



REC

Recruitment
& Employment
Confederation

Business, Energy and Industrial Strategy Committee call for evidence on labour shortages - post-pandemic economic growth: UK labour markets inquiry

A response from the Recruitment & Employment
Confederation (REC)

July 2022



About the REC

The Recruitment & Employment Confederation (REC) is the professional body for the recruitment industry. We represent over 3,000 businesses who help more than a million people find a new permanent job each year, and on any given day place nearly 1 million people onto a temporary, contract or freelance assignment. Our members recruit across the labour market in both public and private sectors. We drive standards and empower recruitment businesses to build better futures for their candidates and themselves, providing legal advice, business support, training, and labour market intelligence.

Our relationship with our members gives us valuable insight into what is happening in the labour market right now, as well as indicating future work needs, and what impact certain policies will have on the recruitment industry if implemented.

The data we share in this written response comes from several of our sources, including:

- REC's *Jobs Outlook* – our monthly survey of employers on their hiring intentions, conducted in partnership with Savanta ComRes
- REC & KPMG's *Report on Jobs* – our monthly survey of recruiters on hiring activity in the month just gone, making this the earliest lead indicator on UK job market performance. This has been completed by S&P Global (formerly IHS Markit) on behalf of the REC for 25 years.
- REC's *Labour Market Tracker* - analyses job posting and vacancy data with labour market intelligence experts Emsi-Burning Glass

Summary

Over the past two years, labour shortages have become front page news. Driver shortages resulting in long queues at petrol station forecourts and shortages on supermarket shelves; a lack of fruit pickers leaving produce in the fields; overburdened NHS workers burning out during a global pandemic and entire sectors brought to their knees.

At the Recruitment and Employment Confederation (REC), we have been talking about the issues the UK labour market faces for many years. And as we have seen over recent months, they have the potential to significantly damage the UK economy, our ability to invest and grow in the future.

The critical thing that government must get to grips with is that while the pandemic has thrown the situation into sharp focus, labour and skills shortages have been with us for years. REC data shows the scale of the challenge:

- As pandemic restrictions began to ease mid-way through 2021, [hiring activity](#) surged at its fastest rate since 1998
- By August 2021, people's availability for work was at the lowest level we've seen in nearly 25 years of [Report on Jobs](#)
- This huge variance in the supply and demand for staff meant that [starting salaries](#) for new permanent positions and hourly pay rates for temporary work assignments also boomed, reaching record levels last year. Such pay offers were not matched by inflation-related pay increases for existing employees, resulting in disparities in pay and treatment between sectors.
- At present, there are close to [1.7 million active job postings](#) in the UK meaning we are still facing enormous labour and skills shortages right across the economy, restricting business growth.

Our national challenge is that there are over half a million fewer people in the labour market than before the pandemic. Solving this participation problem is essential for economic recovery and growth. We know that workers are the most important asset for business - they help drive their success and contribute to the success of our economy. To create truly a sustainable labour market and stoke economic growth, **we need to put people first**. For government, this means developing a proper labour market strategy. Skills is part of that, but immigration, devolution, and labour market activation all matter.

To this end, later this month, the REC will be publishing economic modelling and business insights that set out the true cost of this challenge to UK prosperity. We are just concluding the work now and would be happy to share a summary ahead of publication with the BEIS select committee to inform this inquiry.

We have chosen to answer questions from the Committee where we can share data and insights.

The state of play in the UK labour market post-Brexit and the impact of the covid-19 pandemic on recruitment, skills shortages and the growth of the labour market.

