For business

The Essential MSP Guide

From recruitment supplier to workforce partner

A complete introduction to identifying, selling and building a credible MSP proposition

Essentials at a glance

For a recruitment agency, an MSP proposition is a move from supplying people into a client process to taking responsibility for how a defined contingent workforce programme operates. The offering consists of organising job demand, suppliers, workers, controls, data and service performance around the client's need.

Guidance notes

An agency doesn't have to build a monolithic MSP business before pursuing an opportunity. Start with the smallest credible service that solves a real control problem, has clear ownership, and can expand without being rebuilt.

This guide in one minute

MSP is an operating model, not a VMS. Technology coordinates the work. People, controls and ownership make it operate.

Recruitment is one component. Master-vendor and hybrid models usually recruit directly; a neutral vendor manages suppliers without preferential direct supply.

Operational pain reveals the opportunity. Fragmented suppliers, slow worker take-on, inconsistent checks, poor visibility and pay errors can matter more than size alone.

Onboarding, compliance and payroll are infrastructure. They determine whether a worker can start, be paid correctly and appear in reliable reporting.

Partnership lowers the barrier. The agency can lead recruitment and the client relationship while a specialist partner provides configurable operations; the pricing covers full delivery.

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MSP in plain English

The term MSP is used for both a Managed Service Programme and the Managed Service Provider that operates it. In this guide, "MSP" means the programme and "MSP lead" means the organisation accountable for its day-to-day operation.

An MSP is a governed service through which a client manages some or all of its non-permanent workforce demand, recruitment suppliers, worker engagement, administration, compliance, time, payment and reporting.

The scope can be broad or deliberately modular. It can cover one worker population or several countries; use a full VMS or a lighter portal; include direct recruitment or manage a supply chain without it. What makes it an MSP is the connected management and accountability across the service.

What it is not

Not only a recruitment contract. A preferred supplier may fill roles without managing the wider process, supplier panel or operational controls.

Not only a VMS. A Vendor Management System can coordinate requisitions, submissions, assignments, time, invoices and reporting, but it does not resolve exceptions, assure compliance or run payroll by itself.

Not the same as RPO. Recruitment Process Outsourcing normally concerns permanent hiring or an employer's internal talent-acquisition process; MSP normally concerns contingent or external workers.

Not automatically an employer-of-record service. Employment, tax and payroll responsibility depend on the worker model, country and contractual chain.

Who is involved

Stakeholder	Typical role(s)
End client and hiring managers	Own job demand, budget, policy, selection, time approval and key workforce decisions.
Procurement, HR and talent	Sponsor the model, set supply-chain and workforce policy, and oversee adoption and value.
Finance, legal, risk and IT	Govern funding, invoicing, tax, contracts, data, security, integration and audit.
MSP lead	Operates the agreed programme, manages performance and owns the consolidated service relationship.
Recruitment suppliers	Source workers under agreed distribution, rate, compliance and performance rules.
Workers and intermediaries	Complete onboarding, perform assignments, submit time & receive pay; may include umbrella, PSC, employer or local payroll entity.
Technology and operational partners	Provide VMS/CRM, verification, onboarding, compliance, pay-and-bill, payroll, finance integration, reporting and support.

Choose the delivery model

The model should follow the client's priorities and the agency's genuine delivery capability. Official procurement notices/notices for tender distinguish master and neutral vendor opportunities; hybrid and light-touch programmes combine or narrow specific parts for the opportunity at hand.

Model	How it works	Best fit	Watch-outs
Master vendor	Lead agency supplies from its own candidate pool first, then uses approved second-tier agencies for shortfall or specialist demand.	Clients wanting one accountable recruitment partner, strong direct fulfilment and simpler administration.	Supplier concentration, perceived bias and weak second-tier rules.
Neutral vendor	MSP lead manages an approved supplier panel and does not give preferential access to its own direct worker pool.	Clients prioritising supplier neutrality, competition, diversity or specialist coverage.	An extra layer without value if category expertise, supplier influence or service control is weak.
Hybrid	Direct recruitment is used in agreed categories or tiers, with neutral distribution elsewhere.	Clients needing strong direct capability in core categories plus niche, local or international coverage.	Distribution logic, ownership, margin and supplier treatment must be transparent.
Light or modular MSP	A narrower, technology-enabled service covers selected demand, suppliers, onboarding, compliance, time, pay or reporting with a lean team.	Mid-market, single-country or first-phase opportunities with clear pain but insufficient scale for a traditional enterprise programme.	Under-scoping support, exceptions, implementation and integrations.

