbrella company had not received a contract.

## **IPSE Survey, 2022**

19. This [IPSE survey](#) was conducted online between Monday 17 January and 8 February 2022 and received responses from 584 either current or previous umbrella company workers working across the top three highly skilled Standard Occupational Categories.
20. Figure 1 shows that 72% of respondents stated that a key disadvantage to working through an umbrella company was not being entitled to the same full employment benefits as an employee. It also shows that 80% of respondents had to cover Employer's National Insurance and Apprenticeship Levy through reduced day rates.
21. There is also evidence of confusion when accessing statutory employment rights, with 38% of umbrella company workers stating they did not understand how holiday pay was calculated and administered. 35% of respondents stated they were dissatisfied with the holiday pay of their umbrella company.
22. IPSE reported that 69% of self-employed workers were forced to use an umbrella company due to IR35 changes and 70% of IPSE respondents reported losing independence and control over their work. As shown in Figure 2, only 8% of respondents reported that they made the decision to operate through an umbrella company.

**Figure 1: Disadvantages of working via an umbrella company**



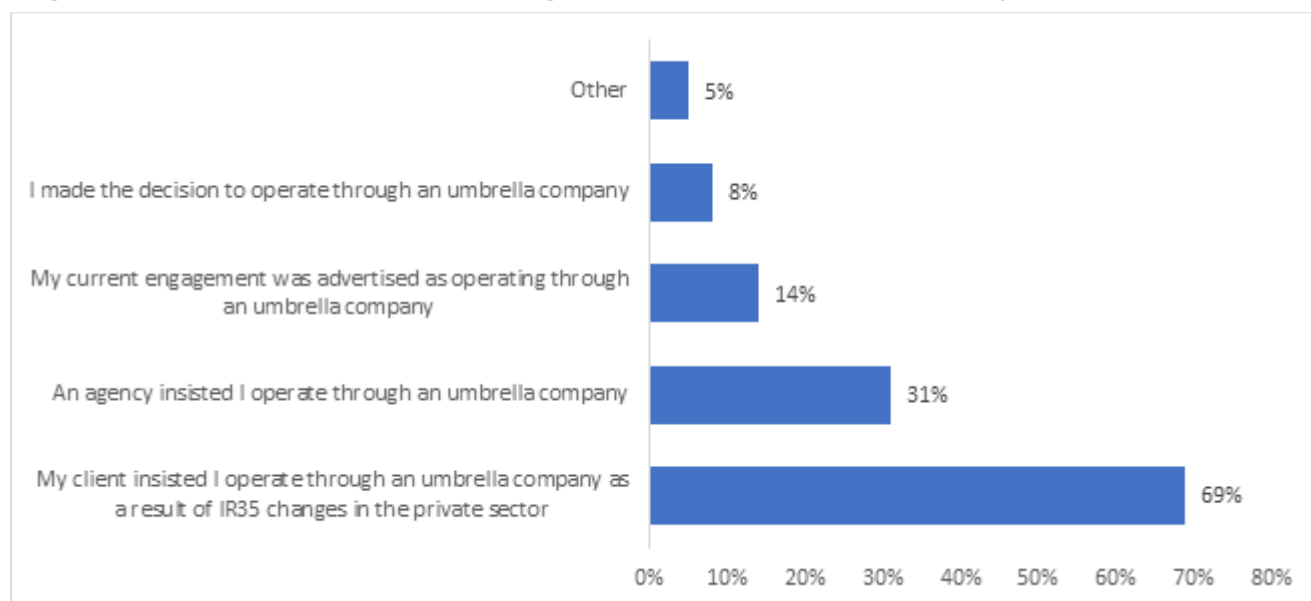
Source: IPSE, 2022, Umbrella Company Market and Concerns

### **Text description of Figure 1**

This horizontal bar chart shows the perceived disadvantages of working via an umbrella company. Only 1% of respondents to the IPSE 2022 survey said that there were no disadvantages to working via an umbrella company.

The most cited disadvantage is having to cover the liability for Employer's National Insurance, and where applicable, the Apprenticeship Levy (80%), followed by paying umbrella company fees (79%), fewer tax breaks (75%), lack of full employment benefits (72%), and loss of independence and control (70%).

