

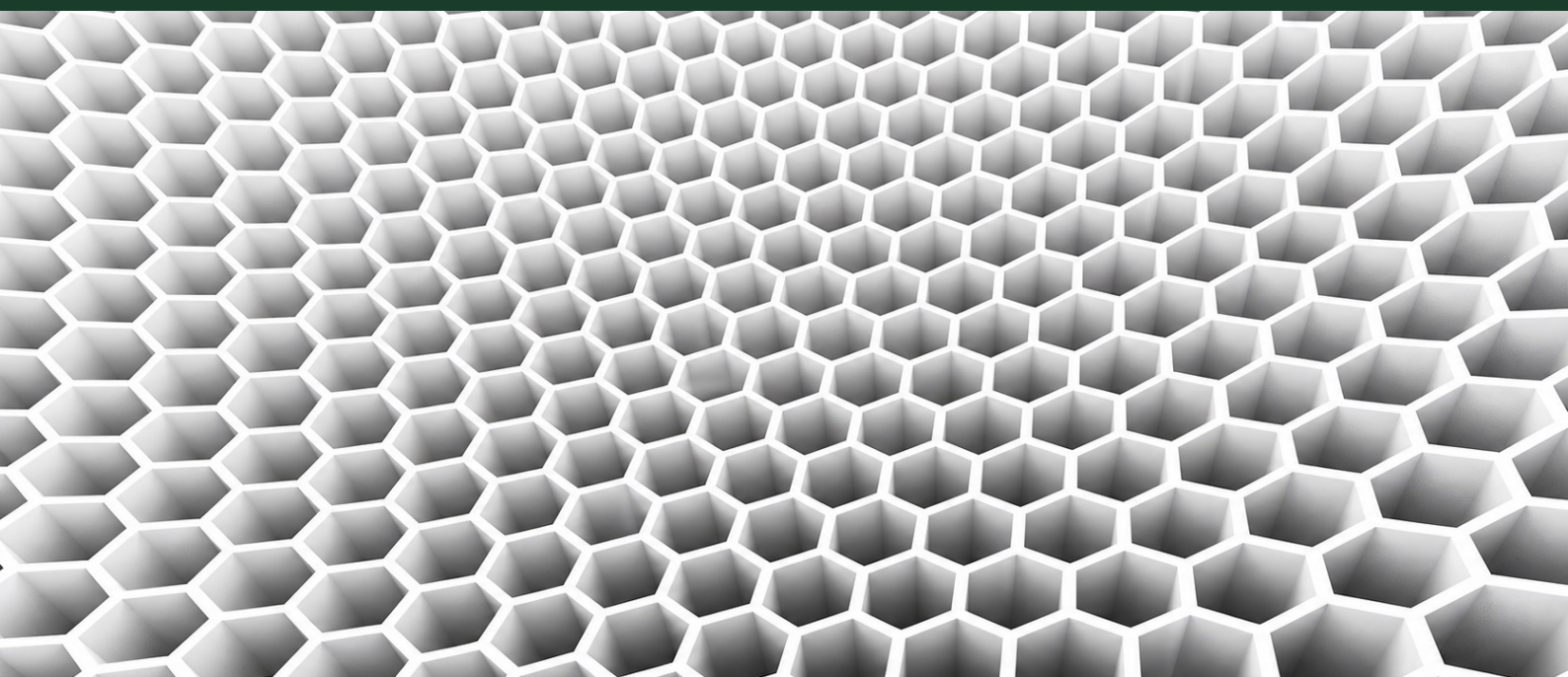
BEYOND THE DAY RATE

The Flexible Workforce Was Never Free — What the Contractor Squeeze Exposes About Programme Delivery

As the off-payroll rules finally reach the private sector, a hard look at how much of our delivery capability we have quietly been renting.

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The Reckoning Nobody Scheduled

In a matter of weeks, the off-payroll rules that have governed the public sector for four years arrive in the private one. From April, the organisation that engages a contractor through a personal service company — not the contractor — becomes responsible for deciding whether that engagement is, in substance, employment. It is a tax change. It is being felt as something much larger than a tax change, and that reaction is telling us something we would rather not hear about how our programmes are actually staffed.

