Augscape Research & Development.

ULESV-001 / RESEARCH OUTPUT

UK Umbrella Labour Ethics, Social Value and ESG Assessment.

Worker Transparency, Fair Work and Public-Defensibility Assessment for Temporary Labour Chains.

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ULESV-00

DOCUMENT CONTROL

Document control and research position.

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Primary use	Decision support for contractors, public bodies, procurement teams, ESG leads and labour-chain managers

CENTRAL THESIS

Umbrella payroll should be assessed as a worker-experience, ethical procurement, social value and ESG issue, not merely as a payroll administration choice.

DOCUMENT PURPOSE

Purpose and assessment thesis.

This document is an independent research presentation designed to help organisations responsible for prominent temporary labour linked works assess the ethical, social value, ESG and public-reputation implications of using, permitting, tolerating or restricting umbrella payroll within their labour supply chains.

It is intended to support decision-making by large contractors, infrastructure project owners, principal contractors, construction supply-chain managers, councils and local authorities, government departments, housing and regeneration programme owners, procurement and ESG teams, recruitment agencies, MSPs, neutral vendors and labour-chain managers.

The document focuses on the non-financial and non-legislative dimension of umbrella payroll. It does not attempt to restate PAYE recovery exposure, tax trigger mechanics, Chapter 11 liability analysis or financial mitigation structures.

> Umbrella payroll may be lawful and may be operated compliantly, but where the relevant work is public, prominent, contractor-linked or social-value-sensitive, its use or permitted use should be assessed as a worker-experience, ethical procurement, social value and ESG issue, not merely as a payroll administration choice.

This document is intended as a practical decision-support and scoring-alignment tool. It does not constitute legal, tax, employment, procurement, ESG assurance or financial advice.

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SECTION 1

Framework Basis

RISK RATING: FOUNDATIONAL

1.1 Purpose of this section

This section identifies the social value, ESG and responsible procurement frameworks that can be used to evaluate umbrella payroll from an ethical and worker-outcome perspective.

The purpose is to convert umbrella payroll concerns from general criticism into tangible categories that procurement teams, ESG leads and social value evaluators already recognise.

1.2 Core framework finding

Umbrella payroll is rarely named directly in mainstream social value frameworks. However, the practical worker-facing effects of umbrella payroll map directly into recognised framework categories.

Those categories include:

- fair work;
- fair pay;
- good working conditions;
- pay transparency;
- worker understanding;
- worker voice;
- grievance access;
- wellbeing;
- ethical procurement;
- supply-chain social assessment;
- supplier monitoring;
- labour rights and supply-chain controversy risk.

The key interpretive position is:

> The ethical question is not whether a framework contains the words “umbrella company”. The question is whether umbrella payroll affects the framework-backed outcomes of fair work, fair pay, worker understanding, supply-chain accountability, ethical procurement and public defensibility.

1.3 UK Government Social Value Model / PPN 002

The UK Government Social Value Model is the most directly relevant public-procurement framework for central government work.

The 2025 Social Value Model guide states that in-scope organisations’ commercial practitioners must use the guide when implementing the model in all stages of the commercial lifecycle. It also explains that social value commitments should be relevant to the contract and should be capable of being monitored through delivery. Source: GOV.UK PPN 002 Guide to using the Social Value Model.

SECTION 1 CONTINUED

The model is especially relevant because it includes fair-work and fair-pay categories. The published model identifies fair work as work that offers fair wages and good working conditions, and includes award criteria relating to fair working conditions and fair pay practices. Source: GOV.UK PPN 002 Social Value Model PDF.

1.3.1 Relevant Social Value Model categories

Social Value Model category	Relationship to umbrella payroll
Fair work	Umbrella payroll affects the worker's actual employment and pay experience.
Fair working conditions	Worker understanding, payslip clarity, holiday-pay explanation and complaint route are part of the real working condition.
Fair pay practices	Assignment-rate/gross-pay confusion, deduction treatment and umbrella margin visibility are direct pay-practice issues.
Workforce engagement	Workers should know who to contact and how pay concerns are resolved.
Financial literacy / worker support	Pay route complexity can create financial stress and misunderstanding.
Supply-chain good practice	If umbrella providers sit in the labour chain, good practice should cascade to them.
Wellbeing	Unclear pay, deductions and fragmented accountability can affect worker wellbeing.
Modern slavery / supply-chain risk	Payroll-chain opacity can weaken the visibility needed to detect labour vulnerability and abuse.

1.4 TOMs / Themes, Outcomes and Measures

The TOMs framework is a widely used social value measurement structure. The National TOMs 2021 Framework describes the Themes, Outcomes and Measures approach as open source and designed for organisations seeking to embed social value into procurement or measurement activity. Source: National TOMs 2021 Framework.

The Social Value Portal describes the Social Value TOM System as a Themes, Outcomes and Measures structure used for recording and reporting social value. Source: Social Value Portal - Measurement.

TOMs-style analysis is useful because umbrella payroll can be linked to measurable social value outcomes rather than broad moral statements.

1.4.1 Relevant TOMs-style categories

TOMs-style category	Relationship to umbrella payroll
Jobs / local employment	A job claim should be assessed alongside the quality and transparency of the pay route.
Real Living Wage / pay fairness	Pay commitments should relate to the worker's actual pay outcome, not merely the assignment rate.
Ethical procurement	Payroll intermediaries and umbrellas should be visible, assessed and controlled.
Social value embedded in the supply chain	Social value requirements should flow down to agencies, MSPs, umbrella providers and worker-facing processes.
Responsible business	The buyer should be able to explain how temporary workers are paid and supported.
Healthier / safer communities	Financial stress, unclear pay and weak grievance access can weaken worker wellbeing.

Some local TOMs schedules explicitly include ethical procurement and supply-chain social value monitoring. For example, a public TOMs schedule records measures for the percentage of procurement contracts including commitments to ethical procurement, including anti-slavery and other relevant requirements, and the percentage of supply-chain contracts on which social value commitments, measurement and monitoring are required. Source: Richmond National TOMs Framework Themes.

SECTION 1 CONTINUED

1.5 Public Services (Social Value) Act 2012

The Public Services (Social Value) Act 2012 requires relevant public authorities to have regard to economic, social and environmental well-being in connection with public services contracts. Source: legislation.gov.uk - Public Services (Social Value) Act 2012.

GOV.UK explains that the Act requires in-scope organisations to consider how what is procured may improve social, environmental and economic wellbeing, how such improvement might be secured, and whether consultation is needed. Source: GOV.UK PPN 003 - Public Services (Social Value) Act 2012.

1.5.1 Umbrella relevance

Where temporary labour is used to deliver public services, public works, council functions or infrastructure, the pay route is part of the social outcome of the contract.

A public buyer cannot credibly separate the labour output from the worker experience. If workers are performing council or government-linked work, the way those workers are engaged, paid, informed and supported is relevant to social value.

1.6 GOV.UK umbrella worker guidance and KID guidance

GOV.UK's Key Information Document guidance says the KID should help agency workers understand their intended arrangements with the employment business and any umbrella company, and should include information on pay, deductions, holiday entitlement and additional benefits. Source: GOV.UK Key Information Document guidance for agency workers paid through umbrella companies.

GOV.UK's umbrella-company guidance states that, before an agency can offer a temporary assignment, it may ask the worker to be employed by one of its preferred umbrella companies, and the KID should include the minimum assignment rate paid to the umbrella company, what the umbrella will deduct, and the worker's minimum gross pay. Source: GOV.UK - Working through an umbrella company.

1.6.1 Umbrella relevance

These sources are highly important because they demonstrate that worker understanding is not a theoretical ethical preference. It is a recognised public-policy issue.

A worker may need to understand:

- the assignment rate paid to the umbrella;
- the difference between assignment rate and gross pay;
- the deductions applied by the umbrella;
- holiday pay treatment;
- the worker's minimum gross pay;
- who employs and pays them.

That is directly relevant to fair work and fair pay scoring.

1.7 GRI 414 Supplier Social Assessment

GRI 414 is useful for ESG and sustainability reporting because it focuses on supplier social assessment.

GRI states that suppliers can be assessed against social criteria including human rights, employment practices, health and safety, industrial relations, incidents such as abuse or coercion, wages and compensation, and working hours. Source: GRI 414 Supplier Social Assessment.

GRI 414 also includes disclosures relating to new suppliers screened using social criteria and negative social impacts in the supply chain. Source: GRI 414 Supplier Social Assessment - Resource Centre.

SECTION 1 CONTINUED

1.7.1 Umbrella relevance

If umbrella companies, agencies or MSPs sit inside the labour chain, they are not merely payment mechanics. They are part of the supplier environment affecting employment practices, wages and working hours.

