



REC

Recruitment
& Employment
Confederation



REC Manifesto

Dynamic labour markets for growth



2024

“It’s only by driving growth that we can fund public services and bring the tax burden down.

But success in that mission – the prosperity of the UK – rests primarily on the talent of our people.”

Neil Carberry,
REC Chief Executive

As a big, open, services-led economy, making the most of the talent of our islands – creating opportunities to work, progress and innovate – matters more now than ever before.

Yet this simple fact is too little discussed. Our debate about productivity and employment is dominated by everything but how we organise work, and our approach to skills policy rests not on the commercial decisions that firms need to make, but the fiat of politicians in Westminster and the devolved capitals. No attempt to drive growth will succeed without a proper appreciation of workforce issues.

If we don't get this right, exchequer receipts will be inhibited and the cost to the UK economy in lost wages and profits could be up to

£39 billion every year

– the equivalent of two whole Elizabeth Lines. We can't let this potential continue to be wasted. There is so much we can do to change this, and our manifesto sets out how.

No attempt to drive growth will succeed without a proper appreciation of workforce issues.

At the REC, we see the issues that employers across the UK are wrestling with every day – but we also see the opportunities and growth potential that is there. Placing a million temps into work every day, as well as almost a million people into new permanent jobs every year, we know the defining characteristic of the UK labour market is choice.

Choice in how to work sustains high employment levels and helps firms to adapt. Dynamic labour markets are made up of people working in many different ways – and that is a good thing. Of course, we need to ensure this market is well-regulated, but if we put the people stuff first, prosperity will follow.

The post-pandemic world of work does not look or feel like it did in 2019, and the speed of change is increasing. Adapting to this requires strategic thinking by businesses, workers and governments on current and future needs. More than ever engagement, progression, pay, culture and flexibility in work matter to people and the impact they can have. With the rise of automation and technology, changing consumer demand, Net Zero considerations, and how to build inclusive and diverse workforces all on employers' minds too – there is a lot to do in the next five years.

This manifesto sets out four key themes, supplemented by focused recommendations that, if taken, would underpin economic success.

Our four themes are:



1 Understanding today's people and labour market challenges



2 Supporting our labour market transition by preparing for the future



3 Boosting workforce productivity and driving down inactivity



4 Regulating for a sustainable and dynamic labour market



1. Understanding today's people and labour market challenges

Every business knows the power of a well thought-through strategy. It clarifies the goals, expectations and the path ahead; it identifies the risks and potential mitigations; and it provides staff and investors with confidence in the direction of travel.

Government should look to do the same in a new Industrial Strategy that prepares the UK for 2030. Any new government must embrace this – along with the recognition that different forms of work are valid and wanted by workers as well as businesses – if they are to be successful.



To build a better understanding of today's labour market, government should:

Work with businesses and employee representative bodies to develop a Workforce Plan for the UK

This should underpin a much-needed Industrial Strategy. To be successful, any Industrial Strategy must go hand in hand with considering our workforce. It must make skills policy more suited to the needs of our economy – but it must also go beyond skills. Production and job design, investment and infrastructure such as transport, childcare and the immigration system all matter to building an economy that can grow at the pace we need it to.

Conduct a Workplace Employment Relations Study (WERS)

This should be done straight after a general election, to provide the foundation for an evidence-based, robust workforce strategy. The survey can offer real insight on how the labour market is functioning and workplace performance is really like. We can't rely on the takes of Whitehall think tanks for this. WERS is the single best tool for policy making in this area that government has but has been left undone for over a decade.

Acknowledge that different ways of working support the economic and social development of the UK

From permanent, fulltime jobs to temporary, contract and interim roles – different ways of working all have a role to play. Flexible temporary work can give those furthest from the labour market confidence to return to work or the skills they need to get into work, it helps businesses manage workloads more efficiently, and can help entrepreneurs get their startups off the ground. This is something to be celebrated and encouraged.