A practical selection rule

Master vendor: agency has credible direct recruitment coverage and the client values a single accountable source.

Neutral vendor: breadth, SME participation in supply, neutrality or open competition are key factors.

Hybrid: core categories can be supplied directly but other categories need an open supply chain.

Light or modular: operating problem is real but the client should not fund a heavyweight model.

Common extensions

Direct sourcing, payroll-only populations, independent-contractor management, Statement of Work/services procurement, total-talent coordination and international programme management may all sit beside the core MSP. Treat them as explicit scope choices, not features that must be promised on day one.

Narrow scope can increase credibility: one client division, workforce category, geography or payroll population, with clear expansion gates once service, data and controls are stable.

Recognising a real opportunity

An agency often sees the opportunity before the client uses the word MSP. The client may ask for one invoice, a single compliance view, supplier consolidation, better spend data or help operating a VMS. Those are signals that the problem sits around recruitment as well as within it.

A quick opportunity score

Score each dimension 0, 1 or 2 using evidence from discovery. This is a qualification aid, not an industry benchmark.

Dimension	0: limited case	1: emerging case	2: strong case
Demand	Occasional and low-repeat	Recurring in one area	Material across teams, sites or countries
Supplier landscape	One or two controlled suppliers	Growing or partly managed	Fragmented, inconsistent or off-contract
Process burden	Stable and largely automated	Some manual hand-offs	High admin, duplicate entry or aged exceptions
Compliance and pay	Standard and dependable	Several variants or recurring issues	Regulated, multi-status, complex or poorly evidenced
Data and visibility	Trusted consolidated view	Reports require manual work	No reliable view of workers, spend or status
Change and sponsorship	No active change or owner	Local improvement sponsor	Growth, acquisition, consolidation, VMS or executive alignment

Interpretation: 0-4 usually suggests a supply or targeted process-improvement conversation; 5-8 supports exploration of a light or modular service; 9-12 is a strong signal for a structured MSP business case. A high score does not replace affordability, credit or implementation checks.

Trigger events worth watching

- onboarding delays cause failed starts or lost candidates;
- payroll, invoicing or reconciliation errors are damaging trust;
- supplier numbers have grown without an active strategy;
- managers buy off-process because the approved route is slow;
- a new site, country, worker category or technology is being introduced;
- procurement is reviewing rates, suppliers or an incumbent contract;
- compliance, right-to-work, IR35 or umbrella exposure is creating board-level concern.

Where the model is especially plausible

MSP is most plausible where repeat demand meets fragmented supply or complex regulatory environments: for example education, health, public services, construction, logistics, technology and professional services.

Sell the outcome, then prove the model

Clients rarely wake up wanting "an MSP". They want a problem removed or a capability created: faster and more predictable starts; stronger fill; fewer suppliers and invoices; consistent controls; better visibility; accurate pay; or an operating model that can support growth.

A credible sales sequence

Diagnose the current state. Establish the baseline across spend, active workers, suppliers, cycle times, exceptions, pay models, systems, internal effort and complaints.

Design around the client's priority. Choose the model, scope and delivery ownership only after the problem, buying group and constraints are understood.

Demonstrate the operating model. Present the proposed worker journey, process map, control points, integration approach, sample MI, implementation gates and delivery team(s).

What the proposal should address

Question	What to communicate	Why it matters
What changes?	Client's current baseline metrics, agreed problems, target outcomes and exclusions	Prevents a generic "bigger recruitment contract" proposition
Who owns it?	Defined client/agency/partner responsibilities, decision rights and escalation	Exposes gaps before they become live-service failures
How does it work?	Clear end-to-end workflows, systems, data and exception path	Shows the service is operable, not conceptual
How is it controlled?	Compliance/payroll gates, audit evidence, reporting and governance	Gives finance, risk and operations reasons to support the model
How will it launch?	Phased plan, testing, transition, contingency and acceptance criteria	Replaces optimism with an evidence-based route to live

An MSP decision crosses functions. Procurement may sponsor it, but finance, HR/talent, operations, legal/risk, IT and hiring managers all need evidence relevant to their responsibilities. A single enthusiastic contact is rarely enough.

