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## Professor Frank Peck

What's the significance of the ongoing recruitment and skills issues faced by Cumbrian businesses?

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### Achieving growth in the economy is now high on the agenda of the incoming Labour government.

There is recognition that achieving this requires that significant barriers to growth are overcome. Of course, many of the most significant barriers are external to the firm – inflation, competition, taxation, interest rates. However, there are also significant barriers within firms, not least the ongoing difficulties experienced in recruitment and skills shortages.

Nationally, labour market issues continue to be highlighted as an area of business challenge. Surveys tend to confirm that recruitment difficulties persist across the UK and in all sectors. A recent survey of more than 4,700 UK firms revealed that 59 per cent of businesses had attempted to recruit in quarter two of 2024 but 74 per cent of these had experienced difficulty in filling vacancies.

The problems are particularly widespread in construction and engineering, but also affect other sectors that are prominent in Cumbria, notably in transport and logistics (79 per cent) and manufacturing (77 per cent) (British Chamber of Commerce, *Quarterly Recruitment Outlook July 2024*). The report concludes that labour shortages are 'holding back growth' for many businesses.

Tight labour markets, of course, can have short-term benefits for some workers. Their skills are in demand and there is potential for career advancement and the offer of better working conditions. For businesses and local economies in general, however, there are negative consequences in terms of localised skills shortages, wage spirals and increased costs in recruitment arising from higher levels of job turnover.

High labour turnover can also create disincentives to invest in training for the longer term which has detrimental effects on local labour markets.

BAE Systems in Barrow is one of the most prominent recruiters in the county according to latest data



Evidence suggests that the county of Cumbria experiences similar difficulties as those identified nationally, although there are some notable contrasts. Employment data shows that Cumbria has been relatively slow in getting back to pre-pandemic levels: nationally, employment levels in 2022 had recovered and exceeded pre-pandemic levels (+3.8 per cent compared to 2018) while Cumbria was still 2.1 per cent lower. This suggests that labour supply has been slow to respond in Cumbria.

The pattern of recent growth and decline in employment in Cumbria also varies considerably by sector and does not always follow the national trend. In 2022, employment in manufacturing in Cumbria was 2.6 per cent above the level in 2018 compared to a fall nationally of around 2.7 per cent. In contrast, numbers employed in accommodation and food services in Cumbria were at the same level in 2018 and 2022 compared with growth of nine per cent nationally. The health sector



Tight labour markets can have short-term benefits for workers, but not businesses



The number employed in accommodation and food service in Cumbria is at the same level in 2018 and 2022, compared with a growth of 9% nationally at the same level as in 2018



however expanded both in Cumbria and nationally by over 12 per cent.

The Labour government has made a commitment to increase the national employment rate to 80 per cent (the proportion of working-age population that is in employment). It is significant to note that in recent years Cumbria has consistently outperformed the national employment rate. While this can be viewed as positive in terms of employment opportunity, it provides further evidence that the labour market in Cumbria is tight. The size of the working-age population in 2024 was also lower than pre-pandemic levels (currently 287,200 compared to 290,900 in 2019). Local labour supply, therefore, has declined, which is likely to add to recruitment difficulties.

The effects of these labour market



**High labour turnover can also create disincentives to invest in training for the longer term which has detrimental effects on local labour markets**

characteristics can be seen in recent data on job vacancies. Advertised vacancies have remained at high levels across many sectors in the county (reported by Cumbria Intelligence Observatory – Labour Market Briefing July 2024). There were 8,898 active job postings in June 2024 and of these 3,875 were new postings during that month. Prominent occupations included care workers, cleaners and domestic services, sales-related staff, kitchen and catering staff as well as retail assistants and customer services. The main sectors involved human health, food and beverage services and retailing. The NHS and BAE Systems were the most prominent recruiters.

It is also interesting to note the range of skills required in these postings, some of which are generic – good communication, customer service and management skills.

But other skills mentioned seem to reflect very specific needs of prominent sectors in Cumbria. They include, for instance, the demand for skills in project management and risk analysis, mental health, surgery and personal care, restaurant operations and food safety.

Available evidence suggests, therefore that both nationally, and in specific sectors in Cumbria, the inability to recruit enough workers with appropriate skills remains a significant barrier to many firms with

growth potential. Achieving business growth in the context of tight local labour markets also reinforces the need to invest in order to raise productivity (i.e. increase output per worker). There is a clear link, therefore, between skills formation and the need for investment in new technologies.

Previous attempts to address these issues demonstrate that solutions are complex and take time to implement. Progress depends on effective partnership between a wide range of public and private sector actors at both local and national level. In this regard, the Labour manifesto contains some encouraging statements regarding engagement with localities.

The Labour Party has published its *Industrial Strategy, Prosperity through Partnership*, in which Government sets out the broad approach to addressing business growth and investment. It is stated that the strategy will involve developing local Growth Plans that cover towns and cities across the country. ‘Local leaders will work with major employers, universities, colleges and industry bodies to produce long-term plans that identify growth sectors and put in place the programme and infrastructure they need to thrive’.

When this aspiration is implemented, addressing local skills and employment issues will clearly play a significant role in this process.