

THE INTERIM MARKET IN 2024

wade macdonald

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INTRODUCTION

In the ever-changing world of recruitment, most salary insights guides and reports available in the market predominantly focus on the permanent workforce. However, given the substantial contribution of the gig economy to the successful operation of organisations we work with, we wanted to produce a report that tracks trends in this dynamic sector and celebrates its contribution.

There is no doubt interim workers play an indispensable role in the UK economy. According to the government data, there were estimated to be around 1.5 million temporary workers in the United Kingdom as of December 2023, (1) highlighting the prevalence and significance of interim positions in the labour market. This workforce provides businesses with a flexible solution, enabling them to swiftly navigate market fluctuations and meet project demands. Notably, the cost-effectiveness of employing interim workers is evident, with temporary staffing costs averaging 20-30% lower than those of permanent employees. (2)

Equally important, the specialist skills brought by interim professionals significantly enhance project outcomes. A survey conducted by the Chartered Institute of Personnel and Development (CIPD) revealed that 68% of businesses value interim workers for their unique skill sets, which enable the successful execution of diverse projects. (3)

At this point, it is important for us to point out that those who took part in our survey work within finance/accountancy or HR. If we were conducting this survey across a wider spectrum of skill sets the results may well have been different.

Throughout the report, we will delve into:

- the roles interims cover,
- the skills they possess,
- the value that interims bring,
- analyse trends in pay rates,
- and explore the challenges faced by workers (*including the evolving legislative landscape over the last decade*).

Drawing from over 300 responses from both interim workers and employers, we will examine whether their perspectives align and explore any differences.



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FINDINGS THIS WAY >

RESPONDENT DATA

As previously mentioned, over 300 professionals took part in the survey from Finance/ Accounting and HR backgrounds. This was a mixture of those who work in interim assignments and those who employed them.

As you will see from figure 2, our respondents have worked across a wide range of business sizes and sectors, with the majority having spent some time in a Blue Chip or Large organisation. Lesser represented were owner-managed or Charitable organisations, however, this category covered 20% of respondents. This would suggest that the skills of interims can be utilised in all industries and the size of an organisation does not discount them from needing to engage.

As we move through this report, we will look at the types of roles that our respondents work in and the skillsets that they utilise in their roles. When you see this data, it will not surprise you that the majority of interims last worked in longer-term assignments with around 75% having spent at least 6 months in their last role. 6-9 months was the most common answer with around one-third of respondents with just over one-fifth spending 3-6 months or 9-12 months in an assignment.