For ESG purposes, umbrella providers and payroll intermediaries should therefore be treated as part of supplier social assessment.

1.8 EcoVadis

EcoVadis provides sustainability ratings across Environment, Labor & Human Rights, Ethics and Sustainable Procurement. Source: EcoVadis Ratings.

EcoVadis explains that its rating methodology assesses the quality of a company's sustainability management system through management pillars such as policies, actions and results, and indicators including policies, measures, certifications, coverage, reporting and 360 Watch findings. Source: EcoVadis methodology support.

1.8.1 Umbrella relevance

Umbrella payroll maps most directly into:

EcoVadis theme	Umbrella relationship
Labor & Human Rights	Pay clarity, worker treatment, working conditions and worker voice.
Ethics	Potential opacity, misleading rate presentation, conflicts or referral incentives.
Sustainable Procurement	Whether agencies, MSPs and umbrella providers are assessed and monitored.
360 Watch findings	Worker complaints, media stories or union concerns can create reputational signals.

1.9 MSCI ESG controversies / labour rights and supply chain

MSCI's controversies methodology includes the Social pillar and identifies areas including Labor Rights & Supply Chain. It states that labour management relations can include allegations concerning treatment of workers and employee pay, and that supply-chain labour standards include allegations of labour rights violations in the supply chain. Source: MSCI ESG Controversies and Global Norms Methodology.

1.9.1 Umbrella relevance

Umbrella payroll becomes relevant to controversy risk where worker complaints or public reporting allege:

- unclear pay;
- misleading rates;
- deductions not understood by workers;
- holiday-pay confusion;
- poor complaint handling;
- forced or default umbrella use;
- fragmented accountability across agency, umbrella, MSP and end client.

The practical point is:

SECTION 1 CONTINUED

> One high-profile worker-pay controversy can damage the ESG credibility of an otherwise well-scored project or contractor.

1.10 Government Supplier Code of Conduct

The UK Government Supplier Code of Conduct says the public expects government and suppliers to look after their interests, deliver on promises, behave ethically, and treat end users, employees and subcontractors fairly and with respect. Source: GOV.UK Supplier Code of Conduct.

1.10.1 Umbrella relevance

Public contracts involving temporary labour should be capable of showing that all workers in the delivery chain are treated fairly and with respect, including those not directly employed by the public authority.

If umbrella payroll creates confusion, opacity or weak accountability, it becomes relevant to supplier conduct and public trust.

SECTION 2

Umbrella Payroll as an Ethical Issue

RISK RATING: FOUNDATIONAL

2.1 Purpose of this section

This section explains why umbrella payroll usage or permitted use should be assessed as an ethical, worker-treatment and public-defensibility issue.

2.2 Ethical issue statement

Umbrella payroll is not ethically sensitive simply because it is called an umbrella company. It is ethically sensitive because the model can separate:

- the place where the worker performs work;
- the party supervising the worker;
- the agency offering the assignment;
- the umbrella company employing the worker;
- the rate advertised to the worker;
- the amount paid to the umbrella;
- the amount treated as worker gross pay;
- the deductions made before net pay;
- the party responsible for answering pay questions.

The worker may therefore be operating inside a labour chain that is commercially efficient for the buyer, agency or MSP, but difficult for the worker to understand.

The ethical issue is:

> A worker should not need specialist payroll knowledge to understand their own pay, employer, deductions, holiday pay and complaint route.

2.3 The worker-understanding gap

Umbrella payroll creates a particular risk of worker misunderstanding because the worker may see or be told an assignment rate, day rate, umbrella rate or uplifted rate that is not the same as ordinary gross pay.

GOV.UK's umbrella guidance states that the KID should include the minimum assignment rate paid to the umbrella company, what the umbrella will deduct and the worker's minimum gross pay. Source: GOV.UK - Working through an umbrella company.

That distinction matters ethically because the worker may not intuitively understand that:

SECTION 2 CONTINUED

```
Assignment rate paid to umbrella
does not equal
worker gross taxable pay
does not equal
worker net take-home pay.
```

2.4 The dignity and fairness test

The simplest ethical test is:

```
Can the worker understand the pay route before accepting the work?
```

A stronger version is:

```
Can an ordinary worker understand who employs them, who pays them,
what the advertised rate means, what deductions apply, how holiday pay works, and who is accountable if something goes wrong?
```

If the answer is no, the route may still be technically lawful, but it is weak from a fair-work and social value perspective.

2.5 Permitted use is enough to create social value relevance

The ethical question does not only arise where the end client or contractor contracts directly with the umbrella company.

It also arises where umbrella payroll is:

- permitted;
- tolerated;
- embedded in an MSP arrangement;
- allowed through a preferred supplier list;
- used by agencies in the chain;
- required in practice to access work;
- hidden behind a primary supplier or secondary agency.

For prominent works, the reputational question is unlikely to be limited to contractual privity. A worker, councillor, journalist, union, client or resident will usually ask:

```
Were workers on this project or public service paid through umbrella payroll,
and did the party benefiting from the work know or permit that route?
```

2.6 Why prominent works are different

Umbrella payroll may be more sensitive in prominent works because the work is linked to public value, community impact or high-profile contractor reputation.

Sensitive contexts include:

SECTION 2 CONTINUED

- council services;
- government-linked works;
- public infrastructure;
- social housing;
- regeneration;
- schools;
- hospitals;
- transport projects;
- large construction sites;
- publicly funded or publicly procured works;
- large contractor-led projects with ESG commitments.

In those contexts, labour arrangements are not merely private commercial choices. They are part of the public story of the project.

2.7 Core interpretation

The ethical argument should not be stated as:

```
Umbrella companies are always unlawful or unethical.
```

The stronger statement is:

```
Where umbrella payroll is used or permitted in prominent labour-linked works, the relevant buyer should be able to evidence that
the route is fair, transparent, worker-understood, socially defensible and aligned with the buyer's fair-work and responsible-
procurement commitments.
```

SECTION 3

Social Value Payroll Chain Score

RISK RATING: SCORING MODEL

3.1 Purpose of this section

This section introduces a framework-aligned scoring overlay for assessing the social value and ESG impact of payroll-chain choices in temporary labour.

The score is not an official TOMs score, Government Social Value Model score, GRI score, EcoVadis score or MSCI score. It is a practical overlay designed to translate framework-backed categories into a labour-payroll-chain assessment.

3.2 Score structure

The proposed score is:

```
Social Value Payroll Chain Score
Maximum score: 100
```

Category	Weight	Framework relationship
Worker pay transparency	20	Fair work, fair pay, KID, TOMs pay/fair work, GRI wages and compensation
Worker understanding and informed choice	15	Fair working conditions, financial literacy, worker engagement
Fair pay and deduction clarity	15	Fair pay practices, Real Living Wage logic, wages and compensation
Employer and accountability clarity	10	Worker voice, grievance route, employment practices
Worker voice and grievance access	10	Fair working conditions, labour relations, grievance mechanisms
Supply-chain social value monitoring	10	TOMs supply-chain social value, GRI 414 supplier social assessment
Public / client defensibility	10	ESG controversy risk, responsible procurement, public trust
Wellbeing and financial dignity	5	Workforce wellbeing, financial stress, good working conditions
Continuous improvement and audit	5	Monitoring, reporting, corrective action, sustainable procurement
Total	**100**	

3.3 Scoring bands

Score	Interpretation
85–100	**Strong social value alignment.** Payroll route is transparent, worker-understood, accountable and publicly defensible.
70–84	**Acceptable with controls.** Some complexity may exist, but worker understanding and monitoring are strong.
50–69	**Weak alignment.** Payroll route may be lawful but worker-understanding, monitoring or public-defensibility evidence is incomplete.
25–49	**High ethical and PR risk.** Labour-chain opacity materially undermines fair-work and social-value claims.
0–24	**Severe misalignment.** Buyer cannot credibly evidence who employs, pays and supports the temporary workforce.

SECTION 3 CONTINUED

3.4 Score principle

The score is based on one core principle:

> Social value credit for labour should be moderated by the quality, transparency and accountability of the worker pay route.

That means a project should not receive full social value credit for job creation, local labour or workforce throughput if the pay route behind those workers is opaque, poorly understood, compulsory, unmonitored or difficult to defend publicly.

3.5 Umbrella-specific scoring implications

Umbrella payroll position	Indicative score effect
Umbrella use hidden or unknown	▼ Strong negative
Umbrella use permitted but not monitored at worker level	▼ Negative
Umbrella use permitted with basic supplier approval only	• Weak / limited
Umbrella use permitted with worker-tested transparency and grievance controls	◆ Controlled / medium
Umbrella use restricted except approved exception	▲ Positive
Umbrella use eliminated where replacement route improves worker clarity and accountability	▲ Strong positive

SECTION 4

Contractor Direct PAYE

RISK RATING: STRONG POSITIVE

```
Large contractor / project owner
  ↓
Direct PAYE worker
```

4.1 Short description

The contractor directly employs or engages the worker and operates PAYE itself.

