



ADDRESSING SKILLS AND LABOUR SHORTAGES POST-BREXIT

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Addressing skills and labour shortages post-Brexit

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1 Introduction

The re-emergence of rising labour shortages has become one of the most important, fast-moving and debated issues affecting the UK economy. In a matter of months, media stories have switched from unsuccessful job applicants applying for hundreds of jobs to employers struggling to fill vacancies, especially in low-paying sectors. Often based on employer surveys and anecdotal reports, these stories commonly cite Brexit and the pandemic as key factors behind the labour shortages. And while it seems plausible that these factors are contributing to labour shortages, it also seems highly likely that many of these labour shortages pre-date the pandemic.

Additionally, despite reports of employees regaining bargaining power as a result of demand, other labour market indicators point to more slack. These include total hours worked, which remain below pre-pandemic levels, and 1.3 million workers who were still furloughed¹ on 31 August 2021, a month before the Coronavirus Job Retention Scheme (CJRS) closed.

Furthermore, the proportion of the workforce in temporary employment that would like a permanent job has risen sharply since the onset of the pandemic (up by 134,000 or 34%). This has been accompanied by a rise in involuntary part-time employment during the same period (up by 85,000 or 9.5%). Looking ahead, it remains to be seen whether some of the additional shortages being reported will continue after the CJRS unwinds and the effects of the pandemic ease.

A more critical assessment of employers' perception of skill and labour shortages therefore needs to be carried out. Such an examination needs to provide both a critical analysis of employers' claims about labour shortages in low-paying sectors in terms of the quality and quantity of labour supply and the range of HR practices adopted by employers.

These include the options available to employers for attracting and retaining more UK job applicants. For example, raising wages, increasing training, and enhancing flexible working opportunities, as well as widening recruitment channels to reach a more diverse range of candidates. It will also be important to understand the different ways in which these options are constrained in specific roles, sectors and regions, as well as the perspectives and attitudes of jobseekers themselves, especially young jobseekers who are more likely to apply for entry-level roles in these sectors.

This report thus aims to provide this qualitative examination of the labour market in the context of the pandemic and the recent introduction of migration restrictions. Its key motivations are both to assess the true extent of the re-emergence of labour shortages, the underlying factors behind them, and to understand how employers are coping with and responding to them.

¹ ONS. (2021) [Coronavirus Job Retention Scheme statistics: 7 October 2021](#). London: Office for National Statistics.

To explore this, the report used sector-specific focus groups in low-paying industries. These were selected partly based on the high proportion of EU workers employed in them. Given that the current interest in labour shortages is concentrated in low-paying sectors, the sectors were also chosen because they pay a relatively large share of workers less than two-thirds of national median earnings.

These were complemented by two jobseeker focus groups, to examine their views about the attractiveness of those industries and their attitudes to the hard-to-fill vacancies that have been identified by employers. These help provide more insight on UK workers' attitudes towards certain key occupations that employers find difficult to recruit. As employer surveys consistently show, the main reason employers in these industries hire migrant workers is because they typically do not attract sufficient applications from UK workers.²

The CIPD also ran a series of regional roundtables with members in Scotland, Northern Ireland and the North of England to ascertain whether there are any specific recruitment challenges they face. By and large, we found commonalities across sectors rather than geographies, although some of our public policy recommendations would need to be implemented by the respective devolved administrations.

In addition, the CIPD commissioned a YouGov survey of more than 2,000 employers that is representative of UK employment. The survey provides basic measures of both anticipated change in employment demand and labour supply pressures, most notably the overall incidence of recruitment difficulties and the number of applicants per vacancy by skill level.

This report therefore looks to provide an evidence-based and analytical approach to assessing labour shortages and discusses the implications for employers as well as the Government's immigration and skills policies.

2 Executive summary

The report highlights several issues that are critical to our understanding of labour shortages and to debates about sensible policy responses.

First, it is clear that labour shortages are rising, but these are restricted to a narrower range of occupations and industries – such as hospitality, arts and recreation and transport and storage – than many commentators suggest. As both the survey data and focus group discussions illustrate, the incidence of labour shortages in many low-paying sectors is no more prevalent than before the pandemic in the vast majority of cases.

This is related to the second issue, which is that there are positive signals that some employers, mainly larger ones, have become better at sourcing labour from the domestic workforce. Upskilling and apprenticeships are the most popular responses to labour shortages. Raising wages is another popular tactic used by employers, although many feel that this is unviable or unworkable in their sector, especially hospitality and social care.

² CIPD. (2018) [Labour Market Outlook – Winter 2017–18](#). London: Chartered Institute of Personnel and Development.

Other tactics include offering a wider range of flexible working arrangements, developing career paths for those in entry-level roles and developing relationships with local education institutions. However, this is offset by a tail of employers who are either in denial about labour shortages or in 'wait and see mode' in terms of a response.

Many employers did express enthusiasm for the potential role apprenticeships could play in offsetting labour or skill shortages in the future. Yet, some organisations expressed concern about the lack of in-house resources or capability to take advantage of this potential talent pipeline. Others still, said that apprenticeships were not relevant to their sector.

On top of this, there is a perception among some employers that the quality of labour supply or candidates is inferior compared with before the pandemic. Some focus groups pointed to the reduction in labour supply from the EU as a factor – most notably in hospitality and transport and storage, sectors which are particularly reliant on EU workers. The observation is consistent with official data. The UK Office for National Statistics (ONS) estimates that 38,000 fewer EU-born citizens were working in the UK in the third quarter of 2021 compared with same period in 2020.

This trend is also important to the debate about labour shortages in low-paying sectors because EU nationals had not been subject to skill requirements until recently. Taken together, these developments are likely to have had a disproportionate impact on specific hard-to-fill occupations in the most affected sectors.³

Some commentators have speculated that the rise in youth unemployment and a fall in the stock of EU nationals could provide a useful match. However, the results of the young, unemployed jobseeker groups reaffirms the negative perception many jobseekers have of low-paying industries despite the pandemic. It was a very common view among our two groups of young jobseekers that the six low-paying industries covered in this report represented jobs that involved hard work, low pay and insecure work which offered little prospect of progression. Likewise, the employer focus groups also reinforced previous research that showed the unattractiveness of the role or sector as the most significant factor behind labour shortages.

On the upside, it seems that some young people would be prepared to endure low pay for a period provided that suitable training opportunities and promotion possibilities were provided. This suggests that the tactic to raise wages, and in some cases, to offer 'golden hello' financial incentives to join an organisation, needs to be broadened to attract more applicants.

Despite the efforts of some employers to increase interest in roles, it is clear that some could also improve their HR practices. The research shows that some employers in low-wage industries are constricted to a narrow range of recruitment channels and labour pools. For instance, the transport and storage sector is heavily reliant on recruitment agencies and temporary workers. This is despite the importance many young, unemployed jobseekers attach to job security according to both young jobseeker focus groups. The most recent official data shows that virtually

³ For example, recent ONS data on [HGV drivers by nationality](#) showed that the number of EU citizens working as HGV drivers in the UK was 25,000 (down by 14,000 or 36%).

all the extra jobs since the onset of the pandemic have been for temporary staff (up by 136,000 or 9%) even as the proportion of the workforce in temporary employment that would like a permanent job rose sharply during the same period (up by 134,000 or 34%). It therefore appears that inadequate people management and development practices are a key under-reported factor behind the shortages reported by some employers.

In addition, relatively few employers are aware of or have the resources or expertise to take advantage of [various government initiatives](#), such as the Kickstart Scheme, or [changes to immigration policy](#), to adopt more sophisticated measures for making fuller use of all available workers. Indeed, across the majority of sectors, very few have engaged with local colleges or introduced apprenticeships to offset the fall in interest from jobseekers.

The research overall suggests that many employers in low-pay sectors struggle to develop effective people management and development practices, and would benefit from publicly funded business support. This would help them develop their capability in this area and bolster their ability to improve working conditions and progression, and recruit and retain a more diverse workforce. It could also support efforts to boost workplace productivity, with ONS data suggesting that people management practices such as training, performance management and progression are the management practices more strongly correlated with firm-level productivity.⁴ These are also the management practices most strongly associated with firms that undertake more R&D activity, suggesting a positive link to innovation.⁵

3 Policy implications

There is an urgent case for more government intervention and policy changes in light of these findings.

Adapting the Youth Mobility Scheme

First, the findings present a case for at least a temporary relaxation of immigration rules for a limited range of sectors and occupations in hospitality and transport and storage.

While some commentators have suggested a visa scheme for particular industries, a preferable option would be to extend the existing Youth Mobility Scheme (YMS) to EU nationals. Under the scheme, EU nationals aged between 18 and 30 could be allowed to live and work in the UK for two years without a job offer. The system would provide a safety valve for employers who have seen the loss of EU nationals in their workforce compound the disruption to apprenticeship and recruitment activity since the onset of the pandemic, that has led to a concentration of rising labour shortages.

The attractions of this approach are that it is less costly, less administratively burdensome and helps overcome the low awareness of and expertise in the new immigration system demonstrated by employers in this report, especially SMEs, for

⁴ ONS. (2018) [Management practices and productivity in British production and services industries – initial results from the Management and Expectations Survey: 2016](#). London: Office for National Statistics.

⁵ ONS. (2021) [Management practices and innovation, Great Britain](#). London: Office for National Statistics.

whom industry or occupation-specific schemes are difficult to navigate. Employers' needs could further be met by 'nudging' EEA youth mobility workers towards industries and specific hard-to-fill vacancies that have particular constraints. These include social care, whose pay structures offer very limited scope for altering rates of pay; and food production, where recruitment difficulties are often caused by location and the unattractiveness of the role.

To meet the broader policy drive to improve the skills of the home-grown workforce and control immigration, a **formal monthly cap** on the number of people that can participate in the scheme could also be introduced. This would operate flexibly and could be fine-tuned to meet changing economic and labour market conditions. It would also address the specific, current concern that labour shortages in these sectors may be temporary, especially given the recent closure of the furlough scheme. This measure would enable most organisations to meet their workforce needs without undermining the Government's policy objectives.

Unlocking skill potential

A change in skills policy could also help unlock the potential of jobseekers and existing or furloughed employees who may wish to change careers.

Apprenticeships

First, given the enthusiasm some employers have shown towards apprenticeships in response to recruitment difficulties, it seems clear that **apprenticeships could play a stronger role** in addressing labour shortages.

Improving the supply of apprentices is an urgent priority given the severe disruption to apprenticeship activity last year. Apprenticeship starts in England fell by around 50% between April and June 2020 compared with a year earlier – the fall being largest among young people (a 70% fall).⁶ The fall in Scotland was even sharper. In addition, the drop in apprenticeship starts was disproportionately large in many of the low-paying industries covered by this study, such as construction.

There are several ways of boosting start numbers, including making apprenticeships more attractive to candidates. One way of improving perceptions of apprenticeships would be **to increase the Apprentice Rate** (currently £4.30). The Apprentice Rate is due to see a relatively sharp increase from April 2022, when it is due to align with the 16–17-year-old rate (£4.62).⁷ However, the widespread perception among young, unemployed jobseekers is that the Apprentice Rate is too low.