- [Do we have enough workers with the right skills in the right places?](#)

REC data demonstrates the scale of the challenge

The REC first flagged a return to strength for the labour market last Spring - based on the day-to-day insights our recruiter members were seeing. Today, labour and skills shortages remain one of the biggest concerns for recruiters and their client businesses. Last September, we surveyed recruitment business leaders and found:

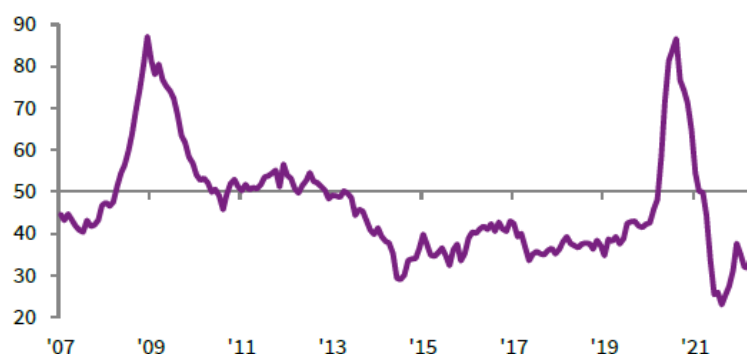
- Nine in 10 said that labour shortages were their biggest concern for the remainder of 2021.
- Skills shortages were a major concern for two in three, with 65% saying skills shortages were affecting their ability to place suitable candidates.
- Three in five recruiters (58%) said they had at least 30% more vacancies to fill now than before the pandemic.
- Almost every respondent (97%) said that it was taking longer than usual to fill current vacancies.

While there are fewer unemployed people in the UK, employment levels and hours worked are still lower than pre-pandemic levels. This is because of rising economic inactivity, with more people not working and not looking to do so. Over time, this capacity constraint will slow growth and contribute to inflation.

In 2021, we saw [record-breaking recruitment figures](#) - a trend that our lead indicator data shows is beginning to slow. But a slowdown from those record-breaking highs are by no means an indicator that labour and skills shortages are over. For example, the REC's latest [Report on Jobs](#) (for the month of June 2022) showed the number of permanent placements made by recruiters in the UK increased for the 16th month running. Temporary billings also increased for the 23rd month. Starting salaries for permanent staff continued to rise with intense competition for scarce staff and pay negotiations reportedly pushing those rates up. This graph from Report on Jobs shows the clear, ongoing issue for recruiters and employers with finding staff for job vacancies:

Total Staff Availability Index

sa, >50 = improvement since previous month



REC members already responding to challenge

Our members are already working hard to attract, retain and upskill candidates and existing staff: from reviewing working patterns and benefits, to looking at salaries and investing in learning and development. One member in the driving and logistics sector has responded to the ongoing shortages by setting up a Driver Academy programme to give people the necessary training, certification and employment support needed for a safe and successful career as an HGV (Heavy Goods Vehicle) driver. In addition, a Women in Driving Development Pathway has also been established by this recruitment business to encourage and support women to transition to fully licensed lorry drivers. Business clearly has a role to play, but the wider policy environment also needs to help them make the changes needed.

Our members understand the labour market, they see what is happening on the ground, they know which sectors are struggling most and can provide insight about upcoming skills gaps. For example, we already know that green jobs are likely to be a prominent feature of the future labour market, but if we don't get ahead and develop that understanding, the cycle of shortages will continue. We have started tracking the number of green jobs and skills advertised in the UK, and the number of jobs asking for a green skill or qualification has increased in every region of the UK in the last six months.

REC recommendation for overcoming shortages

To achieve this, government should commission, with immediate effect, a cohesive, long-term **Future Workforce Strategy** outlining how the UK will put people planning at the heart of its growth strategy. This must go well beyond skills. This Strategy should identify the skills that the UK economy will need over the coming years. The Strategy should be owned by Cabinet Office or an independent commission. Government must also work closely with business and others on developing and monitoring progress and commit to keeping the approach in place over many years. The most successful UK labour market changes of the past few decades – such as the National Living Wage and pensions auto-enrolment – have been delivered this way.

- **What impact has the UK's departure from the EU had on the flow of workers into and out of the UK? Are there particular sectors or skill sets that are most impacted?**

According to previous [REC research](#), there was no major, immediate impact on the flow of workers to the UK in the immediate aftermath of the vote to leave the EU. However, coupled with the pandemic, recruiters began to report in 2020/21 that labour shortages were, in part, due to EU workers returning home. Last month's [Report on Jobs](#) confirmed that candidate availability continues to decline (see graph above on page 3). Respondents attributed this to people being reluctant to switch roles because of economic uncertainty, reduction of foreign workers due to Brexit, low unemployment rate, and a widespread skill shortages.