This is the clearest worker-facing route because the worker normally knows:

- who employs them;
- who pays them;
- who issues the payslip;
- who handles deductions;
- who handles holiday pay;
- who receives payroll questions;
- who is responsible for employment records.

4.2 Worker experience question

```
Does the worker have a clear, direct and understandable relationship with the party responsible for employment, pay and payroll evidence?
```

In this route, the answer is normally yes.

4.3 Framework categories

Position	Category	Relationship
▲	Fair work	Strong, because employer identity and payroll responsibility are direct.
▲	Fair pay	Strong, because gross pay and deductions are less likely to be obscured by intermediary assignment-rate logic.
▲	Worker voice	Stronger, because there is a direct route to the employer.
▲	Wellbeing	Stronger, because payroll clarity reduces avoidable pay anxiety.
◆	Ethical procurement	Not a procurement-chain payroll issue, because payroll is direct.
▲	ESG defensibility	Strong, because the contractor can explain the route publicly.

4.4 Social value scoring

SECTION 4 CONTINUED

Position	Score category	Expected position
▲	Worker pay transparency	High
▲	Worker understanding and informed choice	High
▲	Fair pay and deduction clarity	High
▲	Employer and accountability clarity	High
▲	Worker voice and grievance access	High
◆	Supply-chain social value monitoring	Not the main issue for payroll route
▲	Public / client defensibility	High
▲	Wellbeing and financial dignity	High
▲	Continuous improvement and audit	High if payroll audit and worker feedback are in place

> Indicative Social Value Payroll Chain Assessment Score: 85–100 / 100
>
> This route supports the strongest social value position where payroll responsibility is direct, worker pay is transparent, employer accountability is clear, and worker-facing evidence is maintained.

4.5 Potential negative impact

The main downside is operational rather than ethical. Direct PAYE may be administratively heavier for contractors and may reduce workforce flexibility.

However, from a social value perspective, it is normally the cleanest route because it does not require workers to navigate agency-to-umbrella pay conversion, umbrella deductions or multiple complaint routes.

4.6 Positive outcome compared with umbrella usage

Restricting umbrella usage in favour of contractor direct PAYE may improve:

- employer identity clarity;
- payslip clarity;
- holiday-pay understanding;
- worker voice;
- public defensibility;
- social value claims around decent work and fair pay.

4.7 Interpretation

Contractor Direct PAYE creates a strong social value position because the contractor can explain the worker experience in simple terms.

The key advantage is not only compliance. It is dignity and clarity.

SECTION 4 CONTINUED

```
The worker knows who employs them.
The worker knows who pays them.
The worker knows who to contact.
The contractor can explain the route publicly.
```

Bottom line: Contractor Direct PAYE is the strongest social value payroll route where the contractor is willing and able to carry the employment and payroll function directly.

SECTION 5

Agency Direct PAYE

RISK RATING: POSITIVE / CONTROLLED

```
Large contractor / project owner
  ↓
Agency / employment business
  ↓
Agency PAYE worker
```

5.1 Short description

The contractor receives labour from an agency that directly engages and pays the worker through PAYE. There is no umbrella company in the worker pay chain.

This route retains external labour flexibility while removing umbrella-specific pay-conversion and deduction-opacity concerns.

5.2 Worker experience question

```
Can the worker understand that the agency is the employer or payer, that PAYE is operated directly by the agency, and that there
is no umbrella assignment-rate conversion?
```

Where the agency communicates clearly, the answer should be yes.

5.3 Framework categories

Position	Category	Relationship
▲	Fair work	Positive where agency employment terms are clear.
▲	Fair pay	Positive because the worker's gross pay is less likely to be confused with an umbrella assignment rate.
▲	Worker voice	Positive where agency complaint route is clear.
▲	Ethical procurement	Positive if contractor monitors agency payroll route and prohibits unapproved route substitution.
◆	Supplier social assessment	Agency should be assessed as labour supplier.
▲	ESG defensibility	Positive if payroll route is evidenced and worker-understood.

5.4 Social value scoring

Position	Score category	Expected position
▲	Worker pay transparency	High if agency documents are clear
▲	Worker understanding and informed choice	High / medium
▲	Fair pay and deduction clarity	High / medium
▲	Employer and accountability clarity	High / medium

SECTION 5 CONTINUED

Position	Score category	Expected position
◆	Worker voice and grievance access	Medium / high
◆	Supply-chain social value monitoring	Medium / high
▲	Public / client defensibility	High if contractor can evidence route
◆	Wellbeing and financial dignity	Medium / high
◆	Continuous improvement and audit	Medium / high

> Indicative Social Value Payroll Chain Assessment Score: 75–90 / 100
>
> This route can support a strong social value position where agency PAYE is clearly evidenced, worker documentation is understood, payroll responsibility is visible, and no umbrella or unauthorised payroll substitution occurs.

5.5 Potential negative impact

Agency Direct PAYE can still create worker-distance from the end client. The worker may be supervised on site by the contractor but employed and paid by the agency.

The ethical concern is manageable where:

- the agency is clearly identified;
- PAYE route is direct;
- pay is explained before work begins;
- holiday pay is explained;
- the worker has a clear complaint route;
- the contractor verifies that no umbrella route is inserted below the agency.

5.6 Positive outcome compared with umbrella usage

Restricting umbrella use in favour of Agency Direct PAYE may improve:

- pay-route simplicity;
- worker understanding;
- reduction of assignment-rate confusion;
- clearer employer responsibility;
- cleaner social value reporting;
- improved public defensibility.

5.7 Interpretation

Agency Direct PAYE is likely to score strongly where the agency is properly assessed and the contractor can evidence that workers are genuinely paid through the agency PAYE route.

The strongest social value claim is:

SECTION 5 CONTINUED

```
The project retains temporary labour flexibility while avoiding umbrella payroll opacity.
```

Bottom line: Agency Direct PAYE is a positive social value route where worker information, payroll evidence and contractor assurance are strong.

SECTION 6

Umbrella PAYE Permitted with Enhanced Transparency Controls

RISK RATING: CONTROLLED / MEDIUM

```
Large contractor / public buyer
  ↓
Agency / MSP
  ↓
Approved umbrella company
  ↓
PAYE worker
```

6.1 Short description

This route permits umbrella payroll, but only under enhanced transparency and worker-protection controls.

Controls may include:

- named umbrella provider;
- umbrella provider assessment;
- pre-start KID;
- clear assignment-rate to gross-pay explanation;
- itemised deduction explanation;
- holiday-pay treatment explanation;
- worker acknowledgement;
- worker understanding checks;
- clear grievance route;
- sample payslip audit;
- worker survey;
- supply-chain social value reporting;
- prohibition on unapproved umbrella substitution.

6.2 Worker experience question

```
Can the worker understand the umbrella route before accepting the work, and can the buyer evidence that understanding?
```

7.3 Framework categories

Position	Category	Relationship
◆	Fair work	Controlled but complex.

SECTION 6 CONTINUED

Position	Category	Relationship
◆	Fair pay	Acceptable only if assignment rate, gross pay and deductions are clearly explained.
◆	Worker voice	Requires a clear route across agency, umbrella and buyer.
◆	Ethical procurement	Requires umbrella provider monitoring.
◆	Supplier social assessment	Umbrella must be assessed as a supplier with social impact.
◆	Wellbeing	Requires mitigation of pay confusion and financial stress.
◆	ESG defensibility	Possible, but evidence burden is higher than non-umbrella PAYE.

7.4 Social value scoring

Position	Score category	Expected position
◆	Worker pay transparency	Medium / high where assignment rate, gross pay, deductions and holiday pay are clearly explained before work begins.
◆	Worker understanding and informed choice	Medium / high only where worker understanding is tested, not merely assumed from document issue.
◆	Fair pay and deduction clarity	Medium / high where umbrella margin, employer costs, deductions and holiday-pay treatment are visible and worker-understood.
◆	Employer and accountability clarity	Medium where the worker must understand the split between agency, umbrella, buyer and complaint route.
◆	Worker voice and grievance access	Medium where complaint routes are clear across agency, umbrella and buyer, but the route remains multi-party.
◆	Supply-chain social value monitoring	Medium / high where the umbrella provider is named, assessed, monitored and prohibited from unapproved substitution.
◆	Public / client defensibility	Medium / high only where the buyer can evidence why the route is fair, transparent and worker-understood.
◆	Wellbeing and financial dignity	Medium where controls reduce, but do not remove, pay-route complexity and financial-stress risk.
◆	Continuous improvement and audit	Medium / high where sample payslip audits, worker surveys, grievance data and corrective actions are maintained.

