

TABLE OF CONTENTS

LIST OF TABLES	vii
LIST OF FIGURES	ix
EXECUTIVE SUMMARY AND HIGHLIGHTS	1
1. MARKET	13
1.1 Market definition	13
1.1.1 Recruitment industry overview and context	13
1.2 Market size: UK healthcare workforce and recruitment market	14
1.3 The overall UK recruitment industry	19
1.3.1 Composition of the industry	22
1.3.2 Largest UK staffing agencies	23
1.3.3. Worldwide recruitment industry	23
1.3.4 Covid-19 and the UK recruitment sector: 2020 and beyond	24
1.3.5 Economic impact on size of the sector	24
1.3.6 Impact on recruitment business models: 2020 ‘lessons’	25
1.3.7 2021 Quarter 1	26
1.3.8 Flexibility	27
1.4 The temporary labour force	28
1.4.1 Breakdown of temporary employees	29
1.4.2 NHS workforce in context	32
1.4.2.1 Overall staff numbers	35
1.4.2.2 NHS staff shortages	35
1.5 Demand for ‘temps’	36
1.5.1 The NHS workforce	36
1.5.2 Social care workforce	37
1.6 Supply of ‘temps’	38
2. POLITICS AND REGULATION	41
2.1 Overview	41
2.1.1 Healthcare policy developments – new models of care	41
2.1.2 Agency Rules	41
2.1.3 Legislative intervention in respect of the payment of temporary workers	42
2.1.4 Profound shifts in the macro economic and political landscape	42
2.1.5 Labour market evolution	42
2.1.6 Healthcare workforce: centre stage	43

2.1.7	Impact of Covid-19 pandemic	44
2.2	Efficiencies and NHS budgets	44
2.3	Staffing in the NHS: workforce challenges and the NHS <i>People Plan</i>	46
2.3.1	Growth in NHS workforce insufficient to meet demand	47
2.3.2	Introduction of the Agency Rules	48
2.3.2.1	'Price Caps for Agency staff: proposed rules and consultation' – October 2015	49
2.3.2.2	Frameworks	50
2.3.2.3	REC submission to Monitor – 13 November 2015	50
2.3.2.4	Reducing reliance on medical locums: a practical guide for medical directors –NHSI 2016	52
2.3.2.5	NHSI update – October 2016	52
2.3.2.6	NHSI update – February 2017	52
2.3.2.7	Reducing reliance on medical agency staff: sharing successful strategies; NHS Improvement (June 2018)	53
2.3.3	Workforce takes centre stage of NHS policy pronouncements	53
2.4	NHS Professionals	55
2.4.1	The policy context	56
2.4.1.1	NHSP white papers	57
2.4.2	Notable service developments	60
2.4.3	<i>Project Florence</i> and possible sale of NHSP	61
2.4.4	Most recent NHSP evolution; vision, services and people	61
2.5	Procurement	62
2.5.1	Current NHS procurement framework landscape	62
2.5.2	Current Agency Rules	64
2.5.2.1	Ceilings	65
2.5.2.2	Price caps	65
2.5.2.3	Mandatory use of approved framework agreements	66
2.5.3	Reporting requirements	66
2.5.4	NHS improvement monitoring and enforcement	67
2.5.4.1	Definitions	67
2.5.5	Agency Rules: recent developments including Covid-19	68
2.5.6	Impact and way forward	70
2.6	Covid-19 impact on delivery of care	71
2.7	Covid-19 impact on workforce policy and practice	72
2.8	Regulation	73
2.8.1	Conduct of Employment Agencies and Employment Business Regulations 2003	74

2.8.2	Purpose, general overview and benefits of the Conduct Regulations	74
2.8.3	Work seekers	75
2.8.4	End users/hirers	76
2.8.5	Key information document	77
2.8.6	Specific regulations within the conduct regulations	77
2.8.7	Agency worker regulations	79
2.8.8	Data protection	80
2.8.9	Overseas recruitment	81
	2.8.9.1 Ethical overseas recruitment – Department of Health and Social Care Code of Practice revision February 2021	81
2.8.10	Additional health and social care specific regulations	83
2.8.11	Disclosure and Barring Service (DBS)	84
2.8.12	Training and authorisations of agency staffing groups	85
2.8.13	Doctors	85
2.8.14	Nurses	85
2.8.15	Allied Health Professionals (AHP) and social workers	86
2.8.16	Care workers	86
2.8.17	Care certificate	87
2.9	Workplace tax issues – the supply chain context	87
	2.9.1 Recruitment supply chains	87
	2.9.2 Nature of supply of workers by recruitment agencies	89
	2.9.3 Overview of the different ways temps are used and engaged in the healthcare sector and what this means for employment/workers' rights	90
	2.9.4 Status of 'workers' and 'agency workers'	90
2.10	VAT	91
	2.10.1 Overview	91
	2.10.2 Nursing agencies VAT concession	92
	2.10.3 Case law – Adecco UK (and others) v HMRC	92
	2.10.4 Direct Engagement model	93
	2.10.5 Co-employment model	93
2.11	Employment and workplace taxes in 2021	93
	2.11.1 IR35 – extension to the public sector	93
	2.11.2 IR35 – private sector	94
	2.11.3 NHS Digital	96
	2.11.4 Agency legislation – ss 44 to 47 ITEPA	96
	2.11.5 Personal service company (PSC) contractors	97
	2.11.6 Self-employed consultants and sole traders	97

