

Mr Matt Warman MP
House of Commons
London
SW1A 0AA

19 May 2022

Dear Mr Warman,

Congratulations on your new role leading the government's review on supporting a thriving future UK labour market.

For the Recruitment & Employment Confederation (REC), your appointment is good news. As the critical service that helps employers meet needs and employees find their way to a great career, recruiters have a huge role to play in building a labour market that supports growth, competitiveness, and high standards of living. We want to work with you - and the government more broadly - to deliver this, in all parts of the UK.

The latest ONS labour market statistics tell the story of a vibrant but stretched labour market. While there are fewer unemployed people in the UK than there are job vacancies, employment levels and hours worked are still lower than before the pandemic, as more people are not working and not looking to do so. Over time, this capacity constraint will slow growth and contribute to inflation. Businesses need new approaches to their workforce to navigate this, working alongside big changes driven by technology and the net zero agenda. Our members - 3,000 recruitment firms across the country - are helping them to do this. For Government, getting public policy right on areas like skills and immigration is essential - but so is stewarding a debate about how firms can get it right.

As our [Report on Jobs data](#) shows, staff shortages are also contributing to rising pay, with the strongest growth in starting salaries for permanent workers in 24 years recorded in March. But these rises will only be sustainable if we can grow a productive and competitive economy. Encouraging that growth needs to be the key focus for government moving forward.

Report on Jobs data also show many vacancies unfilled, with candidate availability falling for the 14th month in a row. The scale of growth foregone because of this - and the strain put on businesses - makes this a strategic issue. UK Hospitality, for instance, has highlighted the additional boost to growth and wages they could deliver if staffing issues could be resolved. Of course, much of this sits with business to resolve themselves - but effective partnership with government around the wider business environment will be key.

To help move this debate forwards, the REC has commissioned new work that will help paint a picture of what the economy will miss out on if we don't get workforce right. This report is due to be published in the summer. We would be more than happy to meet you to share progress on this as it develops and, of course, share the outcome. We hope this will form a case for action on many of the areas you will be thinking about in your review. The REC's ability to see the whole labour market is our crucial strength on this - our members place a million workers into new permanent roles each year, and a million temps into workplaces every day.

Some key areas that we can already see are important to address in your review include:

- Effective reform of the skills system - including the failing apprenticeship levy - to focus more on outcomes for all workers and closing skills gaps. Many workers in temporary jobs currently have their wages levied but have no access to the training it funds.
- Protecting workers and good businesses from poor practice in parts of the labour market. Some elements of umbrella company practice are putting workers and good businesses at risk. This

has only accelerated since changes to IR35 rules last year. Government must deliver on its commitment to umbrella company regulation.

- Looking again at how we ensure that the new immigration system meets the needs of the UK economy - especially smaller firms, and businesses who are not based in the Greater South East.

It would be good to meet with you at an early stage to hear your priorities for the review and explore how the REC can help. Ellie Goddard (ellie.goddard@rec.uk.com) in my office will be able to arrange a time at your convenience.

Yours Sincerely,



Neil Carberry
Chief Executive