Published provider guidance describes percentage-of-spend as a common pricing structure and cites an indicative range of roughly 2%-3.5%; fixed, per-worker and hybrid models are also used. [6] Treat that as an early modelling reference, not a recommended rate. The management fee is not profit: it must fund the team, technology, integrations, audits, checks, payroll operations, support, implementation and risk carried by the service.

Before quoting, define the fee base, direct and second-tier treatment, technology and check costs, implementation, minimum volumes, countries, payroll funding, client billing, credit exposure and change triggers. Build the commercial model backwards from the service the client actually needs.

What you actually have to deliver

The programme should be designed as one connected workflow. Recruitment creates the match; the remaining stages make the match clearable, payable, billable and visible at programme level.

Figure 1. The MSP worker lifecycle: nine connected stages with controlled hand-offs from demand to improvement.

Five questions for every stage

- Who is responsible for doing the work?
- Who can approve, reject or override it?
- Which system holds the master record?
- What evidence proves completion?
- What happens when the standard path fails?

These questions prevent familiar gaps: a placement created in the CRM but not in payroll; an expired document blocks an extension; a status decision that never reaches the end client; or approved timesheets billed at the wrong rate.

Design the exception path

MSP operations are largely an exercise in managing exceptions at scale. The service needs controlled routes for urgent demand, incomplete worker data, failed checks, client-authorised exceptions, late timesheets, rate or PO changes, payroll amendments, worker withdrawal, supplier failure and system downtime.

Every exception should have a queue, owner, age, priority, evidence, resolution code and route back to the standard process. Email should not be the only record of a decision.

Launch as a service, not a software installation. Move through discovery, design, configure/integrate, test, transition and stabilise, using realistic failed-check, rate-change, payroll, invoice and contingency scenarios before live money depends on the process.

Systems, data and the delivery team

The stack should connect client requirements/vacancies and approvals to recruitment, onboarding, compliance, time, pay, billing and reporting. A VMS may be appropriate, but a client portal or the agency's CRM/ATS can also work when ownership and integration are clear.

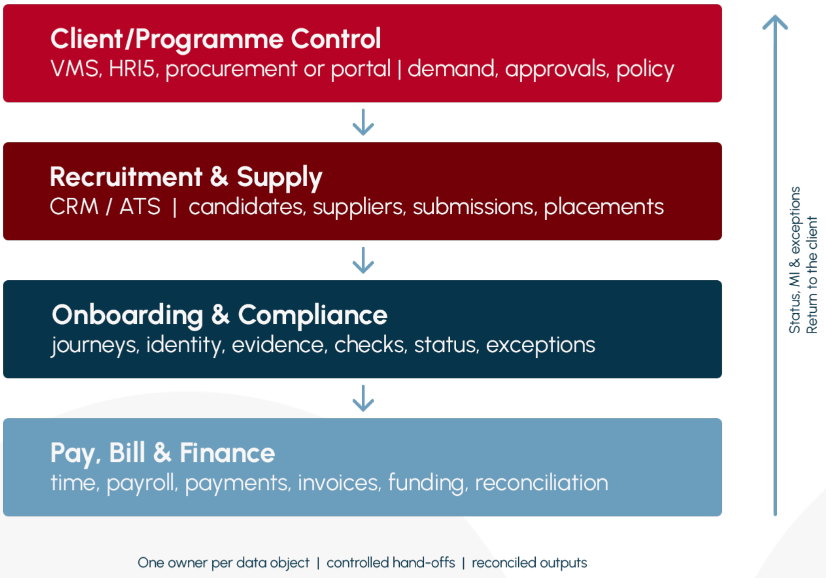

Figure 2. A practical MSP technology stack. Each data object needs one owner and every hand-off needs a return status.

The architecture rules that matter

- Give every request, worker, assignment, compliance result, timesheet, payroll output and invoice one system of record.
- Integrate around business events and return a status: for example request approved, worker selected/cleared, time approved, payroll completed, invoice reconciled, assignment ended.
- Use persistent IDs, validation, role-based access, reconciliation and visible error queues; define data roles, retention and incident handling for sensitive worker records. [7]
- Match the interface to risk and frequency, then test the complete path. APIs suit frequent events; controlled files can be appropriate for batch work.

