

Trade body lobbies for more equitable payment terms in private sector

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Recruitment outsourcing providers bankrolling private sector

While the Department for Business, Energy & Industrial Strategy and the Small Business Commissioner has achieved the enforcement of 30-day payment terms in the public sector – and has introduced the voluntary prompt payment code with a 60-day payment term requirement, there remains a stark and unreasonable misalignment between the UK public and private sector.

According to APSCo OutSource, the trade body for the recruitment outsourcing sector, providers are now finding that clients are, in some cases, imposing 120–180-day payment terms for the supply of workers – workers that the outsourcing provider has to ensure are paid regularly.

Melanie Forbes, Managing Director of APSCo OutSource, is calling for a fair and proportionate supply chain with equitable payment terms for all.

“Modern supply chains in the recruitment outsourcing sector are highly complex. For example, an outsourcing provider (usually referred to as a Managed Service Provider or MSP) will negotiate a framework agreement with an end client which could involve a transfer of existing workers from another provider or a fresh MSP arrangement. The MSP may source some workers directly but will also enter into second tier agreements with recruitment consultancies to source the required contractors. These workers are entitled to be paid on a weekly or monthly basis by employment businesses irrespective of receipt of payment from the client receiving the supply of those workers leading, in effect, to the recruitment firm or outsourcing provider, bankrolling the end client.”

“Supply chains with such a huge differential in payment terms between the client receiving the services, (i.e., the supply of workers) and the worker delivering them are inherently unstable and subject to the risks of economic collapse, as seen most recently with Greensill Finance and Carillion a few years ago.”

“The recruitment and outsourcing sector has been critical to the economy over the past year delivering flexible and highly skilled talent where required in critical public services as well as the technology and life sciences sectors, helping to meet demand in a period of great uncertainty. Consequently, we would like to discuss with Government and other stakeholders such as CIPS and the CBI how we can work together to ensure equitable payment terms for outsourcing providers and workers in the private sector.”

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