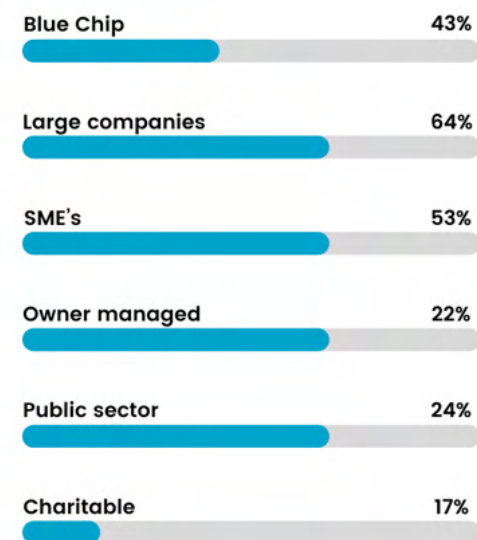


FIG 1 |

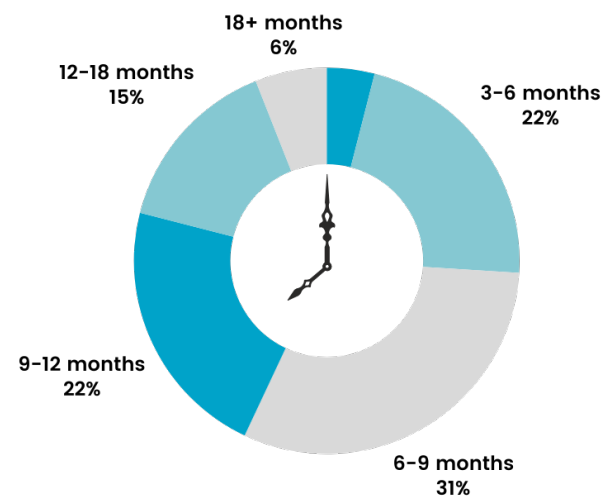


FIG 2 |

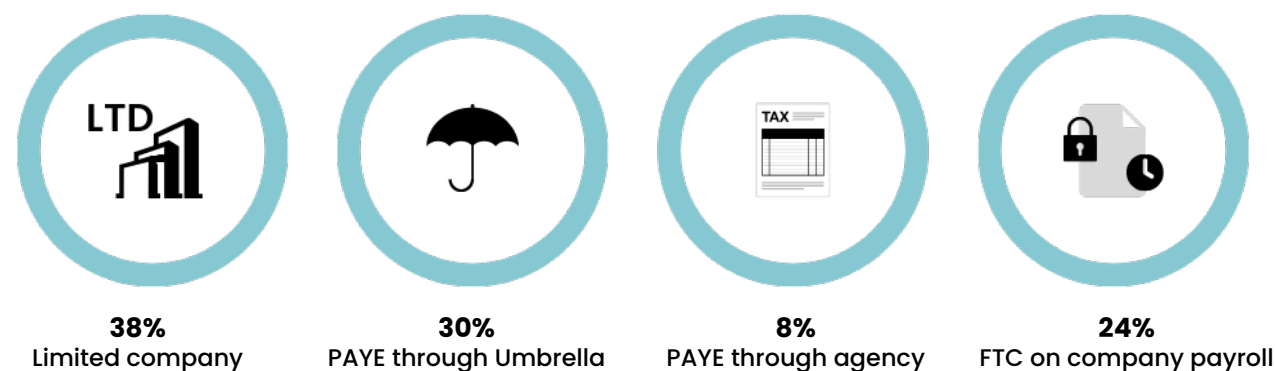


FIG 3 |

The data above shows that 38% of our respondents last worked through a Personal Services Company (PSC). Through the report we'll investigate whether that number has been impacted by changes to IR35 regulations. Outside of PSCs a further 30% have chosen to be paid via an Umbrella company with the others either PAYE through a recruitment agency or working directly with a business on a Fixed Term Contract (FTC).

We were also interested to understand how interims find their roles. Our results showed that around two-thirds of respondents needed an agency to find their last role, with a third utilising their own non-agency network to find work. Interestingly, although potentially not surprisingly, the figure finding their own assignments increased to 38% when they worked through a PSC.

IR35

Before examining the effects of IR35, we wanted to offer a brief explanation of the regulations and timeline of changes.

IR35, also known as the Off-Payroll Working Rules, is a set of tax regulations in the United Kingdom aimed at determining the employment status and tax obligations of individuals providing services through an intermediary, such as a limited company or a personal service company (PSC). The core purpose of IR35 is to prevent tax avoidance by ensuring that individuals who, in the absence of the intermediary, would be considered employees for tax purposes, are appropriately taxed.

The regulations assess factors like the level of control exerted by the client, the financial risks borne by the contractor, and the nature of the working relationship to determine whether a worker should be treated as an employee or a genuine contractor for tax purposes. IR35 has implications for tax deductions and National Insurance Contributions and applies to both the public and private sectors, with the more recent changes placing responsibility for determining employment status on medium and large-sized private sector clients. Non-compliance with IR35 can result in financial penalties and retroactive tax liabilities.

Since IR35 first came into place just before the turn of the Millennium, there have been several changes to the regulations, which at times have been difficult for many to keep up with. On page 5 you can see a basic timeline of those changes.

THE IMPACT OF THE MOST RECENT CHANGES TO IR35

45% Through an umbrella company

45% PAYE through an agency

40% In a fixed term contract

The changes to the way IR35 regulations would be policed, caused a large amount of controversy, especially as the original date that was planned for those contracting in commercial organisations coincided with the pandemic. Eventually, the most recent changes to the regulations came into play in April 2021 and our gut feeling has been that this has had a major impact on both the ways contractors have carried out their assignments and their rates. We were keen to gain data that would show the true picture.

