



Modernising the Agency Work Regulatory Framework

A RESPONSE BY
FREELANCER AND CONTRACTOR SERVICES ASSOCIATION

FCSA **RESPONSE**

Recommendations to support the
UK's temporary workforce sector



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EXECUTIVE SUMMARY

The Freelancer and Contractor Services Association (FCSA) welcomes the Government's consultation and strongly supports its objectives to improve worker protections, increase transparency, and ensure fairness across the labour market.

FCSA has consistently called for proportionate regulation of the umbrella sector and supports reforms that enhance compliance and worker outcomes. However, several proposals within the consultation risk significant unintended consequences, including:

- **Widespread insolvencies** across umbrella companies and agencies
- **Supply chain disruption**, ultimately harming workers
- **Reduced labour market flexibility and economic growth**
- **Increased non-compliance**, contrary to policy intent



Key Concerns

1. Worker Pay Liability

The proposal to make umbrella companies pay workers in full, even where the agency or client hasn't made funds available, is economically unsustainable and risks systemic failure.

2. Worker Choice

Unrestricted choice of umbrella companies is operationally unworkable and undermines compliance frameworks, particularly in light of Joint and Several Liability under Chapter 11 of ITEPA.

3. Commercial Rebates

A ban on umbrella-to-agency payments (kickbacks) risks negative, unintended consequences but there is scope to restrict and formalise them. Prohibition of kickbacks risks driving arrangements underground rather than improving transparency. Agencies may also stop using umbrella companies, which typically would result in the worker moving from a contract of service (employment) to a contract for services (worker status) with diminished employment rights.

4. Administrative burden

We believe the proposals set out in the consultation document, if implemented, will increase administrative burden on umbrella companies and employment businesses. This conflicts directly with the policy rationale set out in the consultation document which notes that the government has committed to cut the administrative burden of regulation on business by 25% by the end of the parliament and suggests that a core aim of the proposals is to reduce burdens on business.

Key Recommendations

- Address payment delays at every level of the supply chain (end clients, managed service providers, agencies, umbrellas)
- Introduce a statutory right of recovery for umbrellas where agencies delay payment or phoenix without making payment
- Maintain controlled worker choice via compliant PSLs
- Enforce supply of Key Information Documents and mandate net-pay illustrations
- Ensure any data sharing framework complies with UK GDPR and the Data Protection Act 2018
- Introduce a licensing regime for umbrella companies to aid regulation and drive out non-compliant operators

A proportionate and practical approach—aligned with the Government's growth agenda—will deliver better outcomes for workers, businesses, and the wider economy.

ABOUT FCSA

The emergence and rapid growth of the well-functioning umbrella market has been a positive contributor to UK growth, productivity and wealth. Compliant bona fide umbrellas – also known as Specialist Payment Intermediaries (SPIs) – provide certainty and security to the workers engaged by them, ensuring that they receive the full protections required by employment law, their tax affairs are simplified, and all required taxes are remitted to HMRC.

FCSA is the UK's leading professional membership body dedicated to raising standards and promoting supply chain compliance for the temporary labour market. We are a not-for-profit organisation. Members are independently assessed against strict compliance standards covering tax, employment law, and worker rights.

Our Members provide umbrella employment (via an Overarching Contract of Employment), self-employed services, accountancy, and business support solutions to the contingent workforce.

At time of writing, FCSA has more than 80 Accredited Members who collectively represent approximately 220,000 workers engaged as employees; making them, collectively, one of the largest employers in the UK. Around 1 in 3 of the workforce represented by FCSA are women. Annually, FCSA Members alone collect around £12.5 billion in taxes and NICs which are remitted on time to HMRC.

FCSA has worked extensively with government and other stakeholders to promote the highest possible standards in the industry, most recently providing labour market intelligence and umbrella regulation advice to directorates in the Department for Business and Trade (DBT), such as Labour Market Enforcement and Employment Agency Standards and HM Treasury, as well as working with HMRC across a number of areas including the Employment Status and Intermediaries Forum.

It has also assisted Parliament, giving evidence to the All-Party 'Parliamentary Loan Charge and Taxpayer Fairness Group', 'Modernising Employment Group', and the House of Lords Finance Sub-Committee, as well as being an expert advisor to the DBT-supported JobsAware initiative, the Better Hiring Institute.

FCSA has long advocated for effective regulation of the umbrella sector and welcomes the opportunity to respond to this consultation.



