Labour market – a flurry of activity!

Personal tax | Employment Tax



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LITRG has been busy inputting to various government initiatives to support workers and responding to some recent consultations on Making Work Pay and Labour Market Enforcement. Here we round up some of our recent labour market related work.

Zero hours contracts for agency workers

The government published a consultation in October (tinyurl.com/33y5waw9), on the application of the zero hours contracts measures to agency workers. Views were invited on proposals to introduce a right to guaranteed hours with a contract that reflects the number of hours regularly worked, and a right to reasonable notice of shifts with payment for shifts cancelled or curtailed at short notice.

LITRG wrote to the policy team explaining that the proposals seem based on an arguably oversimplified view of the existing labour market and/or do not fully take into account a range of other issues. We offered a meeting to share our knowledge of the labour market, the dynamics and incentives at play and, in particular, the

potential tax consequences of the proposals, which could greatly impact the success of the policy.

Changes to Statutory Sick Pay

The government also intends to remove the lower earnings limit for the purposes of Statutory Sick Pay (SSP) to ensure that all employees have access to SSP and to remove the waiting period, making it available from the first day of absence. The government has launched a consultation (tinyurl.com/msysyukf) on the percentage replacement rate for those earning below the current rate of SSP. While we offered no views on the replacement rate, we wrote to the policy team to flag our previous work in this area and to reiterate the importance of ensuring the SSP system is balanced, sustainable and addresses the needs of all workers.

Labour Market Enforcement: Fair Work Agency

A call for evidence (tinyurl.com/mw9kxws3) was published by the Director of Labour Market Enforcement on new proposals for a Fair Work Agency (FWA).

In a letter to the Director Margaret Beels, we put forward our view that state enforcement of employment status should feature as a specific responsibility of the new FWA. We explained that false self-employment is already an insidious issue within our labour market and looks set to get worse, given it is a device that can help engagers displace increasing costs and obligations, such as those arising from the Budget announcements and Employment Rights Bill. We said that unless the issue of false self-employment is tackled, there is a real risk that the planned upgrade to workers' rights will not materialise for some. We set out a few thoughts around the practicalities of expanding the FWA remit in this way and suggest that a full consultation should be launched to gather views and insights, in order that the most effective and workable function possible can be designed.

Umbrella companies

HMRC have recently released a new online tool (tinyurl.com/2ahdh4xx) that can help umbrella company workers understand whether their pay and deductions are being handled properly and new Spotlight guidance (tinyurl.com/3u6vyt7w) warning about the managed service company tax rules. These rules can affect agency or umbrella company workers who work through a limited company, where the company has

been set up and is run for them. LITRG was pleased to have had significant input into these products.

More widely, LITRG has been considering the impact of the Budget announcement that from April 2026, there will be a change in who has responsibility to account for PAYE where an umbrella company is used in a labour supply chain to engage a worker. This will move the responsibility to account for PAYE from the umbrella company that employs the worker to the recruitment agency that supplies the worker to the end client. Where there is no agency in a labour supply chain, this responsibility will sit with the end client. LITRG will be working closely with HMRC to help ensure that everybody concerned, but particularly workers, are ready for the new rules taking effect in April 2026.

LITRG's letter to the Director of Labour Market Enforcement can be found here: www.litrg.org.uk/10993

LITRG's articles explaining the two new HMRC initiatives can be found here: tinyurl.com/5yjawmvf and tinyurl.com/ypvamt4u

LITRG's press release on the Budget 2024 umbrella announcement can be found here: tinyurl.com/2ddkaumk

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