

Call for evidence on the umbrella company market Acas response

22 February 2022

This is the Acas Council response to the [government's call for evidence on the umbrella company market](#).

Our response

Acas welcomes the opportunity to respond to the government's call for evidence on the umbrella company market.

Acas (Advisory, Conciliation and Arbitration Service) is a statutory, non-departmental public body with a duty to improve employment relations throughout Great Britain. In carrying out this duty Acas offers a number of services including a national helpline which in 2020 to 2021 handled some 700,000 calls from individuals and employers, (around 20,000 of which came from agency workers) a website offering guidance and online training (approximately 19 million visits in 2020 to 2021) and a range of advisory and collective and individual dispute resolution services. Since the beginning of April last year, we have assisted in just over 140 individual disputes involving the agency workers regulations.

Umbrella companies have been a feature of the labour market for a number of decades, but their influence and number has been growing in recent years. Statistics on umbrella companies are somewhat sketchy but according to a [report published last year by the Low Incomes Tax Reform Group of The Chartered Institute of Taxation \(PDF, 149 pages, 4.4MB\)](#) there could be as many as 500 such companies employing some 600,000 individuals.

Properly run, umbrella companies can provide useful services. However, the largely unregulated nature of the current arrangements can also allow unscrupulous companies to take advantage of their status. We therefore welcome the government's interest in this subject and its intention to bring umbrella companies within a stronger regulatory framework.

Much of the recent attention around umbrella companies has focused on the scope they provide for tax avoidance and addressing this concern directly is outside Acas's remit. However, it is Acas's view that any employer behaviour that falls short of good practice can damage relations with clients and employees and create a lack of trust. Your call for evidence document acknowledges there is also an employment rights aspect to umbrella companies' operations. And it is this, perhaps best termed 'employment relations' aspect of umbrella companies, that Acas has most insight into.

From the calls Acas takes on its national helpline, it is clear that there is still a lack of transparency and understanding around the operation of umbrella companies making it difficult for individuals to know exactly what sort of relationship they are entering into when they sign a contract.

For instance, we are aware that:

1. Workers can find that there are deductions being made from their pay which they were not expecting. We have seen cases where a worker thought they would be earning a certain amount, but their take-home pay is significantly less because of amounts deducted by the agency and the umbrella company.

2. There can be misunderstandings over holiday pay and entitlement which can result in workers not being able to take the leave they are due. Some of the arrangements we have come across involving umbrella companies also appear to involve rolled up holiday pay.
3. Without clarity of functions workers are confused about whether to go to the end client, the agency or the umbrella company to address problems in their contracts or other employment matters.
4. Workers are confused about their employment status. When they ring our helpline they can be unsure whether they are a worker with the agency, an employee of the umbrella company or are self-employed.
5. Workers are confused about whether they are able to be paid through an umbrella company of their own choosing.
6. If the umbrella company and employment business are connected, such as having a common owner or director, then the employment business does not always tell the worker this in writing.

As stated earlier, Acas welcomes the moves the government is making to reform and strengthen the regulation of the umbrella company market, and we very much hope that as part of this process some of the problems we have identified around understanding and transparency can be addressed. Acas is of course happy to work with the government as it considers any future changes and in particular any new guidance with regard to umbrella companies.