



# TALENT TRENDS REPORT

JUNE 2026

Source: REC/KPMG data May 2026



Award-winning talent partner, trusted by growing companies across the UK

# WHAT THE MARKET IS TELLING US | JUNE 2026

The May REC/KPMG data paints a vivid picture of a market in transition.

Permanent hiring is still contracting - falling at its fastest rate in ten months. Flexible hiring is filling the gap, with temp billings growing at a pace not seen since April 2023. And on the surface, businesses are adapting well - keeping delivery moving, managing costs, preserving optionality in an uncertain environment.

But pragmatic decisions made quickly - under pressure, across teams, through multiple suppliers - have a habit of creating problems that don't announce themselves. They accumulate quietly, out of sight of any single dashboard or decision-maker. And by the time most organisations notice, the exposure is already there.

This month's report looks beyond the headline numbers. It examines what the shift to flexible hiring is quietly exposing and what organisations in regulated markets need to have in place before those exposures become costly. The answers are practical, fast to implement and more straightforward than most people expect.



“Temporary hiring is doing the work permanent hiring can't commit to yet. The risk isn't flexibility - it's flexibility without governance. If you can't see rates, onboarding status and IR35 documentation in one place, you're leaving yourself exposed.”

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# HIRING HEADLINES | WHAT MAY DATA TELLS US

**Permanent hiring fell at its quickest pace in 10 months** Market uncertainty, higher costs and Gulf crisis driving employers to pause permanent roles

**Temp billings hit fastest growth since April 2023** Businesses leaning on contract & interim talent to keep delivery moving while preserving optionality

**Candidate supply rising sharply** Redundancies and job insecurity are flooding the market - giving employers more choice, but more governance complexity

**Pay growth subdued (but watch niche skills)** Broad salary inflation muted, yet cyber, data engineering, pricing & compliance roles remain highly competitive

## WHAT THIS MEANS FOR YOUR BUSINESS

### **Businesses haven't stopped hiring. They've changed how**

Permanent placements have now fallen for 44 consecutive months. Yet organisations are still getting work done. The shift to temporary, contract and interim resourcing isn't a sign of paralysis. It's a deliberate strategic response to a world where commitment feels expensive and optionality feels essential.

### **The pressure points are real and stacking up**

Higher National Insurance contributions, zero hours reform, the Gulf crisis adding fresh inflationary pressure, and a domestic political environment that hasn't settled - each of these individually would give boards pause. Together, they've created a hiring environment where 'wait and see' is the default, and flexible resourcing is filling the gap permanent hiring can't yet commit to.

### **The candidate market has shifted too**

Candidate availability is rising sharply - driven by redundancies, fewer permanent opportunities and growing concerns over job security. That gives employers more choice. But a larger, faster-moving contingent workforce also means more complexity: more suppliers, more IR35 decisions, more onboarding touchpoints, more scope for something to fall through the cracks.

# WHY HIRING HAS SHIFTED TO FLEXIBLE FIRST

1

## Macro uncertainty

Gulf crisis, domestic political instability and inflation nerves have boards demanding optionality over commitment.

2

## Higher labour costs

NI increases and employment red tape have pushed the total cost of permanent headcount up significantly.

3

## Speed of Delivery

Business targets don't pause. Interim talent fills critical gaps in regulatory, tech and commercial roles fast.

4

## Zero Hours Reform Pressure

Regulatory changes to zero hours rules are reshaping how organisations structure their flexible workforce.

## CONTRACTOR & INTERIM HIRING IS SURGING.

The roles still getting sign-off are those that protect revenue, manage regulatory risk, and keep operations running. The work doesn't pause - it just gets staffed in shorter-term commitments.

**Our view:** If contractor hiring is rising, your biggest risk isn't finding talent. It's flexibility without governance - IR35 decisions, pre-employment checks, rate control and onboarding visibility all need to be locked before the headcount grows.

# WHERE DOES YOUR ORGANISATION SIT?

As contingent workforce volumes grow, organisations typically sit at one of four stages of maturity in how they manage them. Understanding where you are is the starting point for understanding where the risk is sitting.