FCSA

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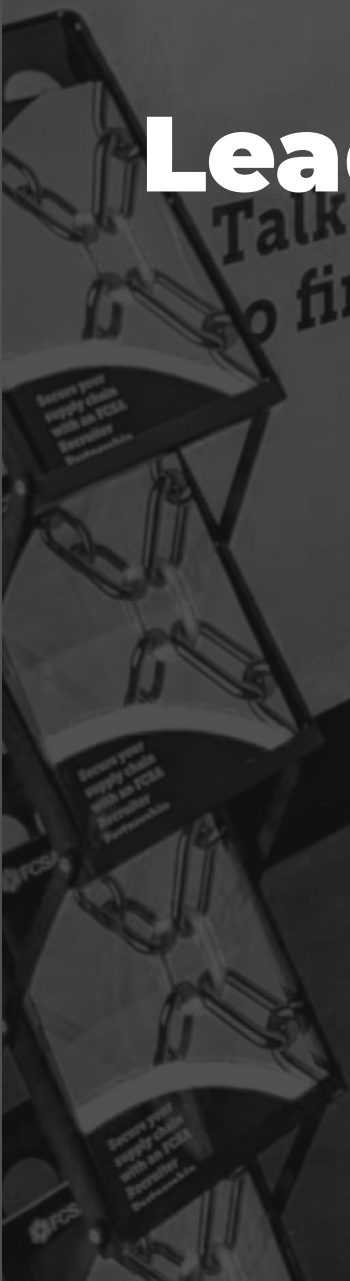


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A high-angle, grayscale photograph of a diverse group of approximately 15 people standing in a circle on a light-colored floor. They are dressed in professional business attire. At the bottom center of the circle, a person is seated in a wheelchair, holding up a large document or report. The overall scene suggests a formal meeting or a public consultation session.

RESPONSES TO
**CONSULTATION
QUESTIONS**

Section 1: Scope and Definitions

Q1a – Do you agree that the overarching objectives should underpin regulations?

Response: Yes (with reservations)

FCSA supports the objectives of:

- Fair pay
- Worker protection
- Business certainty

These align with existing legislation, including:

- Employment Agencies Act 1973
- Conduct of Employment Agencies and Employment Businesses Regulations 2003
- Agency Workers Regulations 2010
- National Minimum Wage Regulations 2015

However, reforms must remain proportionate and economically viable.

Q1b – Are there other objectives that should be included?

Yes. The framework should explicitly include:

- The economic sustainability of intermediaries in the supply chain. The FCSA strongly supports the aim to ensure workers are treated fairly and receive the best possible experience throughout the assignment. This will not happen if intermediaries (umbrellas, agencies, managed service providers) in the supply cannot operate within the regulations. It is essential therefore that the regulations protect the viability of those intermediaries.
- The nurturing of labour market flexibility. Labour market flexibility is beneficial to the economy because it allows wages, employment, and working conditions to adjust quickly to changing economic conditions, helping businesses stay competitive and maintain productivity. When firms can hire, reorganise, or adjust pay in response to shifts in demand or technology, they are better able to create jobs and sustain growth rather than resorting to layoffs or closures. This adaptability attracts investment, supports innovation, and reduces long-term unemployment, making the economy more resilient. Protecting this flexibility ensures that both employers and workers can respond effectively to change while maintaining overall economic stability and efficiency.
- Alignment with tax compliance frameworks (ITEPA 2003). Employment businesses, umbrella companies and end-clients already operate within strict tax compliance frameworks. The latest chapter of ITEPA came into force on 6 April 2026 and is already having a big impact on umbrella and agency behaviour as they adapt to the new compliance regime. It is essential that any changes to the conduct regulations operate in harmony with these obligations.

Section 2: Regulation 8

(Employment Agencies vs Employment Businesses)

Q3 – Is the current distinction clear?

Response: Yes

The distinction remains valid but may require updated statutory guidance.

