

Navigating legislative changes in 2025



A guide to managing your
contingent workforce

“The 2024 Autumn Budget certainly gave us plenty to unpack...

And it's safe to say that end-hirers, recruitment agencies, and the contingent workforce are being kept on their toes. With Employers' National Insurance Contributions (NICs) going up, increases to the National Minimum Wage (NMW) and National Living Wage (NLW), and long-awaited legislation to enforce supply chain compliance in the umbrella market, there's a lot to digest.

And if the Budget wasn't enough, just two weeks before the Labour government announced its new Employment Rights Bill (ERB), introducing 28 individual employment reforms covering day-one employment rights, zero-hour contracts, flexible working, and a new 'Fair Work Agency'. While the ERB won't roll out until 2026, it's another big consideration that warrants preparation sooner rather than later.

So amidst all the change, headlines and shifting public opinion, how can end-hirers - including those in talent acquisition, procurement, HR, or other - prepare for the legislative changes ahead? What steps can you take now to ensure compliance while minimising the impact on your current and contingent workforce? Should you be increasing your contingent workforce's assignment rates, and what steps should you be taking to better understand the supply chain?”



Chris Bloor

Director of Compliance, Parasol

Continue reading to understand how to navigate legislative changes and manage your current and contingent workforce compliantly in 2025.

About Parasol



As a founding member of the FCSA, Parasol has supported recruitment agencies and end hirers for over 20 years with compliant, trusted and secure employment and payroll solutions including umbrella and CIS payroll.

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Employers' National Insurance

Contributions increase

In 2025, there are a number of changes to be aware of that will impact Employers' National Insurance Contributions (NICs) starting in April 2025:

NICs rate increase

Employers' NICs will rise from 13.8% to 15%.

National Minimum Wage (NMW)

For employees aged 21 and over, the NMW will rise from £11.44 to £12.21 per hour.

Lower NI threshold

The threshold will drop from £175 to £96.15 per week.

These changes are expected to increase employer costs significantly so it's important to assess your contingent workforce's assignment rates, particularly for lower paid workers, to maintain compliance with the NMW.

What is an assignment rate?

Employer NIC costs are factored into what's known as the 'assignment rate' (or 'umbrella rate'), which you set and agree on with each worker before they start their assignments.

How will the NICs increase impact your contingent workforce?

While you're probably already assessing the financial impact of the NICs increase on your permanent workforce, don't forget to consider how your contingent workforce is affected too. For example:

Assignment rates: If contingent workers see their take-home pay drop unexpectedly, they won't be happy. By deciding on and communicating your plans for assignment rates now, you can manage expectations and better prepare for the future.

Job security concerns: With all the ongoing changes, contingent workers may be worrying about job security, particularly if they rely on a steady income. Addressing these concerns proactively can help alleviate their stress and make them less likely to look for new opportunities elsewhere.

Demand for benefits: If they're due lower take-home pay, contingent workers may start seeking additional benefits to offset their financial burden and look to you to deliver.

How to manage the ENICs increase

Ultimately, how you manage the increase in ENICs is a commercial decision for your business. You will need to liaise with the end client if they are prepared to increase the rate to cover the cost. If you are not able to have this conversation, it will be a decision whether your business absorbs this cost, effecting the margin, or as a business you don't uplift the contractors rate, ultimately reducing their take home pay. We would suggest to pay particular care with those contractors that are on lower rates, as you will also need to consider a potential impact on the National Living Wage if the rate is not increased.

This could result in unhappy contractors who seek opportunities with other agencies or end clients who have provided an uplift. If you or the end-client cover the cost however, workers won't feel negatively affected - but the numbers will need to be regularly reviewed to ensure this remains feasible long-term.

When the Health and Social Care Levy was introduced in 2022, companies that adjusted rates successfully retained and attracted top talent. We expect similar outcomes with the upcoming Employers' NICs increase, and the same logic can be applied to agencies.

Whatever you decide, our advice is to be transparent with your contractors as this will avoid frustration or misunderstandings around any changes to their pay. Honest conversations now will strengthen your relationships now and in the future.

Take Home Pay calculations: Now vs Future

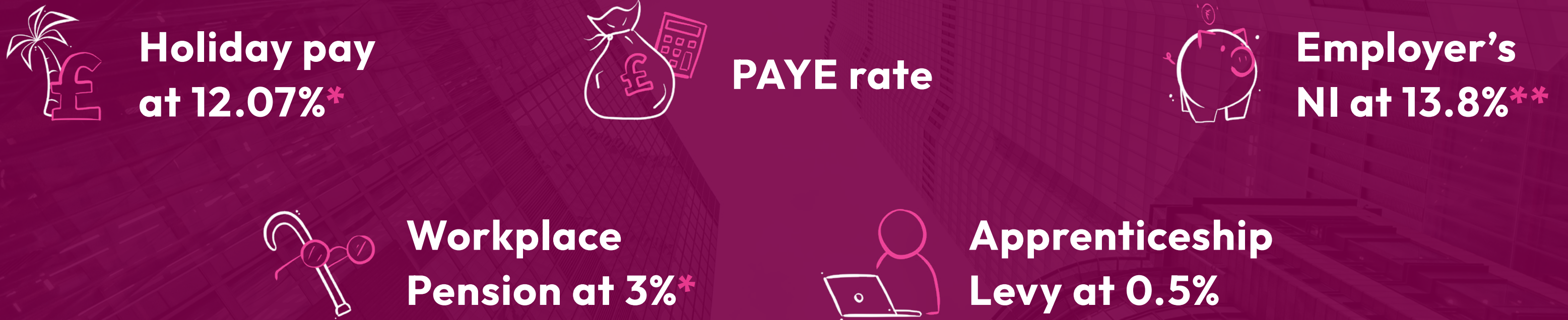
See below for a take-home pay comparison for Tax Year 24-25 and 25-26:

Example 1	Tax Year 24-25	Tax Year 25-26
Rate per hour	£25	£25
Weekly invoice	£937.50	£937.50
Weekly Take-home pay	£657.76	£647.46

Example 2	Tax Year 24-25	Tax Year 25-26
Rate per hour	£60	£60
Weekly invoice	£2250	£2250
Weekly Take-home pay	£1,341.71	£1,324.97

What are umbrella assignment pay rates made up of?