The survey data shows a transformation in the working arrangement of respondents, revealing that over 40% of those not working through a PSC were doing so before the April 2021 regulation changes. We followed on, by asking the reasons behind this shift and the answers principally fell into two distinct camps.

FIG 4 | % of professionals not working through a PSC who did before April 2021

THE IMPACT OF THE MOST RECENT CHANGES TO IR35

Continued

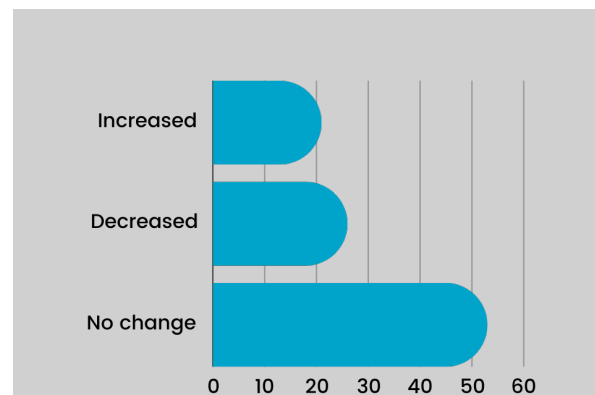


FIG 5 | Have you seen rates increase or decrease since the changes in IR35 regulations?

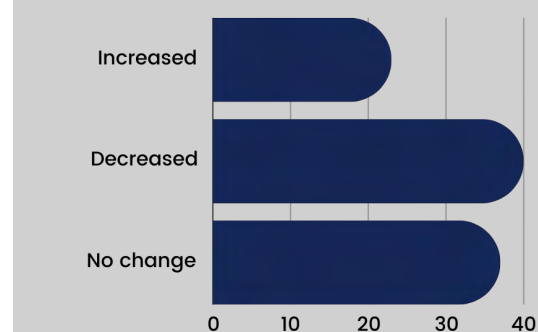


FIG 6 | If you have had to move away from a PSC have your rate been affected?

FIRSTLY

Individuals cited that the allure of tax benefits associated with PSCs significantly waned if a role was classified as "inside IR35". The compliance challenges posed by IR35, where workers falling into the "inside IR35" category face tax treatment akin to traditional employees, led to a diminished appeal for the PSC model among both contractors.

SECONDLY

A trend emerged concerning organisational caution in making IR35 determinations. With the responsibility for assessing IR35 status shifting to the end client in medium to large private-sector organisations, commonly referred to as the "payer" or "engager," the assessment process moved up a gear in terms of the level of complexity and potential liabilities.

In response to concerns around the intricacies of IR35 determinations and the associated financial penalties for misclassification, some organisations adopted risk-averse strategies which in some cases included the implementation of blanket bans on engaging with PSCs. This cautious approach, treating all contractors as if they fall "inside IR35" even when some engagements may genuinely be "outside IR35", aimed to mitigate compliance burdens and reduce the risk of fines. However, what it actually risked was the possible loss of expertise and talent with PSC contractors looking elsewhere for opportunities.

In essence, these trends reflect the evolving landscape of IR35 regulations and its profound impact on the practices of workforce engagement, with both individual workers and organisations adapting their approaches in response to the altered regulatory environment.

As mentioned above, the second 'gut' feeling we had as a recruiter of interim roles was that rates had declined over the past few years. However, the results of our survey didn't back up this view. Although figure 5 shows that 26% of contractors had seen a decrease in rate, the vast majority had seen no impact or an increase.

However, an alternative perspective emerges if we cut the data slightly differently. Figure 6 shows that of those workers who have had to move away from a PSC towards umbrella, PAYE, or an FTC, a higher % have seen a decline.

Overall, it seems fair to conclude that the budget clients have for the work to be carried out has probably not declined, but it could also be argued that it has not moved in the same direction as wage inflation.

However, in the case of clients avoiding PSC engagements or hiring for roles deemed inside IR35, it is reasonable to infer that overall budget allocations for project work may not have decreased, but rather reallocated to areas like National Insurance.