Indicative Social Value Payroll Chain Assessment Score: 60–80 / 100

This route can be defensible, but it should not score as highly as a simpler non-umbrella route unless the worker-facing evidence is exceptionally strong.

6.5 Potential negative impact of permitting umbrella usage

Even when controlled, umbrella payroll can create:

SECTION 6 CONTINUED

- additional complexity for workers;
- assignment-rate/gross-pay confusion;
- deduction and margin sensitivity;
- holiday-pay confusion;
- fragmented responsibility between agency and umbrella;
- worker uncertainty about complaint route;
- perception of worker-funded payroll administration;
- weaker public explanation than direct PAYE or agency PAYE.

The social value weakness is not that umbrella use is impossible to defend. It is that the route carries an inherent explanation burden.

6.6 Positive outcome of restricting or eliminating umbrella usage

Restricting or eliminating umbrella payroll may allow the project to claim:

- simpler worker pay route;
- clearer employer identity;
- reduced deduction opacity;
- reduced need for worker payroll literacy;
- improved fair-work evidence;
- stronger public defensibility.

6.7 Interpretation

Umbrella PAYE with enhanced controls can be a managed route, but the project should not treat it as socially equivalent to a clearer PAYE route.

The key question is:

```
Has the buyer merely approved the umbrella, or has the buyer proved that workers understand the umbrella?
```

Bottom line: Controlled umbrella use may be defensible, but it should carry a lower social value score than a clear non-umbrella PAYE route unless worker understanding and supply-chain monitoring are evidenced robustly.

SECTION 7

Umbrella PAYE Permitted by Default

RISK RATING: WEAK / NEGATIVE

```
Large contractor / public buyer
  ↓
Agency / MSP
  ↓
Umbrella company used as normal default route
  ↓
PAYE worker
```

7.1 Short description

This route permits umbrella payroll as an ordinary or default method of paying temporary workers, without meaningful worker-understanding testing or social value assessment.

The buyer may rely on:

- agency assurances;
- MSP frameworks;
- umbrella preferred supplier lists;
- compliance accreditation;
- standard KID provision;
- generic contractual terms.

However, the buyer may not test whether workers understand the route in practice.

7.2 Worker experience question

```
Is umbrella payroll being treated as a normal back-office mechanism even though it materially affects worker pay understanding, deductions and accountability?
```

8.3 Framework categories

Position	Category	Relationship
▼	Fair work	Weak if worker understanding is not tested.
▼	Fair pay	Weak if assignment-rate/gross-pay distinction is not actively explained.
▼	Worker voice	Weak if worker must navigate multiple parties.
▼	Ethical procurement	Weak if umbrella provider is approved but not socially assessed.
◆	Supply-chain monitoring	Weak if monitoring focuses on supplier status rather than worker outcome.
▼	ESG defensibility	Weak if buyer cannot explain the worker experience publicly.

8.4 Social value scoring

SECTION 7 CONTINUED

Position	Score category	Expected position
▼	Worker pay transparency	Low / medium where standard documentation exists but worker understanding is not actively tested.
▼	Worker understanding and informed choice	Low / medium where umbrella use is treated as normal and worker understanding is assumed rather than evidenced.
▼	Fair pay and deduction clarity	Low / medium if assignment-rate, gross-pay conversion, umbrella margin and deductions are not actively explained.
◆	Employer and accountability clarity	Medium / low where workers must understand the roles of agency, umbrella, buyer and any MSP without active support.
▼	Worker voice and grievance access	Low / medium where complaint routes exist but are split across multiple parties and not tested at worker level.
◆	Supply-chain social value monitoring	Medium / low where supplier approval exists but worker outcome, pay clarity and understanding are not monitored.
▼	Public / client defensibility	Low / medium where the buyer cannot clearly explain the worker experience beyond generic supplier assurances.
▼	Wellbeing and financial dignity	Low / medium where pay-route complexity, deduction uncertainty or complaint uncertainty may create avoidable stress.
◆	Continuous improvement and audit	Medium / low where audits focus on supplier status rather than worker understanding, pay-route clarity and complaint outcomes.

> Indicative Social Value Payroll Chain Assessment Score: 35–60 / 100
>
> Higher scores should only be possible where there is strong evidence of worker-facing transparency.

7.5 Potential negative impact of permitting umbrella usage

Default permitted umbrella usage can undermine:

- fair-work claims;
- fair-pay claims;
- worker wellbeing;
- social value reporting;
- public procurement defensibility;
- ESG supplier-monitoring claims;
- responsible labour-chain narratives.

The key weakness is:

```
The project may count worker numbers and labour hours while ignoring whether workers understand how they are actually paid.
```

7.6 Positive outcome of restriction or elimination

Restricting default umbrella use may:

SECTION 7 CONTINUED

- shift the labour chain toward clearer PAYE routes;
- improve worker confidence;
- improve ability to evidence decent work;
- reduce social value scoring vulnerability;
- strengthen procurement claims around responsible labour;
- reduce risk of worker complaints becoming reputational issues.

7.7 Interpretation

Default umbrella permission is socially weak because it treats a worker-facing pay structure as if it were a neutral supply-chain preference.

That may be acceptable in low-profile private work where all parties understand the route, but it is harder to defend in public, infrastructure or large contractor-linked works.

Bottom line: Umbrella PAYE should not be permitted by default in prominent works without an explicit social value assessment, worker transparency protocol and worker-level evidence.

SECTION 8

Umbrella PAYE Required in Practice

RISK RATING: HIGH ETHICAL CONCERN

```
Large contractor / public buyer
  ↓
Agency / MSP
  ↓
Worker must use umbrella to access assignment
```

8.1 Short description

This route exists where umbrella payroll is technically optional but practically required, or where the worker cannot realistically access the assignment without accepting umbrella company employment.

This may occur where:

- agency policy requires preferred umbrella use;
- only umbrella rates are advertised;
- agency PAYE is not offered;
- the worker must choose from a small PSL;
- the worker cannot nominate a different route;
- refusal to use umbrella means no work.

GOV.UK recognises that, before an agency offers a temporary assignment, it may ask the worker to be employed by one of its preferred umbrella companies. Source: GOV.UK - Working through an umbrella company.

8.2 Worker experience question

```
Does the worker have a meaningful choice, or is umbrella employment the practical price of accessing the work?
```

9.3 Framework categories

Position	Category	Relationship
▼	Fair work	High concern where worker choice is weak.
▼	Fair pay	High concern if headline umbrella rates are not clearly converted into gross pay.
▼	Worker voice	High concern if worker must accept chain terms to work.
▼	Ethical procurement	High concern if buyer benefits from a route workers cannot reasonably avoid.
▼	Wellbeing	High concern where pay confusion and lack of choice create stress.
▼	ESG defensibility	High concern in public or high-profile projects.

9.4 Social value scoring

SECTION 8 CONTINUED

Position	Score category	Expected position
▼	Worker pay transparency	Low where the worker must accept umbrella employment before fully understanding assignment-rate conversion, deductions and holiday-pay treatment.
▼	Worker understanding and informed choice	Low where umbrella use is technically optional but practically required to access the assignment.
▼	Fair pay and deduction clarity	Low where headline umbrella rates, gross pay, deductions, margin and take-home pay are difficult for the worker to compare with alternatives.
▼	Employer and accountability clarity	Low / medium where the worker must accept a multi-party agency / umbrella structure to access work.
▼	Worker voice and grievance access	Low where the worker has limited practical choice and complaint routes are split across agency, umbrella and buyer.
▼	Supply-chain social value monitoring	Low / medium unless the buyer can prove meaningful worker choice, worker understanding and monitored payroll-route outcomes.
▼	Public / client defensibility	Low where the buyer may need to explain why workers had to accept umbrella employment to access public or prominent work.
▼	Wellbeing and financial dignity	Low where lack of meaningful choice, pay-route complexity and deduction uncertainty may create financial stress or distrust.
▼	Continuous improvement and audit	Low / medium unless audits specifically test whether workers had a realistic non-umbrella alternative and understood the route.

> Indicative Social Value Payroll Chain Assessment Score: 20–45 / 100
>
> A higher score is difficult unless the buyer can prove meaningful worker choice, strong pay understanding, clear grievance routes and fair pay outcomes.