A practical delivery team

Role	Core responsibilities
Programme and client lead	End-to-end service and client management, governance, issues and improvement
Recruitment and suppliers	Demand quality, fulfilment, distribution, rates and performance
Worker operations	Onboarding, checks, clearance, expiry, support and exceptions
Pay, data and finance	Payroll, billing, reconciliation, MI, integration, funding and credit

Onboarding and compliance

Recruitment matches candidates to vacancies. Onboarding and compliance convert them into a worker who can start with the right engagement route, checks and client approval. The journey should be configured by client, role, location, worker type and start date, reusing trusted data where appropriate and showing authorised users one clear status.

Four compliance gates

Gate	Purpose	Inputs	Control outcome
1. Identity and eligibility	Confirm the individual and their legal ability to perform the work	Identity, address, right to work and country-specific eligibility	Verified, failed or referred for review
2. Role suitability	Confirm the worker meets client, role and sector requirements	Qualifications, references, licences, background checks, health, training and insurance	Requirement-by-requirement pass with expiry dates
3. Engagement and tax	Establish the permitted worker and payroll route	Status, IR35/SDS workflow, umbrella/PSC/CIS/PAYE route, KID and due diligence	Approved route and named responsible parties
4. Assignment readiness	Confirm every client-specific condition before start	Contract, rate, PO, policies, induction and final approval	Cleared-to-start timestamp or evidenced exception

What good onboarding looks like

- mobile-first invitation, progress and support;
- streamlined - only the information required for that worker and assignment;
- configurable forms, declarations, contracts and e-signatures;
- integrated identity, right-to-work and screening checks where appropriate;
- reminders, expiry management, exception queues and an audit trail;
- real-time status returned to the agency, client or VMS.

The service must provide viisbility across evidence, verification, decision and authority. It should also measure the median and 90th-percentile "time to clearance": averages can conceal the protracted cases, which cause bottlenecks and failed starts

For money paid to workers on or after 6 April 2026, where an umbrella company employs the worker, the agency holding the contract with the end client is responsible for making sure PAYE is operated correctly; HMRC can recover an underpayment from that agency. [4] This strengthens the case for ongoing evidence, reconciliation and escalation rather than relying on an approved-provider list alone. HMRC also expects regular, proportionate due diligence and retained records.

This is an operating overview, not legal or tax advice. Requirements must be validated for the specific client, worker arrangement and country, and kept current through named change control.

Payroll and worker experience

In an MSP Payroll is a control cycle linking multiple records:

> ***Approved placement → compliance clearance → contractual terms → approved timesheets → payroll result → worker payment → client invoice and reconciliation***

If records disagree, the impact appears as a pay error, credit note, compliance gap, margin leak, funding issue resulting in operational inefficiencies or damaged relationships.

The minimum payroll runbook

Control area	What must be defined
Calendar and inputs	Pay cycles, cut-offs, freezes, late-data rules and ownership of each input
Rates and rules	Overtime, allowances, expenses, holiday, deductions, pensions and statutory payments
Authorisation	Maker-checker controls for worker, bank, rate, assignment and payment changes
Validation	Pre-payroll exceptions, sample/parallel calculations and gross-to-net review
Payment and reporting	Payment release, payslips, statutory submissions and client outputs
Reconciliation	Pay-to-bank, pay-to-bill, invoice-to-PO and bill-to-ledger control
Corrections and continuity	Amendments, advances, overpayments, leavers, downtime and bank-file contingency

Why this is strategically important

- **Growth**: repeatable controls allow more workers and client variations without proportionary back-office growth.
- **Margin**: accurate rates, time, billing and reconciliation reduce credits, leakage and senior rework.
- **Trust**: on-time, understandable pay protects the agency's worker network and the client's experience.
- **Insight**: connected pay, time and assignment data creates valuable workforce and commercial MI

Worker experience is part of programme performance. Monitor pay accuracy and timeliness, queries per 100 workers, response speed, root cause, failed starts, withdrawal and transactional feedback - not just whether a payroll file was produced

> *Payroll can fall due before the client pays. The model must state who funds each population, who invoices and collects, what credit limits and insurance apply, how disputes affect funding and how bad-debt risk is priced.*

How Hyfa fits

In the model described below, the agency leads recruitment and the client relationship; Hyfa provides a managed operational layer across onboarding, compliance and payroll. Existing MSPs can use the same layer within their own proposition. Hyfa is not the recruitment engine or necessarily a VMS replacement: it connects a selected worker and assignment to clearance, pay, invoicing support and operational reporting.