In addition, given that more than three-fifths of apprenticeships go to existing employees,⁸ the Government could also make apprenticeship incentives more generous and better targeted. This could be achieved by further **extending the temporary £3,000 employer incentive for hiring an apprentice** to the end of 2022 and **restricting it for use by SMEs** to take on young people aged under 25 as apprentices.

⁶ LPC. (2020) [National Minimum Wage](#). London: Low Pay Commission.

⁷ The current NMW rate for 16–17-year-olds is £4.62 an hour compared with £4.30 an hour for apprentices.

⁸ DfE. (2020) [Apprenticeships Evaluation 2018–19 – Learners](#). London: Department for Education.

Reforming the Apprenticeship Levy into a training levy

Training activity could also be boosted by **reforming the Apprenticeship Levy into a broader more flexible, training levy**. This could help employers invest in other forms of accredited training that are prerequisites for specific hard-to-fill vacancies, such as a CPC certificate (Driver Certificate of Professional Competence) for drivers, or NVQs in care for support workers in social care. It would also help organisations who say that they don't have the resources or expertise to use the Apprenticeship Levy to support training activity. The case for broadening the levy is reinforced by the lack of awareness shown by employers about the range of roles that they could use apprenticeships for and the view of employers who operate across more than one nation of the UK. They complain that they cannot fund apprenticeship activity through the Apprenticeship Levy while others bemoaned the administrative complexity between the different requirements in England and the devolved nations.

Additionally, data from the CIPD's summer 2021 [Labour Market Outlook](#) survey of 2,000 employers showed that nearly three in ten (28%) large employers with 250 or more staff said that this change would boost their engagement with further education providers. The change would ensure public funding continues to support apprenticeship provision where appropriate but is more flexible and better tailored to both employer and learner needs. It would also mean that employers are no longer incentivised to utilise their levy money by spending it on very expensive, generic management apprenticeships at a time when fewer apprenticeships proportionally are going to young people, in areas where there are skill or labour shortages.⁹ Management training is crucial but should be delivered in more flexible and cost-effective ways rather than via publicly funded apprenticeships.

Improved business support, particularly for SMEs

In recognition of the typically basic standard of people management among participating firms – particularly SMEs – and the value of improving practice identified, there is a strong case for the provision of publicly-funded business support on HR and people management and development. This could be complemented by support to help business leaders and managers consider changes in business strategy and in how to invest in technology to improve job quality and boost productivity. An integrated business support consultancy service encompassing these areas could deliver bespoke advice and help capability-building, recognising that the challenges and needs of individual firms will be very different.

This type of consultancy service – based on the flexible model used in the CIPD's [People Skills](#) HR support pilot schemes, and subject to demand – could provide up to 40,000 participating firms with up to two-days each of free 'pump-priming' business consultancy support a year via the Growth Hub network at a cost of about £60m a year.

In the context of this report, a key attraction of this scheme is that it would help many more employers to understand their skill development needs and enable them to engage more meaningfully with the further education (FE) and training system. For example, it could provide more SMEs with the additional support they need to take on apprentices. More broadly, this type of support would enhance firms' people

⁹ ['Apprenticeship Levy has failed on every measure and will undermine investment in skills and economic recovery without significant reform, says CIPD'](#), 1 March 2021, CIPD press release.

management practices to improve how they recruit, manage and develop a more diverse workforce. It also could generate more demand for investment in technology and the development of jobs requiring more specialist skills, such as the use of digital technology or marketing, creating more higher-skilled and higher-paid jobs and progression opportunities, while improving firm productivity. It could also provide a pipeline for the Government's Help to Grow management scheme for SME business leaders with a further appetite to improve their business through a more in-depth programme of support.

Improved people management capability linked to productivity and innovation

The importance of effective management to firm-level productivity and innovation was highlighted by the 2019 government-sponsored Business Productivity Review, which noted: *'Good management is often the key enabler to driving up firm-level productivity and can be the stepping stone to businesses adopting other productivity improvements such as digital adoption and better working practices.'* Analysis by the OECD¹⁰ also identifies low managerial quality as a key factor in curbing the rate of adoption of new technologies.

Continuing existing employment schemes

Hiring levels could be further boosted by a **continuation of various employment schemes**, such as financial incentives for traineeships and the [Kickstart Scheme](#) to the end of 2022. An especially worrying observation from employers was that many job applicants were unsuitable and too inexperienced for even relatively low-skilled roles. This suggests that either the employability of jobseekers is deficient and/or that the cost of employing them is too high relative to their labour market value. A further extension of these schemes, which were highly valued by some of the firms participating in this research, would help address some of these concerns.

The current labour market difficulties could yet prove to be a useful wake-up call and turning point for employers and Government – to invest in the future of the domestic workforce. This will be vital both to help maintain labour supply and to improve the employment prospects of jobseekers, especially young people. However, even with the right changes to skills policy and business support, this shift will take time and may require further flexibility to immigration policy in the short to medium term to enable this transition without growth-inhibiting skill and labour shortages holding back the economy.

4 Employer recommendations

The case studies and in-depth interviews show that some employers are succeeding in sourcing labour from the domestic workforce. However, they also show how a failure at times to adopt even fairly basic people management and development practices is hampering recruitment, and just as importantly, the retention of workers

¹⁰ Andrews, D., Nicoletti, G. and Timiliotis, C. (2018) [Digital technology diffusion: a matter of capabilities, incentives or both?](#) Paris: Organisation for Economic Co-operation and Development.

among some employers. This section discusses in more detail where there is scope for improvements in people management and development to help address skill and labour shortages.

Pay and financial wellbeing

Not surprisingly, low wages came through as a significant reason for why jobseekers did not find certain sectors and jobs attractive. While employers have to manage workforce investment carefully, they should also calculate fully the costs of low wages in terms of the difficulty of hiring staff, higher levels of turnover and additional training costs. Once these costs are factored in, more employers might find they are able to afford to pay the Real Living Wage, for example.

Besides taking efforts to maximise wages, employers can take steps to support employees' financial wellbeing, such as providing benefits that help to extend the purchasing power of the pay packets of low-waged workers, say, by providing loans for season tickets or bikes. Organisations can also include benefits that protect employee earnings, such as occupational sick pay or paid bereavement leave. Employers might additionally consider offering an employee assistance programme which can provide financial advice or emergency financial support, such as a financial hardship loan or early earned wage access.

Employment contracts

Another area where many of the employers taking part in the research could improve on is how they use temporary and atypical workers.

The use of non-standard employment contracts can be useful to employers if they face flexible or uncertain demand for goods or services. They can also suit workers who need maximum flexibility or those who are not looking for permanent employment.

However, the evidence from the jobseeker focus groups suggests that for most unemployed people, permanent employment is much more preferable to a temporary job. This should be taken into account by employers when recruiting to address labour shortages at a time when the most recent ONS figures¹¹ suggest that virtually all the extra jobs since the onset of the pandemic have been for temporary staff (up by 136,000 or 9%).

Employers can benefit from considerable workforce flexibility through adopting more flexible working practices for permanent employees, which can reduce the need to employ temporary or other types of atypical workers (discussed below).

Where use of non-permanent staff is needed, the CIPD has developed [best practice guidance](#) to ensure that the flexibility in atypical working arrangements works for both parties and that there is clarity over employment status and rights.

Recruitment channels, methods and groups

Recruitment is another key area where employers could improve practice. Evidence from this report shows that some employers are constricted to a narrow range of recruitment channels and approaches. The survey data and focus groups find a

¹¹ [EMP01 SA: Full-time, part-time and temporary workers \(seasonally adjusted\)](#), 12 October 2021, Office for National Statistics.

reliance in certain low-paying sectors on recruitment consultancies and job boards in particular.

Relatively few have developed in-house strategies that seek to engage with local groups or potential recruits through word of mouth or building links with local schools or further education colleges. In addition, hardly any employers report that they have specifically targeted under-utilised groups, such as ex-offenders, refugees, or those with disabilities, to help offset labour shortages.

Employers could further broaden their approach to recruitment by ensuring that they don't unnecessarily require candidates to have qualifications but focus on ensuring that they have the necessary skills and potential to fulfil the role.

A focus on strengths-based recruitment, which helps match candidates who have particular aptitudes or abilities to roles where there is a need for particular skills, can also improve inclusion and diversity. For example, candidates on the autism spectrum may have particular aptitude for tasks such as data processing but may fail some standard competency-based selection processes.¹²

Ensuring job descriptions are clearly demarcated into 'must-have' and 'nice-to-have' skills and experience can help prevent employers losing out on people with valuable skills.

Advertising jobs as flexible is a further important way of attracting a more diverse range of candidates (see below).

Flexible working/inclusion and diversity

Another area where employers should seek to improve people management practice is inclusion and diversity. This is highlighted by the absence of any reference by employers in this research to efforts to broaden their ability to recruit by taking steps to increase inclusion and diversity. Many jobseekers, however, cited working for an employer that valued inclusion and diversity as a priority for them. This suggests that organisations could help attract staff through a greater focus on this area. Making changes to how organisations reach and recruit a wider range of candidates is one aspect of attracting a more diverse workforce, as referenced above.

Flexible working practices are another important way for employers to attract and, just as importantly, retain a more diverse range of employees. The importance of flexible working came through strongly in the jobseeker focus groups, with young unemployed people particularly enthusiastic for different flexible working arrangements. This was not matched, however, by employers' intention to create more flexible jobs and working arrangements.

The availability of more flexible working arrangements – besides being attractive to younger workers – is also likely to prove especially important to older workers, those who have caring responsibilities and people with disabilities or long-term or fluctuating health conditions.

[Training managers](#) to manage people properly, including getting to know the people in their teams as individuals and managing them fairly and consistently regardless of

¹² CIPD. (2018) [Neurodiversity at work](#). London: Chartered Institute of Personnel and Development.

their personal characteristics, is also crucial if working environments are to be genuinely inclusive and to underpin retention.

Employee relations and wellbeing

An area that did not feature strongly in the employer interviews and focus groups was the importance of good line management – ensuring line managers are equipped with the necessary skills to manage and develop people.

However, CIPD research consistently highlights the key role of the line manager in underpinning employee engagement and wellbeing. For example, data cited in a recent [joint CIPD/Acas report](#) on people management showed that the behaviours of line managers decide to a large extent whether employees are satisfied with their jobs and are properly directed and motivated. The report also shows effective people management is central to managing and preventing conflict and stress, as well as supporting people's wellbeing and work–life balance.

Furthermore, there is consensus in workplace learning research literature¹³ that line managers are pivotal in creating work cultures and environments that support learning and progression, a point that is explored further below.

Despite the evidence on the central importance of line managers, only about 40% of managers typically receive any training in managing people, according to CIPD research,¹⁴ suggesting its value is often not recognised by business leaders.

