

Joint Employment: The Strategic Advantage Over In-House PAYE for Recruitment Agencies

Joint Employment – Risk Free

With substantial legislative changes on the horizon under the Employment Rights Bill 2026, recruitment agencies face increased operational complexity and compliance challenges. People Group Services' Professional Employment Organisation (PEO) Joint Employment model provides a proven, streamlined, and cost-effective alternative to traditional in-house PAYE systems.

Key Upcoming Legislative Changes Affecting Your Recruitment Agency

April 2026:

- Protective awards for collective redundancies (doubling of maximum period)
- 'Day 1' rights for paternity and unpaid parental leave
- Enhanced whistleblower protections
- Establishment of a Fair Work Agency
- Improved Statutory Sick Pay (no lower earnings limit or waiting period)
- Simplified trade union recognition with digital and workplace balloting

October 2026:

- Ban on "fire-and-rehire" practices
- Creation of a Fair Pay Agreement Negotiating Body for adult social care
- Strengthened tipping regulations
- Employer obligations to proactively prevent sexual harassment
- Expanded rights for trade unions

2027:

- Mandatory gender pay gap and menopause action plans
- Enhanced protections for pregnant workers
- Bereavement leave entitlement
- Greater protections against zero-hour contract abuses
- Comprehensive regulation of umbrella companies
- 'Day 1' rights against unfair dismissal
- Stricter holiday pay regulations, with backdated claims up to six years and penalties up to 200% for underpayment

Cost and Liability Comparison: In-House PAYE vs Joint Employment

Liability/Cost(based on 20+ years payroll analysis and future predictions)	Typical Upper Limits (£)	In-House PAYE (£)	Joint Employment (£)
Protective Award Liability (per case)	30,000	15,000+	Included
Statutory Sick Pay Liability (per person annually)	15,000	10,000+	Included
Holiday Pay Liability (per person annually)	40,000	20,000+	Included
Tribunal and Unfair Dismissal Liability (per case)	25,000	12,000+	Included
Compliance with Zero-Hour Contracts (per audit)	15,000	8,000+	Included
Gender Pay Gap & Menopause Action Plan Compliance (annual)	10,000	5,000+	Included
Whistleblower & Harassment Protection Costs (per case)	20,000	7,000+	Included
Legal and Documentation Updates (annual)	12,000	6,000+	Included
Payroll and Administrative Overheads (annual)	20,000	10,000+	Included
Total Estimated Annual Cost	£187,000+ annually	£93,000+ annually	Significantly Lower

The Hidden Costs and Risks of Running In-House PAYE

Managing payroll internally is resource-intensive, incurring significant ongoing costs and compliance burdens, including:

- High staffing expenses (salaries, benefits, National Insurance contributions)
- Additional employment-related overheads (office costs, heating, lighting)
- Payroll software licensing fees and IT infrastructure maintenance
- Costly enhancements to payroll systems for regulatory compliance
- Frequent legislative-driven software updates
- Increased premiums for professional indemnity and cyber liability insurance
- Continuous legal documentation reviews and updates
- Regular inspections and audits by:
 - Department for Business and Trade
 - HMRC (National Minimum Wage, VAT, PAYE compliance)

Why Joint Employment is the Superior Solution

People Group Services' Joint Employment solution fully transfers these responsibilities, risks, and costs away from your recruitment agency, offering:

- Comprehensive management of all employment law obligations
- Complete payroll handling, including statutory PAYE, National Insurance, and pension contributions
- Protection against retrospective holiday pay liabilities and other statutory entitlements
- Inclusive legal and tribunal representation
- Robust compliance through detailed RTI submissions and thorough record-keeping
- Mitigation of joint and several liability risks through a two-week payroll credit facility (subject to conditions)
- Two weeks free payroll credit terms, subject to status, to directly address and mitigate risks associated with the newly proposed joint and several liability legislation in the 2026 bill
- Enhanced capability to support sensitive or security-focused contracts
- VAT mitigation solutions, particularly advantageous in medical and healthcare sectors

Government and Industry Recognition

Our joint employment model has been successfully operational since 2018 and is acknowledged by key governmental stakeholders, including the Department for Business and Trade, HMRC, and Crown Commercial Services. The model's effectiveness and security have notably influenced current industry discussions on joint and several liability.

With significant legislative reforms approaching, joint employment is undoubtedly the most advantageous, cost-effective, and secure payroll solution for recruitment agencies.

Contact People Group Services today to learn how your agency can benefit from transitioning to our Joint Employment model.