8.5 Potential negative impact of permitting umbrella usage

Where umbrella use is required in practice, negative impacts may include:

- reduced worker agency;
- perception of forced payroll intermediation;
- weaker informed consent;
- distrust of advertised rates;
- worker dissatisfaction;
- weaker social value credibility;
- stronger union or media criticism;
- public concern that workers are being routed through opaque payroll structures to access public or prominent work.

8.6 Positive outcome of restriction or elimination

Eliminating practically compulsory umbrella use can improve:

SECTION 8 CONTINUED

- worker choice;
- dignity;
- fairness perception;
- project credibility;
- tender claims around decent work;
- worker trust;
- public defensibility.

8.7 Interpretation

This is one of the weakest ethical positions.

The fact that umbrella use may be technically disclosed does not answer the social value issue if the worker has no real alternative.

The social value test is not:

```
Did the worker sign something?
```

The stronger test is:

```
Did the worker have a meaningful and understandable choice?
```

Bottom line: Practically compulsory umbrella use is difficult to reconcile with strong fair-work, worker-dignity and social value claims.

SECTION 9

Umbrella Use Hidden Through MSP, Agency or Secondary Chain

RISK RATING: VERY HIGH CONCERN

```
Council / contractor / public buyer
  ↓
MSP / prime agency / neutral vendor
  ↓
Secondary agency / supplier
  ↓
Umbrella company
  ↓
Worker
```

9.1 Short description

This route exists where the buyer may not clearly know, disclose or monitor whether workers are paid through umbrella payroll.

The umbrella may be inserted through:

- an MSP;
- neutral vendor;
- primary agency;
- secondary agency;
- labour-only subcontractor;
- payroll provider;
- preferred supplier list;
- worker-sourcing partner.

9.2 Worker experience question

```
Can the buyer identify who employs, pays and deducts from each worker, or is the worker pay route hidden below the visible supplier?
```

10.3 Framework categories

Position	Category	Relationship
▼	Fair work	Very weak if buyer cannot identify worker pay route.
▼	Fair pay	Very weak if buyer cannot test pay explanation.
▼	Worker voice	Very weak if complaint route crosses hidden parties.
▼	Ethical procurement	Very weak if procurement cannot see the payroll chain.
▼	Supplier social assessment	Very weak if umbrella provider is outside assessment.

SECTION 9 CONTINUED

Position	Category	Relationship
▼	Modern slavery / labour vulnerability	Heightened concern because opacity weakens worker visibility.
▼	ESG controversy risk	High because buyer cannot easily defend the route publicly.

10.4 Social value scoring

Position	Score category	Expected position
▼	Worker pay transparency	Very low where the buyer cannot identify or test how the worker is paid, what deductions apply or how holiday pay is treated.
▼	Worker understanding and informed choice	Very low where the buyer cannot evidence whether workers understand the payroll route or had any meaningful choice.
▼	Fair pay and deduction clarity	Very low where assignment-rate conversion, gross pay, deductions, umbrella margin and worker take-home position are not visible to the buyer.
▼	Employer and accountability clarity	Very low where the buyer cannot identify who employs, pays, deducts from and supports each worker.
▼	Worker voice and grievance access	Very low where complaint routes cross hidden parties and the buyer cannot evidence how worker pay concerns are resolved.
▼	Supply-chain social value monitoring	Very low where the umbrella provider is outside supplier assessment, payroll-route mapping and worker-outcome monitoring.
▼	Public / client defensibility	Very low where the buyer cannot explain the worker pay route to workers, clients, councillors, unions, residents or media stakeholders.
▼	Wellbeing and financial dignity	Very low where opacity prevents the buyer from identifying pay confusion, deduction anxiety, holiday-pay issues or worker vulnerability.
▼	Continuous improvement and audit	Very low where there is no reliable worker-level payroll evidence, complaint data, pay-route audit or corrective-action loop.

> Indicative Social Value Payroll Chain Assessment Score: 0–35 / 100
>
> This is the highest social value and PR risk route because opacity prevents meaningful ethical assessment. Unknown payroll route means unknown worker experience, and unknown worker experience means weak social value evidence.

9.5 Potential negative impact of permitting umbrella usage

Hidden umbrella usage can create severe social value weaknesses:

- buyer cannot evidence worker employer identity;
- buyer cannot evidence worker pay explanation;
- buyer cannot evidence deduction transparency;
- buyer cannot test holiday-pay treatment;
- buyer cannot monitor worker complaints effectively;
- buyer cannot include umbrella providers in supplier social assessment;
- buyer may overclaim social value because it counts labour while ignoring payroll reality;
- buyer may face public criticism for not knowing how workers on its project are paid.

9.6 Positive outcome of restriction or elimination

SECTION 9 CONTINUED

Restricting hidden umbrella use can improve:

- complete labour-chain visibility;
- worker-level payroll mapping;
- supply-chain social assessment;
- public procurement defensibility;
- modern slavery and worker-vulnerability controls;
- ESG reporting integrity;
- trust with workers, clients and public stakeholders.

9.7 Interpretation

This is the highest social value and PR risk route because opacity prevents meaningful ethical assessment.

A buyer cannot credibly claim strong fair-work outcomes where it cannot identify the worker-paying entity.

The core statement is:

```
Unknown payroll route means unknown worker experience.
Unknown worker experience means weak social value evidence.
```

Bottom line: Hidden umbrella usage should be treated as a social value red flag and a responsible-procurement failure unless immediately disclosed, mapped, controlled and monitored.

SECTION 10

Council and Government-Linked Works

RISK RATING: HIGH SCRUTINY

10.1 Short description

Council and government-linked works include:

- temporary council roles;
- public service delivery;
- housing services;
- social care;
- environmental health;
- planning;
- enforcement;
- regeneration;
- infrastructure;
- public works;
- publicly procured construction;
- outsourced public-service contracts.

These works carry heightened ethical sensitivity because they are linked to public money, public values and democratic accountability.

10.2 Public-sector worker experience question

```
Can the public authority explain how temporary workers delivering public services or public works are employed, paid, informed
and supported?
```

11.3 Relevant public-sector framework categories

Position	Category	Umbrella relationship
◆	Social Value Act wellbeing	Pay-route clarity forms part of the social outcome of public procurement.
◆	Government Social Value Model	Fair work and fair pay are directly relevant.
◆	Supplier Code of Conduct	Public suppliers are expected to behave ethically and treat workers fairly and with respect.
◆	Ethical procurement	Umbrella providers should not sit outside supplier accountability.
◆	Public trust	Public bodies must be able to explain labour-chain choices.
◆	Democratic accountability	Councillors, residents and audit committees may scrutinise the model.

11.4 Social value scoring implications

SECTION 10 CONTINUED

Position	Payroll position	Public-sector social value implication
▲	Direct non-umbrella PAYE	Strong public defensibility.
▲	Agency Direct PAYE	Generally positive where evidenced.
▲	Controlled non-umbrella PAYE	Strong where worker clarity is evidenced.
◆	Umbrella with enhanced controls	Defensible but must be actively explained and monitored.
▼	Umbrella by default	Weak, especially if social value claims are made.
▼	Practically compulsory umbrella	High ethical concern.
▼	Hidden umbrella through MSP/agency	Very high public-trust concern.

Indicative public-sector scoring position

Council and government-linked works should not carry one fixed score. The score should follow the payroll route used, but public-sector visibility, democratic accountability and social value commitments increase the evidence burden.

Direct or controlled non-umbrella PAYE: likely to support a high social value position where worker clarity is evidenced.

Umbrella with enhanced controls: potentially defensible, but should require active explanation, worker-understanding evidence and monitoring.

Default, compulsory or hidden umbrella usage: should materially reduce the social value position because public trust, fair-work credibility and democratic accountability are harder to defend.

10.5 Potential negative impact of permitting umbrella usage

For councils and government-linked bodies, permitting umbrella usage may create the following negative impacts:

- tension with social value and fair-work commitments;
- concern that public work is being performed through opaque private payroll chains;
- worker confusion about rates, deductions and holiday pay;
- complaints being passed between agency, umbrella, MSP and council;
- reduced credibility of local employment or good-work claims;
- weaker ability to respond to councillor, resident, union or media scrutiny;
- social value bid commitments becoming disconnected from the temporary-worker experience.

10.6 Positive outcome of restriction or elimination

Restricting or eliminating umbrella usage may allow public bodies to demonstrate:

- clearer employment/pay route for temporary public-service workers;
- stronger fair-work alignment;
- stronger ethical procurement position;
- better worker dignity and understanding;
- improved public accountability;
- improved procurement transparency;
- stronger social value credibility.

SECTION 10 CONTINUED

10.7 Interpretation

Public bodies are not ordinary commercial buyers. They are expected to lead by example and to align procurement with public values.

That does not mean all umbrella use is automatically improper. It means public bodies should not permit umbrella use casually.