The evolution of IR35 regulations in the United Kingdom has been marked by several key developments and legislative changes. Here is a timeline outlining the significant milestones in the history of IR35:

MARCH '99

IR35 introduced - The original IR35 legislation was introduced in the Finance Act 1999 and came into effect in April 2000. Its primary aim was to tackle tax avoidance by individuals providing services through intermediaries, such as personal service companies (PSCs), to disguise their true employment status.

APRIL '00

The IR35 rules officially came into effect for the 2000-2001 tax year. The legislation allowed the Inland Revenue (now HM Revenue & Customs) to determine if a contractor working through an intermediary should be taxed as an employee.

THE 2000'S

Initial legal challenges - The early 2000s saw legal challenges to the IR35 legislation. Contractors and industry groups expressed concerns about the complexity of the rules and their impact on the flexible workforce.

APRIL '17

Public sector changes - The responsibility for determining IR35 status shifted from the contractor to the public sector client in April 2017. Public sector clients became responsible for assessing whether IR35 applied to the engagements of off-payroll workers.

APRIL '20

Private sector changes delayed - The UK government announced changes to extend the off-payroll working rules to the private sector, mirroring the public sector reforms. However, due to concerns about the readiness of businesses and the economic impact, the implementation was delayed by one year, from April 2020 to April 2021.

APRIL '21

Private sector changes implemented - The off-payroll working rules were extended to the private sector in April 2021. Medium and large-sized private sector clients became responsible for determining the IR35 status of contractors, bringing them in line with the public sector reforms.

2021-2022

Impact and ongoing adjustments - The extension of IR35 to the private sector led to adjustments in how businesses engage with contractors. There were ongoing discussions about the effectiveness of the rules, potential unintended consequences, and calls for further refinements.

The timeline reflects a continuous effort by the government to address tax avoidance in the context of off-payroll working, with adjustments and reforms aimed at ensuring fair taxation and compliance with employment status regulations.

WORKING PATTERNS

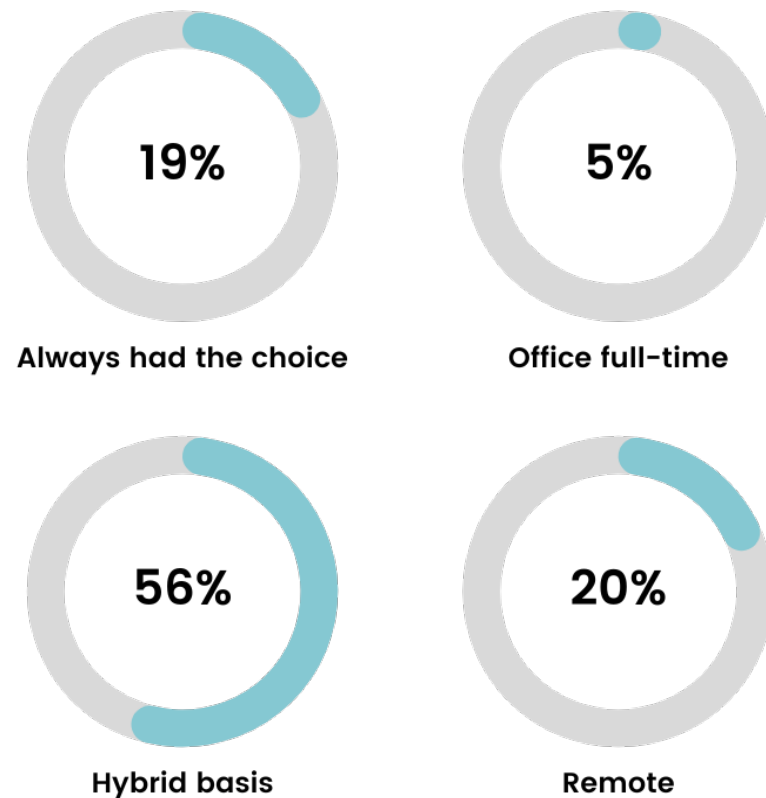


FIG 7 | Has the pandemic effected where you are able to carry out the role?

Since the pandemic, we have carried out a huge amount of research around the physical location of work and the flexibility that has arisen since the various lockdowns. From our own research (4), we have found that only around 10% of HR and Finance / Accountancy professionals who work on a permanent basis must attend the office every day. Outside of this a further 10% work fully remotely with around 80% able to work on a hybrid basis.

