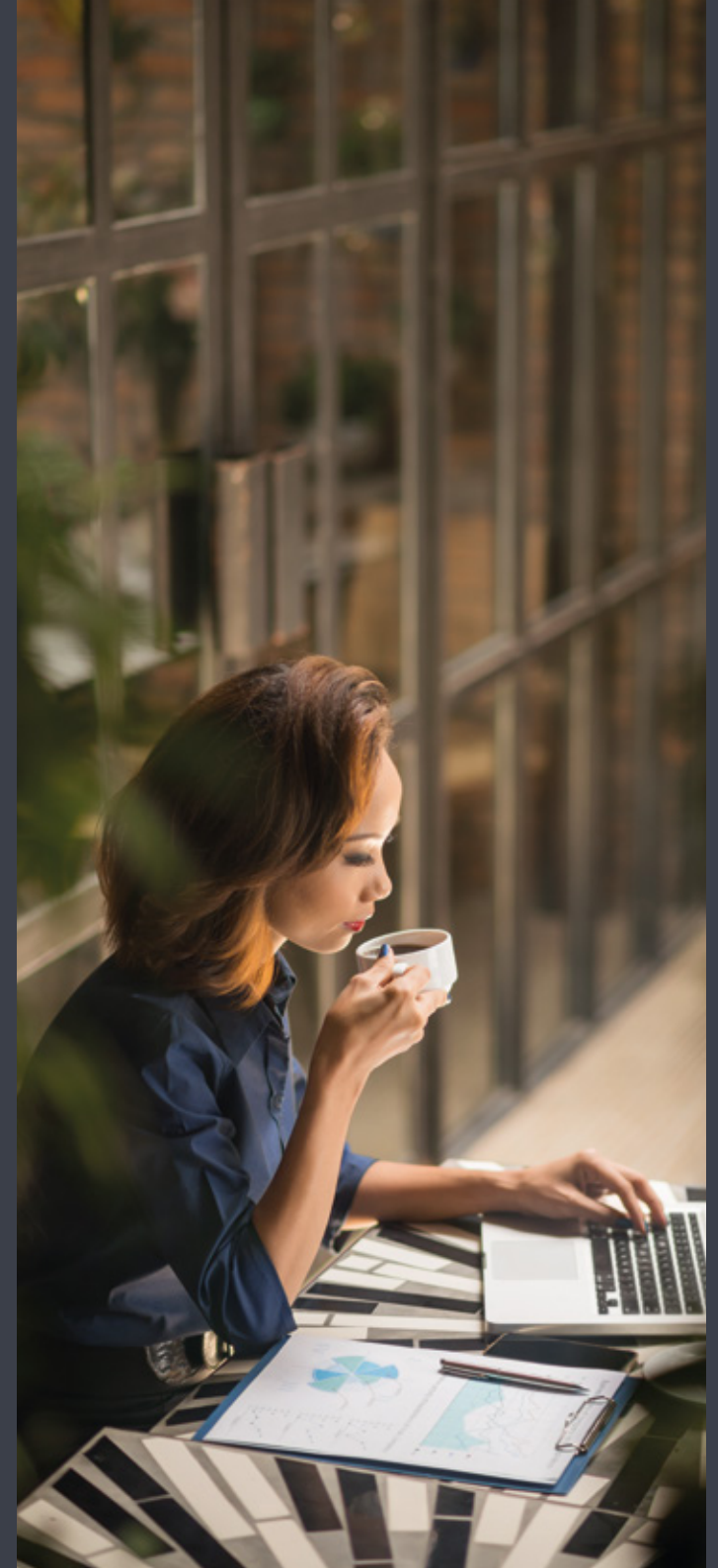


# KINGSBRIDGE

SURVEY 2021

The impact of the  
IR35 reforms



# Contractor market is recovering but the harmful impact of the reform continues


Eight months have passed since the off-payroll reforms took effect in the private sector on the 6th April 2021. Here at Kingsbridge, we've been keeping a close eye on how the contracting market has responded to the changes. The Kingsbridge Survey, which had over 1,600 responses, revealed some worrying results. Despite signs of the market picking up, the harmful impact of the reform continues to affect contractors, as well as businesses that rely on contingent talent.