### **Figure 2: Choice when working via an umbrella company**

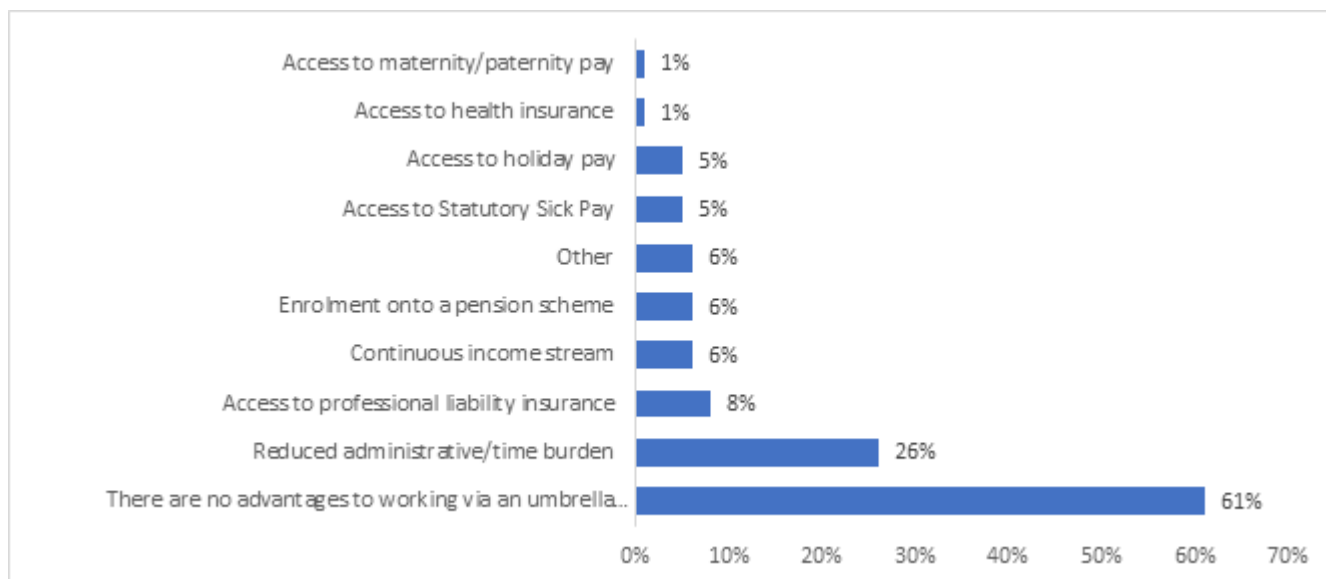


Source: IPSE, 2022, Umbrella Company Market and Concerns

### **Text description of Figure 2**

Horizontal bar chart illustrating reasons individuals operate through umbrella companies. The leading reason is client insistence due to IR35 changes in the private sector (69%), followed by agency insistence (31%). Other reasons include job advertisements specifying umbrella company use (14%), personal choice (8%), and other reasons (5%).

**Figure 3: Advantages when working via an umbrella company**



Source: IPSE, 2022, Umbrella Company Market and Concerns

### **Text description of Figure 3**

Horizontal bar chart showing perceived advantages of working via an umbrella company. A majority (61%) report no advantages. Other responses of the advantages include reduced administrative burden (26%), access to professional liability insurance (8%), continuous income stream (6%), pension enrolment (6%), and other minor benefits such as statutory sick pay (5%), holiday pay (5%), health insurance (1%), and maternity/paternity pay (1%).

### **Contractor Calculator Survey, 2023**

23. [Contractor Calculator](#) ran an online survey between 10 and 19 September 2023 and received 611 responses who self-selected onto the survey. Almost all of these respondents (601) said they had been a freelancer, 89% of respondents worked via agencies, and 76% of respondents said they have used an umbrella company.
24. The survey found evidence of confusion with regards to pay. Only 40% of respondents could determine if their payslip was accurate and only 49% understood the difference between an assignment and PAYE rate. Only 45% of workers received the legally required (for agency workers) key information document. Only 54% of umbrella company workers reported that they understood accrued versus rollover holiday pay structures.
25. The survey also suggests that a significant proportion of umbrella company workers are not being automatically enrolled into a pension, with 24% reporting that they had not been automatically enrolled into a pension.

26. The survey found that working through an umbrella company is often not by choice. 80% of contractors were forced into umbrella company contracts for roles which would have been considered inside IR35 (off-payroll working rules) if they had worked through a PSC.

### **HMG Umbrella Company Market Call for Evidence, 2023**

27. The [previous government's Umbrella Company Market Call for Evidence](#) ran from November 2021 to February 2022. 400 responses were received, a significant proportion of which came from workers, and officials hosted several roundtable events with stakeholders.

28. It found that 95% of respondents said they worked through an umbrella company because they had no option, and 50% had no choice on which umbrella company to work through.

29. Only 154 of the workers who responded answered the question asking whether they received a key information document when they signed up with an umbrella company. 50% of those respondents stated they received one, and 43% stated they didn't receive one, and the remainder responded 'don't know'.