Watch what is happening in the market right now and the shape of the anxiety is unmistakable. Day rates are moving. Contractors who spent a decade inside the same "temporary" engagement are recalculating. Some organisations have reached for blanket determinations — declaring every contractor inside the rules regardless of the specifics — and have promptly watched scarce delivery talent walk to whoever will make a more careful assessment. The reform did not create any of this. It merely switched on the lights in a room we had been furnishing in the dark for years.

What the Squeeze Reveals

Here is the uncomfortable observation. A great many programmes described, on their organisation charts, as permanent capabilities are nothing of the kind. They are permanent arrangements built on temporary people. The test automation, the integration knowledge, the release engineering, the one analyst who understands why the reconciliation works the way it does — again and again these sit with individuals who have been on a rolling contract for three, four, five years, and who are, in every meaningful sense except the tax one, part of the institution.

We told ourselves we were buying flexibility. What a five-year rolling contract actually buys is a permanent dependency with a notice period — the least flexible arrangement of all, dressed as the most.

This is the quiet truth the reform exposes. The flexibility was often illusory. Genuine flexibility is the ability to scale a capability up and down as the work demands. What many programmes had instead was a fixed dependency on specific long-term contractors, carrying all the continuity risk of permanent staff with none of the retention, succession, or knowledge-transfer discipline we apply to permanent staff. We got the rigidity of employment and the fragility of contracting, and we congratulated ourselves on our agility.

The Objection Worth Taking Seriously

The honest counter-argument is that contracting earned its place for good reasons, and it did. Specialist skills that an organisation needs intensely for eighteen months and never again should not be hired permanently — that way lies a payroll full of capabilities the business has outgrown. Contractors bring cross-industry pattern recognition that home-grown teams often lack. And the ability to bring delivery muscle on quickly, at the start of a programme, is genuinely valuable when the alternative is a six-month permanent recruitment cycle that the programme cannot wait for.

All true. But none of it describes the five-year rolling engagement. The case for contracting is a case for genuinely temporary, genuinely specialist work. It is not a case for using contract structures to avoid the harder discipline of building a permanent capability you have known for years that you need. The reform is painful precisely where we bent the instrument out of its proper shape — and comfortable where we used it as intended.

What Delivery Leaders Should Actually Do

The wrong response is the blanket determination, and the market is already punishing it. Treating every contractor as inside the rules to avoid the effort of assessing each engagement is the same abdication that created the exposure in the first place — a refusal to look closely at how the work is really done. The organisations that lose the least will be the ones that use this as the occasion for a piece of overdue honesty about their delivery model.

- Separate the genuinely temporary from the quietly permanent. For each long-running contract engagement, ask a plain question: if this person gave notice tomorrow, would we lose a capability we intend to keep? Where the answer is yes, the contract structure was always the wrong one, reform or no reform.
- Convert the load-bearing dependencies. The individuals who hold critical, continuing knowledge should be offered a permanent home or, at minimum, made the subject of deliberate succession and documentation. This is what we should have

been doing regardless; the reform has merely attached a deadline to it.

- Reserve contracting for what it is good at. Short, specialist, genuinely bounded work — the eighteen-month need, the scarce skill, the burst of delivery capacity at programme start. Used there, contracting remains one of the most valuable tools a delivery leader has.
- Cost the flexibility honestly next time. A day rate that looked expensive against a salary often looked cheaper once you counted the continuity you were quietly sacrificing. The comparison was never rate-versus-salary; it was rate-plus-fragility versus salary-plus-retention.

The Real Lesson

It would be easy to read the coming months as a story about tax, and to respond as though the task were merely compliance. That reading misses the point. The off-payroll reform is an audit we did not ask for, of a question we had been avoiding: how much of the capability our programmes depend on do we actually own, and how much have we been renting on rolling terms while telling ourselves it was flexibility?

The organisations that answer that question honestly will emerge with delivery models that are more resilient than the ones they had in February — not because a regulation forced them to comply, but because it forced them to look. The ones that reach for the blanket determination and hope the talent stays will discover, around the middle of the year, exactly how permanent their temporary people really were. The bill for renting capability, like every other bill, comes due eventually. This one just happens to arrive with a date on it.