Besides a focus on developing line managers' people management capability, employers should ensure there are effective direct and indirect mechanisms for employee voice, for example through employee or union representatives.

[Effective voice](#) contributes to building trust with employees, innovation, productivity and organisational improvement. For employees, self-expression in voice often results in feeling valued, increased job satisfaction, greater influence and better opportunities for development.

Learning and development

The importance of career progression to jobseekers came through strongly in the jobseeker focus groups, suggesting that employers who can provide more opportunities for development and promotion will be more successful in attracting and retaining workers.

There are many factors that support progression, including job design, the role of the line manager and flexibility, which can allow people to balance home and work responsibilities without undermining their career development and promotion opportunities.

Of course, another central factor supporting progression is the extent workers are able to benefit from both formal and informal training and development to build the skills they need to progress and earn more.

¹³ Felstead, A. and Unwin, L. (2016) [Learning outside the formal system – what learning happens in the workplace, and how is it recognised?](#) London: Government Office for Science.

¹⁴ Suff, R. (2020) [Managing conflict in the modern workplace](#). London: Chartered Institute of Personnel and Development.

Consequently, employers should provide training opportunities for all staff to ensure they are fully competent for their role, to drive engagement and productivity, and to equip them for any available progression opportunities. Line managers in particular need to recognise their critical role in coaching and supporting people in their team to develop and progress.

Employers should also communicate clearly to employees any opportunities for progression and signpost them to suitable skills and learning development outside the workplace, such as through the local further education college.

Organisations can also make clear to candidates when they are advertising roles where progression may lie. The research found some useful examples of employers in low-paying sector seeking to recruit and retain workers by offering a route from elementary occupations to more highly skilled occupations. One example of this was a retail company that has introduced a 'from warehouse to driver' initiative that is designed to offset labour shortages and retain existing workers.

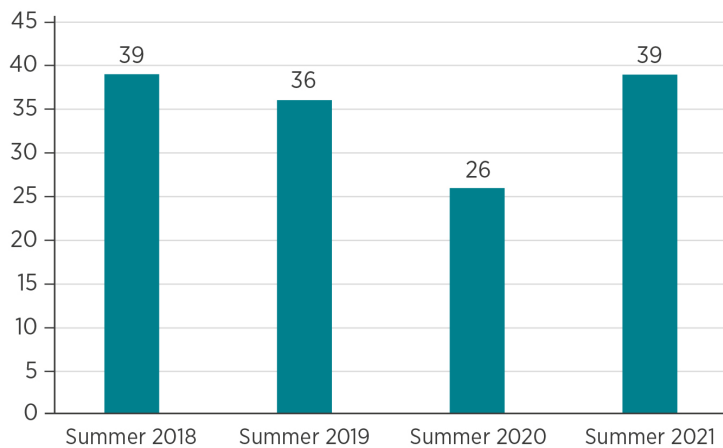
Additionally, more resources could be directed towards employees or potential employees, such as self-assessment tools that gauge the user's employability and help provide personalised training plans. Other resources could include e-learning programmes, with expert videos, tutorials, and articles covering key aspects of employability and career development.

5 Overview of labour and skills shortages

This section of the report explores the overall extent of recruitment difficulties, drawing on the CIPD's [Labour Market Outlook – Summer 2021](#) survey of more than 2,000 employers. We will also focus on the specific sectors examined in this report, although there are limitations – most notably having to subsume both food manufacturing into the broader manufacturing category and social care into health and social care. More details about the survey methodology can be found in **Appendix 1**. Another important consideration is the timing of the fieldwork, which took place between 16 June and 12 July 2021, and hence does not reflect the rapid expansion in hiring that seems to have taken place in August and September.

When looking at the overall population of employers, including those who have not reported any current vacancies, the share of organisations with hard-to-fill vacancies is modestly higher compared with recent years. The survey data shows that the proportion of employers with hard-to-fill vacancies had risen to 39% from 26% in 2020. Pre-pandemic, this figure was 36% in 2019 and 39% in 2018. Recruitment difficulties are most prevalent in hospitality (51%), health and social care (49%) and manufacturing (47%). However, the incidence of recruitment difficulties is lower in many of the sectors covered by this study compared with the all-survey average. These sectors include construction (37%), transport and storage (36%) and retail (31%).

Figure 1: Proportion of organisations with hard-to-fill vacancies (%)

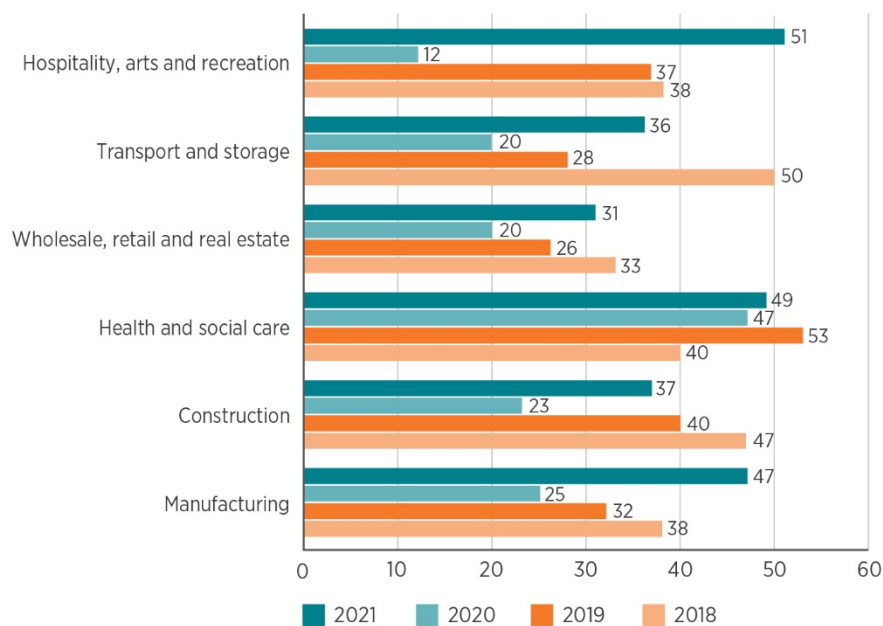


Base: total: n=2,042; private: n=1,473; public: n=352; voluntary: n=217

Source: Labour Market Outlook – Summer 2021 (CIPD)

The findings underline anecdotal reports that recruitment difficulties have risen sharply in all low-paying industries over the past year (Figure 2). However, the prevalence of hard-to-fill vacancies in these sectors is broadly consistent with pre-pandemic levels, apart from hospitality, arts and recreation. This suggests that the vast majority of labour shortages are chronic and structural.

Figure 2: Proportion of organisations with hard-to-fill vacancies (%)

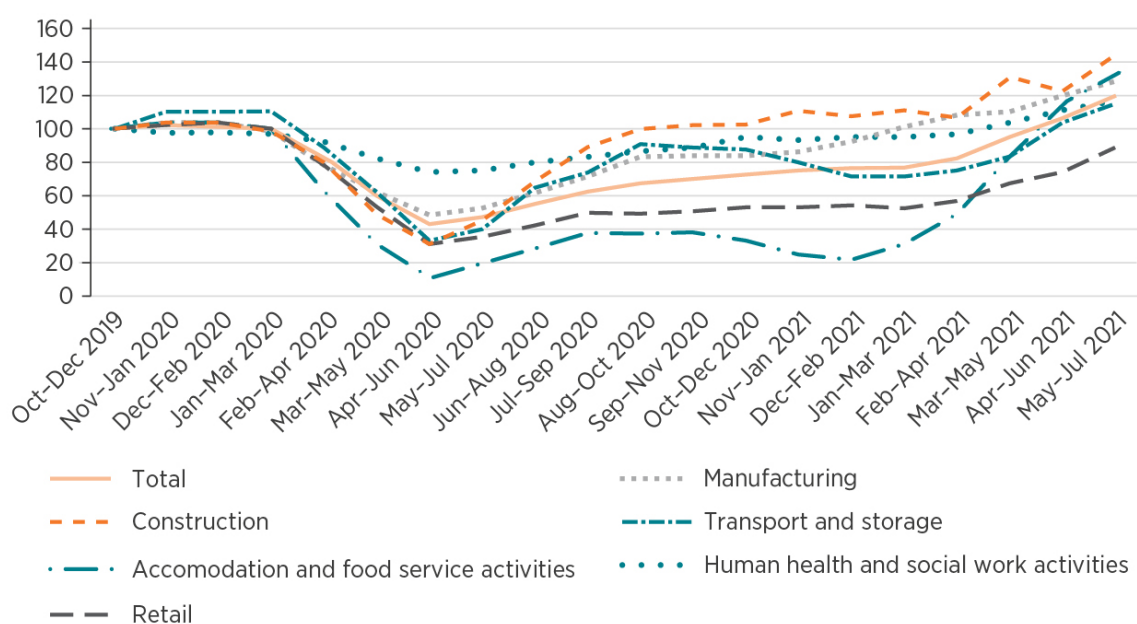


Source: Labour Market Outlook (CIPD)

It should be added that since the survey was conducted, the number of vacancies reported in the official ONS data has risen to four-year highs in each of the low-paying industries, apart from retail,¹⁵ alongside the phasing out of the furlough scheme (Figure 3).

¹⁵ [VACS02: Vacancies by industry](#), 12 October 2021. Office for National Statistics.

Figure 3: Vacancy trends since the beginning of the pandemic (by industry)



Source: Labour Force Survey (ONS)

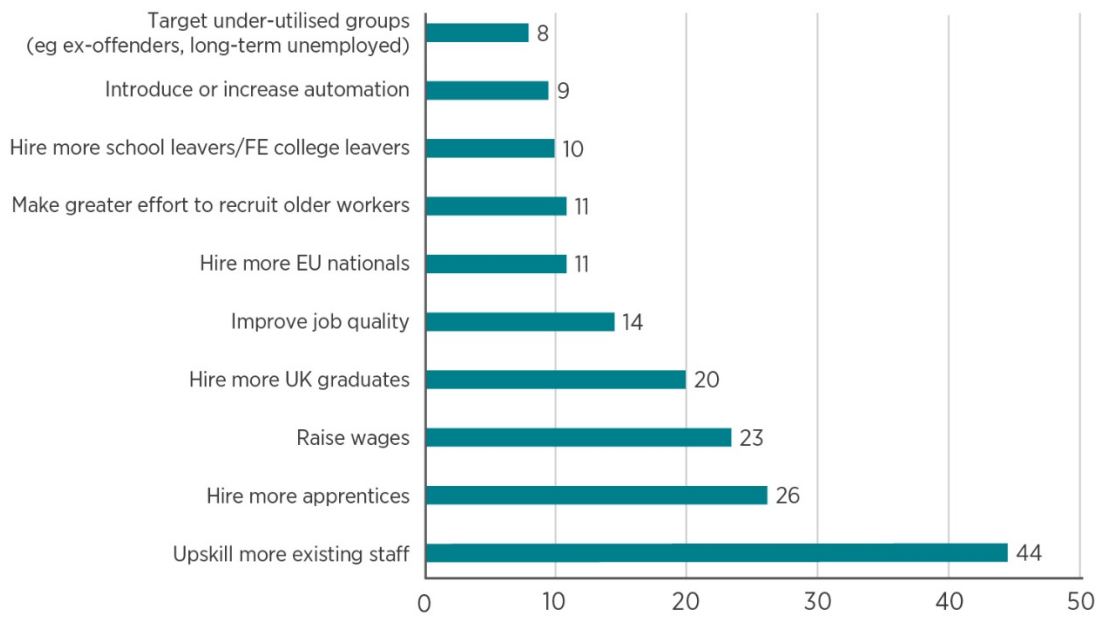
Employers' response to recruitment difficulties

The vast majority of organisations currently experiencing recruitment difficulties are taking steps to tackle them. As Figure 4 illustrates, upskilling remains at the forefront of organisations' approaches to tackling recruitment difficulties. Almost half (44%) of employers said they plan to upskill existing staff to help offset hard-to-fill vacancies. Public sector organisations (53%) were significantly more likely than private sector organisations (42%) to be planning to upskill existing staff to address hard-to-fill vacancies. In terms of the sectors covered in this study, upskilling is most prevalent among health and social care (56%) and construction employers (49%).