Demand for skills that are in short supply

Within Reports on Jobs, recruitment consultancies are invited to specify any areas in which they have encountered skills shortages during the latest month. The figures below show the number of 'skills' per sector that they named as in shortage, within a given month, in this instance February 2020 and last month, June 2022. The percentage change compares the two dates (February 2020 to June 2022) to show whether demand for skills has increased or decreased.

The snapshot below shows that within permanent employment in February 2020 there were 5 skills reported as in shortage within the Blue Collar sector, shortly after the UK's departure from the EU. As of June 2022, this figured had doubled. This supports our view that occupations already experiencing shortages immediately following our departure from the EU have been squeezed further as a result of the pandemic and government policy, like the points-based immigration system. In addition, we have seen the overall volume of jobs advertised increase for every single sector.

Permanent Staff	Feb-20	Jun-22	% Change
Blue Collar	5	10	100.0%
Secretarial/Clerical	3	6	100.0%



Other	11	12	9.1%
Accounting/Financial	11	11	0.0%
Construction	4	4	0.0%
IT/Computing	11	10	-9.1%
Executive/Professional	10	9	-10.0%
Nursing/Medical/Care	6	5	-16.7%
Engineering	8	6	-25.0%
Hotel/Catering	6	3	-50.0%

Temporary staff	Feb-20	Jun-22	% Change
Secretarial/Clerical	3	6	100.0%
Other	6	11	83.3%
Construction	3	3	0.0%
Accounting/Financial	8	7	-12.5%
Hotel/Catering	5	4	-20.0%
Blue Collar	15	11	-26.7%
Engineering	3	2	-33.3%
Nursing/Medical/Care	6	4	-33.3%
IT/Computing	8	4	-50.0%
Executive/Professional	4	1	-75.0%

REC members report significant difficulties post-Brexit

One REC member, based in the Southwest told us they're experiencing unprecedented demand for staff, at all levels, from entry to skilled professional. "It's always been tough to find skilled staff and now it's even harder." Brexit has had a significant impact on businesses and recruiters. This recruitment business said they currently have more than 80 empty desks, despite a recruitment drive to take on entry level graduates and career trainees hoping to start their life in recruitment. Most concerning is this recruitment business is now questioning if growing in the UK is their best strategy.

Another REC member, operating within the veterinary industry, has experienced significant difficulties since the UK's departure from the EU. Prior to Brexit, around 20% of the workforce was made up of employees originating from the EU. However, according to a report by the Veterinary Information Network, the number of EU veterinarians newly registering to work in the UK plunged from 1,132 in 2019 to 364 in 2021, a drop of 68%.

There are three main reasons for this fall in workers:

1. Veterinarians now need to have qualified from a European Association of Establishments for Veterinary Education (EAEVE) accredited university to be eligible to work in the UK (before Brexit, graduates from any EU university were eligible). They also need to obtain level 7 International English Language Testing System (IELTS) to register (previously there was no language requirement).
2. The skilled worker visa associated costs (around £2,350) are too high for many, whose initial starting salary will be around £35,000, equating to almost 7% of salary.
3. There are around 6,000 veterinary practices in the UK, just under half of which are independent. Of the independent practices, only about 140 have a Home Office licence at present. One reason is the lack of understanding of the application process, but the other is the high costs associated with sponsorship.

- **Which sectors are experiencing the most acute shortages of workers since the pandemic? Have there been structural changes in the labour market post-Covid?**

The REC represents recruitment businesses working in every sector throughout the UK and our members are reporting shortages across the board - from IT to construction, hospitality to manufacturing. Below are just a few examples of what we are seeing in some specific sectors.