We were keen to see whether this is mirrored in the interim market and whether there have been changes since the pandemic.

As the graph shows, interim professionals have more flexibility when choosing where to work in comparison to permanent employers, and it is probable that this was also the case before the pandemic. Only 5% must attend an office daily, 56% work on a hybrid basis and although it is not possible to see for certain, the results suggest 39% have the choice of where to work.

WHY INTERIM?

Professionals work within the interim realm for a multitude of reasons, each reflecting unique preferences and career aspirations. Some are motivated by the desire to see the tangible impact of completing projects, and finding fulfilment in the value they add. Others seek respite from the routine of permanent roles, embracing the flexibility and autonomy that interim positions often afford. However, we were keen to understand what first pulled our respondents into interim work.

20%

of participants found themselves in interim roles unexpectedly, driven by circumstances such as redundancy or challenges in securing permanent positions. However, choosing interim work was a conscious decision for most respondents, influenced by a mix of factors.

A significant portion entered the interim market enticed by the flexibility and work-life balance it promised. The lifestyle flexibility inherent in interim work allows for breaks between assignments and the pursuit of personal projects, offering a level of freedom often restricted in permanent employment.

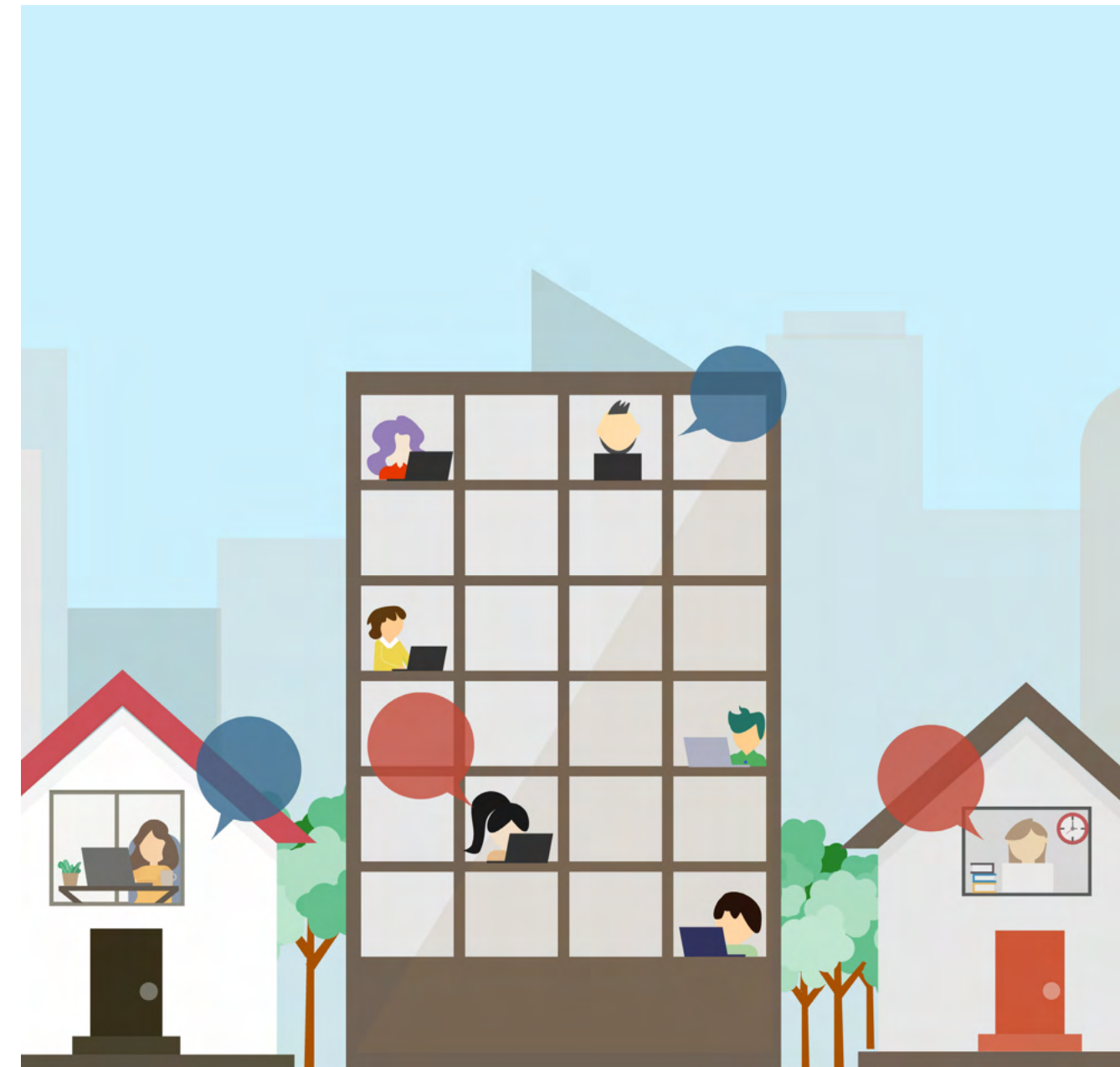
For others, the allure of interim work lies in the promise of more engaging tasks. Interim assignments enable professionals to utilise specific skill sets, participate in impactful projects, and move on to new challenges after contributing value. The appeal also extends to the opportunity to be involved in diverse projects, gaining exposure to varied challenges and experiences that enrich skill sets.