Other popular employer responses include hiring more apprentices (26%), raising wages (23%), recruiting more UK graduates (20%) and improving job quality (14%). The proportion of establishments planning to increase apprenticeships is higher in manufacturing (35%), construction (33%), transport and storage (30%) and hospitality than the all-survey average.

These findings are broadly consistent with the *Labour Market Outlook – Summer 2018* report, which found that the three most popular responses to recruitment difficulties were upskilling existing staff (47%), hiring more apprentices (26%) and hiring more graduates (26%). Mirroring recent media reports of rising pay pressures, the share of organisations planning to increase wages has increased from 16% in summer 2018 to 23% in summer 2021. Indeed, raising wages is a popular option among many low-wage sectors in the summer 2021 report, most notably transport and storage (45%), retail (32%) and hospitality (26%) employers. At the same time, pay pressures are more muted in both the construction (17%) and manufacturing (20%) sectors.

Figure 4: Employers' response to recruitment difficulties (%)



Base: total: n=2,042; private: n=1,473; public: n=352; voluntary: n=217

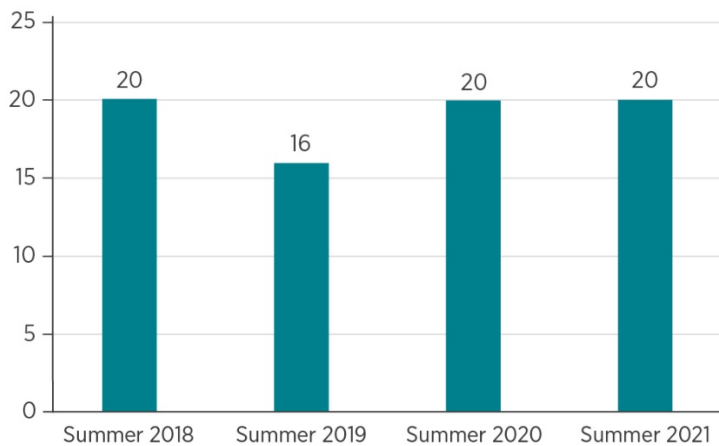
Source: Labour Market Outlook – Summer 2021 (CIPD)

Labour supply

The analysis also considers the number of applications employers received for the last low-skilled, medium-skilled and high-skilled vacancy they filled. Overall, the survey data indicates that the supply of labour is broadly consistent with previous years for low-skilled and medium-skilled vacancies. This is important because, as other commentators have pointed out, labour supply can act as a brake on employment growth and on the economic recovery.

Where employers last filled a low-skilled vacancy, they received a median number of 20 applicants for that role in summer 2021. This compares with 20 applicants in summer 2020, 16 applicants in summer 2019, and 20 applicants in summer 2018.

Figure 5: Median number of applications received for most recently filled low-skilled role

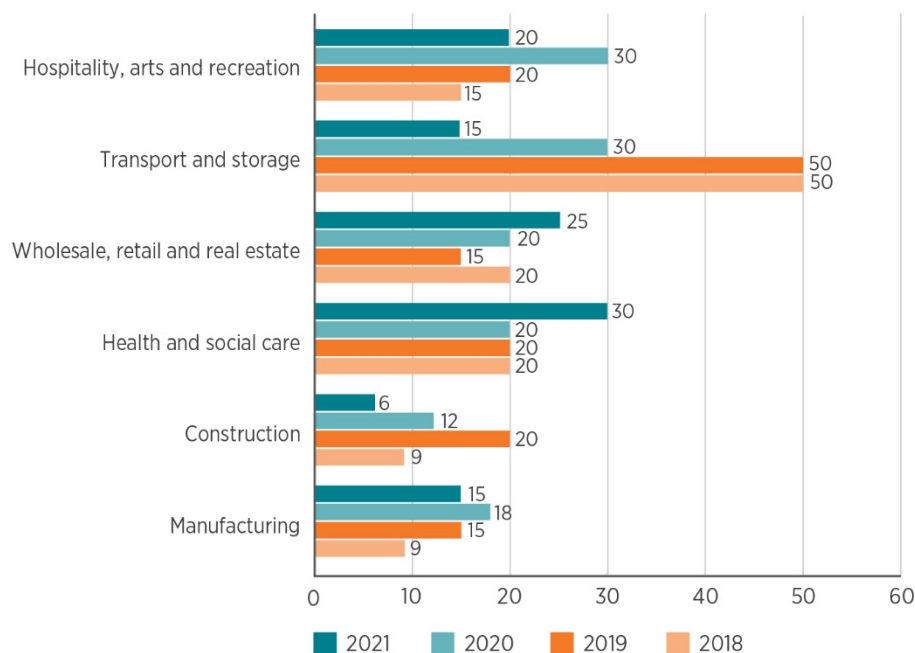


Base: total: n=2,042; private: n=1,473; public: n=352; voluntary: n=217

Source: Labour Market Outlook – Summer 2021 (CIPD)

In terms of low-paying industries, it seems that labour supply is also consistent with the pre-pandemic trend, apart from transport and storage, which has seen a noticeable reduction since the onset of the pandemic (Figure 6).

Figure 6: Median number of applications received for most recently filled low-skilled role (by industry)



Source: Labour Market Outlook (CIPD)

Meanwhile, employers report that the number of applications they received for medium-skilled roles is similar in recent years. On average, employers received a median number of ten applications for the last medium-skilled role that was advertised. This compares with ten applicants in summer 2020, ten in summer 2019 and ten again in summer 2018.

By contrast, the survey data showed that the supply of applicants for high-skilled roles is more constrained than in previous years.

6 A perspective of low-paying sectors

This section delves into specific, low-paying sectors to provide a more in-depth assessment of labour shortages based on data from a number of focus groups. The six sectors chosen for this report are retail, transport and storage, food processing, hospitality, social care and construction. The research methodology for these groups can be found in **Appendix 2**. It should be noted that with this qualitative research, we cannot determine how representative the focus groups are, unlike with the survey data.

These findings are additionally reinforced by information from a number of regional employer roundtables that were held across the UK.

Retail

Background

According to the focus group, most of the workforce among retail employers are employed under permanent, full-time contracts, with a significant proportion of the remainder of the workforce comprising permanent, part-time staff. Employers report using agency staff only occasionally, for example, to fill specific roles such as delivery drivers.

EU migrant workers make up a smaller proportion of the workforce among the retail focus groups compared with others. This is consistent with official data, which shows that EU-born workers comprise 8% of the UK workforce.

Recruitment practice

Focus group participants report using a wide range of recruitment channels – from online methods such as commercial job boards and social media to more traditional approaches, most notably local newspapers. Other popular channels include recruitment consultancies and word of mouth.

However, unlike the focus group, the survey data shows that retail firms are more reliant on recruitment agencies to fill vacancies than other channels. Less than half (45%) of employers in the sector use recruitment agencies compared with an all-survey average of 43%. Other popular routes in the sector include other professional networking sites such as LinkedIn (42%), corporate websites (42%), commercial job boards and social networking sites (22%).

Respondents rely on interviews as their main recruitment selection tool in retail, which include a mix of telephone, video and face-to-face interviews. A small number say that they ask prospective employees to complete work trial shifts during the recruitment process. This allows them to assess applicants' interest in the role, their capability, and how they interact with other team members and customers.

Labour shortages

According to the survey data, just over three in ten (31%) retail employers say they are experiencing recruitment difficulties, which compares with an all-survey average of 39%. Further, the proportion of retail employers reporting hard-to-fill vacancies in summer 2021 is slightly lower than the share of organisations that reported recruitment difficulties in 2019 (36%) and 2018 (33%).

The analysis also considers the number of applications employers received for the last low-skilled, medium-skilled and high-skilled vacancy they filled. Where employers last filled a low-skilled vacancy, they received a median number of 25 applicants for that role in summer 2021. This compares with 20 applicants in summer 2020, 15 applicants in summer 2019 and 20 applicants in summer 2018.

Meanwhile, employers report that the number of applications they received for medium-skilled roles is broadly consistent with recent years. On average, employers received a median ten applications for the last medium-skilled role that was advertised. This compares with ten applicants in summer 2020, 12 applicants in summer 2019 and 12 applicants in summer 2018.

The incidence of labour and skills shortages was partly mirrored in the focus group, although there was a large variation across the group, including some employers who continued to receive a very high volume of applications.

Despite this, the current pool of candidates can feel limited according to the vast majority of retail employers, especially for skilled roles. Most employers say that recruiting staff for unskilled roles is more straightforward because they do not have specific requirements attached to them in terms of educational qualifications.

Some employers also report that some candidates are unwilling to do shift work or 'unsociable' hours, which are necessary to respond to peaks in demand. As a result, some employers have difficulty hiring suitable part-time workers, many of whom try to structure their hours around family commitments or other responsibilities:

'People want to live a 24/7 society but are unwilling to work outside of the Monday to Friday 9–5.'

'The quality of candidates is very poor; we work weekends and that seems to be a major problem.'

'Finding people who have the necessary skills and experience that fits with company – it was very difficult to find anyone for our last hire a few months ago.'

'The main difficulty is recruiting for a part-time role with available overtime. Once employees that are also claiming benefits reach their hours, they are unwilling to work overtime.'

Additionally, this group commented on work ethic, with many observing that staff returning from furlough are less engaged and more demanding about flexible working and taking time off.

Response to labour shortages

The survey data – as in other industries – shows that upskilling (38%), raising wages (32%) and hiring more apprentices (24%) are popular responses among retail employers to labour shortages. In addition, it is encouraging that almost one in five (18%) organisations plan to recruit more school or college leavers compared with an all-survey average of 10%.

For those that engage with local FE colleges, more than a third (38%) of retail employers do this through apprenticeships, according to the survey data. The other

main activity through which employers engage with their local FE colleges is to provide work experience opportunities (25%).