The public-sector standard should be:

```
If umbrella payroll is used in public work, the public body should be able to explain why it is fair, transparent, worker-understood and socially defensible.
```

Bottom line: Council and government-linked works should treat umbrella payroll as a social value assessment item, not as a hidden payroll-chain detail.

SECTION 11

Large Contractor, Infrastructure and Construction Works

RISK RATING: HIGH SCRUTINY

11.1 Short description

Large contractor and infrastructure works include:

- major construction projects;
- housebuilding and regeneration;
- transport infrastructure;
- utilities;
- energy projects;
- public-private infrastructure delivery;
- large subcontracted labour programmes;
- high-volume temporary site labour.

These projects often make commitments around:

- ESG;
- social value;
- responsible procurement;
- local employment;
- modern slavery prevention;
- worker welfare;
- ethical supply chains;
- community legacy;
- project transparency.

11.2 Contractor worker experience question

```
Can the contractor evidence that the temporary workforce delivering the project is paid through a route that is clear, fair
worker-understood and consistent with the project's social value claims?
```

12.3 Framework categories

Position	Category	Umbrella relationship
◆	ESG labour rights	Worker pay clarity and treatment of temporary workers.
◆	Supply-chain labour standards	Agencies, MSPs and umbrella providers as labour-chain suppliers.
◆	Modern slavery / labour vulnerability	Opacity increases difficulty of detecting vulnerability.
◆	Responsible procurement	Payroll-route requirements should flow down supply chains.

SECTION 11 CONTINUED

Position	Category	Umbrella relationship
◆	Social value	Local jobs and labour hours should be assessed with pay quality.
◆	Worker wellbeing	Payroll confusion and financial stress can affect site labour.
◆	PR defensibility	High-profile projects are vulnerable to worker-pay narratives.

12.4 Social value scoring implications

Position	Payroll position	Contractor / infrastructure implication
▲	Direct contractor PAYE	Strongest worker clarity, highest operational burden.
▲	Agency direct PAYE	Positive if agency route is evidenced and no umbrella substitution occurs.
▲	Controlled non-umbrella PAYE	Strong if worker clarity and chain control are evidenced.
◆	Umbrella with enhanced controls	Controlled but still explanation-heavy.
▼	Umbrella by default	Weakens ESG and worker-welfare narrative.
▼	Practically compulsory umbrella	High worker-dignity concern.
▼	Hidden umbrella	Very high ESG and PR concern.

> Indicative contractor / infrastructure scoring position
>
> Large contractor and infrastructure works should not carry one fixed score. The score should follow the payroll route used, but ESG commitments, responsible procurement, site-labour welfare, modern-slavery controls and public visibility increase the evidence burden.
>
> Direct or controlled non-umbrella PAYE: likely to support a strong social value and ESG position where worker clarity, chain control and payroll evidence are maintained.
>
> Umbrella with enhanced controls: potentially defensible, but still explanation-heavy and should require worker-understanding checks, supplier monitoring and clear escalation routes.
>
> Default, compulsory or hidden umbrella usage: should materially reduce the social value and ESG position because worker-welfare claims, responsible-procurement narratives and public defensibility become harder to support.

11.5 Potential negative impact of permitting umbrella usage

For large contractors, permitting umbrella usage may undermine:

SECTION 11 CONTINUED

- responsible-business claims;
- social value scoring;
- modern slavery and worker vulnerability controls;
- local employment claims;
- worker welfare commitments;
- supply-chain ethics policies;
- public procurement scoring;
- client trust;
- union and worker relations;
- project PR.

The reputational risk is simple:

```
The public may not distinguish between contractor, subcontractor, agency, MSP and umbrella.
Workers on the site are likely to be associated with the project.
Pay complaints may therefore attach to the contractor's brand.
```

11.6 Positive outcome of restriction or elimination

Restricting or eliminating umbrella usage may support:

- stronger tender responses;
- stronger social value claims;
- improved worker trust;
- clearer labour-chain governance;
- better modern slavery and supply-chain visibility;
- stronger ESG reporting;
- better public and client explanation;
- differentiation from competitors relying on opaque labour chains.

11.7 Interpretation

For large contractors, umbrella usage should be assessed as part of supply-chain labour ethics, not merely subcontractor administration.

A contractor's social value story should extend to the people delivering the project, including temporary and agency-supplied workers.

The strongest contractor-facing statement is:

```
A project should not claim social value from labour while ignoring whether the labour force can understand its own pay.
```

Bottom line: Large contractors and infrastructure project owners should treat umbrella payroll as a social value and ESG factor because it directly affects worker experience, supply-chain transparency and public defensibility.

SECTION 12

Restriction or Elimination of Umbrella Usage

RISK RATING: POSITIVE

12.1 Short description

This section assesses the potential positive social value and ESG outcomes of restricting or eliminating umbrella payroll usage within prominent temporary labour chains.

Restriction or elimination may take several forms:

Approach	Meaning
Absolute prohibition	No umbrella payroll permitted for covered work.
Default prohibition with exceptions	Umbrella use prohibited unless an exception is approved.
Approved exception only	Specific umbrella usage permitted only where worker transparency and monitoring conditions are met.
Phase-out model	Umbrella usage reduced over time as alternative routes are implemented.
Worker-choice model	Umbrella use permitted only where genuinely optional and transparently explained.

12.2 Worker experience question

```
Does restricting or eliminating umbrella usage improve the worker's ability to understand pay, employer identity, deductions,
holiday pay and complaint route?
```

If yes, restriction or elimination can support positive social value outcomes.

13.3 Framework categories

Position	Category	Positive impact of restriction/elimination
▲	Fair work	Clearer employment/pay route can improve fair-work evidence.
▲	Fair pay	Reduced assignment-rate/gross-pay confusion.
▲	Worker dignity	Worker does not need to decode umbrella deductions to understand pay.
▲	Worker voice	Complaint routes may become clearer.
▲	Ethical procurement	Labour-chain payroll route becomes more accountable.
▲	Supplier social assessment	Fewer hidden payroll providers.
▲	ESG defensibility	Stronger public and client explanation.
▲	Wellbeing	Reduced financial uncertainty and pay-route anxiety.

13.4 Social value scoring uplift

Indicative uplift compared with unmanaged umbrella permission:

SECTION 12 CONTINUED

Uplift	Change	Potential score effect
▲	Hidden umbrella removed	Major uplift
▲	Default umbrella replaced by direct PAYE or agency PAYE	Strong uplift
▲	Umbrella converted to approved exception route	Moderate uplift
▲	Worker understanding checks introduced	Moderate uplift
▲	Payroll-chain mapping introduced	Moderate uplift
▲	Worker complaint route simplified	Moderate uplift
▲	Public-facing explanation prepared	Moderate uplift

Indicative uplift scoring position

Restriction or elimination should not receive a fixed score on its own. The score uplift depends on the starting payroll route, the replacement route and whether worker clarity, pay transparency, complaint access, payroll evidence and social value reporting actually improve.

Highest uplift: hidden, default or practically compulsory umbrella usage is replaced by direct PAYE, agency direct PAYE or a controlled non-umbrella PAYE route with strong worker evidence.

Moderate uplift: umbrella usage is retained only as an approved exception, with worker-understanding checks, payroll-chain mapping, complaint-route clarity and public-facing explanation.

Limited or no uplift: umbrella usage is removed but the replacement route remains unclear, poorly evidenced, confusing for workers or weakly monitored.

12.5 Potential negative impact of restriction or elimination

Restriction or elimination is not automatically positive. It may create:

- reduced labour availability;
- reduced agency participation;
- need for new payroll infrastructure;
- worker transition confusion;
- rate renegotiation;
- operational burden;
- need for stronger onboarding communications.

The social value case depends on the replacement route.

A non-umbrella route that is confusing, underpaid or poorly evidenced should not score highly simply because it is non-umbrella.

12.6 Positive outcome where replacement route is better

Where replacement routes improve worker clarity, restriction or elimination can support strong claims:

SECTION 12 CONTINUED

- workers understand their gross pay;
- workers understand deductions;
- workers understand holiday pay;
- workers know who employs and pays them;
- workers know how to complain;
- buyers can evidence the pay route;
- social value reporting can include payroll-route quality;
- public and client defensibility improves.

12.7 Interpretation

The objective should not be anti-umbrella for its own sake.

The objective should be:

```
better worker understanding,
better pay transparency,
better accountability,
better social value evidence,
better public defensibility.
```

If eliminating umbrella usage achieves those outcomes, it should be treated as a positive social value factor.

Bottom line: Restriction or elimination of umbrella payroll should be scored positively where it demonstrably improves worker pay clarity, worker dignity, accountability and ethical supply-chain evidence.