Young people entering the labour market, older people looking to scale back and those with caring responsibilities may all seek flexible work and need to be supported and protected in these choices. Government should work with business and industry to introduce policy and legislation that works for everyone working across our economy and communities based on the understanding that great work comes in many forms.



2. Supporting our labour market transition by preparing for the future

Better aligning the skills system and working with businesses and labour market experts to understand how people work, what jobs people want to do, and how to get the most out of our people is critical for future growth.

In the last few years, we have seen increases in the so-called “gig economy” and other flexible working practices, particularly as economic inactivity has risen and demands between the home and workplace have blurred. These aren't going away - that's why supporting different ways of working, both permanent and temporary, with things like proper regulated flexibility baked in, is so important. Recruiters are the experts in this – agency work is well-regulated, and we should apply the same standards to emerging forms of flexibility to protect standards and opportunity. Embracing that, along with the opportunities that technology and Artificial Intelligence (AI) present is crucial for growth.



To prepare for our future labour market, we recommend:

Supporting our local jobs market

- ▶ Encourage labour market expert representation across Local Skills Improvement Plans (LSIPs) in England. This will allow local businesses, education and training providers to hear directly from recruiters about what local jobs are in demand and how work is changing. This will help LSIPs produce cohesive strategies for various types of work that best respond to local labour market demands.
- ▶ Empower local leaders to determine regional skills priorities and share regional data, gathered through schemes like LSIPs, with national government.

Introducing immigration policy that supports a labour market in transition

- ▶ Reduce the high costs of sponsoring a work visa and extend them from two years to at least five. This would allow employers to see a return on that investment.
- ▶ The increased salary threshold for the Skilled Worker Visa needs a rethink. Successful modern economies are international but higher thresholds sends the wrong signal around the world, splits up families, and robs the UK of key people at a time of real shortage. Survey after survey shows people support immigration by those who are here to work, pay tax, and build a life. Public policy should reflect this.
- ▶ Conduct an impact assessment into the reduction of dependents to those on Health and Social Care visa routes and whether this exacerbates labour market shortages.
- ▶ Ensure that any future shortage occupation or salary list reviews happen at least once every two years. Any changes to the current Shortage Occupation List (SOL) process should happen in consultation with business and industry.

Embedding Net Zero and tech change into education for future employment

- ▶ Build on the Gatsby Benchmarks to ensure every young person gets effective careers advice with a clear understanding of career pathways, particularly in emerging sectors that support Net Zero and technology change.
- ▶ Use schemes like Kickstart and Restart to promote the uptake of digital and green skills training. Previously, just 1% of roles within Kickstart were in green sectors. Labour market activation schemes and temporary work are a great way of enabling people to "try" different types of work in different sectors, picking up new skills and experience quickly.
- ▶ Create a green jobs incentive payment for businesses that invest in green skills that help towards achieving Net Zero.
- ▶ Adopt one clear definition of a green job to help with data collection, future skills planning, and overall policy development¹.

Establishing the UK as a world leader in the safe and ethical use of AI

- ▶ Develop an AI assurance framework and work with employers to promote best practice around its safe and ethical use. This should simplify the use of AI across borders where compliance and regulation requirements vary, helping today's international businesses and those looking to expand in the future, while effectively ensuring out technology use is inclusive and builds confidence in the market.

1 The REC's suggested definition is green jobs are those that work either directly or indirectly (at least 50% of role involves green tasks) to reduce net carbon emissions and/or help protect the environment. There are varying scales of green job, but to achieve Net Zero, every sector is likely to need to adopt new, increased, or enhanced skills relating to green. Direct green work, which often involves technical skills can include roles within the renewables, energy efficiency, and conservation sectors. These are likely to require more enhanced green skills, as demand increases. Indirect roles often require more general skills and can include roles in the circular economy, which contribute to more sustainable practices. These are likely to require new and emerging skills relating to green. There are also transitional roles, which are likely to require increased green skills as demand for renewable materials increases, while reliance on things like fossil fuels decrease. These include roles within construction, transport, and brown sectors, like oil and gas.