2.11.7	Umbrella companies	97
2.11.8	Payment of travel and subsistence expenses for workers engaged through employment intermediaries	98
2.11.9	Offshore intermediaries legislation – i.e. temps and contractors should not be engaged offshore	98
2.11.10	Managed Service Company (MSC) Legislation 2007	98
2.11.11	Criminal Finances Act	99
2.11.12	Pension auto-enrolment	100
2.11.13	Apprenticeship Levy	100
3.	PAYORS	101
3.1	Summary	101
3.2	NHS England (NHSE)	101
3.3	Devolved nations	109
3.3.1	Scotland	109
3.3.2	Wales	114
3.3.3	Northern Ireland	119
3.4	Comparative analysis of agency spend across the UK	123
3.5	Bank and agency spend	125
3.6	Primary care and GP practices	131
3.7	Social workers	132
3.8	Social care	133
3.9	Care home sector	137
3.10	Covid impact on health and social care vacancy rates	138
4.	MAJOR PROVIDERS	143
4.1	Market transactions and major providers	143
4.2	Consolidation and investment activity in healthcare recruitment	144
4.2.1	October 2013: ICS acquires Asclepius (The Pathology Group)	144
4.2.2	February 2014: Cordant Group acquires Sugarman	145
4.2.3	April 2014: Hallam Medical secures funding from Key Capital Partners	145
4.2.4	June 2014: TowerBrook acquires ICS (now Acacium Group)	145
4.2.5	July 2014: DRC Locums merges with HCIG	145
4.2.6	November 2014: Graphite secures majority stake in HCIG	146
4.2.7	November 2014: ICS acquires Maxxima Group	146
4.2.8	January 2015 : Sovereign Capital backs MBO of Nurse Plus	146
4.2.9	July 2015: Impellam Group acquires Global Group	147
4.2.10	September 2015: CPL acquires Clinical ProfessionalCpl Resources Plc	147

4.2.11	July 2016: ICS acquires Liquid Personnel	147
4.2.12	June 2017: Endless LLP acquires Affinity Workforce (Capita)-	147
4.2.13	June 2017: Cpl acquires RIG Healthcare	148
4.2.14	March 2018: CRG acquires HCL	148
4.2.15	May 2018: ICS acquires ProClinical	149
4.2.16	October 2018: CRG acquires Affinity Workforce	149
4.2.17	October 2018: Maven Capital Partners invests in Acton Banks	149
4.2.18	December 2018: Castlerock Recruitment Group (CRG) acquires Allied Healthcare	149
4.2.19	February 2019: Your World recruitment group completes three healthcare recruitment acquisitions	150
4.2.20	March 2020: Twenty20 invests in Cordant Group (incl. Sugarman Medical)	150
4.2.21	April 2020: Onex acquisition of ICS	150
4.3	Major provider profitability and revenue growth	151
5.	INVESTORS	155
5.1	Overview	155
5.2	Major transactions in the UK healthcare recruitment sector	157
5.3	Valuation and deal structures	160
5.3.1	Factors impacting valuation	160
5.3.1.1	UK healthcare recruitment sector – specific factors	160
5.3.1.2	General factors	161
5.4	Investor profiles	163
5.4.1	Albion Capital	163
5.4.2	BGF	164
5.4.3	Blackstone	164
5.4.4	CPL	165
5.4.5	DBAY Advisors	165
5.4.6	Endless LLP	166
5.4.7	Graphite Capital	167
5.4.8	H2 Equity Partners	167
5.4.9	Impellam Group	168
5.4.10	Inflexion	168
5.4.11	Key Capital Partners	169
5.4.12	LDC	169
5.4.13	Maven Capital Partners	170
5.4.14	Olympus Partners	171