Financial considerations are another recurrent theme, with some perceiving interim work as a means to negotiate significantly higher rates compared to equivalent permanent roles. This group recognises the financial rewards that come with the flexibility and specialist skills demanded by interim positions.

“

If you play it right and if you are intentional about your role, you may be surprised at the lasting impact you can have. You never know, you may also find that you learn a thing or two about yourself along the way.

Chris Cancialosi, Forbes 2017



INTERIM ROLES



FIG 8 | What are the reasons you have been employed on an interim basis?

The results from our survey show a diverse range of reasons why organisations turn to interim professionals, highlighting the crucial role they play in various business scenarios. 38% of respondents identified Change Management relating to the structure of the business as a key driver for engaging interim workers. This suggests a recognition of the strategic importance of interim professionals in implementing and navigating organisational changes, ensuring effective transitions and improved business structures.

A further 24% had been engaged in Change Management roles focused on systems, indicating a demand for interim professionals with expertise in driving technology changes within organisations. This reflects the pivotal role played by interims in implementing and optimising technological advancements, ensuring efficient and streamlined operations.

Covering a permanent hire emerged as another prevalent reason. 35% of respondents indicated the need for interim support during transitions in staffing. This emphasises the agility and adaptability that interim professionals bring to organisations, seamlessly stepping in to maintain operational continuity during personnel changes.

The survey results also shed light on the significance of interim roles in addressing skills shortages, with 38% identifying short term cover for skill gaps as a key motivator. This showcases the specialised expertise that interim professionals offer, providing targeted solutions to meet immediate skill needs and contribute to project success.

The survey highlights the role of interim professionals in crisis management, with 20% indicating a reliance on interims during challenging periods. This demonstrates the value of their swift adaptability and problem solving skills in navigating unexpected business challenges.

The need for interim professionals to strengthen project teams is evident, as indicated by 28% of respondents. This recognises the importance of their contributions in enhancing project outcomes through their specialised skills and experience.

13% highlighted other reasons they had been employed on an interim basis. Most of these could probably be categorised as one of the above, however, did also include due diligence for a sale or purchase and maternity cover.

KEY SKILLS AND QUALITIES

We asked our interims to share what they thought their main skills were and what qualities they felt were needed to become a successful interim.



FIG 9 |

What do you think are the main skills interims can add to a business?

The data highlights a consensus among interim professionals regarding crucial skills in their roles. Delivery stands out as a top-rated skill, with a substantial 82% of respondents acknowledging its importance. This highlights the imperative for these professionals to execute projects effectively and efficiently, meeting organisational objectives and ensuring successful outcomes. The emphasis on delivery aligns with the dynamic and results-oriented nature of interim roles, where tangible contributions are paramount.