The sum of this activity is only partly mirrored in the focus group. Two establishments are using the Kickstart Scheme as a way to recruit new talent, with the hope that staff will develop in the role and accept a permanent contract at the end of the process. Meanwhile, other employers are looking at succession planning to ensure that staff can progress within the business, offering learning and development opportunities and a wider range of flexible working arrangements to retain talent – most notably job-sharing and more part-time roles.

Another retail employer said that they were introducing an apprenticeship scheme for drivers in response to the current shortage. However, around half of the group reported that apprenticeships were not appropriate for roles they have most difficulty filling.

In contrast to the survey data and many other sectors, raising wages barely featured as a response. This may be because businesses feel they already pay high enough wages to attract talent by paying at a rate above the National Living Wage.

Additionally, automation was not cited as a potential substitute by any of the focus group participants.

Impact of the new immigration system

Overall, there's a lack of understanding about the changes to the immigration system among those in retail. They describe it as 'confusing' and 'unclear' and say that the lack of information makes it difficult to both plan and to assess whether they would be able to meet the criteria for recruiting EU workers.

According to the vast majority of employers, the changes to the immigration system have had a limited impact on them to date, apart from one employer, who attributed the company's current labour shortages to Brexit. Nonetheless, a greater number of employers are concerned about the negative impact the recent introduction of migration restrictions on EU citizens may have on them in the future:

'As a business we are struggling in the south to recruit drivers; this is having an impact on availability in stores as a large number of drivers are European.'

'Most logistics providers' drivers were from Europe and I have to say were very reliable, but now most are British. We rely heavily on logistics providers for sending all over the UK and the rest of the world.'

Some of those in retail have put plans in place in response to restrictions on migration, although many of them are holding off until they start to see any further impact of the pandemic and Brexit on recruitment difficulties. Some employers also predicted that the restrictions will lead to competitors increasing wages for lower-skilled roles, putting more pressure on them to increase wages.

Transport and storage

Background

Employers in the focus group employ mostly staff under full-time and permanent contracts, but around half also use agency staff to deal with peaks in demand, such as during Christmas and to cover staff absence.

The majority of transport and storage and logistics employers in the focus group employ EU-born workers – accounting for up to half of their total workforce. Migrant workers from the EU are largely recruited to fill low-skilled or unskilled roles, such as drivers, porters, loaders, although some are employed in skilled roles:

‘Approximately 50% of our operational roles, for example, are filled with migrant workers. They often progress through the business into management roles. We also see 30% in IT and finance roles, and often have a 50/50 split in graduate and apprentice recruitment.’

One of the reasons behind the relatively high proportion of EU-born workers is that the businesses concerned tend to operate across the whole of Europe. The majority of EU migrant workers are men aged between 25 and 45.

Recruitment practice

According to the focus group, employers in the transport and storage sector are particularly reliant on recruitment consultants and social media to attract new recruits. This is broadly consistent with the survey data, which shows that more than half (51%) of employers in the sector use recruitment agencies to fill vacancies. Alongside are other popular methods, such as professional networking sites like LinkedIn (35%), social networking sites (32%) and corporate websites (32%).

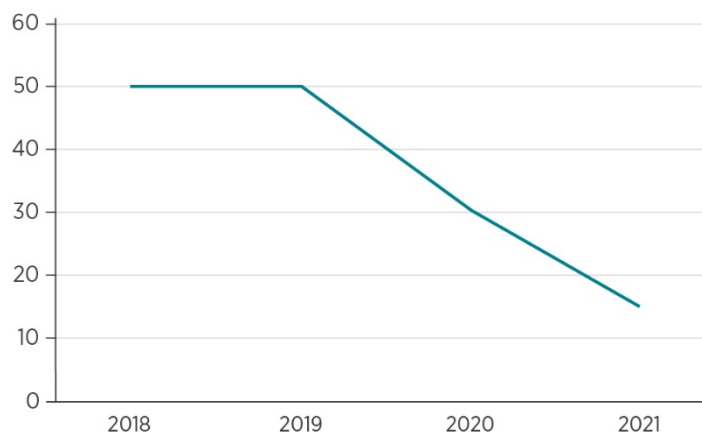
In transport and storage and logistics, interviews and driving assessments are the main recruitment tools, but individuals also mention tests (for example, logic, situational, sight) and medical certificates.

Labour shortages

The survey data showed that more than one in three (36%) organisations in the sector say they are experiencing recruitment difficulties, which compares with an all-survey average of 39%. The share of establishments reporting hard-to-fill vacancies is currently higher than in 2020 (20%) and 2019 (28%), but lower than in 2018 (50%). By comparison, the majority of employers in this focus group said they were currently experiencing labour and skills shortages.

The survey analysis also considered the number of applications employers received for the last low-skilled, medium-skilled and high-skilled vacancy they filled. Overall, that data indicates that the supply of labour is more constrained than in previous years, especially for low-skilled vacancies.

Figure 7: Median number of applications received for most recently filled low-skilled role (transport and storage)



Source: Labour Market Outlook (CIPD)

In addition, employers said that the number of applications they received for medium-skilled roles was lower compared with recent years. On average, employers received a median ten applications for the last medium-skilled role that was advertised. This compares with 19 applicants in summer 2020, 29 in summer 2019 and ten in summer 2018.

The survey data is mirrored by the focus group, where employers in the transport sector tell of challenges with both the quality and the quantity of applicants. The focus group participants underlined the need for experienced and qualified people for their industry, especially for drivers who are also subject to regular training requirements.

Reasons for recruitment difficulties

Some respondents felt that the lack of potential candidates was due in part to the perceived 'unattractiveness' of the sector among jobseekers, with anti-social hours and low job status as key factors. Those potentially interested in the roles might also be discouraged by the associated training costs, such as regularly undertaking CPC (Driver Certificate of Professional Competence) training. Employers say that it is hard to challenge stereotypes and convince people that working as a driver is a useful and well-paid job.

Additionally, some employers attributed the labour and skill shortages to a recent fall in the stock of EU applicants, which has been driven by an outflow of EU workers to their home countries rather than migration restrictions:

'People don't see being a bus driver as a suitable career, which is very sad as they play such a significant role in the local community, getting people to work, school and out socially. The salary is fairly good, but sometimes they get quite a lot of abuse from customers in the job and traffic congestion can be frustrating to some after a while.'

'We have had quite a few go back to European countries in recent months, but also the salaries are beyond competitive for a small business.'

'For us it's not a problem getting drivers, but it is a problem getting decent, reliable drivers.'

'A lot of people come into the industry with rose-tinted glasses.'

'I'm not sure they see it as a good enough job for them. The salary is decent. Not sure people like the shift patterns.'

In terms of specific hard-to-fill roles, most employers in transport and storage and logistics say that they currently struggle to recruit drivers. They see fewer people applying for these positions and find some of the candidates unreliable. Their recruitment difficulties are compounded by a relatively high number of drivers retiring, which is consistent with official data that shows that the transport and storage sector has an ageing workforce.

'The problem with driver shortage is that there is no one coming through and the older ones are retiring – to become an HGV driver costs about £3,000 and then there is no immediate return as no one wants someone with zero experience.'

There are fewer challenges recruiting for other roles, although individuals report issues recruiting skilled positions, including mechanics, electricians, engineers and project managers.

Response to recruitment difficulties

Raising wages, improving benefits and increasing training activity seem to be the main responses to labour and skills shortages, according to both the focus groups and the survey data. In addition, some employers are looking at ways of improving job quality, including better flexible working arrangements. The sum of this activity is captured in the following comments:

'We are looking into providing an improved benefits package. We've already raised driver salaries in the last 12 months.'

'We are offering to train the right candidates to get their licences in-house.'

'We have a training programme called warehouse to wheels, where the company will train a warehouse op to be an HGV driver with a contract that states they pay back the cost of the training if they leave within "X" years.'

'We are trialling part-time driving jobs, pay increase, enhanced rate of pay for anti-social shifts.'

'We are also recruiting direct from Army Logistics Corps.'

In addition, one organisation reported using the Kickstart Scheme and a new apprenticeship scheme to attract candidates. Automation was not seen as a potential solution by any of the focus group participants.

This activity is largely consistent with survey data, which shows that the three most popular responses to recruitment difficulties are raising wages (45%), improving job quality (41%), upskilling (31%), hiring more apprentices (31%) and automation (27%). Fewer than one in ten (9%) employers in the sector use word of mouth.

One in ten (10%) organisations plan to recruit more school- or college-leavers, the same proportion as the all-survey average. Indeed, there was no evidence of any engagement with local schools or FE colleges among the focus group participants.

Impact of the new immigration system

Overall, there is a lack of understanding about the changes to the immigration system among transport and storage and logistics employers. However, they are under no illusions that Brexit will make recruiting EU nationals more difficult in future and expect it to become more expensive and require extra paperwork:

'[The] new immigration system is likely to make the recruiting process a bit more expensive to us, because if we want to employ EU nationals, there will be extra paperwork.'

Some of those in the sector think that the outflow of EU workers and the recent introduction of migration restrictions will reduce the pool of suitable candidates in the future. Just one employer in transport and storage and logistics is actively looking to recruit overseas workers that are based in their home countries (both in and outside Europe) to offset this.

Despite this, few establishments are planning to change their recruitment strategy at this stage, but they are aware that they may have to do so in the future. When probed for more detail, employers said that they may need to consider recruiting people from a wider pool, increase pay, improve employment conditions and introduce new products or services to become more attractive employers.

Potential solutions put forward by the group included more generous government support for training, improving the image of the industry and addressing rules on drivers, such as working hours. Two respondents also argued that changes to the immigration system would be required to address labour or skills shortages in their organisation.

Social care

Background

Social care employers employ the highest proportion of full-time employees of all the sector-specific groups in order to meet the requirement for regular working patterns and qualified staff. The remainder of the workforce comprises part-time and temporary or agency workers. Employers largely use casual workers to cover holiday absence, sickness and vacant posts. In addition, some employers in the sector use agencies to recruit nurses:

'85% full-time. Part-time staffing with the remainder covered by agency. Most employed staff are NVQ level 2 and 3 qualified where they are carers.'

Recruitment practice

Employers use a range of recruitment channels to source staff in the social care sector. The most popular include word of mouth, social media (such as Facebook or LinkedIn), online recruitment websites such as Indeed, Jobcentre Plus and local newspapers.

Labour shortages

According to the focus group, recruitment difficulties in the sector are persistent. This was due to a lack of local applicants, poor-quality applications, finding people with the right qualifications and the requirement to conduct DBS (Disclosure and Barring

Service) checks. Employers said that some dimensions of job quality, especially in terms of work intensity, stress and inflexible working patterns, were also key influencing factors.

When probed further, many employers mentioned low pay as the reason behind the lack of applicants. The situation was exacerbated by some potential applicants opting for 'less stressful and higher paid' local retail jobs. Several employers claimed that raising pay would only be part of the solution. Other reasons behind the lack of applicants include location, anti-social hours, and finding applicants with the right caring attributes.