## **Quantifiable impacts**

### **Bringing umbrella companies into the scope of the conduct regulations**

30. Under the Better Regulation Framework, departments are advised to provide a proportionate assessment of the impacts of regulatory provisions, even if they are deemed to be below the £10 million per annum threshold for a full options assessment. Therefore, this section gives further information to evidence the below £10 million assessment, and further unquantifiable impacts. It should be emphasised that given the degree of policy development, the only aspect we have quantified at this stage is the impact of bringing umbrella companies within the scope of the Conduct Regulations. Additionally, as the precise shape of the policy has not yet been determined, this analysis should not be interpreted as reflecting the final policy design.

31. Regulating umbrella companies would impose administrative costs on businesses. There will be an initial one-off cost of £16.6 million in the first year. This represents the initial time that it will take businesses to familiarise themselves with the legalisation, and implement systems required to comply with them. In subsequent years, we expect there to be ongoing costs of £0.6 million. Using standard appraisal techniques to average the cost over a 10-year period, we estimate that the equivalised annual net direct costs to business at £2.5 million – below the threshold for a full options assessment.

## **Year 1 Costs**

32. Year 1 costs are modelled on the time it takes for an umbrella company to familiarise themselves with the new regulatory framework along with implementation costs, EAS inspection costs and audit costs. Familiarisation costs are based on the median hourly rate of a HR director plus non-wage labour costs, according to ASHE. Implementation costs for umbrella companies are split into the costs of updating systems and processes to adhere to the new regulations, along with potential arrears liability, as umbrella companies may also be liable for unpaid wages if employment businesses fail to pass on payments from end hirers.
33. For employment businesses, the year 1 costs are modelled based on the time it takes for an appropriate HR professional to familiarise themselves with the regulations.

## **Ongoing Annual Costs**

34. Ongoing annual costs are estimated to decrease over 10 years due to market stabilisation and employment businesses performing fewer checks, on the basis of reduced churn in umbrella company relationships. Arrears liability remains constant with year 1 throughout this period as we assume continued enforcement and similar levels of arrears recovery. The same applies to inspection and audit costs as we assume similar levels of regulatory activity across the appraisal period.

## **Streamlining the conduct regulations**

35. Previous impact assessments have identified that streamlining these regulations could produce sizable direct savings for businesses and workers. A [2010 impact assessment](#) found that streamlining the Conduct Regulations could produce societal benefits of up to £2mn per year.

## **Other impacts**

36. There are several impacts of regulating umbrella companies and streamlining the current conduct regulations that we cannot quantify. We address these non-quantifiable effects qualitatively.

## **Employment businesses**

37. Regulation of umbrella companies may make it more challenging for non-compliant umbrella companies to operate. Employment businesses would benefit from being able to compete on a level playing field, rather than being undercut by non-compliant umbrella companies.
38. Regulation should create a fairer and more secure working environment for workers, due to improvements to transparency and enforcement, along with potential improved access to employment rights. There is strong evidence from [Dix et al. \(2023\)](#) that links the inability to fully exert rights with a range of negative

phenomena such as anxiety and stress. As such, improving workers' access to rights could improve the wellbeing of umbrella company and temporary agency workers, while also reducing national healthcare strains. There is also evidence to suggest that these improvements can have pro-business effects through increased productivity. For example, [Bosworth and Warhurst \(2020\)](#) show that productivity is 8% higher among workers most satisfied with their pay compared to those who are least satisfied with their pay. Similarly, [Bryson et al. \(2017\)](#) and [Neve et al. \(2019\)](#) also find a positive association between employee job satisfaction and productivity. [Böckerman and Ilmakunnas \(2012\)](#) go further and identify a causal relationship between job satisfaction and improvements in productivity. They show that a one standard deviation increase in job satisfaction can increase productivity by 6.6%.

39. However, employment businesses may face increased responsibility and associated costs of having to offer the choice to engage the worker directly, without an umbrella company involved. These employment businesses now need to offer an alternative payment approach to umbrella companies and will be more directly responsible for paying statutory sick pay.
40. We anticipate that larger businesses will be better placed to comply with the regulations as well as be more able to absorb the activities done by umbrella companies into their own businesses. Over the course of policy development, we will consider ways of reducing burdens on small and micro businesses, through methods such as early engagement, with ample time and clear communication ahead of commencement and guidance.
41. By reducing business burdens, streamlining the Conduct Regulations could lead to a variety of wider benefits. For example, it should help improve the operational efficiency of businesses, and businesses may choose to invest the associated savings. Alongside enhancing productivity, this could improve the quality of goods and services for consumers.

### **Work-seekers: agency workers and “freelancers”**

42. For workers, regulating umbrella companies will entitle them to increased protections under the Conduct Regulations, affording them similar rights to other agency workers.
43. Improving existing regulation will help prevent the cost of “kickbacks” (payments from umbrella companies to employment agencies) being passed onto the worker through reductions in their take home pay. [Anecdotal evidence](#) suggests that kickbacks range between £5 and, at the extreme, £12-£15 per timesheet.
44. Access to these protections will lead to greater transparency and reduced coercion into umbrella arrangements. Workers will be aware of their contract terms and able to choose whether an umbrella company is right for them, enabling greater job satisfaction. Regulation will also make it easier for workers to

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know who is responsible for their employment rights, whether those are as an employee or limb (b) worker, and better able to enforce these rights. Access and understanding of employment rights reduce the insecurity of work and links to improved wellbeing and health.