The umbrella assignment pay rate includes:



*can vary and subject to change. **increasing 15% in April 2025

Effective umbrella providers should always provide a pay illustration to contingent workers before they sign up, detailing how their take-home pay estimate is calculated. This also includes Key Information Documents (KIDs), to ensure they have all the necessary information.

What are the benefits of using an umbrella company?

First off, just because the tax liability changes are happening doesn't mean you have to avoid using umbrella providers. Your supply chain can still gain a lot from working with them, including:

Cost management: Outsourcing to umbrella companies helps you keep costs in check while maintaining a lean workforce.

Admin support: They handle all the administrative tasks for employing contingent workers, freeing you up to focus on other important areas.

Employment rights and additional perks: Your contingent workforce benefits from full employment rights that they wouldn't have access to if engaged directly. Plus, some umbrella companies, like Parasol, offer pension contributions, rewards, and access to partners in banking, mortgages, and insurance. These benefits not only enhance their overall experience but help foster a sense of loyalty.

These benefits are significant, which is why so many in the recruitment supply chain rely on umbrella providers.

To put it into perspective, around 700,000 contingent workers are employed and paid through umbrellas annually, thanks to the advantages over direct PAYE employment.

How does an umbrella company work?

1

The **umbrella company acts as an intermediary** between the end-hirer, MSP, recruitment agency, and the contingent worker. The umbrella becomes the Employer of Record (EOR) for the contingent worker.

2

The **contingent worker begins work** for the end-hirer and submits timesheets.

3

The **agreed umbrella assignment rate** is subsequently paid to the umbrella provider via the end-hirer and/or agency.

4

As the employer, the umbrella company is responsible for correctly calculating and deducting tax, NICs and employment costs, as well as providing statutory benefits such as holiday pay, sick pay, and workplace pension.

5

Once deductions are made, the contingent worker receives their final salary.

Need more information?

Click here to read our guide on [What is an Umbrella Company?](#)

Employment Rights Bill

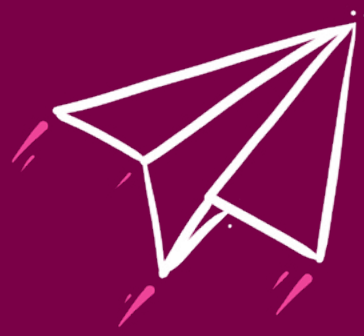
Key takeaways and next steps

We know the Employment Rights Bill (ERB) might not be top of mind right now (as if you don't have enough on your plate), but preparing now will help ease the transition when these new regulations come into play in 2026.



Day-one employment rights: Immediate employment rights for all workers, with a possible nine-month statutory probation period.

Zero-hour contracts: Restrictions on zero-hour contracts, requiring guaranteed hours in some cases, which could limit flexibility and increase compliance efforts.



Flexible working: Flexible working as the default, along with expanded rights for bereavement leave and protections for new mothers.

New 'Fair Work Agency': A single regulatory body will oversee employment standards to ensure ultimate compliance across supply chains.



How can I prepare for the ERB?

Effective communication across your supply chain is essential. Begin by engaging with key partners, whether that is end-clients or other third-party vendors in your supply chain such as your umbrella provider, to discuss their strategies, gather advice, and explore ways to collaborate and tackle challenges.

No one should navigate this alone, so it's important to stay actively involved at every step. Keep in mind that the ERB and Autumn Budget changes are not quick fixes; they represent significant adjustments for everyone involved. Ongoing, open conversations will be key to operating effectively moving forward.

Final thoughts

The 2024 Autumn Budget and ERB proposals set in motion significant shifts for end-hirers, recruitment agencies and contingent workers alike, and the pace of change shows no signs of slowing in 2025. With increases in Employers NICs and adjustments to the NMW around the corner, you must be proactive in your planning to ensure compliance and be able to support your workforce effectively.

As you navigate these immediate regulatory changes, it's equally important to consider the implications of the forthcoming ERB proposals. It's critical to engage in open dialogue with your partners and supply chain now. By starting these conversations early, you can maintain transparency with your workforce and develop strategies that position your business for success as you navigate the challenges ahead.

While the immediate focus may be on NICs and NMW adjustments, umbrella regulation is also an area of government scrutiny that impacts businesses relying on contingent workers.



As a founding member of the FCSA and a longstanding advocate for compliance, Parasol recognises the vital role that compliant umbrella solutions play in enhancing workforce management strategies.

With over 20 years of experience in navigating regulatory changes, Parasol welcomes these developments and remains committed to collaborating with the FCSA, government and HMRC, to “clean up the market” and stamp out non-compliance across the contingent workforce supply chain.

Navigating these developments is complex, but prioritising these conversations and considering the impact sooner rather than later will ensure you're well-prepared to move forward with clarity, confident that your business meets compliance standards and thrives in this ever-changing landscape. You'll be glad you did in the long run.

We're here to help

If you have any questions about any legislative changes from the Autumn Budget, ERB, or umbrella companies, please don't hesitate to reach out to us:



←
**MEET THE
TEAM**



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