Stage 1	Stage 2	Stage 3	Stage 4
REACTIVE	EMERGING	CONTROLLED	OPTIMISED
<b>WHAT IS LOOKS LIKE</b>			
Contractors hired ad hoc. No central process. IR35 decided case by case. Multiple suppliers, no SLAs.	Some process exists but inconsistently applied. IR35 framework in draft. One or two preferred suppliers.	Consistent IR35 process, documented and auditable. Screening standardised. Rate benchmarks in place.	Full MSP or embedded model. Real-time headcount and spend visibility. Supplier performance tracked monthly.
<b>RISK LEVEL</b>			
<b>HIGH</b> Invisible spend. HMRC exposure. Compliance gaps.	<b>MEDIUM</b> Partial controls. Audit would reveal gaps.	<b>LOW</b> Audit-ready. Spend visible.	<b>MINIMAL</b> Maximum spend. Fully evidenced. Benchmarked on cost.
<b>KEY FOCUS AREAS</b>			
Centralise visibility - know what you have before you fix how you manage it.	Standardise IR35 decisions and pre-employment checks across all suppliers.	Move from compliance to competitive advantage - speed, cost and quality.	Strategic workforce planning and delivery confidence.

**Most organisations operating with 10 or more contractors find themselves at Stage 1 or 2 without having made a conscious decision to be there. The shift to flexible hiring at volume is what exposes the gap - often before the governance infrastructure has had time to keep pace.**

# WHAT THE SHIFT IS QUIETLY EXPOSING

As contingent headcount grows, a consistent set of challenges emerges across organisations. They rarely announce themselves and tend to compound over time.

## **IR35 documentation that has not kept pace with hiring volumes**


A contractor is onboarded quickly. IR35 paperwork gets deferred. Three months later, twelve contractors have been onboarded the same way. The risk is not any individual engagement — it is the absence of a consistent, documented determination process across all of them. HMRC exposure is not triggered by a single case; it is triggered by a pattern.

## **Inconsistent pre-employment screening across suppliers**

Where multiple suppliers are placing contractors across different teams, screening standards are rarely uniform. One supplier may run comprehensive checks; another may do the minimum. Without a consolidated view across all suppliers, the gap stays invisible until it is not.

## **Rate variance accumulating below the governance line**

When teams are under pressure to close roles quickly, rates get agreed outside the framework. This is rarely a single decision - it tends to happen incrementally, across teams, over months. By the time the pattern is visible, spend can be running 15–25% above benchmark with no single approval point on record.



None of these challenges are unusual. All are manageable with the right structure in place.

# QUESTIONS WORTH ASKING NOW

Use the following as a practical diagnostic for your current position. These are not compliance tick-boxes - they are a measure of whether your contingent workforce is genuinely manageable at scale.

## **IR35:**

- Can you pull a complete list of your current contractors - with their IR35 status - in under 60 seconds?
- If HMRC requested your IR35 determination evidence today, could you produce it within the hour?

## **SCREENING:**

- Is every contractor's pre-employment screening completed to the same standard, regardless of which supplier placed them?

## **ONBOARDING:**

- Do you have a single onboarding workflow that applies across all teams, locations and suppliers?

## **RATES:**

- Are your contractor rates benchmarked, and do you have visibility of any variance from agreed levels?

## **GOVERNANCE**

- Do your hiring managers have a route to raise a contractor need that always goes through the right approval process?

**If you answer to any is 'no' or 'not sure' to any of these questions - that's the conversation you need to have today.**

# THE COST OF DOING NOTHING

The financial and operational consequences of unmanaged flexible hiring are well-documented. Industry benchmarks across these areas are consistent:

## HMRC IR35 LIABILITY

### UP TO 100% OF UNPAID TAX & INTEREST

Where status decisions are inconsistent or undocumented, HMRC can pursue the fee-payer for unpaid NICs and income tax across every affected engagement - often retrospectively. Liability can reach 100% of unpaid tax plus interest.

*(Source: HMRC IR35 guidance)*

## RATE DRIFT

### 15-25% ABOVE BENCHMARK

Without benchmarking and approval controls, contractor rates in unmanaged environments typically drift 15–25% above benchmark within 12 months. Across a contingent workforce of 20 or more, the cumulative overspend is significant.

*(Source: industry MSP benchmarking data)*

## BAD HIRE / FAILED CHECK

### £15,000-£50,000 PER INCIDENT

A contractor placed without adequate Right to Work or background verification creates legal exposure, operational disruption and reputational risk — particularly in regulated sectors. Industry estimates put the cost of a single incident at £15,000–£50,000.