Definition of ‘umbrella company’ and ‘work-seeker’

- The Finance Act 2026 [defines umbrella companies](#) as employment intermediaries that employ, or purport to employ, workers on behalf of agencies and end clients. They typically engage or purport to engage, workers on contracts of service, and thereby take on the legal obligations of an employer for tax and employment rights purposes, effectively allowing end clients and agencies to outsource those obligations.
- Umbrella companies can be distinguished from employment businesses as they do not source or provide work to the worker (defined in the current legislation as “Work finding services”). In the contractual chain, the umbrella company is itself a ‘work-seeker’. The employment business provides the work to the umbrella company. The umbrella company engages the worker to carry out the work for the client.
- Whilst there are legislative definitions which seek to combine umbrella companies with employment businesses (for example, the Agency Workers Regulations 2010), such combination does not work in the context of the Conduct Regulations which recognises that employment businesses hold the relationship with the end client, whereas umbrella companies hold the relationship with the individual worker, enabling rights and obligations to be divided accordingly.



Section 3: Regulation 12 (Payment for Work Done)

Q7 – Should Regulation 12 be extended to umbrella companies?

Response: Strongly oppose

- FCSA strongly supports measures that result in workers being paid on time and in full, however, it cannot be the sole responsibility of the umbrella to deliver this. Payments start at the top of the chain with the end-client (who is ultimately receiving the benefit of the work being done). The payments then flow down the supply chain, through the umbrella which operates the tax, then on to the worker. If the umbrella hasn't received funds from the supply chain, it cannot in all circumstances pay the workers, nor can it deduct and pay the tax due.
- Among compliant umbrella companies, instances of less than full payment are extremely rare. A survey¹ of FCSA Members revealed that 12 umbrella companies paid approximately 63,994 workers across January and February of this year. Typically, umbrella companies pay workers weekly. While some workers would have come and gone in that period, we can estimate that across the nine week range, over 500,000 individual worker payments were made. Within this sample there were just 4 instances of less than full payment, and each of these received partial payment. The survey also revealed there were 21,000 instances of non-payment or late payment by the agency to the umbrella. Despite this, workers still received full payment for work done, on time.
- The survey illustrates the situation as it currently works. Only a vanishingly small number of workers, currently, are not paid in full for work done. Late payment to the umbrella from the supply chain above them is much more common.
- Despite this, **the ability of umbrellas to withhold part of the workers pay is essential** for managing the occasional cash flow crises that occur when money doesn't flow down the supply chain, credit terms aren't in place, and the umbrella doesn't have enough in reserve to cover the payments. That ability is the difference between an umbrella continuing to operate (and paying all its workers eventually) or folding (leaving potentially all its workers without pay).
- Mandating payment in full in all circumstances **risks severe negative consequences:**

¹ Survey published in full in the appendix

1. Financial Instability

- Umbrellas would be forced to pay workers without receiving funds. This would force umbrellas to operate as de facto lenders to workers with uncertainty over when they will be able to recoup funds from agencies. Umbrellas would be forced to pay workers with accrued PAYE and VAT risking non-payment of tax. Credit insurance may be an option in limited instances but it has proven difficult to procure as the risk of agency non-payment is high and umbrella companies do not typically hold contracts with the end clients (who are considered better credit risks for insurers).

2. Insolvency Risk

- The measure would create immediate cash flow pressures for umbrella companies, dramatically increasing the likelihood of business failures. This in turn would result in unpaid wages and unpaid tax liabilities and increased pressure on the state to provide workers with redundancy payments for insolvent employers.

3. Perverse Incentives

- Most employment businesses operate compliantly, want workers to be paid on time, and do not wish to exert undue pressure on their umbrella partners. However, some may sense an opportunity to withhold payment to umbrella companies, knowing that workers will have to be paid regardless. This measure, if implemented, would create a loophole allowing agencies to delay payments to umbrellas and profit from additional interest accruing on the withheld funds.

4. Legal Interaction

- New Joint and Several Liability (Chapter 11, ITEPA 2003) legislation will result in the spread of insolvencies up the supply chain. If an umbrella becomes insolvent (as it has been forced to pay workers without receiving funds from the supply chain) with outstanding tax liabilities, those liabilities will move to the employment business, which in turn will risk their insolvency.

5. Economic Impact

- This measure would severely disrupt supply chains resulting in reduced job opportunities, particularly among the contingent labour market. Economic inactivity will increase which will negatively impact economic growth.

Q7c – Are there alternative approaches?