Findings and Controlled Response

Market-route findings

Response criteria

Controlled non-umbrella PAYE employment route

ULESV-001

SECTION 13

Findings

The route analysis identifies a consistent failure pattern. The issue is not only whether umbrella payroll can be operated lawfully. The issue is whether the route can be understood by workers, evidenced by buyers and defended within social value, ESG and responsible procurement commitments.

13.1 Finding 1: Umbrella payroll is a social value issue

Umbrella payroll affects worker understanding, pay transparency, deductions, holiday pay, employer identity and grievance access.

Those are not merely technical payroll matters. They sit directly inside fair work, fair pay, ethical procurement, worker wellbeing and supply-chain accountability.

13.2 Finding 2: Permitted use matters

A buyer does not need to contract directly with an umbrella company for the issue to matter.

If umbrella payroll is permitted, tolerated, embedded in the labour chain or practically required, the buyer should assess the worker-facing and social value consequences.

13.3 Finding 3: Public and prominent works have a higher standard

Council-linked, government-linked, infrastructure and large contractor works should expect greater scrutiny because they often carry public value, social value, ESG and responsible procurement claims.

In those contexts, “a compliant umbrella was used” may not be enough.

The stronger question is:

```
Was the route fair, transparent, worker-understood and publicly defensible?
```

13.4 Finding 4: Existing frameworks already support the assessment

Umbrella payroll can be assessed using existing categories:

- Social Value Model: fair work, fair pay, working conditions and wellbeing;
- TOMs: jobs, ethical procurement and social value embedded in supply chain;
- GRI 414: supplier social assessment;
- EcoVadis: Labor & Human Rights, Ethics and Sustainable Procurement;
- MSCI: labor rights and supply-chain controversy logic;
- Supplier Code of Conduct: ethical behaviour and fair treatment.

13.5 Finding 5: Restriction or elimination can create positive social value

Restricting or eliminating umbrella payroll can support positive social value outcomes where it improves:

SECTION 13 CONTINUED

- worker clarity;
- pay-route simplicity;
- employer identity;
- deduction transparency;
- complaint route;
- worker trust;
- public defensibility;
- ESG evidence.

However, restriction or elimination should not be treated as automatically positive unless the replacement route improves the worker experience.

13.6 Finding 6: The gap is a controlled replacement route

The research does not only point towards removing umbrella payroll. It points towards replacing opaque or difficult-to-explain payroll chains with a route that preserves PAYE clarity, worker accountability and supply-chain flexibility.

> The better route must produce a clearer worker experience, not simply remove the word “umbrella” from the chain.

SECTION 14

Response Criteria

14.1 Purpose of this section

The findings identify a repeated failure pattern: worker pay routes can become difficult to understand, difficult to evidence and difficult to defend publicly. A better route therefore needs more than technical PAYE operation. It needs a controlled worker-facing design.

This section sets the criteria that a replacement or alternative payroll-chain route should satisfy before it can be treated as a stronger social value and ESG outcome.

14.2 Core response principle

> A better route should combine PAYE clarity, worker-level evidence, accountable employment and buyer visibility without requiring umbrella assignment-rate conversion or fragmented payroll accountability.

14.3 Response criteria table

Required element	Required mechanic	Why it matters
PAYE clarity	The worker is paid through a known PAYE route with ordinary gross-pay, deduction and net-pay explanation.	Removes assignment-rate/gross-pay confusion as the core worker-facing risk.
No umbrella assignment-rate conversion	The route avoids umbrella margin logic, umbrella employer-cost conversion and worker-funded payroll-administration ambiguity.	Improves pay transparency and public defensibility.
Named accountable employer / payer	The worker can identify who employs them, who pays them and who is responsible for payroll evidence.	Supports fair work, worker voice and grievance access.
Worker-level route visibility	The buyer or controller can evidence the actual payroll route used for each worker, not merely supplier-level approval.	Prevents hidden umbrella, secondary-chain substitution and assurance blind spots.
Auditable pay evidence	Payslip, deduction, holiday-pay, RTI/payroll and worker communication evidence is retained and capable of review.	Turns social value claims into evidence, not narrative.
Clear grievance route	Workers know where pay, deduction, holiday-pay and employment questions go, and how escalation works.	Reduces worker stress and improves worker voice.
Substitution control	The route prohibits unauthorised substitution into umbrella, CIS, PSC, offshore or secondary payroll arrangements.	Protects the model from becoming another opaque intermediary chain.
Buyer and public-client visibility	The contractor, public buyer or programme owner can explain the route in plain language.	Supports ESG reporting, procurement defensibility and public trust.
Social value reporting compatibility	The route produces worker-outcome evidence that can be mapped into fair work, fair pay, supplier social assessment and ethical procurement categories.	Allows the route to support measurable social value claims.

14.4 Minimum operating mechanics

SECTION 14 CONTINUED

A route that claims to be better than umbrella payroll should be able to demonstrate the following mechanics in operation:

- pre-start worker explanation of employer, payer, gross pay, deductions, holiday pay and complaint route;
- known PAYE employer or payer with auditable payroll records;
- worker-level payroll-route record visible to the buyer or controller;
- prohibition on unauthorised umbrella, CIS, PSC, offshore or secondary-chain substitution;
- routine sample checks against payslip, deduction, worker communication and payroll evidence;
- clear escalation route for pay disputes and worker complaints;
- reporting outputs that can support social value, ESG and responsible procurement review.

14.5 Transition to the controlled route

The next section applies these criteria to a controlled non-umbrella PAYE employment route. It is presented after the findings because it is not treated as another ordinary market option. It is the structured response to the failure pattern identified across umbrella-permitted, umbrella-default, compulsory umbrella and hidden-chain routes.

SECTION 15

Controlled Non-Umbrella PAYE Employment Route

RISK RATING: MODEL RESPONSE Strong positive

```
Large contractor / Public buyer / Prime Agency
  ↓
Controlled non-umbrella PAYE route
  ↓
PAYE worker
```

15.1 Short description

This section presents the controlled PAYE route as the structured response to the failure pattern identified in the route analysis. It is not contractor direct PAYE, ordinary agency direct PAYE, umbrella, CIS, PSC, offshore payroll or mini umbrella.

It may be used where a project needs external labour flexibility but also needs PAYE clarity, worker-level evidence, accountable payroll and stronger public defensibility than umbrella payroll can normally provide.

15.2 Worker experience question

```
Does the route provide PAYE clarity without requiring the worker to accept umbrella-company employment, assignment-rate conversion,
umbrella margin deduction or fragmented payroll accountability?
```

6.3 Framework categories

Position	Category	Relationship
▲	Fair work	Strong where PAYE employment and worker rights are clearly evidenced.
▲	Fair pay	Strong where gross pay, deductions and holiday pay are clear and not obscured by umbrella margin logic.
▲	Worker voice	Strong where complaint and escalation routes are direct.
▲	Ethical procurement	Strong where the route is known, monitored and prohibits unauthorised payroll substitution.
▲	Supplier social assessment	Strong if provider is assessed against worker outcome metrics.
▲	ESG defensibility	Strong where reporting demonstrates worker clarity and accountable payroll.

6.4 Social value scoring

Position	Score category	Expected position
▲	Worker pay transparency	High where gross pay, deductions and holiday pay are clearly explained.
▲	Worker understanding and informed choice	High where the worker understands the PAYE route before starting work.
▲	Fair pay and deduction clarity	High where deductions are ordinary PAYE deductions and not obscured by umbrella margin logic.

SECTION 15 CONTINUED

Position	Score category	Expected position
▲	Employer and accountability clarity	High where the employer, payer and payroll accountability route are clearly known.
▲	Worker voice and grievance access	High where complaint and escalation routes are direct and worker-facing.
▲	Supply-chain social value monitoring	High where the route is monitored and unauthorised payroll substitution is prohibited.
▲	Public / client defensibility	High where reporting demonstrates worker clarity and accountable payroll.
▲	Wellbeing and financial dignity	High where payroll clarity reduces avoidable confusion, stress and pay-route anxiety.
▲	Continuous improvement and audit	High where worker feedback, payroll evidence and audit reporting are maintained.

> Indicative Social Value Payroll Chain Assessment Score: 80–95 / 100
>
> This depends on evidence. A controlled route scores highly only where it can prove worker clarity, fair pay, complaint access, payroll evidence and social value reporting.

15.5 Potential negative impact

The main risk is overclaiming. A route should not be described as socially superior merely because it is not an umbrella company. It must demonstrate actual worker-facing improvement.

Potential weaknesses include:

- poor worker communication;
- unclear employer identity;
- lack of complaint access;
- weak payslip explanation;
- hidden commercial fees;
- insufficient audit evidence;
- role confusion.