Leadership skills emerge as another key facet, with 55% of respondents recognising its significance. In the transient nature of interim positions, effective leadership becomes a linchpin for guiding teams through change, fostering collaboration, and inspiring confidence in achieving collective goals. Leadership is pivotal in instilling a sense of direction and motivation, driving positive change within the organisation.

Along with Leadership, strategy was also noted by 55% of respondents. Interim professionals are often tasked with influencing and shaping organisational strategies, necessitating a strategic mindset to navigate complex business landscapes. Further linked to strategy is a strong emphasis on advice, with 68% of respondents valuing this skill. As an interim professional, providing strategic advice becomes essential in guiding organisations through transitions, ensuring informed decision-making, and leveraging expertise to address challenges effectively.

Planning skills were recognised by 48% of the survey. Effective planning is fundamental to mitigating risks, managing resources efficiently and achieving project objectives. In a time-sensitive and often transformative environment, careful planning contributes to the overall success of interim assignments.

Risk mitigation was identified by 41%. Professionals in interim roles are required to mitigate risks and navigate uncertainties to ensure project success and organisational stability.

Finally, uniting teams, acknowledged by 35% of respondents, is crucial in fostering a cohesive and collaborative work environment. Interim professionals need to quickly build rapport, align diverse teams toward common goals, and create a positive working atmosphere to drive collective success.

The fact that each skill set had such a high % ranking shows the multifaceted skill set required by individuals working in the interim realm.

Some of the answers from the 'other' category included:

Problem identification & resolution, flexibility, technical expertise, experience, pace/ focus, different perspective, objectivity, execution

FIG 10 |

What are the main qualities an interim should possess?

KEY SKILLS AND QUALITIES *Continued*

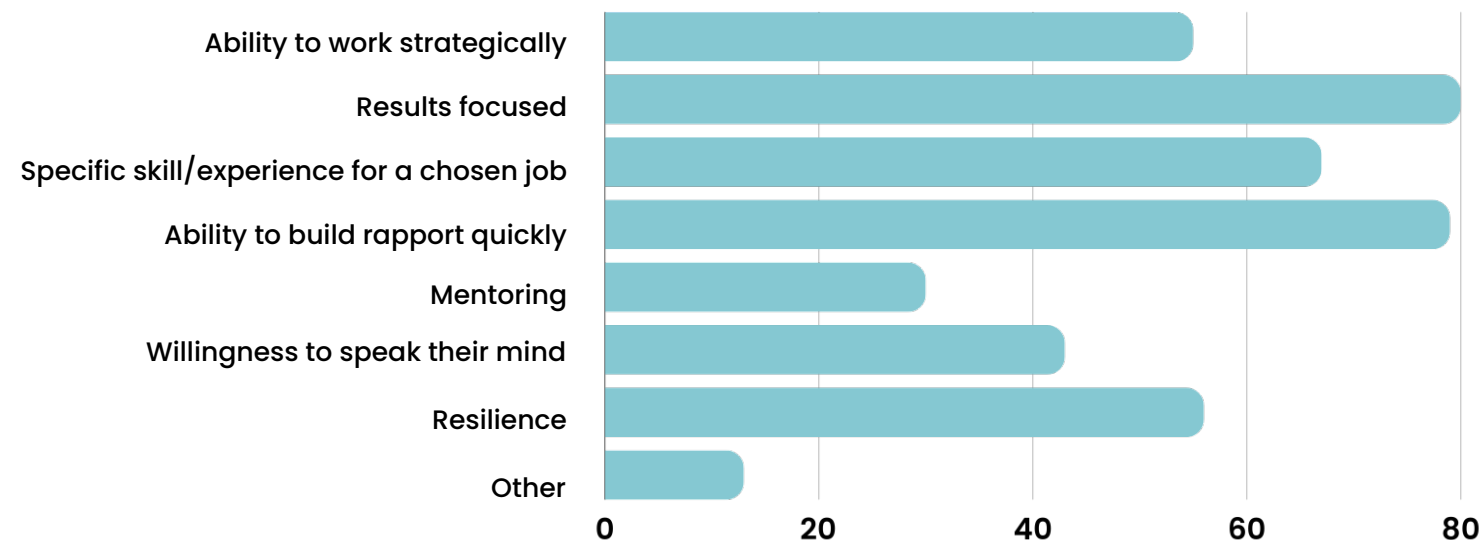


Figure 10 shows the personal qualities that interim professionals deem crucial for success in their roles.