When asked to identify specific hard-to-fill vacancies, many employers cited support workers and nurses – who often prefer working for the NHS given the associated benefits – as the most difficult vacancies to fill:

'Nurses have been an issue for a while. We have several clinical vacancies at the moment. Both for the same reason – due to the shortages nationally, these individuals can do locum or agency work on much higher rates and choose their hours to suit them.'

'Our salary for a full-time nurse is around 40% higher than that of a Band 5 NHS nurse, but people are attracted to the benefits of working for the NHS – so we can still struggle at times.'

'It links to values and ethics. An individual can earn more working a monotonous job on a supermarket till than they can being a support worker for us, so they need to want to work in the sector.'

These reasons are mirrored by those of jobseekers when considering a career in social care. Many are put off by their view that specific skills and qualifications are an essential requirement for the industry. Other reasons behind their reluctance to apply for roles in the sector include low pay, long hours and the physical demands of the role. Some also question working in a sector that is so heavily reliant on government funding, which has been cut in recent years:

'Social care can be very demanding and the hours are often very changeable.'

'Entry level [positions] are severely underpaid and overworked.'

'The emotional toll that caregiving can have is immense.'

'Long hours definitely, as well as how it affects you emotionally. It's very hard to progress in care.'

Employers in the social care sector claim that they are unable to raise wages to help attract more applicants because their pay structure offers very limited scope for altering rates of pay. As a result, most employers in the group said that they would continue to pay at a rate equivalent to the NLW rate of £8.91 an hour. That being the case, many predicted that labour shortages, many of which are longstanding, would worsen as the UK's labour market continues to tighten.

In response, some employers have looked at enhancing their benefits packages to offset low pay. Other key tactics used by employers include increasing annual leave allowance and introducing other perks (such as free meals, free parking/transport,

staff discounts). In addition, some employers plan to increase skills investment and put in place progression plans for staff.

On a positive note, a few social care employers reported developing closer links to their local colleges and universities, which included work placement schemes and apprenticeships in many cases. Social care employers have also sought to forge closer links with universities to overcome their nursing recruitment difficulties. Several employers also said they were looking more carefully at balancing staff rotas to help improve retention.

Some employers have also looked at improving recruitment practices to attract more applicants. Key examples of this include advertising more broadly, recruiting from schools and colleges, reviewing their pay and benefits (especially flexible working arrangements) offering, and reducing their use of gig or agency workers.

Overall, there is a wide understanding among social care employers that investing in skills training and development will be the main vehicle for easing recruitment difficulties in the future. Key tactics include enhancing succession planning to aid retention and upskilling more staff to plug any skills gaps from the existing workforce:

'We try to spot those who show enthusiasm and the characteristics required for senior roles and put on additional leadership training for those who show interest and are capable.'

'We pay above NMW and we reviewed our benefits package a couple of years ago to provide higher leave allowances than other care sector employers.'

'We have taken on an apprentice for a clerical role, which worked out very well... We do offer student nurse placements. Some have joined our staff bank as a result.'

Awareness of various government employment schemes, such as Kickstart and traineeships, is fairly low. When probed, some employers were positive about their potential use. However, others questioned the administrative burden and the quality of the candidates.

Impact of the new immigration system

Many employers say they have a poor understanding of the immigration system. This is partly because many of them claim that the recent migration restrictions won't affect them, as they tend to recruit migrant workers from outside of the EU. As the official data shows, this is representative of the sector as a whole. However, employers that do employ EU migrants expressed concern about the future impact of the restrictions on labour supply at their organisations:

'So the number of EU people moving to the UK each year will virtually disappear – while the number of UK nationals migrating out of the UK will stay the same or increase – we are going to see a huge drop-off in the size of the applicant pool over the next few years.'

Food processing

Background

There is considerable variation across food production employers in terms of the composition of the workforce. Whereas the majority of the workforce are full-time, permanent employees in some organisations, agency workers comprise up to half of the workforce in others. Employers use agency workers to meet fluctuations in demand and production as well as seasonal periods, and in some cases deal with high absence rates.

Recruitment practice

Consistent with the make-up of the workforce, employers in food processing are more reliant on agency workers. Employers in the sector use recruitment agencies to find both unskilled and skilled workers, including for specialist and senior roles.

Labour shortages

Food processing is another sector to report widespread labour shortages. However, unlike other groups, high labour turnover is reported to be one of the key causes. Employers attribute this to deficiencies in their workforce. These include a lack of work ethic, poor teamworking skills, a poor understanding of the job role and work environment, a lack of skills and over-qualification. Assessing the suitability of candidates was highlighted as a key challenge by some employers. This suggests that bigger underlying causes behind high levels of labour turnover are management and recruitment practices that are not fit for purpose.

In food production, employers say that they have difficulties recruiting people with the right set of skills, most notably proficiency in using machinery and technology. This often results in skills gaps in the organisation, which the majority of employers seek to address with appropriate levels of training.

The most difficult hard-to-fill vacancies are reported to be drivers and machine operatives. Finding part-time workers who can structure their hours around the needs of the production schedules in the business was also a significant challenge for some organisations. Additionally, labour shortages have worsened as a result of the recent introduction of migration restrictions on EU nationals according to a couple of employers:

'[It's] almost impossible to find someone with process skills, and agencies tend to struggle to understand what you're asking for and just send anyone with a scientific bent. From the factory we struggle to cut the wheat from the chaff, and that's what we expect from an agency, but they generally just send us anyone on their books as they're looking for their cut.'

'The local industry requires a large volume for a short period, the weather and physical nature of the job does not make it appealing. Brexit has closed our usual source of labour required for the short-term nature of the work.'

'We tend to get a high number of applicants, but [then] they realise the work can be tough, with long hours and sometimes targets having to be hit.'

In response, employers in the food production sector are tapping into a range of channels to reach new staff. These include close links with schools and colleges – offering work placements and apprenticeships – job centres and external recruiters. Employers also mentioned initiatives to help potential employees better understand the roles, such as open days. Work trials are also offered at interview stage to ensure employees understand the job and the requirements of the role. However, there was some scepticism about the effectiveness of these additional efforts.

The negative perception of the industry was validated in the jobseeker focus groups. Respondents described the food processing sector as poorly-paid, involving hard work, long working hours and often monotonous tasks. Some also saw the widespread use of zero-hours contracts as a deterrent. Many jobseekers believed that some people might be interested in working in this sector if jobs were local and offered higher wages and higher levels of job security. However, it was not a sector that they would consider for themselves:

'After being in the food industry with long shifts, late hours and very little flexibility, I am eager to be able to have some more freedom within my life.'

'The work is repetitive, boring and not very social.'

Impact of the new immigration system

There's strong concern about the impact of migration restrictions on food processing companies. The majority of employers said that the impact has yet to be felt, but they were under no illusion that the new system would lead to a reduction in labour supply at their organisations at some point in the future:

'Currently we are managing to recruit with no issues, but going forward we need to look at longer-term planning to ensure that we don't have a shortfall in staff. This will be potentially addressed by offering apprenticeships via local colleges.'

Hospitality

Background

Part-time work is more prevalent in hospitality compared with the other sector-specific groups. Some organisations say that four-fifths of the organisation are employed under full-time contracts, whereas others say it is the other way around. The use of agency workers is limited, and is predominantly used, as in other groups, to deal with fluctuations in demand.

Recruitment practices

Employers use a narrow range of recruitment channels to source staff in the hospitality sector compared with other sectors. By far the most popular is online platforms, most notably the jobs website Indeed. Other popular channels include social media and networking alongside more limited use of Jobcentre Plus, and employee referrals or word of mouth.

Meanwhile, the survey data shows that more than half (54%) of employers in the sector use their own corporate website to fill vacancies. Other popular methods include other commercial job boards (46%), social networking sites such as Facebook (37%) and professional networking sites such as LinkedIn (28%).

Consistent with official data, a relatively high proportion of EU nationals make up the workforce among hospitality employers, although there is a large variety across the nations and regions of the UK. Migrant workers make up the vast majority of the workforce in London and the south-east of England and are under-represented in nations such as Northern Ireland.

Labour shortages

Many employers in the focus group complained about current labour shortages in the sector, especially those that are based in cities. Many are worried about the future, due in part to the perceived exodus of workers out of cities and the recent introduction of migration restrictions on EU citizens.

Employers in the hospitality sector cited a wide range of reasons behind their recruitment difficulties. These include the effects of restructuring during the pandemic, staffing age restrictions, the requirement to conduct DBS checks and the perceived poor quality of UK applicants. This is sometimes linked to a poor work ethic among some UK workers, especially compared with migrant workers.

However, many focus group participants said the main reason behind recruitment difficulties is that the industry simply does not attract enough UK applicants. A poor view of the industry, most notably the perception that it offers low pay while requiring high effort, was deemed to be the main cause behind the inadequate number of applicants. This situation has been compounded by the pandemic, due to a perceived lack of job security compared with other sectors:

'All my applicants (last 3–4 years) have been UK, but fewer people apply as the industry is perceived as hard work for low pay.'

'They don't want to work in our industry, either the hours are wrong or the perception of the roles is beneath them – there are easier jobs [so] why would they?'

'Lack of willingness to work hard for an average salary.'

'It's hard work and not many people have enough commitment in them to do the job.'

The negative perception of the industry was partly validated by both unemployed jobseeker groups. According to them, the key reasons hospitality is an unattractive sector include dealing with difficult customers, unsociable and long hours, high effort, and low pay. They also feel that there are limited opportunities for training in the industry, as the following comments illustrate:

'Hospitality is known for unsociable hours and pay can be a bit dependent on tips.'

'Long hours, overworked and underpaid.'

'The sector has a reputation for high-stress environments, late hours, and difficult customers.'

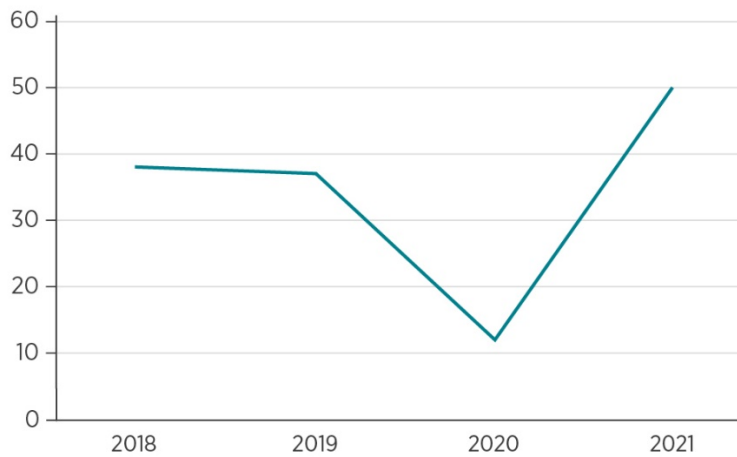
'It's a pretty exhausting industry. Yes, you might not start until 5pm, but you [don't] get home until 2am after a late shift and you sleep for most of the day!'