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## **Privacy Notice**

We will only process your personal data for purposes which are compatible with those specified in this privacy notice below.

The lawful basis we are relying on to process your personal data is article 6(1)(e) of the UK General Data Protection Regulation (**UK GDPR**), which allows us to process personal data when this is necessary for the performance of our public tasks in the exercise of our official authority. Where special category data is provided and therefore processed, we rely on Article 9(2)(g) UK GDPR, which allows us to process special category data where there is substantial public interest.

## **NOT GOVERNMENT POLICY – SUBJECT TO CONSULTATION**

If your personal data is used for research purposes, we will apply suitable safeguards, such as anonymisation, pseudonymisation, and data minimisation, to ensure that your data is processed only when necessary, and always in a lawful and secure manner.

Compatible research purposes may include analysis to further DBT policy development, or to analyse public consultation responses or similar requests for information from the public.

We are trialling Artificial Intelligence (AI) solutions to support the delivery of our functions. In accordance with data protection law and ICO guidance, we will not use AI alone to make decisions about you, or to inform decisions about you, unless this has been made expressly clear to you in advance. Any use of AI will be subject to appropriate human oversight.

We will apply effective data minimisation techniques to all uses of your personal data, ensuring that only the minimum necessary information is processed.

Your responses, including any personal data, may be shared with:

- (i) a third-party provider,
- (ii) another government department, or
- (iii) an organisation acting on behalf of the Department for Business and Trade under contract or an equivalent agreement that safeguards your personal information in line with DBT requirements.

These parties may use technology, including artificial intelligence, for the purpose of analysing and summarising responses, but only in accordance with DBT's agreed terms and applicable data protection law.

We will not:

- sell or rent your data to third parties
- share your data with third parties for marketing purposes

We may publish a list or summary of responses in an anonymised form, including in any subsequent review reports. "Anonymised" means that all information which could identify you has been removed, so that individuals cannot be identified from the published data. We may also share your personal data where required to by law.

You can leave out personal information from your response entirely if you would prefer to do so.

Wherever possible please avoid including any additional personal data in free-text responses beyond that which has been requested or which you consider necessary for DBT to be aware of.

## NOT GOVERNMENT POLICY – SUBJECT TO CONSULTATION

We will only retain your personal data for as long as:

- it is needed for the purposes of the consultation;
- it is needed to archive in the public interest, or scientific, historical, or statistical research, in accordance with Article 89 UK GDPR and the Data Protection Act 2018 (DPA);
- the law requires us to.

This generally means that we will hold your personal data for at least one year.

### Your Rights Under Data Protection Law

Under the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA), when your personal data is processed on the basis that it is necessary for the performance of a task carried out in the public interest or in the exercise of official authority (Article 6(1)(e)), and, where relevant, for reasons of substantial public interest (Article 9(2)(g)), you are entitled to exercise the following rights:

- **Right of Access:** You can request copies of the personal data we hold about you.
- **Right to Rectification:** You can ask us to correct any personal data you believe is inaccurate or incomplete.
- **Right to Restriction:** You can request that we restrict the processing of your personal data in certain circumstances (for example, if you contest its accuracy or object to its processing).
- **Right to Object:** You can object to the processing of your personal data where it is processed on the basis of public task, in certain circumstances.
- **Right to Data Portability:** In some cases, you may request that your personal data is provided to you or another organisation in a structured, commonly used and machine-readable format.
- **Right to Erasure:** You can request that we erase your personal data in certain circumstances (for example, if it is no longer necessary for the purposes for which it was collected).
- **Right not to be subject to automated decision-making:** You have the right not to be subject to a decision based solely on automated processing, including profiling, which produces legal or similarly significant effects.

Please note that these rights are subject to certain conditions and exemptions under data protection law. If you wish to exercise any of these rights, or would like more information, please contact the Data Protection Officer at [data.protection@businessandtrade.gov.uk](mailto:data.protection@businessandtrade.gov.uk).

You can also submit a complaint to the Information Commissioner's Office (ICO) at:

Information Commissioner's Office Wycliffe House:  
Water Lane, Wilmslow, Cheshire, SK9 5AF  
W: <https://ico.org.uk/> Tel: 0303 123 1113

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This document is also available on our website at [gov.uk/dbt](http://gov.uk/dbt).

Any enquiries regarding this publication should be sent to us at [enquiries@businessandtrade.gov.uk](mailto:enquiries@businessandtrade.gov.uk).