Health and Social Care

The REC's Labour Market Tracker showed there were about 100,000 vacancies for nurses in March 2022 and another 100,000 for care workers and home carers. Even before the pandemic, the NHS's own numbers showed that thousands of nurses were leaving the profession every year, creating a high level of vacancies. The biggest concern has been the inability to fill these vacancies. At the moment, 15,000 NHS roles, equivalent to 5 million hours of shifts, are filled by agency workers each quarter. For nursing vacancies, agency workers fill 3 in 4 roles.

Education

The education sector is also seeing staff shortages for both teaching and support staff. Teacher numbers have fallen significantly over the last few years, with many choosing to leave the profession during the pandemic due to repeated school closures and concerns over safety in schools. Between May 2021 and May 2022, we saw the number of unique job postings increase by 11% for secondary education teachers, 24% for primary education teachers and 53% for teaching assistants - highlighting the demand for staff.

Driving and Logistics

The driving and logistics sector experienced 'crisis' level shortages in 2021 but despite significant media attention, the sector is still seeing serious shortages, particularly as it struggles to attract new drivers. According to thinktank and REC member recruitment business, DriverRequire, at least 8,000 drivers under the age of 30 left the profession in the last three months of 2021.

Veterinary

As outlined above, the veterinary industry is also facing severe skills shortages amidst a pet ownership boom. Demand for vets is far outstripping supply and there are now fewer vacancies open to overseas workers who could potentially fill some of those gaps.

- **What more can the Government do to ensure that employers are able to recruit people with the right skills for the job, including the effective use of apprentices?**

Based on our forthcoming research report, we are coming to a number of conclusions about what government intervention will have the most impact. We have briefly set out some of these recommendations below and can share a copy of our final research findings before the Committee evidence sessions begin.

Create a Future Workforce Strategy

The government should commission, with immediate effect, the drafting of a Future Workforce Strategy, owned and led by central government but with a healthy devolution of decision making at local levels to Mayors and others to determine regional skills priorities. This should start with a data gathering exercise of all existing labour market intelligence and a review of how that data is used to best effect. The government should work with business and industry experts, like the REC, to better understand the needs of the labour market and current and predicted skills gaps.

Introduce more flexibility in our immigration system

We need an immigration system flexible enough to meet the demands of the labour market. Simple policy changes like extending work visas to at least five years – from the current two or three years, updating the Shortage Occupations List (SOL) every six months, and reducing waiting time for asylum seekers to be eligible to work in the UK from 12 months to six months would be extremely effective, and ensure our immigration system is fit for purpose.

Focus on local to achieve levelling up

Expanding Local Skills Improvement Plans (LSIPs) across the entirety of the UK and investing further in local transport, involving local businesses in transport plans for example, would boost town regeneration. Local businesses, local authorities and local people are the experts when it comes to their areas. But currently there is a mismatch between the jobs that are available in a geographic area and the skills, education, training opportunities and infrastructure available that are needed to fill them. With the right powers and incentives, central government can unlock the vast potential of these areas and help the devolved nations, regions, and local areas across the UK to level up.

Improve labour market participation

There are also steps government can take to encourage and improve labour market activation, like improving access to childcare for working families, mandating ethnicity and disability pay gap reporting for large businesses to further diversify the labour market and retain talent. A further iteration of the Kickstart Scheme could help - while also learning and correcting issues from the original scheme, particularly on how it engages young people on their terms.

Reform the Apprenticeship Levy

Apprenticeship levy reform is something the REC continues to advocate - when we speak to our members about training needs, the inflexibility of the levy is a consistent barrier to using the funds. The system is too complex in its operation to genuinely benefit a large chunk of the workforce. According to research by the REC, only 2% of temporary assignments last for 12 months or more. This means that of the more than 1 million temporary workers working on any given day, approximately 960,000 temporary workers on assignment are automatically cut off from training opportunities available under the levy, despite the agencies employing them paying into it. The amount of unused funds paid by members of the REC into the levy in 2019 was over £104 million. That is wasted money which could be helping level up and upskill people.