*(Source: CIPD / recruitment industry data)*

## AUDIT REMEDIATION

### 6-12 WEEKS OF INTERNAL RESOURCE

When documentation is scattered across teams and suppliers, preparing for an audit is not a report pull - it is a project. Organisations typically spend 6–12 weeks of internal resource getting audit-ready reactively, consuming TA, legal and compliance capacity that should be spent elsewhere.

# HOW ORGANISATIONS ARE RESPONDING

Organisations moving from reactive to controlled contingent workforce management typically follow a consistent path from diagnosis through to sustained operation:

## STEP MAP BEFORE YOU MANAGE

1

Establish a complete picture of the current contractor population: IR35 status, screening coverage by supplier, rate variance and total spend. Knowing exactly where the exposure is sitting is the prerequisite for everything else. Organisations that skip this step tend to build governance frameworks over gaps they cannot see.

## STEP BUILD THE GOVERNANCE FRAMEWORK

2

Establish an IR35 determination process that is documented and consistently applied. Agree a single pre-employment screening standard across all suppliers. Standardise the onboarding workflow. Put a rate card and variance approval process in place. This is infrastructure, not bureaucracy — it is what makes flexible hiring genuinely fast and safe.

## STEP OPERATE AND EVIDENCE

3

Move all new contractor hiring through the standardised process. Activate supplier SLAs with performance scoring. Build real-time visibility of headcount, spend and compliance status. The outcome is an organisation that is audit-ready, has controlled spend, and where flexible hiring accelerates delivery rather than creating risk.

# VERMELO | A TRUSTED TALENT AND GOVERNANCE PARTNER

For organisations managing growing contractor populations, we provide governance infrastructure alongside hiring capability: IR35 determination frameworks, standardised screening, consolidated spend visibility and audit-ready onboarding. The two things work together - you get the talent and the framework to manage it compliantly.

	<b>Traditional Recruitment</b>	<b>Managed Approach</b>
<b>IR35 Governance</b>	Places contractor, hands IR35 decision to client. No documentation support	Every role assessed, documented and stored centrally. Auditable on demand.
<b>Pre-Employment Checks</b>	Varies by consultant, agency or supplier. No consistent standard across your supplier base.	One screening standard across all suppliers, teams and locations. Evidence held centrally.
<b>Rate Control</b>	Rates negotiated individually. No visibility of variance across engagements.	Rate benchmarking built in. Variance flagged automatically. No quiet drift.
<b>Spend Visibility</b>	Invoice-by-invoice. No consolidated view of contingent spend or headcount.	Real-time dashboard: total contractor headcount, spend by team, location, supplier.
<b>Onboarding</b>	Managed by the hiring team. Inconsistent. Evidence trail gaps.	Single workflow. Standardised documentation. Start approvals evidenced and attributable.
<b>Audit Readiness</b>	Scramble when requested. Documentation scattered across inboxes and teams.	Audit-ready by design. Full pack producible in under 60 minutes.

# READY TO MAKE FLEXIBLE HIRING SAFE, FAST & VISIBLE?

If contractor & interim hiring is carrying your delivery in H2 2026, let's make sure it's also controlled.

- Rapid Hiring Health Check
- IR35 + Governance Blueprint
- Contractor Rate Benchmarking
- MSP / Embedded Talent Design

## HIRING GOVERNANCE CONFIDENCE STARTS WITH A CONVERSATION

SCAN THE QR CODE TO BOOK A DISCOVERY CALL



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# VERMELO | YOUR STRATEGIC TALENT PARTNER

Vermelo delivers award-winning RPO and flexible talent solutions across insurance, insurtech, fintech, financial services and regulated sectors.

We help organisations hire smarter by combining people, process and technology to deliver faster, compliant, cost-controlled hiring through:

- RPO
- MSP
- Embedded Talent (RaaS)
- Talent Advisory & Consulting

We work as an extension of your team — focused on outcomes that matter: speed, quality, and a better experience — with governance built in (IR35, screening checks, audit-ready onboarding).

**VERMELO | FLEXIBLE TALENT SOLUTIONS THAT SCALE WITH YOUR BUSINESS.**

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