Our modular service layers

Onboarding	Compliance	Payroll/pay & bill
Configurable journeys; forms, contracts and e-signatures; branded worker experience; CRM/ATS/VMS data exchange.	Requirement matrices; identity, right-to-work and role checks; status/SDC workflow support; evidence, expiry and exceptions.	Integrated, managed payroll; pay & bill; EOR/Umbrella, CIS options; support and optional financial-wellbeing services.

You can use all three modules or retain selected activities in-house, preserving what already works while adding the operational capability required. [8]

Default division of responsibility

End client	Agency / MSP lead	Hyfa
Demand, budget, policy, selection and retained decisions	Recruitment, supplier strategy, client service and commercial ownership	Configured onboarding/compliance, agreed payroll/pay-and-bill operations and operational MI

Common deployment patterns

- CRM-led light MSP: agency placement triggers Hyfa onboarding/compliance, returned status and pay-and-bill flow.
- Client-VMS-led programme: the VMS controls demand, selection and time; agency and Hyfa integrate at placement, clearance and pay/bill events.
- Master/hybrid or phased international: one operational journey can cover direct and second-tier workers, with each country enabled only after local validation.

Before proposal, jointly confirm the client problem, population, ownership, systems, compliance authority, funding, capacity, tests, security, reporting and commercial sustainability.

Your 90 day plan

You don't need to wait for a formal tender to prepare. Start with the aim to create enough substance to hold a credible diagnostic conversation and qualify one real opportunity.

Period	Objective	Priority actions	Tangible outputs
Days 1-30	Define the proposition	Select one or two verticals; choose the likely master/hybrid/light model; identify client triggers; map internal capability and gaps; agree partnership principles	Proposition one-pager, target-account signals, capability map
Days 31-60	Build the operating model	Configure a representative journey; map systems and data; define team, controls, MI, pricing assumptions and implementation gates	Demo journey, process map, sample dashboard, commercial model
Days 61-90	Take it to market	Prioritise accounts; run trigger-led outreach and diagnostic meetings; score opportunities; select one scoped proposal or pilot; refine objections	Qualified pipeline, discovery findings, first business case

The first meeting

Use the first meeting to understand how demand enters the business; which suppliers and worker routes are used; where new starters, compliance, time, pay or invoice processes fail; what leadership cannot currently see; what change makes the issue important now; and whether there is a sponsor, baseline and appetite to standardise.

Then offer to map a target operating model around one real workforce population. That creates a useful second meeting whether the answer is a full MSP, a light managed service or a smaller onboarding, compliance or payroll improvement.

> *Moving into MSP does not require an agency to stop being a recruiter. It requires the agency to place its recruitment strength inside a more complete operating model - easy for the client to use, fair for suppliers, clear for workers and controlled from requisition to reconciliation.*

Closing

The MSP market is becoming broader, more accessible and more demanding. Once largely limited to the biggest employers in a small number of sectors, MSP solutions are now being adopted by a wider range of organisations looking for greater control, visibility and consistency across their contingent workforce.

This creates a significant opportunity for recruitment businesses. Agencies that can combine access to talent with effective onboarding, compliance, payroll and workforce management can deepen client relationships, pursue larger opportunities and become more strategically important to the organisations they serve.

Moving into MSP does not require an agency to stop being a recruiter. It requires the agency to place its recruitment capability inside a more complete operating model.

That model wins when it is easy for the client to use, fair for suppliers, clear for workers and controlled from requisition to reconciliation. Onboarding, compliance and payroll are not secondary tasks within it; they are the infrastructure that makes recruitment deliverable at programme scale.

For an agency evaluating its first opportunity, the most productive next step is to choose one real client population and map the current process, economics and risk. From there, the agency can decide whether the answer is a master vendor, hybrid, light MSP or a smaller modular service - and build only what the opportunity genuinely needs.

Hyfa can support that model as the configurable operational partner behind the agency proposition, while the agency remains front and centre with the client.

Want more?

Download the Complete MSP Guide from our website! The Complete MSP guide goes beyond the fundamentals to explore the commercial, operational and technological detail behind a successful MSP, including how to price the service, structure the delivery team, select the right systems and turn an opportunity into an operational programme.

Let's explore the opportunity

Whether you're considering your first MSP proposition, developing an opportunity with an existing client or looking to strengthen an established programme, we'd love to have a conversation.

Get in touch to discuss how Hyfa could support your MSP proposition.

Contact@hyfa.co
(020 3350 3701
www.hyfa.co