Levy funding is also difficult to access in many industries where there is a skills shortage or high demand for temporary workers, such as HGV drivers in the logistics sector. Currently a warehouse worker looking to transition into this role would have to bear the costs of applying and training for this licence themselves. Workers in low paid roles in key sectors such as care, and hospitality have made it clear that training is hugely important to them. Likewise, recruiters supplying agency workers in these areas have noted the need to help temporary workers to upskill and progress in their careers.

Artificial Intelligence (AI) and technology in the workplace.

- **How is AI currently being used in the workplace? Is it more prevalent in some sectors than others?**

In the UK recruitment industry, the use of AI (Artificial Intelligence) and data driven tools is becoming more prevalent. This has been encouraged by drives to improve business efficiency and the experience of jobseekers. In recent years, there has been an increase in several types of tools that are being used as part of the candidate sourcing, registration and filtering processes. These include chat bots or conversational AI to talk candidates through the application process, or automatic CV screening and evaluation software. It is likely that these tools will become even more commonplace in the future, so it is important that businesses and employers know how to best use these technologies.

Earlier this year, the REC and Centre for Data Ethics and Innovation (CDEI) produced guidance for recruiters using AI and data driven tools. The aim of that guidance was to highlight both the opportunities and risks of discriminatory and unfair results if these tools are not used with care. Our joint guidance aimed to introduce a standard to protect workers, ensuring that Equality, Diversity and Inclusion (EDI) is taken into consideration from the very beginning of the recruitment process. AI use should consider the Equality Act 2010 which prohibits discrimination on the basis of protected

characteristics. Both employers and recruiters must ensure that candidates are not disadvantaged in the recruitment process. You can find our guidance and recommendations [here](#).

- **Are there specific technologies that we need to consider, beyond AI generally, that warrant updates to employment law?**

Something that needs to be addressed as a priority is the regulation of umbrella companies. Umbrellas can offer a supportive payroll function to many businesses - a key form of technological advancement - but also, in some situations, have created questionable tax alternatives since the expansion of the off-payroll rules (IR35) in the public and then private sector. Without proper regulation, employers and candidates are at risk of being exploited by unscrupulous umbrellas offering low tax 'solutions'.

Over the past few years certain online services have sprung up which claim to be neither employment business nor employment agencies - despite operating in a way that suggests they fall within one of these legal definitions (as set out in the Conduct of Employment Agencies and Employment Businesses Regulations 2003). There has also been a rise in 'joint employment models', which often see umbrella companies partnering with employment businesses to split employment responsibilities between them - this has the potential to cause real confusion and a lack of protection for workers.

Better enforcement and publication of HMRC's enforcement activities around umbrella models that are non-compliant is required. HMRC needs a clear strategy to remove non-compliant umbrella companies from the market. For HMRC to tackle non-complaint umbrella models, they must invest more resources in investigations and enforcement, and understanding how technology is changing to cope with a modern labour supply chain. Not acting swiftly to stop non-compliant activity results in a proliferation of tax avoidance models, allowing businesses that work with them to gain an unfair advantage over those that remain fully compliant.

Workers' rights and protections

- **How can the Government improve employment rights, following Brexit and the covid-19 pandemic?**

In December 2019, the government announced its intention to publish an Employment Bill to protect and enhance workers' rights in the UK labour market. The employment bill was going to address a number of key issues including the regulation of umbrella companies, the creation of a combined single enforcement body (SEB), changes to employment rights, and other elements to improve clarity and awareness of rights for workers. It aimed to modernise the compliance and enforcement framework. Unfortunately, the long-awaited bill never materialised.

Government must introduce umbrella company regulation

As set out above, one of the key areas that the bill was supposed to address was the need for greater regulation of umbrella companies. Without proper regulation, employers and workers are at risk of being exploited by unscrupulous umbrellas offering tax avoidance solutions to people on their payrolls. The absence of regulation also links to the rise of other staffing models seemingly outside the scope of existing regulation. There has been a rise in 'joint employment models', which often see umbrella companies partnering with employment businesses to split employment responsibilities between them which, unsurprisingly, causes confusion for the worker.