Yes. FCSA recommends:

- **Mandating shorter payment terms at end-client level.** All of the money in the supply chain comes from the end-client. The most effective way to ensure prompt payment of workers is to encourage clients to release funding quickly. We are aware of examples of clients insisting on 120 day payment terms with public sector bodies often being among the worst offenders. These long payment terms are a clear barrier to the prompt payment of workers that sit at the other end of the supply chain. The FCSA fully supports the government's recent announcement on tackling late payments to SME suppliers – we believe similar measures should be introduced for labour supply chains. Because this funding is primarily to be used to pay workers and HMRC, we think supply chain rules should go further with the introduction of a statutory 15-day maximum limit on end-clients to pay whoever they contract with in the supply chain, once timesheets have been approved.
- **Applying payment obligations throughout the supply chain.** Once funds have been paid by the end-client, it should move swiftly through the supply chain with rules in place to ensure it is passed on to the next party in chain almost instantly. This rule should apply to managed service providers, agencies and umbrella companies.
- **Introducing a statutory right of recovery for umbrellas which aligns with their status as a 'work-seeker' (see above definition of 'umbrella company' and 'work seeker').** If an umbrella company has not received the money it needs to pay workers, it should be able to demand payment via a statutory right of recovery. Such a right would assist umbrellas to retrieve worker pay where agencies phoenix, or renege on agreed pay amounts.
- **Excluding disputed or fraudulent timesheets from mandated time limits.** There are instances where disputes or uncertainty over timesheets will need to be clarified. There should be a mechanism whereby any party in the supply chain can resist payment demands while timesheet discrepancies are clarified. While this exclusion would need to be used in restricted circumstances only, such a measure would help to tackle fraud.



Section 4 – Information sharing

Q8 – 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)?

Response: Yes, where appropriate

- Umbrella companies already carry out Right to Work checks and share that information with agencies they contract with.
- FCSA agrees with the policy intention that all parties ensure compliance with statutory checks (e.g. Right to Work) and ensure work can begin as quickly as possible. The sharing of information can assist with this, but there are risks which need to be addressed.

Risks

- **GDPR compliance issues arising from sensitive nature of data (e.g. DBS checks).** Under GDPR, umbrella companies are data controllers and are legally responsible for the information they store on their employees. If the new framework obliges umbrellas to share information they previously didn't, a legal mechanism will need to be created to ensure they do not inadvertently fall into non-compliance.
- **Duplication of checks.** There is a danger that, under the new framework, more than one party in the supply chain would carry out the same checks on the same workers. This duplication could cause delays to work starting, increase administrative burdens and increase costs.

Recommendation:

Issue guidance setting out explicitly which party in the supply chain must collect, store and share what data and with whom. Avoid duplication of checks by different parties. Guidance should be easy to follow and must provide guarantees that, provided it had been followed, there is no GDPR breach.



Section 5: Transparency

Q20 – 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?

Response: Strongly agree

Key Information Documents (KIDs)

- KIDs provide a useful outline of a role to the worker but they are not always supplied in a timely fashion. Government should more strongly enforce their issuance by agencies (Regulation 13A) and should mandate that umbrella companies issue a net-pay illustration

Net Pay Illustrations

- Net pay illustrations are tailored to each worker and role (unlike KIDs which are generic). They clearly set out how the gross pay is calculated and what deductions will be made including but not limited to: Employer's NI, Apprenticeship Levy, Employee's NI, Income Tax, Student or Post Graduate loans (if applicable), the default holiday position as either advanced or accrued, if pension contributions have been excluded from the illustration and clearly shows the umbrella company margin
- FCSA already requires its Members to provide financial illustrations to workers via its [codes of compliance](#). We believe illustrations provide a clear understanding of what the take home pay will be for each worker and are fully transparent about deductions
- Illustrations should be tailored to individual workers and roles, although it may be necessary to use estimates in some cases (particularly as the umbrella will not fully understand the tax position of the individual)
- FCSA would like to work with government to develop a standardised format for illustrations that all umbrella companies would have to supply

Q21 (Rebates / “Kickbacks”) – Should these be prohibited?