As a result, the majority of jobseekers say they would seek to avoid the industry, even for temporary assignments.

However, some jobseekers had a more positive view, acknowledging that it is an accessible sector to get into and good for meeting people and networking. Some jobseekers also said that the flexible working arrangements often offered by hospitality employers are useful for fitting around other personal commitments. Additionally, some of those who expressed some scepticism about the industry said they might be encouraged to join the industry if training were provided and possibilities of promotion were offered.

The survey data confirms media stories of labour shortages in the hospitality sector. Overall, more than half (51%) of all hospitality, arts and recreation establishments with vacancies said they were experiencing recruitment difficulties – the highest of any sector. As Figure 8 indicates, the incidence of hard-to-fill vacancies is much higher than in previous years.

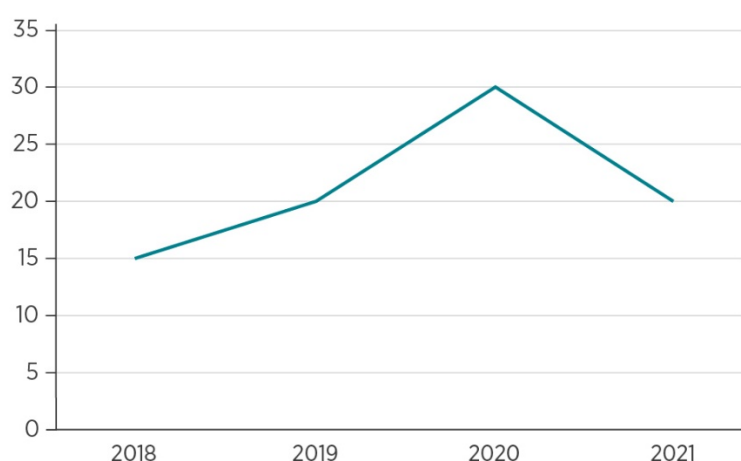
Figure 8: Proportion of organisations with hard-to-fill vacancies (%)



Source: Labour Market Outlook (CIPD)

However, the analysis also considered the number of applications employers received for the last low-skilled, medium-skilled and high-skilled vacancy they filled. Overall, the survey data indicated that the supply of labour is broadly consistent with recent years in terms of low-skilled vacancies.

Figure 9: Median number of applications received for most recently filled low-skilled role



Source: Labour Market Outlook (CIPD)

In addition, employers reported that the number of applications they received for medium skilled roles was lower compared with recent years. On average, employers received a median number of six applications for the last medium-skilled role that was advertised. This compares with 19 applicants in summer 2020, ten applicants in summer 2019 and ten in summer 2018.

Response to recruitment difficulties

Consistent with the all-survey average, employers in hospitality, arts and recreation plan to upskill existing staff (40%), hire more apprentices (32%) and raise wages (26%) in response to labour shortages. In addition, it is encouraging that almost one in five (18%) organisations plan to recruit more school- or college-leavers compared with an all-survey average of 10%.

In considering the survey responses, there was agreement among focus group employers that raising wages would be the most effective way of attracting more applicants. However, the majority claimed that higher wage rates were not feasible at their organisation due to competitive pressures:

'Around £11/hour would most likely help increase applicants, but I don't think this would be a viable option for us financially.'

'It is not financially viable for our small business to be above NLW.'

The majority of the employers report paying at a rate equivalent to the NLW of £8.91/hour (adult rate).

In terms of upskilling activity, introducing or expanding the existing apprenticeship provision seems to be hospitality employers' main response. However, one or two employers complained about low levels of take-up in their organisation. Some employers expressed an interest in introducing apprenticeship schemes into their organisation, but were unclear how they might work.

Other key tactics used to help attract more applicants include spending more on recruitment advertising, introducing job referral schemes and improving the employment offer, especially in terms of fringe benefits and flexible working arrangements. Recruiting more young people directly from colleges and universities

was another tactic, which includes the explicit prospect of progression in some cases:

'We have four tiers of training programmes from graduate to floor level staff, all with recognised qualifications at the end of it.'

'We like to promote within the business and train them to work in a very specific job role. It's better for us in the long run to employ someone at entry level.'

On the downside, some respondents felt thwarted in their efforts to engage with local colleges through work placements, most notably the restrictions imposed on them by colleges:

'Work placements are a nightmare, the colleges and schools put so many restrictions on what they can do it is impossible.'

'We have previously tried placements; there are simply too many restrictions.'

'We have done work placements with jobseekers, but it has very rarely worked out that the young person wants to stay. It is mainly them doing it just to get credit for the course they are on.'

Additionally, many employers in the industry expect labour shortages to worsen as a result of the recent introduction of migration restrictions on EU nationals.

Despite these pressures, the majority of employers were very sceptical about using some under-utilised groups, such as unemployed people, to offset any reduction in labour supply:

'For me, I have tried young unemployed people and not one of them has lasted. The older generation, yes, but we are fast-paced too, so it would be job-specific.'

'They don't tend to go well in hospitality these groups (ex-offenders, parent returners, unemployed people and so on).'

As in other groups, automation was also firmly and comprehensively rejected as a substitute for labour, mainly due to the perceived requirement to provide a personalised service. This is consistent with the survey data, which shows that just 6% of hospitality establishments plan to use automation in response to labour shortages compared with an all-survey average of 9%:

'We are a people-based business and service is everything.'

'A robot can't pour a pint, and even if they could, you would lose that personal touch that hospitality is known for.'

Construction

Background

According to the four in-depth interviews, which were conducted due to poor attendance for the focus groups, employers employ mostly staff under full-time and permanent contracts. Two of the four employers were large firms who were large

users of agency staff to deal with peaks in demand, created by specific construction projects.

The same two large employers also reported employing a high proportion of migrant workers, due in part to the global nature of the businesses. In both these organisations, migrant workers were recruited to fill skilled and unskilled vacancies, including for designers, managers, joiners and unskilled construction workers. The two small firms, who did not employ migrant workers, said they would be very open to recruiting migrant workers in the future to address labour shortages.

Recruitment practices

According to the in-depth interviews, employers in the construction sector use a large variety of recruitment channels to fill vacancies. These include the organisation's own website, social media, recruitment consultants and making direct contact with the potential recruit and word of mouth.

This is broadly consistent with the survey data, which showed that more than half (60%) of employers use professional networking sites such as LinkedIn to fill roles. Other popular methods include recruitment consultants (46%), the organisation's own website (39%) and making a direct approach to potential applicants (34%), which was more than double the all-survey average (15%). Indeed, informal channels were more prevalent in this sector, with 16% of construction employers encouraging speculative applications or word of mouth, which is almost double the all-survey average (9%).

Labour shortages

Two of the four employers interviewed said they were currently experiencing labour and skills shortages. This is broadly consistent with recent CIPD survey data, where just over a third (37%) of all construction companies with vacancies said they were experiencing recruitment difficulties. This is slightly below the all-survey average (39%). The share of construction establishments was lower than in two of the previous years, including 2018 (47%) and 2019 (40%), but higher than in 2020 (23%).

The survey analysis also considered the number of applications employers received for the last low-skilled and medium-skilled vacancy they filled. Overall, the survey data indicates that the supply of labour compares favourably with recent years for low-skilled vacancies.

Where employers last filled a low-skilled vacancy, they received a median number of 20 applicants for that role in summer 2021. This compares with 20 applicants in summer 2020, 16 applicants in summer 2019 and nine in summer 2018.

However, there has been a noticeable reduction in labour supply for medium-skilled roles. On average, employers received a median number of five applications for the last medium-skilled role that was advertised. This compares with 20 applicants in summer 2020, ten applicants in summer 2019 and five in summer 2018.

This is consistent with the interviews with employers, many of whom say the recruitment difficulties were much greater for medium- and high-skilled roles, as the following comment illustrates:

'The market is really hot at the minute, especially for some of the scarce skills, and I guess for some of the less scarce skills, so commercial's a really good example of that where we're losing people because of pay, and I think the lack of people available to the market is driving up pay, so people are having to pay more to get the more talented people.'

Consistent with some of the other groups, unattractiveness is perceived to be the most significant factor behind the recruitment difficulties, as summarised by the HR director of one construction firm:

'I think a lot of people don't see it as a desired role when they finish college or university. If I'm honest, there's a lot of stigma that goes with the role... As a result, lots of parents discourage their children from going into that industry, and [so] there is a massive skill shortage in construction. If the Government could do something to encourage more training, more apprenticeships, I think that would work quite well.'

According to one of the large two firms, which currently had 500 vacancies, many of which were hard-to-fill, this was at least partly due to the recent introduction of migration restrictions for EU nationals. However, this has been somewhat offset by the easing of restrictions outside the EU, according to one firm:

'[We're] heavily dependent on EU-based employees, but equally in our organisation we have some scarce skills in there. We bring a lot of people in from the Philippines, where there are big training schools for some of the scarce skills like jointing... we're heavily dependent on migrant workers for those types of role.'

At the same time, another firm that recruits migrant labour from the EU said that the new immigration system involved more 'red tape', which led to delays in the placement of staff and had impacted project timescales:

'We have to [recruit from the EU]; we just can't source enough volume from the UK market from what we've seen since January, so we are still bringing in a lot of EU workers and we'll continue to. We just have to jump through those hoops to evidence why.'

Response to labour shortages

According to the survey data, a higher share of construction firms that were experiencing recruitment difficulties were taking steps to tackle them compared with the all-survey average. Consistent with other industries, upskilling remained at the forefront of organisations' approaches to tackling recruitment difficulties. Almost half (49%) of employers said they plan to upskill existing staff to help offset hard-to-fill vacancies, which was slightly higher than the all-survey average (44%). Around a third (33%) of construction firms planned to hire more apprentices compared with just over a quarter (26%) of all establishments.

However, less than a fifth (17%) of construction firms planned to raise wages, which compares with around a quarter (23%) of all employers. All four employers interviewed for this report said they pay above a rate equivalent to the NLW of £8.91/hour.

Other popular employer responses include hiring more graduates (27%), more parent returners (19%) and recruiting more older workers (15%).

The relatively high incidence of upskilling, redeployment and apprenticeship was echoed by the employers interviewed for this report. Indeed, employers showed high levels of enthusiasm for apprenticeships, citing the low cost and relatively high retention rates. There was agreement that more should be done by employers and Government to increase apprenticeship activity, including one employer who recommended a bursary to encourage more younger applicants. In contrast to other sectors, employers were positive about the Apprenticeship Levy:

'It's attractive to people in the group who want to make a change, to stay in the group but have a new role with us. Effectively they get a free chance to try a new job... they keep their long-service benefits. For the group it's great because the best interview is someone having worked with the chap for five to seven years... you know the value of that talent.'

'We're trying to maximise the tools available to us, so things like LinkedIn and social media capabilities, reaching out to universities. We do a lot of what we call emerging talent recruitment, so we're bringing in grads and apprentices, so really trying to look at the pipeline and develop our own talent in-house.'