Government must create a Single Enforcement Body

As first proposed in the Taylor Review, we urgently need to see the creation of a Single Enforcement Body (SEB), that is appropriately resourced. If people are the most important part of any business and key to our future economic growth as a nation, this needs to be underpinned by appropriate enforcement to stop non-compliant behaviour. An SEB would act as a one-stop shop for labour market enforcement, combining the existing remits of the Employment Agency Standards Inspectorate, the Gangmaster's Labour Abuse Authority and HMRC's National Minimum Wage team. A SEB will also make it easier for workers to raise concerns over compliance breaches.

Government must drop proposals to allow agency workers to cover in strikes

The most recent example of government policy undermining good business can be seen in the proposal to repeal Regulation 7 of the Conduct Regulations 2003, which would lift the ban on agency workers covering those on strike. Aside from the obvious risk this move could have on workers, the proposal isn't practical. ONS data finds there are currently 1.3 million vacancies in the UK, a record high. REC data shows that the number of candidates available to fill roles has been falling at a record pace for months. In this tight labour market, agency workers are in high demand and can pick and choose the jobs they take. Even if they are qualified for the roles and available to take such an assignment, they're highly unlikely to choose to cross picket lines. Agencies also want the ban to stay to avoid them being pressured by clients into supplying staff into hostile and potentially dangerous situations. Earlier this year, we saw the effect on agencies who inadvertently got drawn into the P&O dispute. That should provide a useful lesson. In all industrial disputes, the aim should be to resolve conflict, not to prolong it. Inserting a different firm's workers into the middle of a dispute can only ever inflame tensions. This proposal isn't pro-business, as evidenced by the fact that there's been next to no consultation with those most affected and the 2015 impact assessment conducted by government on the same issue.

- **How can the right balance be struck between the flexibility the UK economy needs and protections for workers?**

Recruiters report that requests for more flexible working now come ahead of negotiations around pay for jobseekers - this has been a key trend following the pandemic. Flexible working has become more commonplace in the last two years, particularly in professional roles, with many employees expecting flexible working to be part of their contract. We have seen that this has led some frontline workers to reconsider their careers because of a lack of remote or hybrid working. For employers, it has become imperative to navigate the fairness of the flexibility on offer to all their staff. It is important to remember that flexible working is not just about the location that people work, so public and private sector employers should consider flexibility around time and hours of work and greater use of advertising roles as part-time and job shares, where feasible.

- **What can the Government do to improve protection for people in low-paid work and the gig economy?**

Succinct and timely information needs to be shared with workers regarding their rights around National Minimum Wage (NMW) and what deductions can and should be made from their pay. The REC provides information to jobseekers, particularly agency workers, that is freely available and can be shared more widely. The government took steps to make pay and rights more transparent with the introduction of the Key Information Document (KID) in 2020 - and we would like to see this document embraced by all businesses. Creating and resourcing a Single Enforcement Body would help solve this issue to some extent, giving workers great clarity about their rights, and making it easier for them to raise concerns over compliance breaches.

Appropriate regulation of the whole labour supply chain, including umbrella companies, would also help to address some of these concerns by creating a clear legislative and compliance framework. Giving workers greater access to HMRC's NMW team would also help - the role of the NMW team needs to be publicised more and made clearer to workers that they can refer potential issues to this enforcement body. Some time back, the REC, among others, made HMRC aware that a number of payroll issues were affecting nurses and HMRC have since undertaken a really helpful communications campaign, aimed specifically at nurses, to address this. Similar campaigns aimed at different kinds of workers would be welcome.