Response: No, but there is scope to introduce transparency and restrictions

- Blanket prohibition is unnecessary and would result in payments being hidden, rather than prevented. However, there is scope to introduce greater transparency and proportionate restrictions to ensure appropriate governance and accountability.
- Rebates are not funded from worker pay, as is suggested in the consultation document, but from umbrella company profits. They represent an established commercial practice within the sector. As such, their existence is not inherently problematic when conducted openly and within a clear regulatory framework.
- It is notable that the rebates are becoming more entrenched in agency – umbrella agreements, and increasingly commonly in managed service company (MSP)- umbrella agreements, due to the joint and several liability legislation. Agencies and now MSPs are more stringently tightening their PSLs. For umbrellas, gaining a spot on a PSL can be pivotal in their future viability. This dynamic is being used to squeeze larger and larger rebates from umbrellas.
- Prohibiting rebates outright could give rise to unintended consequences. In particular, it may reduce transparency by driving such arrangements underground, thereby increasing the likelihood of hidden or off-book payments. This would undermine oversight and make it more difficult for regulators to monitor compliance effectively.
- Prohibition may also disincentivise the use of umbrellas as agencies might prefer to operate payroll themselves. In most cases, this will result in the worker being moved from a contract of service (employment) to a contract for services (limb ‘b’ worker status) diminishing their employment rights.
- Instead of prohibition, we recommend that rebates be permitted but subject to appropriate regulation. This should include mandatory disclosure of rebate arrangements to all parties in the supply chain, the use of clear and transparent contractual terms, and a requirement that any such payments are made to the agency as a business rather than to individual consultants (and any non-cash award afforded to individuals should be disclosed under the Tax Award Scheme). In addition, these arrangements should be subject to formal approval at director level to ensure proper governance and accountability.

Section 6: Worker Choice

Q26 – Should workers have the right to choose or refuse umbrellas?

Response: Worker choice should be restricted to compliant providers that the agency or end-client has pre-approved.

The potential impacts of allowing workers to refuse to work through any umbrella company, or to select any provider without restriction, are significant.

Significant operational burden, particularly for small agencies

Most small and medium-sized recruitment agencies do not operate in-house payroll functions. They rely on umbrella companies to manage payroll and HR responsibilities they do not have the resource or expertise to handle themselves.

If workers were able to refuse to work through any umbrella company, it would increase the complexity of PAYE administration and may force agencies to absorb responsibilities currently managed by umbrella companies. At a time when compliance obligations are already increasing, particularly in light of the Employment Rights Act, this could overwhelm smaller agencies and inhibit their ability to find work for candidates.

Impact on workers – diminished employment rights

Where workers move onto agency “in-house” payrolls, there is a risk that they may be shifted from contracts of service (employment) to contracts for services (worker status), thereby diminishing their employment rights. Additionally, the increased administrative burden may incentivise a shift towards the use of personal service companies, raising the risk of non-compliance with off-payroll working rules, as set out in Chapter 10 of the Income Tax (Earnings and Pensions) Act 2003.

Impact on tax - Increased use of non-compliant umbrellas

Unrestricted worker choice could increase levels of non-compliance across the sector. If workers are free to select any umbrella company, including those not vetted or approved by the agency, there is a heightened risk that non-compliant providers will be engaged, particularly where workers may be attracted to generous take-home rates that only non-compliant operators can offer. This would undermine existing enforcement mechanisms and make it more difficult to ensure adherence to regulatory and tax requirements.

Direct conflict with Chapter 11 ITEPA – Joint and Several Liability

Such an approach would create tension with established tax policy. In particular, it would directly conflict with the principles underpinning joint and several liability as set out in Chapter 11 of the Income Tax (Earnings and Pensions) Act 2003 which hold agencies liable for non-compliance by the umbrella company. These rules were brought in to ensure agencies and end-clients maintain oversight of the intermediaries within their labour supply chains. If workers were able to choose any umbrella company, it would prevent agencies from complying with the new rules.

Alternative – limit worker choice to pre-approved, compliant service providers

Most agencies (and, increasingly, MSPs) already maintain a Preferred Supplier List (PSL) of trusted umbrella partners they work with. The JSL rules have encouraged agencies and MSPs to tighten their PSLs and in some cases significantly reduce them. This will restrict worker choice and seemingly pushes against the aims of this consultation.

The problem is compounded where an MSP and an agency in the same supply chain each maintain separate PSLs. Although each PSL may contain, for example, six umbrella providers, they may only have two in common, restricting the workers choice to just two.

A sensible compromise could be to insist that agencies and MSPs offer workers a curated choice of compliant umbrella companies, with a minimum number of options made available. Setting the minimum number (of umbrella providers that agencies must make available) requires careful consideration. If it is set too high, the vetting burden on agencies will be too great. Too low, and worker choice will be unduly diminished.