15.6 Positive outcome compared with umbrella usage

A properly controlled non-umbrella PAYE route can improve:

- worker pay clarity;
- worker understanding;
- absence of umbrella margin/deduction opacity;
- direct payroll accountability;
- supply-chain explainability;
- public and client confidence;
- ability to evidence fair work and responsible procurement.

15.7 Interpretation

SECTION 15 CONTINUED

This route is socially valuable only if it produces a better worker experience in practice.

The strongest social value position is:

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The route removes umbrella complexity and replaces it with a clearer, known, PAYE-based worker pay structure.
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Bottom line: A controlled non-umbrella PAYE route can score strongly on social value and ESG where it demonstrably improves worker clarity, accountability and pay transparency.

SECTION 16

Tender, Procurement and ESG Scoring Applications

RISK RATING: IMPLEMENTATION

16.1 Purpose of this section

This section converts the document into practical questions, scoring criteria and KPI options for procurement, tendering, ESG review and labour-chain assurance.

16.2 Tender question: payroll route disclosure

> Confirm whether umbrella payroll arrangements will be used, permitted or prohibited within the delivery labour chain. Where umbrella payroll is used or permitted, identify each point in the chain at which umbrella payroll may be introduced, and explain how worker pay transparency, deductions, holiday pay, employer identity and complaint routes will be evidenced.

16.3 Tender question: fair work and worker understanding

> Describe how all temporary workers engaged on this contract will understand who employs them, who pays them, what pay rate applies, what deductions are made, how holiday pay is treated, and who is accountable for payroll questions before they start work.

16.4 Tender question: social value scoring

> Explain how your labour supply model supports fair work, fair pay, worker dignity, worker voice, financial wellbeing and ethical procurement. Include specific measures for testing worker understanding of pay and deductions where umbrella payroll is used or permitted.

16.5 Tender question: public defensibility

> Provide a worker-facing and public-facing explanation of how temporary workers on this contract will be employed and paid. The explanation should be suitable for workers, client representatives, councillors, unions, residents and media stakeholders.

14.6 KPI options

Direction	KPI	Target direction
▲	Percentage of temporary workers with payroll route identified before start	Higher is better
▲	Percentage of workers receiving pay-route explanation before acceptance	Higher is better

SECTION 16 CONTINUED

Direction	KPI	Target direction
▲	Percentage of workers who can identify employer and payer	Higher is better
▲	Percentage of workers who understand assignment rate vs gross pay	Higher is better
▲	Percentage of workers who understand holiday-pay treatment	Higher is better
▲	Percentage of labour suppliers disclosing payroll method at worker level	Higher is better
▲	Percentage of umbrella providers socially assessed	Higher is better
◆	Number of pay-route complaints per 100 workers	Lower is better, but must be interpreted carefully
▲	Percentage of pay complaints resolved within defined timeframe	Higher is better
▲	Percentage of supply-chain contracts with worker-pay transparency commitments	Higher is better
▲	Percentage of supply-chain labour contracts with social value monitoring	Higher is better
▲	Percentage of covered workers paid through non-umbrella PAYE route	Higher is better where worker outcomes improve

14.7 Social value scoring adjustment

Impact	Condition	Suggested scoring treatment
▼	Payroll route unknown	Cap fair-work score at low level.
▼	Umbrella use hidden below agency/MSP	Apply material negative adjustment.
▼	Umbrella use permitted by default without worker testing	Apply negative adjustment.
◆	Umbrella use permitted only with strong worker-tested controls	Allow controlled / medium score.
◆	Umbrella route genuinely optional and clearly explained	Reduce negative impact.
▲	Umbrella use restricted or eliminated and clearer PAYE route used	Apply positive adjustment.
◆	Non-umbrella route lacks worker clarity	Do not award full positive score.

16.8 Evidence pack requirements

A buyer wishing to assess umbrella usage ethically should request:

SECTION 16 CONTINUED

- payroll route map;
- umbrella provider list;
- agency/MSP payroll route policy;
- sample KID;
- sample payslip or pay illustration;
- holiday-pay explanation;
- worker complaint route;
- worker induction wording;
- worker survey result;
- supplier social assessment evidence;
- social value flow-down clauses;
- audit and monitoring report;
- public-facing pay-route explanation.

16.9 Interpretation

A scoring system should not punish lawful umbrella usage automatically. It should punish opacity and reward clarity.

The principle is:

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The more opaque, compulsory or unmonitored the umbrella route, the lower the social value score.
The more transparent, optional, worker-understood and monitored the route, the less negative the effect.
Where umbrella usage is restricted or eliminated and replaced by clearer worker-facing PAYE arrangements, the social value score
should improve.
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Bottom line: Umbrella payroll should be score-affecting in social value and ESG assessments because it directly affects worker pay understanding, dignity, accountability and public defensibility.

SECTION 17

Final Conclusion

After reviewing the existing payroll-chain routes, the research supports a clear conclusion: prominent works should not treat umbrella payroll as a neutral payroll-administration choice.

> Where umbrella usage is used, permitted or tolerated within the temporary labour chain, it should be assessed against recognised social value and ESG categories including fair work, fair pay, worker understanding, ethical procurement, supplier social assessment, worker wellbeing and public defensibility.

The route analysis also shows that restriction or elimination is only valuable where the replacement route produces a better worker-facing outcome. A controlled non-umbrella PAYE route is therefore relevant because it is capable of combining PAYE clarity, worker-level evidence, accountable payroll and contractor or public-buyer visibility.

The strongest practical scoring principle is:

> A project should not receive full social value credit for creating or using temporary labour if the payroll route behind that labour is opaque, compulsory, poorly understood or difficult to defend publicly.

Final position: the preferred social value direction is clearer PAYE accountability, better worker understanding, stronger payroll evidence, controlled substitution and a route that can be explained to workers, clients, funders, auditors and the public.

Publication and Source Base

Publication notice

Social value, ESG, umbrella-worker and procurement source list

ULESV-001

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No reliance should be placed on the scoring model without considering the actual contractual chain, worker documentation, payroll evidence and project-specific facts.

APPENDIX A

Source List

The following sources support the social value, ESG, umbrella-worker, public procurement and labour-chain assessment used throughout this document.

Area	Source / citation	Relevance
UK Government Social Value Model	GOV.UK - PPN 002 Guide to using the Social Value Model	Establishes use of Social Value Model across the commercial lifecycle for in-scope organisations.
Social Value Model categories	GOV.UK - 2025 Social Value Model PDF	Supports fair work, fair working conditions and fair pay practice references.
Social Value Act	legislation.gov.uk - Public Services (Social Value) Act 2012	Establishes regard to economic, social and environmental wellbeing in public service contracts.
PPN 003 Social Value Act guidance	GOV.UK - PPN 003 Public Services (Social Value) Act 2012	Explains that in-scope organisations must consider how procurement may improve social, environmental and economic wellbeing.
TOMs framework	National TOMs 2021 Framework	Supports use of Themes, Outcomes and Measures as a social value measurement structure.
TOMs measurement	Social Value Portal - Measurement	Describes the TOM System as a method for recording and reporting social value.
TOMs ethical procurement example	Richmond National TOMs Framework Themes	Includes ethical procurement and supply-chain social value monitoring measures.
Umbrella worker KID	GOV.UK - KID guidance for agency workers paid through umbrella companies	Supports worker understanding of pay, deductions, holiday entitlement and benefits.
Umbrella company guidance	GOV.UK - Working through an umbrella company	Explains preferred umbrella use, assignment rate, deductions and minimum gross pay disclosure.
GRI supplier social assessment	GRI 414 Supplier Social Assessment	Supports assessment of suppliers against social criteria including employment practices, wages and working hours.
GRI 414 resource page	GRI 414 Supplier Social Assessment - Resource Centre	Confirms GRI 414 reporting requirements for supplier social assessment.
EcoVadis ratings	EcoVadis Ratings	Supports labour and human rights, ethics and sustainable procurement themes.
EcoVadis methodology	EcoVadis methodology support	Supports policies, actions, results, evidence and monitoring logic.
MSCI controversy methodology	MSCI ESG Controversies and Global Norms Methodology	Supports labour rights and supply-chain controversy framing.
Government Supplier Code of Conduct	GOV.UK Supplier Code of Conduct	Supports ethical treatment of employees, subcontractors and public trust expectations.
Modern slavery procurement guidance	GOV.UK PPN 009 Tackling Modern Slavery in Government Supply Chains	Supports supply-chain labour vulnerability and forced/compulsory labour context.
Transparency in supply chains	GOV.UK Transparency in Supply Chains guidance	Supports supply-chain transparency and modern slavery statement context for large organisations.