- **What opportunities should be taken to capitalise on the UK's departure from the EU to differentiate between the EU and UK standards in some areas of workers' rights and protections?**

The issue is not really about the origin of the rules, it's about taking the opportunity and initiative to build a base of law that is modern and fit for a flexible world, reflecting the rights of both permanent and temporary workers. This would involve changing some elements of EU law, such as:

- the Working Time Directive, implemented in the UK under the Working Time Regulations 1998. The legislation does not include provisions on how to convert the statutory holiday entitlement into days or hours for workers who work irregular hours. This makes the calculation of holiday pay for these workers complex. To calculate statutory holiday entitlement in hours, government previously recommended the 12.07% holiday accrual method. For these workers, the standard working year is 46.4 weeks (52 weeks minus 5.6 weeks statutory entitlement) and 5.6 weeks is 12.07% of 46.4 weeks. This accrual method is now being challenged at the Supreme Court in the case of Harpur Trust v Brazel [2019] EWCA Civ 1402 - which casts doubt over this widely used method of calculating holiday entitlement. If flexible forms of working are on the rise, this needs to be addressed.
- the extension of the Section 1 Written Statement under the Employment Rights Act 1996 to agency workers in April 2020 was unnecessary and duplicates existing requirements, under the Conduct of Employment Agencies and Employment Businesses Regulations 2003.
- Health and Safety legislation has also been drafted without considering temporary workers engaged under contracts for services. Most of the Health and Safety legislation refers to employers and their obligations to employees. There are even references to self-employed workers, but they do not deal with 'temporary' or 'agency' workers. It was only on 6 April this year that we saw a slight improvement when the Personal Protective at Work (Amendment) Regulations 2022 was introduced to include limb 'B' workers who must receive free PPE.

In addition, government should introduce proposals to help create a level playing field by ensuring that there is careful consideration of how temporary workers and other forms of contingent/flexible labour operate. To achieve more protection for different categories of workers, there should be alignment with the definition of 'worker' based on case law which will result in a broader category of workers being covered and protected.

- **The Government announced, but has not yet published, a new statutory code to prevent unscrupulous employers using fire and rehire tactics. What should this new code include to be an effective deterrent against that practice?**

We are pleased government announced this code and as evidenced by the tactics deployed by P&O ferries earlier this year, there's a clear need for it. Fire and rehire tactics are absolutely not what agency labour is for. The P&O dispute should provide a valuable lesson here, but as stated previously, the government's own proposal to repeal Regulation 7 of the Conduct Regulations 2003 is another example of using agency workers for the wrong reason. It's an unworkable proposal that won't give government the numbers it expects, risks the safety of workers, and inflames and prolongs disputes between an employer and employees.

The Code should cover the provision under Section 203 of the Trade Union and Labour Relations (Consolidation) Act 1992 which includes:

- the information needed to communicate with employees and their representatives
- the minimum consultation period and number of meetings they must have
- the notice requirements for meetings and the ones to observe before introducing changes
- the grounds which will be considered as reasonable for implementing changes

- ensuring there's a robust business case in place, which outlines the changes and explains clearly why they are required
- considering the impact this may have on the selected employees
- evaluating the number of employees that will be affected and comply with collective consultation rules and any processes in trade union agreements
- considering any alternative ways to meet the same objective and consider any compromises employees have out forward
- providing reasonable and clear reasons for rejecting any alternatives based on factual and strong evidence
- treating all employees equally and consistently, and not making changes based on any protected characteristic under the Equality Act 2010
- ensuring the affected employees feel they're fully valued and supported.

Employment status and modern working practices five years on from the Taylor Review

- [How are working patterns changing in the UK? To what extent is the gig economy growing and permanent full-time employment contracts in decline?](#)

The REC's Labour Market Tracker shows the change in working patterns, by looking at job postings advertised in the UK between February 2020 and May 2022. As outlined below, we've seen a huge upsurge in remote job posting over the past two years, but remote working still represents a small part of the overall mix.

All Occupations	Feb 2020 Unique Postings (Pre-pandemic)	Apr 2022 Unique Postings	May 2022 Unique Postings	% Change from Feb 20 to May 22	% Change from Apr to May 22
All Jobs	1,545,610	2,932,914	3,114,994	101.5%	6.2%
Non-remote	1,518,749	2,674,205	2,834,450	86.6%	6.0%
Remote	26,808	258,180	279,994	944.4%	8.4%
Key Word Search: (flexible OR hybrid) AND working	309,560	837,099	920,726	197.4%	10.0%

The number of people working for gig economy platforms in the UK has nearly tripled in England and Wales over the past five years, according to research published by the Trades Union Congress (TUC). 14.7% of working adults surveyed now work via gig economy platforms at least once a week, compared to 5.8% in 2016 and 11.8% in 2019. This amounts to 4.4 million people in England and Wales working for gig economy platforms at least once a week. Meanwhile, 22.6% of workers have done platform work at some point, up from 11.5% in 2016. This is to be expected to some degree given how we have all embraced new forms of digital technology in our everyday lives.