Leniency for small agencies

Smaller agencies will typically operate in supply chains where there is no MSP, and therefore no competing PSL that would restrict worker choice. In addition, the administrative burden of vetting umbrella providers is greater for small agencies that do not have the resources to maintain a larger PSL. The minimum number for small agencies should therefore be lowered.

This model ensures an appropriate balance between preserving worker choice and maintaining robust compliance and risk management within the labour supply chain. It enables workers to exercise meaningful choice, while ensuring that all available options meet established regulatory and tax standards.

Section 7: Additional comments

Overseas clients and agencies

Has the government given any thought to how the obligations should work when there are overseas agencies and/or clients in the supply chain, but with a UK umbrella and a UK worker?

Our fear is the UK business (the umbrella in this example) would be expected to take all of the responsibilities, but we would question whether this works fairly when there is a non-UK agency in the supply chain holding funds/contractual relationships with overseas clients. Could there be some exclusions baked into the regulations in these circumstances?

Employment status and the new regulatory framework

The consultation focuses on improving standards and experiences for workers – aims which the FCSA fully supports. We understand that the focus is on employees and ‘workers’, though we are unclear as to whether the government intends for self-employed workers to equally benefit from some of the measures being consulted on.

Some umbrella companies – not FCSA Members – offer hybrid contracts which seemingly merge aspects of different employment statuses such as Elective Deduction Models. Quite often, such models are designed so that the providers can avoid regulations which might benefit the worker, but disadvantage them. It is important therefore that the government clarifies whether the employment status of the worker has an impact on when these regulations apply.

In addition, it would be helpful if the government could explicitly clarify whether CIS (Construction Industry Scheme) workers would also be impacted and whether, therefore, CIS umbrellas (which for the avoidance of doubt, are represented in FCSA’s Membership and are compliant) are also in scope of the proposals.

CIS umbrellas sit in a supply chain in the same way that other umbrellas do – between a worker and an agency or client. The main difference is that in CIS arrangements the worker is typically self-employed, while in standard umbrellas, the worker is typically employed. Will this difference in employment status change the CIS umbrella’s responsibilities under the regulations?

Umbrella Licensing

The consultation is focused on modernising the agency conduct regulations and bringing umbrella companies into that regulated space. The FCSA is broadly supportive of umbrella company regulation, and we believe one additional measure could have a significant impact – licensing.

Introducing a formal licensing regime for umbrella companies would represent a proportionate and effective means of improving compliance and raising standards across the sector. A model broadly aligned with the approach taken by the Gangmasters and

Labour Abuse Authority would provide a clear, structured framework for market participation, ensuring that only those operators who meet defined legal and ethical standards are permitted to operate. With the planned integration of this function into the Fair Work Agency, there is a timely opportunity to establish a coherent and unified regulatory approach.

A licensing regime would create a clear boundary for entry into the market, effectively excluding high-risk and non-compliant operators at the outset rather than relying solely on reactive enforcement. This would help to reduce the prevalence of abusive practices and provide greater confidence to agencies, end clients, and workers that licensed providers meet minimum compliance standards. By setting transparent criteria for licensing, the regime would also promote consistency and accountability across the sector.

Furthermore, licensing would provide the regulator with a clearly identifiable and manageable population of umbrella companies on which to focus its supervisory and enforcement activities. This would enable a more targeted, intelligence-led approach to regulation, improving the efficiency and effectiveness of oversight. In turn, this would support better allocation of enforcement resources, strengthen deterrence, and contribute to a more stable and compliant labour market overall.



CONCLUSION

- FCSA reiterates its strong support for the Government's objectives to improve worker protections, enhance transparency, and ensure fairness across the labour market. However, it is essential that any reforms to the agency regulatory framework are grounded in operational and economic reality. Measures that inadvertently destabilise compliant businesses, disrupt supply chains, or increase administrative complexity risk undermining the very outcomes the consultation seeks to achieve and derailing the government's growth agenda.
- A proportionate and coherent framework—aligned with existing tax and employment legislation—will be critical to delivering sustainable improvements. This includes recognising the interdependence of all parties within the labour supply chain, ensuring that obligations are fairly distributed, and avoiding the creation of perverse incentives or conflicting regulatory requirements. Targeted interventions, such as strengthening payment practices across the supply chain, maintaining controlled worker choice through compliant provider lists, enhancing transparency through enforceable information standards, and introducing a licensing regime for umbrella companies, offer a more effective and balanced path forward.
- FCSA remains committed to working collaboratively with Government and other stakeholders to develop practical, evidence-based solutions. By adopting a measured approach that supports compliance while preserving labour market flexibility and business viability, the Government can achieve its aims of protecting workers, supporting responsible businesses, and promoting long-term economic growth.