Not only have the IR35 reforms been causing havoc but with the added complications of Brexit and the pandemic, 2021 has clearly been a tough year for the contracting community. So how have contractors managed? How have end-hirers survived? What is the current state of play and what does the future hold for the UK's contingent workforce?



The contractor market has begun to recover with over **90%** of contractors currently in work

# Blanket ban repercussions



**50%** of respondents were subject to a blanket ban

Many businesses continue to enforce PSC bans, a direct result of pressure felt by businesses and nervousness around the rules. However, this is a short-sighted and potentially self-defeating strategy which risks warding off the best talent out there. Not only has this approach resulted in businesses becoming far less agile but it has also been reported that the reforms have likely contributed to economic disturbances such as the HGV crisis.

Blanket policies are just not a sustainable approach to managing IR35 risk. Even if the majority of an end-users workforce is likely to be inside IR35, a 'no PSC' policy will simply block access to skilled contractors who could have compliantly been 'outside IR35'. To attract the best talent, chances are that a rate increase will be necessary to cover income lost to employment taxes.





Nearly **80%** of contractors who were determined inside are now working via an umbrella, agency payroll or directly for the client

## Pushing contractors on the payroll isn't a risk-free approach

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Here at Kingsbridge, we continue to see the harmful effects of the reform, businesses refusing to engage with PSCs and therefore pushing them on to the payroll or via an umbrella company. This approach has come at a significant cost. Where a PSC is needlessly pushed down this route, in most situations, it results in additional and avoidable costs. More importantly, it reduces access to some of the best contracting talent out there, inevitably leading to delayed and cancelled projects.

Businesses relying on umbrella companies in the supply chain also need to be very careful that they are not exposing themselves to a hidden compliance risk. Recent reports of non-compliant umbrella companies abusing their role within the industry continue to dominate the headlines. End-hirers must remain mindful that it is ultimately their responsibility that they have a compliant supply chain and avoid any Criminal Finances Act 2017 risk.



## Contractors continue to search for outside roles

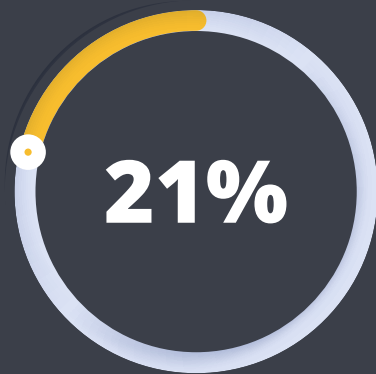
Contractors operate through a PSC because they genuinely intend to be engaged as a business. Failure to accept this will be disadvantageous for any end-hirer seeking to engage the best talent out there. Simply put – blanket ‘No PSC’ policies or lack of IR35 process will only hinder access to talent and will no doubt result in significant project delays or cancellations.



Of the contractors who said they are struggling to find work, over **68%** said it is down to the effort to find roles outside of IR35

# Contractors will not accept inside determinations

Contractors will continue to search for outside IR35 roles and in a candidate-driven market with high demand for skills, contractors are unlikely to accept inside IR35 assignments.



Over **21%** of contractors who received an inside SDS left to find an outside role



Nearly **60%** of contractors plan to look for an outside IR35 role over the next few months



# Contractors remain a vital part of the UK's flexible workforce

One thing that the coronavirus pandemic has taught us is that the flexible workforce is extremely important. Never before has it been so evident that the ability to increase and decrease a workforce is essential for business success. Finding and engaging with a contingent workforce is challenging. Struggling to find the best talent and stay ahead of the competition is not easy.

While there understandably remain concerns around engaging with PSCs, it can't be overlooked that these individuals are vital in supporting future growth in the UK economy. For businesses struggling to find talent, one of the best pieces of advice would be to look at improving your IR35 processes. Forcing genuine contractors to work on a payroll is an expensive move with little reward.