Results-focused stands out prominently, with a significant 80% of respondents acknowledging its importance. This highlights the inherent need for interim professionals to drive tangible outcomes, ensuring that their efforts align with organisational objectives and contribute positively to the desired results.

The ability to work strategically closely follows, chosen by 54% of respondents. This emphasises the importance of a strategic mindset in navigating the complexities of interim assignments. Interim professionals are tasked with influencing strategies, and possessing the ability to work strategically is fundamental to steering organisations toward long-term success and adaptability.

Specific skill and experience for a chosen job, recognised by 67% of respondents, reflects the significance of having specialised expertise tailored to the requirements of specific roles. This aligns with the nature of interim work, where professionals are often brought in for their unique skill sets to address specific challenges or projects.

The ability to build rapport quickly was selected by 79% of respondents, showing that interpersonal skills are required for success in interim roles. Rapidly

establishing connections and fostering positive working relationships are crucial for navigating diverse teams and achieving collaborative success.

Resilience, noted by 55% of respondents, is a critical personal quality acknowledged in the dataset. The dynamic nature of interim work often involves facing challenges and uncertainties, making resilience essential for navigating setbacks and maintaining effectiveness in high-pressure situations.

The willingness to speak one's mind, recognised by 44% of respondents, is a valuable quality that contributes to effective communication and decision-making. Interim professionals need to share insights, offer strategic advice, and express their perspectives to drive positive change within organisations.

Mentoring, acknowledged by 30%, highlights the importance of guiding and supporting others. This mentoring ability contributes to a positive working culture and enhances the overall success of interim assignments.

The input from our respondents reveals a spectrum of skills and personal qualities deemed essential for success. These qualities collectively contribute to the success of interim assignments, ensuring impactful and positive outcomes for organisations undergoing change.

- CONCLUSION -

Our Finance and HR Interim Management Report 2024 sheds light on the pivotal role of interim workers in the UK economy. The prevalence and significance of interim positions are undeniable. These professionals offer a flexible solution, allowing businesses to navigate market fluctuations and meet project demands cost-effectively.

Surveying over 300 professionals in finance and HR, we observed a diverse range of roles and skills among our respondents, demonstrating the versatility and applicability of interim expertise across various business sizes and sectors. Although most of the interims had experience in Blue Chip or Large organisations, we saw a spread across most sizes of business and sectors, affirming that the need for their skills extends across industries.

The survey delved into the impacts of IR35 regulations, revealing shifts in working arrangements and motivations for choosing different payment methods. The changes to IR35 regulations, implemented in April 2021, have influenced the ways contractors carry out assignments and their rates. We found that over 40% of those not working through a Personal Service Company (PSC) were doing so before the changes, and the shift is primarily attributed to the diminished appeal of tax benefits associated with PSCs for roles classified as "inside IR35." Additionally, organisational caution in making IR35 determinations has led to risk-averse strategies, with some companies implementing blanket bans on engaging with PSCs.

Contrary to initial perceptions, our survey data suggested that overall rates for interim roles have not seen a significant decline. However, a closer look reveals that those who have moved away from PSCs toward umbrella, PAYE, or FTCs are more likely to experience rate declines. It's worth noting though that a move to one of the above models often brings with it enhanced benefits and protection from the Conduct of Employment Agencies and Employment Business Regulations 2003 that do not apply to PSCs so it's not all bad news!

The report also explored working patterns, indicating that interims have more flexibility in choosing where to work compared to permanent employees. Only 7% have to work in the office each day, which, highlights the adaptability of interim roles.

Finally, our respondents shared insights into why they chose interim work. Approximately 20% found themselves in interim roles unexpectedly due to circumstances such as redundancy, while the majority made a conscious decision influenced by factors like lifestyle flexibility, engaging tasks, and financial rewards.

In essence, this report shines a spotlight on the dynamic landscape of interim work, showcasing its value, challenges, and the evolving impact of regulatory changes on the finance and HR sectors. We hope you find it a useful resource and that it provides greater confidence in the continued need for interims going into 2024.

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