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Business recovery and the recruitment challenge

Emerging from lockdown, Professor Frank Peck looks at the scale of the staffing issues facing businesses across the county

As the UK economy has gradually emerged from lockdown during 2021, business owners have had to face the challenges of adjusting to the post-pandemic economic environment. For many, a key aspect of this adjustment concerns the new conditions in the labour market. There has been much comment in the media about labour shortages and recruitment difficulties.

One sign of this difficulty can be seen in national trends in job vacancies which have reached record levels in recent months (National Statistics Vacancies and jobs in the UK, August 2021). In May to July 2021, official data shows that an estimated 953,000 job vacancies were recorded, the highest level since records began in 2001. In that same quarter, it is reported that there were 3.2 vacancies for every 100 employee jobs, also a record high.

Differences between industries clearly demonstrate the pressure points – there were substantial numbers of vacancies reported in accommodation and food (117,000), wholesale and retail (124,000) and notably, in health & social care (161,000). With the exception of wholesale and retail, job vacancies were at record levels in all industries.

The most recent data shows that there were over 219,300 payrollled employees resident in Cumbria in August 2021, slightly above the pre-pandemic level in 2019, suggesting that labour market adjustments arising from the end of restrictions have now worked through (Labour Market Briefing Cumbria Intelligence Observatory, September 2021).

As a consequence, labour is in demand and job postings have reached high levels in the county. In July, there were 3,215 such postings, double those recorded in July of the previous year and 62% higher than in July 2019. The highest volume of job postings, again, was in the health sector (594) followed by accommodation & food (259) and

wholesale and retail (225). Job postings increased again in August up to 3,857.

Health and social care are major contributors to the economy. Just prior to the pandemic in 2019, health and social care accounted directly for 12.5% of jobs and 8.4% of gross value-added (GVA) in the county and there will be significant additional indirect effects via income multipliers and procurement of goods and services.

Recruitment of workers is now a highly significant issue for businesses in many sectors, especially those dependent upon tourism and leisure. Emerging from lockdown, many sectors are seeking to recruit workers simultaneously in an environment where labour markets are still likely to be affected by some worker hesitancy about returning to work. There is heightened competition for workers across a range of activities that rely on a similar skills-set – effective client relations, customer care and service. Added to this, there are unpredictable impacts created by staff that need to self-isolate.

Alongside these circumstances, many sectors are continuing to experience the effects of Brexit. Up to 2016, UK employers had grown accustomed to steady year-on-year growth in the numbers of EU-born migrant workers. In 2004, there were around 1.5m EU-born residents in the UK a figure which rose steadily to over 3.5m by 2016. Between 2016 and 2019, however, this growth faltered as EU immigration fell substantially after the Brexit referendum. In 2019, the number of new National Insurance Numbers (NINOs) allocated to EU citizens was only 28% of the level recorded in 2015 (Migration Observatory EU Migrants to and from the UK October 2020).

Evidence now suggests that during the pandemic a significant proportion of EU migrants may have left the UK (perhaps permanently) during 2020. As a result, the estimated share of EU migrant workers in the UK labour market fell from around 8% in the first quarter of 2020 to 6% by quarter 3 (Migration Observatory estimates, January 2021).

In many sectors, the wheels of the labour market have turned slowly since the start of the pandemic. Arguably, job changes that might have been made have been deferred and decision-making has been on hold for many employers as well as employees. The signs are that it may take some time for labour markets to adjust to the post-pandemic situation and in the meantime, businesses will need effective strategies to attract and retain key workers.