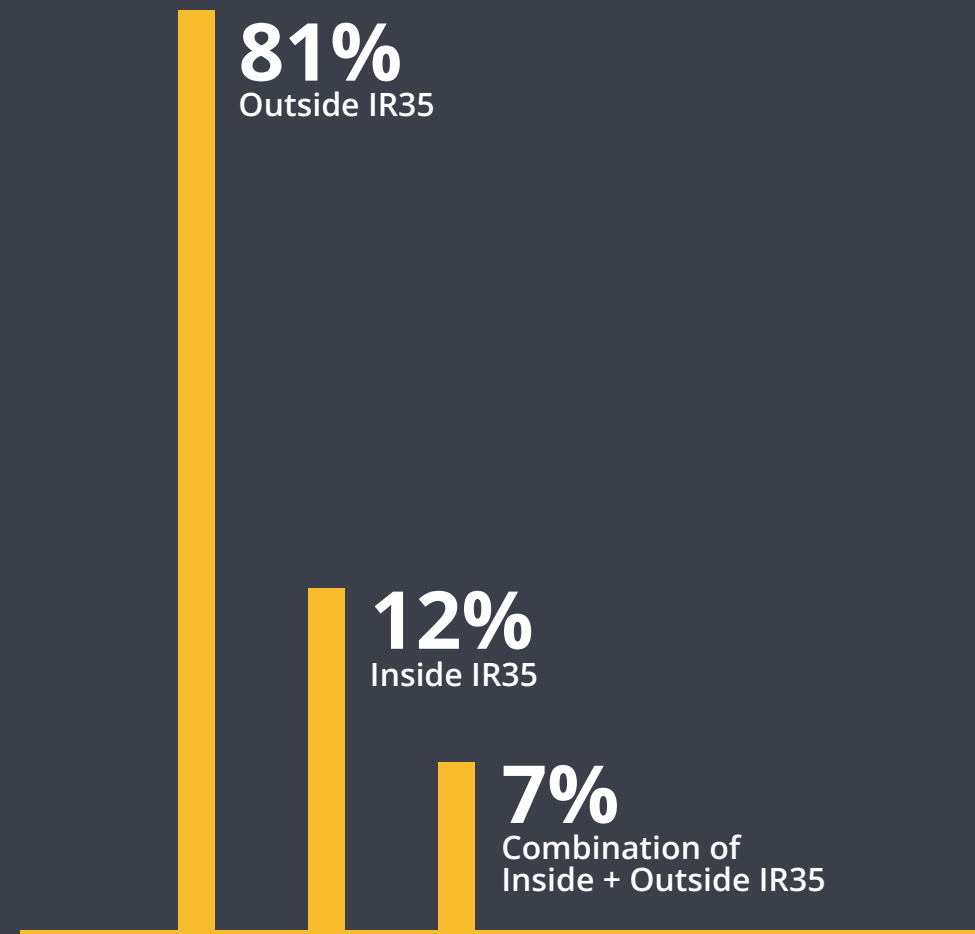
**40%**

Over **40%** of contractors who were determined inside have increased their day rate by at least **10%**

# It's not all doom and gloom

It's not all doom and gloom, however. Whilst many businesses continue to push contractors on to the payroll, irrespective of their IR35 status, there are a number of end-hirers that are managing IR35 in a compliant and pragmatic manner and continue to engage genuine contractors outside IR35. We are already seeing reports of U-turns and reversals of contractor bans, just like we did when the changes were introduced into the public sector back in 2017. We must remember that before the reforms, the majority of contractors were compliantly working outside of IR35, something that was even acknowledged by HMRC.

It has been a challenging year for the contracting community but Kingsbridge remains optimistic that those organisations who initially took a blanket approach to the reforms will start to rethink their strategy in the coming months. For those end-hirers who have already started to lift bans, they look to gain a significant competitive advantage and ability, particularly in a post-pandemic landscape where flexible workers are set to play an even greater role in the UK economy.



**81% of contractors were assessed to be outside IR35**



# Find out more about our award-winning IR35 solution



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demo**

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