3. Boosting workforce productivity and driving down inactivity

Temporary and flexible work is often a catalyst for older workers, workers with long-term health conditions, younger workers and underrepresented groups to access the labour market.

Once someone is in work, we know they can progress more easily, increase their earnings, and move off Universal Credit as their entitlement tapers². But first we have to get people into work, and that means understanding and addressing the barriers to that. This will require investment in key infrastructure, like reliable public transport and sufficient childcare support and provision to enable people to work. With an ageing population, it is also vital to support caregivers wanting to access work. Some progress on expanding childcare provision has been made but more needs to be done - and sooner.

² Department for Work and Pensions, [Supporting progression out of low pay: a call to action](#), 1 July 2021



To do this, government should:

Within the first 100 days of government, reform the Apprenticeship Levy

This will fund high-quality, modular training to enable more people, including temporary workers, to train and fill vacancies.

Expand the eligibility for 30-hours childcare entitlement to parents or carers in training or education

This change will help both parents or carers in training or education. This will help people looking to return to work after a period of absence.

Commit to funding improved local rail and bus links

These help people get to work, particularly in rural communities. We already know that physically getting to the workplace is a barrier for too many people. That's why we need public transport that actually takes people to where the jobs are.

Consult on and publish plans to increase the childcare workforce

This should be developed in partnership with childcare providers. Increased funding for provision alone doesn't work without enough childcare professionals to deliver services.



Reform public sector procurement processes

This will secure better value for taxpayers and efficiency for service providers. For example, in the NHS, procurement price caps for temporary staff should be reviewed at least every two years. They have created a broken market, where suppliers are being asked to fill shifts at unsupportable rates, while bank costs have risen hugely, and off-framework supply has risen too. NHS is effectively spending more for less.

Work with the REC to design markets for temporary public service work that drive true value for the taxpayer and service users. Arrangements should be standardised across all staffing delivery structures to ensure value for money and a level playing field for suppliers who are critical to keeping services operational.

Mandate ethnicity and disability pay gap reporting for larger businesses

This will further diversify the labour market. This will help attract and retain talent at all levels of our skills and labour system, improve transparency, and expand economic opportunity. Recruiters are ready to step up to help employers improve their inclusion performance.





4. Regulating for a sustainable and dynamic labour market

Nearly half of the UK working population works in a non-permanent, flexible way. Too often, agency workers are forced to work around legislation designed for employees in permanent roles, resulting in confusion and sometimes a lack of clarity about the rights they have.

At the same time, changes to outdated legislation tend to be a result of case law, and when legislation is updated, it can be piecemeal. In addition, enforcement is too poor – meaning that compliant firms shoulder increased costs – while the costs of non-compliance are too low. This must change.



To do this, government should:

Review and revise employment laws to reflect the increasingly flexible way that people work

A better-informed approach which acknowledges the realities of today's labour market and represents all types of work, including temporary placements, will help improve compliance and enhance worker rights and protections. It will also reduce the additional burden and costs associated with regular amendments to legislation. We'd recommend starting with the completely outdated Working Time Regulations - enacted in 1998.

Introduce regulation for the whole labour supply chain

This should include umbrella companies and joint employment models - bringing them under the scope of the Conduct of Employment Agencies and Employment Business Regulations 2003, to reduce non-compliance and better protect workers.

Introduce a properly-resourced Single Enforcement Body (SEB)

This should improve coherence between departments, support better compliance and provide more clarity on worker rights. Ensure the specialist skills of the Employment Agency Standards Inspectorate are maintained and protected during the process of the SEB's creation.

Overhaul the off payroll working rules (IR35)

These are still overly complex and do not place sufficient emphasis on the end-hirer to provide their assessment and take responsibility for it. The current system doesn't support the use of flexible labour and works unfairly in many cases.



If you'd like to discuss our recommendations in more detail, get in touch with

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Recruitment
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The Recruitment & Employment Confederation is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower UK recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy.

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