Jobseeker group

Background

Given that young people have been most affected by the pandemic, the research also aims to investigate the potential for unemployed young people to fill vacancies in low-paying sectors that are especially reliant on EU nationals. In particular, the research seeks to understand young jobseekers' attitudes towards low-paying sectors and explore whether these expectations have changed as a result of the pandemic.

Employment preferences

The two groups of unemployed young jobseekers were driven by their personal preferences and have been applying for roles since leaving education. For some, this had been a few months, while for others it had been a year, two years or even more.

Many respondents had submitted multiple applications, but with high competition and numerous rejections, they found the process hard and disheartening. This cut across the whole jobseeker sample, which included those straight out of school, through to sixth form and graduates. They were also disappointed by the lack of feedback from employers as it made it difficult to learn from their experiences. All participants, regardless of their educational background, were struggling:

'I think the lack of feedback is a big problem. You cannot improve your applications if you do not know what you need to change.'

'University didn't do a good job of providing practical skills/equipping students with work experiences or what to expect post-graduation.'

Barriers to employment

The main barrier faced by jobseekers was lack of relevant work experience. They found it difficult to prove to potential employers that without experience, they can still be valuable employees. Other barriers included mental and physical health issues, poor presentation skills at interview and a lack of suitable connections.

Some said that there were limited employment opportunities in their local area – they felt that there were more opportunities in London, but at the same time, they imagined that the competition there was even higher. Some were willing to commute for 30–60 minutes to work, but a few mentioned that commuting was hard for them if they did not own a car and if they needed to rely on public transport. Very few would consider relocating for a job, mainly due to transport and housing costs.

Many young jobseekers wanted to pursue careers in roles and sectors relevant to their qualifications. Some of them have had some work experience in sectors such as retail, hospitality, social care and admin, but they often used them as a ‘stop-gap’ to earn some money before finding something that really interests them. They were looking for a ‘suitable job’, something they would be interested in doing long term, that would offer career progression and a decent salary. Some were prepared to work for low pay to achieve this. Other factors were also important, most notably the company’s values, job security, the working environment, work–life balance, the benefits package and location.

Factors that discouraged them from applying for certain jobs and sectors include:

- zero-hours contracts
- a company’s poor reputation
- long and anti-social working hours
- a hostile working environment
- low levels of diversity
- low pay and limited opportunity to progress.

When choosing between different jobs of the same level of pay, location and the possibility of promotion were particularly important:

‘I think a suitable job needs to be an actual career, something that you can do long term, with good progression prospects, and a decent salary.’

‘Their benefits package makes the difference for me and whether their core values align more or less with mine.’

‘[I] would rather have a job I want to do than one I hate which pays more.’

‘Most desirable is full-time hours; least desirable is zero-hours contracts, split shifts, uncertainty and short contracts.’

Recruitment difficulties

Jobseekers singled out specific industries as unattractive, such as the food industry, retail, social care, hospitality, arts and recreation (especially kitchen work) and construction. They also had limited interest in administration, factory or customer

service work. They wanted to avoid these jobs and industries as they perceived them to be demanding in terms of working hours and the working environment, poorly-paid and unfulfilling. A few described these industries as less 'respected' and not suitable for their future career plans.

Respondents' views about certain jobs and industries were shaped by their own experiences (usually within hospitality, arts and recreation and food production) and from what they've heard from others, especially family and friends but also teachers. Their perceptions were also shaped by the media and social media:

'You hear horror stories about cruel and nasty customers that put me off retail; however I've still applied for retail jobs as most things are better than nothing.'

'[I] want a job that would be respected and viewed well on my CV when I'm applying for jobs later on, so I want it to be a sector that is respected.'

'Hospitality, arts and recreation is tough, and you have to be willing to work long hours; and it can be pretty rough, especially depending on the type of venue.'

Government initiatives

There was some awareness of state support across the two groups, especially among those that had been out of work for some time, and those with additional needs. Respondents spontaneously mentioned work coaches, Kickstart and Jobcentre Plus, as well as courses they've applied to themselves or via work. However, some hadn't heard of these schemes before, either because they had taken a different route, for example, further study, or due to a lack of communication.

There was fair take-up of state support among this sample, with work coaches being the main type of support though some have received financial support. Levels of support experienced in these schemes was mixed. While some had received practical tips, such as CV design, interview techniques and marketing, others had received little or no new advice.

While participants welcomed the experience and pay provided by the apprenticeships and Kickstart schemes, the most cynical thought they mainly benefit employers by providing cheap labour. Some were aware of the apprenticeship pay rates and were deterred from applying because the pay rate was too low. Many respondents said they would be attracted to apprenticeships if the NMW/Apprentice Rate were raised.

Appendix 1: Survey method

The *Labour Market Outlook* survey was conducted by YouGov Plc. The total sample size for the summer 2021 report was 2,042 senior HR professionals and decision-makers in the UK. Fieldwork was undertaken between 16 June and 12 July 2021. The survey was carried out online. The figures have been weighted and are representative of UK employment by organisation size and sector.

Weighting

Rim weighting is applied using targets on size and sector drawn from the BEIS *Business Population Estimates for the UK and Regions 2019*. The following tables contain unweighted counts.

Table 1: Breakdown of sample, by number of employees in the organisation

Employer size band	Count
2–9	469
10–49	418
50–99	174
100–249	189
250–499	158
500–999	112
1,000 or more	522
Total	2,042

Table 2: Breakdown of sample, by sector

Sector	Count
Private sector	1,473
Public sector	352
Third/voluntary sector	217
Total	2,042

Table 3: Breakdown of sample, by industry

Industry	Count
Voluntary	217
Manufacturing and production	310
Manufacturing	151
Construction	114
Primary and utilities	45
Education	189
Healthcare	139
Private sector services	1,028
Wholesale, retail and real estate	180
Transport and storage	53
Information and communication	104
Finance and insurance	153

Business services (e.g. consultancy, law, PR, marketing, scientific and technical services)	246
Hotels, catering and restaurants/Arts, entertainment and recreation	108
Administrative and support service activities and other service activities	184
Public administration and defence	139
Police and armed forces	18
Total	2,042

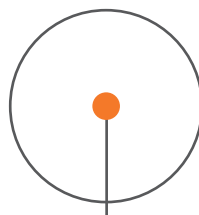
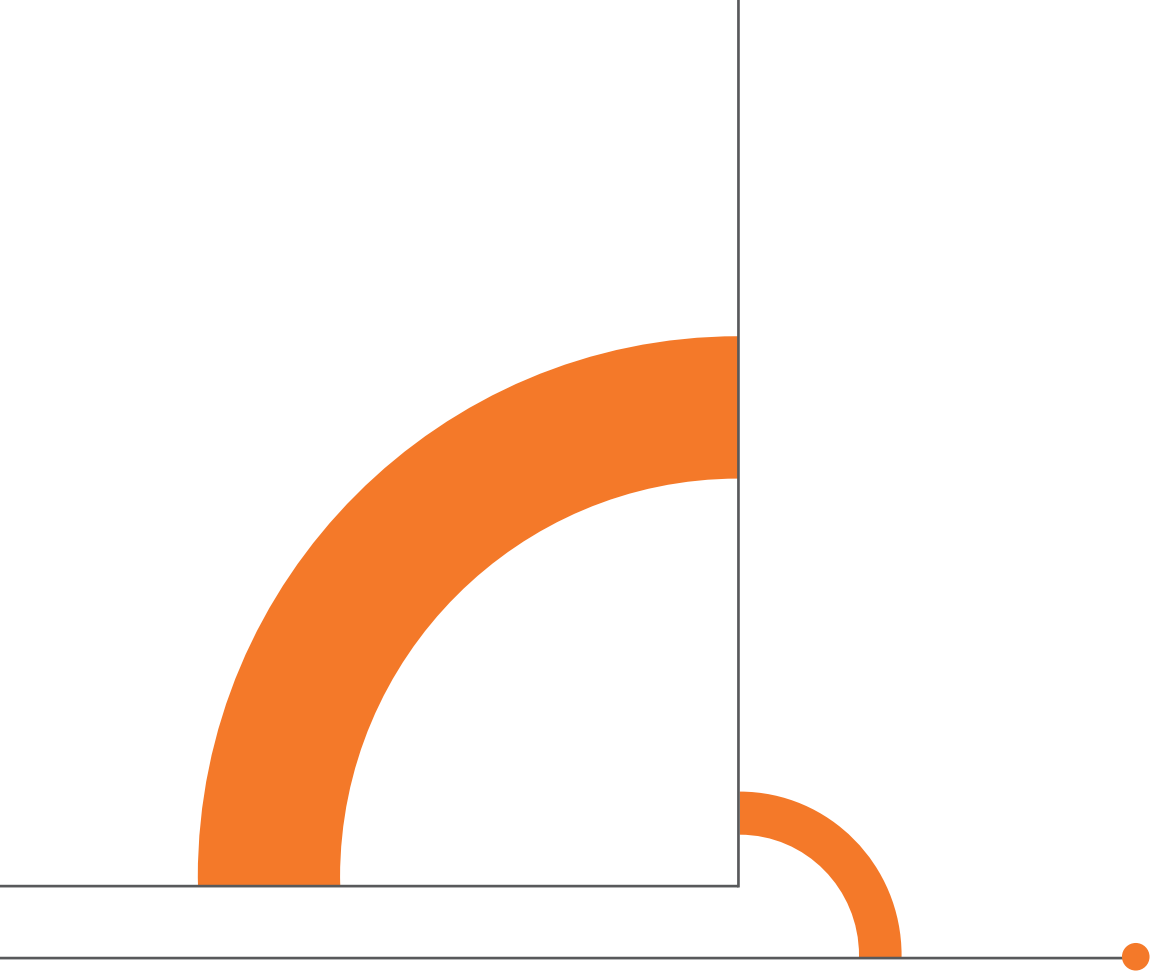
Table 4: Breakdown of sample, by region

Region	Count
North-east of England	57
East Midlands	119
West Midlands	108
Scotland	142
London	345
South-west of England	166
Eastern England	126
Wales	91
South-east of England	279
North-west of England	179
Yorkshire and Humberside	123
Northern Ireland	19

Appendix 2: Industry-specific focus groups

CIPD commissioned YouGov to gain qualitative insight into recruitment difficulties faced by employers within low-wage industries and work preferences of young adults currently looking for employment. YouGov conducted a total 5 x 1-hour, video-enabled focus groups with employers in retail, and transport and logistics on 7 and 8 July 2021 which followed focus groups with employers in social care, hospitality and food production on 21 and 22 April. Employers in these industries were randomly selected using the Business Population Register/FAME company accounts dataset. Our main aims in selecting employers were to achieve a mix of company sizes from across the UK, a mix of national and local/regional companies and a mix of business strategies in terms of marketing position in order to produce representative samples.

Additionally, 2 x 90-minutes text-based online focus groups took place comprising young, unemployed job seekers on 19 May.



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