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APPENDIX

UMBRELLA COMPANY REFORMS

SURVEY COVERAGE JANUARY TO FEBRUARY 2026

Data collected January – February 2026 from 12 FCSA Accredited umbrella companies.

Submitted by FCSA on behalf of its accredited umbrella companies as evidence for the Make Work Pay consultation on Modernising the Agency Work Regulatory Framework

SCALE OF OPERATIONS

Survey Coverage: Jan - Feb 2026

The survey was conducted in March 2026. 12 FCSA members responded. Respondents were asked about worker payment across January and February 2026. Respondents represent a cross-section of the market - from small specialist firms through to large national umbrella providers - offering a robust evidence base for regulatory consideration.

In total 63,994* workers were paid with 2,997 agencies involved in the payment chains.

**respondents may have used estimated figures*

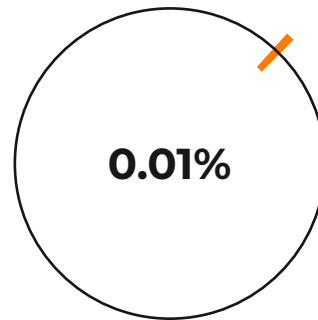
WORKER OUTCOMES

Worker Payment Outcomes



Received Full Wage

63,990 out of 63,994 workers paid in full



Received NMW Only

Just 4 workers - protected from total non-payment

Despite agency non-payment events and phoenixing, FCSA-Accredited umbrellas ensured every worker received at least the National Minimum Wage. Members absorbed financial losses rather than passing risk to contractors.

AGENCY BEHAVIOUR

Agency Payment Behaviour



7 OF 12

Late Agency Payments

7 of the 12 FCSA Members that responded had experienced at least one incidence of late payment from an agency



91.8%

Credit/Payment Terms

11 of the 12 respondents told us that credit terms had been agreed with at least one agency they contract with



7 OF 12

Credit Terms >28 Days

7 of the 12 respondents had credit terms in place that exceeded 28 days, with at least one agency.



35

Agencies on >28 Day Terms

In total 35 agencies had secured credit terms which exceeded 28 days.

What the data reveals

Late payment by agencies is not an isolated occurrence - it affected the majority of respondents within a two-month window alone.

The prevalence of extended credit terms (exceeding 28 days) creates structural cash-flow exposure for umbrella companies, who must fund worker wages ahead of receiving agency remittances.



35 agencies operated on terms exceeding 28 days - creating sustained liquidity pressure on compliant umbrella operators.

QUALITATIVE EVIDENCE

Member Insights: The Last 12 Months



Agency Insolvency & Unilateral Deductions

We have 4 other examples of agencies not paying - ranging from an agency disappearing entirely, to end-clients and agencies not paying notice periods without agreeing this with the worker or umbrella. There is very little control for the umbrella in these scenarios



Agency Phoenixing - Umbrella Absorbs Risk

One agency phoenixed, which meant we were left unpaid. This had no impact on worker payments — the umbrella absorbed the loss.



Systemic Risk & Information Gaps

Whilst we write to every worker who doesn't receive a payment, it is possible they don't reply and we don't find out. Just one scenario where an agency fails to pay us would have a significant impact - even if rare.

POLICY IMPLICATIONS

Key Findings & Regulatory Consequences

Umbrellas are protecting workers

Zero workers lost wages entirely. FCSA Members absorbed agency non-payments and phoenixing losses to ensure contractors were paid.

Agency Payment Risk Is Real & Widespread

58% of respondents experienced late agency payments. Two Members recorded 10,000+ late instances in two months alone - signalling systemic risk.

Credit Terms Create Structural Vulnerability

91.8% of agencies operated on deferred terms. 18% exceeded 28 days - generating sustained cash-flow exposure for compliant umbrella operators.

Regulation Must Target the Supply Chain

Reform must address agency payment practices - not solely umbrella compliance - to protect workers and responsible operators across the supply chain.

FCSA

FCSA members are protecting workers.

Regulation should ensure all parts of the supply chain do the same.



For further information or to arrange a meeting to discuss these recommendations in more detail, please contact us using the details below.

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