5.4.15	Onex Group	171
5.4.16	Praetura Ventures	172
5.4.17	Sovereign Capital	172
5.4.18	Your World Recruitment Group	173
6.	MARKET POTENTIAL	175
6.1	Overview	175
6.2	Broad fundamental secular factors	176
6.2.1	Demand and supply imbalance	176
6.2.2	Trend toward flexible working	178
6.2.3	Economics of temporary clinician working patterns	178
6.2.4	Government investment in healthcare provision	179
6.3	Dynamic market profitability drivers	180
6.3.1	The extent of the barriers to entry into the healthcare recruitment market	180
6.3.2	The extent of substitutional or alternative supply of healthcare professionals	181
6.3.3	The extent of the fierceness of competition between healthcare recruitment agencies	184
6.3.4	The effect of the disproportionate power of the NHS as payor	185
6.3.5	The extent of the power of clinicians in terms of the provision of their talent	186
6.4	Concluding remarks	187
	APPENDIX 1. GLOSSARY	189
	APPENDIX 2. REGULATORS	193
	APPENDIX 3. TRADE BODIES AND ASSOCIATIONS	195
	APPENDIX 4. MAJOR RECRUITMENT SERVICES PROVIDERS	199
	APPENDIX 5. LIST OF INTERVIEWEES - HEALTHCARE PROVIDER LEADERS	231
	APPENDIX 6. HEALTHCARE RECRUITMENT LEADERSHIP INTERVIEWS	235
	APPENDIX 7. ACKNOWLEDGEMENTS	283
	APPENDIX 8. FINANCIAL APPENDIX	285

LIST OF TABLES

Table 1.1	Spending on flexible health and social care staffing services by user, £m, UK, 2019/20	15
Table 1.2	Share of flexible health and care staffing services market by user, %, UK, 2019/20	16
Table 1.3	Value of the recruitment industry, all sectors, £bn and %, UK, 1985–2018	20
Table 1.4	Number of employees and temporary employees (seasonally adjusted), 000s and %, UK, 2000–2020	28
Table 1.5	Proportion of employees who are temporary by sex, %, UK, 2000–2020	29
Table 1.6	Temporary employees (full and part time, not seasonally adjusted) by type of recruitment, UK, 2000–2020	30
Table 1.7	Reasons for temporary working (UK temporary employees), 2000–2020	32
Table 2.1	Government agency and bank Procurement Framework Contracts (PFCs), 2001–2020	51
Table 3.1	National shares of UK hospital spending on agency and proportion of total staff costs, %, 2013/14–2018/19	102
Table 3.2	NHS spending on staff and agency in England, £m and %, 1988/89–2019/20	102
Table 3.3	Regional shares of NHS England Trusts spending on agency (non-NHS) staff and proportion of total staff costs by region, %, 2018/19 compared to 2013/14	105
Table 3.4	NHS England Trusts agency (non-NHS) staff spending, by occupation group, £m, 2019/20	106
Table 3.5	NHS England Trusts breakdown of bank staff spending by occupation group, £m and %, 2019/20	127
Table 3.6	Whole-time equivalent (WTE) social workers and agency social workers, England, 2013–2019	133
Table 3.7	Adult social care workforce employment status by service, 2019/20	133
Table 3.8	Adult social care workforce employment status by job role, 2019/20	134
Table 3.9	Estimated vacancy rates in the adult social care sector by service, %, 2019/20	135
Table 3.10	Employees and estimated vacancy rates in the adult social care sector by job role, number and %, 2019/20	135
Table 3.11	Employees and estimated vacancy rates in the adult social care sector by job role, number and %, 2012/13 to 2019/20	136
Table 3.12	Whole time equivalent (WTE) nursing, care and domestic staff employed on an hourly basis in care homes for the elderly, UK estimates, 2004–2020	137
Table 3.13	Agency staff hours of the total care home workforce hours, %, 2019	138

Table 4.1	Financial growth for last four years	152
Table 5.1	Selected healthcare recruitment transactions	157
Table 5.2	Significant international deals	159

