

Balancing in-house Employment and Outsourcing

**A Practical Guide to
Outsourcing for
Employers**

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building
better
together.



Introduction

The UK employment landscape is undergoing significant change. Recent legislative reforms and rising employment costs are prompting many businesses to re-evaluate their workforce strategies.

This guide outlines the key changes to employment law, examines the cost implications of recruiting staff directly, and explores whether outsourcing some specialist roles—particularly legal and accounting functions—might be a more efficient alternative.

Outsourcing these roles means engaging with experts at a law firm or accountancy firm could just be the solution that you are looking for. Many accountancy and law firms these days have teams of staff who support their clients, offering services to fill gaps internally in some of these critical roles.

Let's explore this in more detail.





Changes in Employment Legislation

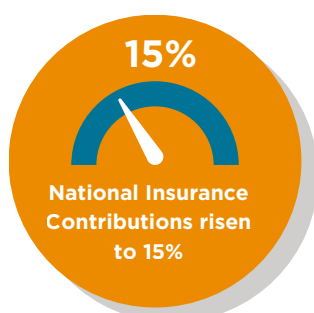
Ongoing changes in legislation continue to make employing staff increasingly complex and costly. April 2024 saw the introduction of the right to request flexible working from the first day of employment, replacing the previous 26-week qualifying period.

Further significant changes are on the horizon with the UK Government's Employment Rights Bill, which is currently progressing through Parliament. Notably, the Bill would grant employees protection against unfair dismissal from their first day, removing the earlier two-year qualifying period.

The Bill also proposes changes to zero-hours contracts, enabling workers to request more predictable working patterns, and to statutory sick pay, requiring it to be paid from the first day of absence, regardless of the employee's earnings.

These changes are compounded by rising employment costs. In April 2025, the national minimum wage increased and was standardised across age groups, meaning younger workers must now be paid the same as older colleagues. Furthermore, employer National Insurance contributions have risen from 13.8% to 15%.

Taken together, these changes significantly increase both the cost and the administrative burden of employing staff, especially for smaller businesses without dedicated HR support.



The cost of Hiring in-house

Recruiting and employing staff in-house involves far more than just agreeing on a salary. Many employers rely on recruitment agencies, which typically charge a fee of between 20 and 30 per cent of the new hire's annual salary. Even when recruitment is handled internally, it requires time-consuming advertising, interviews and vetting processes.

Once someone is hired, there are onboarding and training costs to consider, as well as a delay before they become fully productive. Employers must also factor in pension contributions, National Insurance, holiday pay, sick pay, and other statutory obligations as well as ongoing training and development for certain skilled roles. There are also practical costs such as providing office space, equipment, software licences and insurance cover.

Beyond these tangible costs, there is the less visible but very real investment of management time. Supporting new employees, monitoring performance and addressing HR matters all require attention that could otherwise be directed towards core business growth.





The case for outsourcing

In contrast, outsourcing some of these key tasks to experts at your regional law or accountancy firms offers flexibility and cost predictability. For example, accounting functions can be outsourced for a set monthly fee—often in the region of £1,000 to £3,000—depending on the volume and complexity of the work. This cost typically covers a team of professionals with access to up-to-date software, regulatory knowledge and process efficiencies that would be difficult to replicate in-house.

Legal services can also be outsourced such as HR expertise either on a retainer or a pay-as-you-go basis. This enables businesses to access high-quality advice without the long-term commitment and overheads of employing a solicitor full-time.

One of the key benefits of outsourcing is scalability. Businesses can increase or reduce the level of service they require without the complications of hiring or letting staff go. You also have the assurance of uninterrupted continuity of service, no having to cover sickness or holidays. It also removes much of the compliance risk, as outsourced providers take responsibility for up to date with the latest regulations and best practice.

Weighing up THE OPTIONS



The decision to employ in-house or outsource is not always straightforward. It often depends on how central a function is to your business operations, how frequently the tasks are needed, and how much control you want to retain.

In-house teams may be the better option for roles that are deeply embedded in the business, such as client relationship management or daily administration operations.

However, for specialist roles that require up-to-date technical knowledge, and where the demand may fluctuate, outsourcing can offer greater flexibility and value.

Some businesses adopt a hybrid model—maintaining a lean core team while outsourcing technical or back-office functions to specialist providers.



When to call in the experts

We all know expertise can be expensive. Getting your car repaired at a garage is expensive but they know what they are doing. They have the skills, the training and the expertise to ensure that your vehicle is fit for the road.

Whilst not many businesses employ an in-house vehicle technician – unless of course that is their trade – many businesses do employ HR professionals, bookkeeping, payroll and accounts staff, marketing and IT teams.



All of this expertise costs money and in some cases, it just makes sense to consider outsourcing elements of it. Some professional service firms today offer so much more than just the traditional services that you would expect. Virtual FD, HR advice, marketing support, GDPR guidance, risk and compliance, AI and tech support, board governance, there are not many business roles that they do not have expertise in.

Case Studies

These case studies have been created using AI technology but reflect true scenarios experienced by many businesses and professional service firms in support of their clients.

Outsourced Finance Function



Business

Digital Marketing Agency



Challenge

Replacing an outgoing finance manager while keeping overheads under control and ensuring accurate reporting for board decision-making.



Background

The business had a part-time finance manager who handled management accounts, VAT returns and supplier payments. Following their departure, the agency was reluctant to commit to a full-time replacement given variable cashflow and increasing pressure to produce timely, accurate reports for growth planning.



Solution

The agency appointed an outsourced finance team comprising a remote Finance Manager, supported by a bookkeeping team. Services included weekly transaction processing, monthly reporting, forecasting support, and liaison with the business's external accountants.



Outcomes

- Turnaround time for monthly accounts improved.
- Forecasting and budgeting became more accurate, improving director confidence and internal planning.
- Bookkeeping was more consistent and robust, improving cash flow forecasting.



The outsourced finance team has been a game-changer for us. They're efficient, experienced, and feel like an extension of our business. We've grown 20% in the last year, and their support has been central to that.

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Employment Law & HR Support



Business

80-Employee Manufacturing Company



Challenge

Managing HR compliance and employment law without a dedicated internal legal or qualified HR team.



Background

The company had grown steadily over the past decade, but with that growth came increasing complexity in people management. With several grievances raised over a short period and uncertainty around redundancy procedures, the directors recognised the risks of relying on limited internal knowledge of employment law.



Solution

The business engaged a specialist Employment Law and HR firm on a retained basis. The service included access to a named legal adviser, template employment documents, proactive updates on legislative changes and hands-on support with HR procedures.



Outcomes

- Redundancy consultations were carried out in full compliance with legal requirements, avoiding potential claims.
- Employee handbooks and contracts were reviewed and updated in line with current legislation.
- Managers received training on disciplinary processes, which reduced disputes and improved confidence.
- Time previously spent worrying about employment risk was redirected into productivity and team engagement.



Having a dedicated legal adviser on call has given us peace of mind. We've avoided costly mistakes and can now manage employee matters with confidence and fairness. Outsourcing our legal support has easily paid for itself.

Final thoughts

With increasing pressure from employment law reforms and rising payroll costs, outsourcing is becoming an attractive strategic option for many UK businesses. Whether you are reviewing your internal structures, planning growth, or looking to reduce overheads, understanding the cost and implications of recruitment versus outsourcing is something definitely worth serious consideration.

If you would like tailored advice on whether outsourcing might benefit your business—or would like to explore how to make the most of your current workforce arrangements—please get in touch. Our team is here to help you make informed decisions that support you and your long-term goals.



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