LIST OF FIGURES

Figure 1.1	Spending on flexible health and social care staffing services by user, £m, UK, 2019/20	16
Figure 1.2	Value of the recruitment industry, all sectors, £bn, UK, 1985–2018	21
Figure 1.3	Growth in employees (Labour Force Survey) and the UK economy (real GDP), %, 1985–2019	21
Figure 1.4	Human health and social work aggregate vacancy rate by quarter, %, Q2 2001–Q3 2020	33
Figure 2.1	Tripartite arrangement	88
Figure 2.2	Arrangement including limited company intermediary	88
Figure 2.3	Vendor arrangement	89
Figure 2.4	Master vendor	89
Figure 3.1	NHS England Trusts agency (non-NHS) staff spending as a proportion of total staff spending, %, 2000/01–2019/20	103
Figure 3.2	NHS England Trusts agency (non-NHS) staff spending, £m, 2000/01–2019/20	104
Figure 3.3	NHS England Trusts agency (non-NHS) staff spending, by type of Trust, £m, 2018/19	106
Figure 3.4	NHS England Trusts agency (non-NHS) staff spending, by occupation group, £m, 2019/20	107
Figure 3.5	NHS England Trusts expenditure by type, £m, 2016/17–2019/20	107
Figure 3.6	NHS England Trusts full-time equivalent (FTE) staff by staff group, 2009–2020	108
Figure 3.7	NHS England HCHS average vacancy rate over the last four quarters by staff group, %, Q4 2017/18–Q2 2020/21	109
Figure 3.8	NHS Scotland total annual agency expenditure, £m, 2011/12–2019/20	110
Figure 3.9	NHS Scotland total annual hours of agency nursing and midwifery staff, 2010/11–2018/19	111
Figure 3.10	NHS Scotland average hourly cost of agency nursing and midwifery staff, £, 2010/11–2018/19	111
Figure 3.11	NHS Scotland full-time equivalent (FTE) staff by staff group, 2015–2020	112
Figure 3.12	NHS Scotland average vacancy rate for nursing and midwifery staff over the last four quarters, %, December 2015–December 2019	113
Figure 3.13	NHS Scotland average vacancy rate for medical and dental staff over the last four quarters, %, December 2015–December 2019	113
Figure 3.14	NHS Wales total annual agency expenditure, £m, 2010/11–2019/20	115
Figure 3.15	NHS Wales total agency expenditure as percentage of total pay expenditure, %, 2010/11–2019/20	117

Figure 3.16	NHS Wales all full-time equivalent (FTE) staff in post, annually, 2009–2020	117
Figure 3.17	NHS Wales medical and dental full-time equivalent (FTE) staff in post, annually, 2009–2020	118
Figure 3.18	NHS Wales nursing and midwifery full-time equivalent (FTE) staff in post, annually, 2009–2020	118
Figure 3.19	Northern Ireland Health and Social Care Trusts total annual agency expenditure, £m, 2012/13–2019/20	120
Figure 3.20	Northern Ireland Health and Social Care Trusts full-time equivalent (FTE) staff by staff group, 2015–2020	121
Figure 3.21	Northern Ireland Health and Social Care Trusts average vacancy rate for all staff over the last four quarters, %, December 2017–December 2020	121
Figure 3.22	Northern Ireland Health and Social Care Trusts average vacancy rate for medical and dental staff over the last four quarters, %, December 2017–December 2020	122
Figure 3.23	Northern Ireland Health and Social Care Trusts average vacancy rate for nursing and midwifery staff over the last four quarters, %, December 2017–December 2020	123
Figure 3.24	Percentage change in annual total HCHS agency expenditure from previous year, %, for each UK nation	124
Figure 3.25	Percentage change in annual medical HCHS agency expenditure from previous year, %, for each UK nation	124
Figure 3.26	Percentage change in annual nursing agency expenditure from previous year, %, for each UK nation	125
Figure 3.27	NHS England Trusts annual agency and bank spending, £m, 2015/16–2019/20	126
Figure 3.28	NHS England Trusts' bank and agency spend as a percentage of total staff costs, %, 2015/16–2019/20	126
Figure 3.29	Average hourly costs for different doctor bands by employment status, £, 2019/20 (core hours only)	128
Figure 3.30	NHS Scotland nursing and midwifery annual bank expenditure, £m, 2010/11–2019/20	129
Figure 3.31	NHS Scotland annual total hours of nursing and midwifery bank staff, 2010/11–2019/20	129
Figure 3.32	NHS Scotland average hourly cost of nursing and midwifery bank staff, £, 2010/11–2019/20	130
Figure 3.33	Northern Ireland Health and Social Care bank expenditure by staff group, £m, 2017/18–2019/20	130
Figure 3.34	NHS England practice nurses working in NHS general medical practices, 1989–2020	131
Figure 3.35	Whole time equivalent (WTE) GP Locums, England, 2015–2020	132

Figure 3.36	Locums as a percentage of the whole time equivalent (WTE) GP workforce, England, 2015–2020	132
Figure 3.37	Adult social care vacancy rates by job role, %, pre-Covid-19 and during Covid-19	138
Figure 3.38	Adult social care vacancy rates by service type, %, pre-Covid-19 and during Covid-19	139
Figure 3.39	Adult social care vacancy rates by region, %, pre-Covid-19 and during Covid-19	139
Figure 3.40	NHS England Trusts vacancy rates by staff group, %, pre-Covid-19 and post-Covid-19	140
Figure 3.41	NHS Scotland vacancy rates by staff group, %, pre-Covid-19 and post-Covid-19	140
Figure 4.1	Top ten health and care staffing agencies revenue for their latest financial year	144
Figure 5.1	Major transactions by participant	160