The table below shows the change in job postings in the gig economy between February 2020 and April 2022.

All Occupations	Feb 2020 Unique Postings (Pre-pandemic)	Apr 2022 Unique Postings	May 2022 Unique Postings	% Change from Feb 20 to May 22	% Change from Apr to May 22
Full Time (>32 hours)	1,453,751	2,738,817	2,899,521	99.5%	5.9%
Part Time (<32 hours)	70,346	141,480	156,960	123.1%	10.9%
Flexible hours (range of working hours e.g., 24-36 hours)	21,432	52,381	58,269	171.9%	11.2%

- **What should the Government be doing five years on from the Taylor review of modern working practices to address the issues raised in that report?**

As outlined in our response already, several of the issues raised in the Taylor Review have seen no further action since the report was published five years ago. Whilst the Covid-19 pandemic may have caused delays and shifted the government's priorities on some of these issues, it is important that some of the findings of the Taylor Review are not forgotten entirely.

Aside from the urgent need to introduce umbrella company regulation and the creation of a Single Enforcement Body, government needs to take the opportunity to tidy up several pieces of outdated legislation that no longer reflect modern working practices. A good example of this is around holiday pay. The regulations on holiday pay were enacted in 1998 and were not drafted with modern temporary working practices in mind. Because of this, confusion around their application can lead to accidental non-compliance by employers in a very complex and constantly evolving area of law. Government guidance in this area has been overruled by subsequent legal cases, showing why we need to modernise the legislation.

Holiday pay is just one area, and there is a raft of other employment law that is similarly out of touch with modern working. Since these laws were drafted temporary work, gig work, contracting and freelancing are all commonplace. According to REC research, two in five people in Britain have done temporary, contract or freelance work during their life. Legislation that is out of date leads to square pegs (temp workers) being put into round holes (laws that were designed for permanent employees) and increases the chance of accidental non-compliance and potential exploitation.

- **Are current legal definitions of employment status, in light of recent judicial rulings, still fit for purpose?**

The failure of alignment between "worker" and "self-employed" in employment law, and "employed" and "self-employed" in tax law is a source of confusion for organisations, individuals and the general public. Government needs to progress work in this area, complete an employment status review which will highlight the complexity that arises from having two different systems for tax and employment rights. Government must consider how tax tribunal and employment tribunal rulings could be applied across jurisdictions. A review will reveal the unfairness of IR35 and the off-payroll rules which sees individuals deemed as employees for tax but not employment rights.

Current employment practice issues often stem from our existing tax system. Therefore, we call on the government to progress the work of the cross-government working group on employment status which has been on hold since October 2016 so that the long-term future of tax and employment status can be looked at.

The impact of an ageing population on the labour market.

- **What impact is the ageing population already having on employment rates and labour productivity?**

While there are fewer unemployed people in the UK, employment levels and hours worked are still lower than pre-pandemic levels. There is not yet any sign of a potential economic slowdown affecting the jobs market, but if we don't address the fact that there are not enough people looking for work, this could put a dampener on our economic recovery and growth.

As already stated, there are more drivers over the age of 60 than under the age of 30 and our members tell us this is a growing concern. Similarly, in education and healthcare, we've seen teachers and medical professionals leave after training, with many then choosing to work via an agency because they have more control over their working patterns. We know that one of the groups of people who



actively choose flexible work, including temporary contracts, are those aged 50 and over. In some instances, they want to try something new, balance work with other responsibilities (often caring - caring for children on the one hand, and elderly parents on the other), or are just facing burnout and want to take a step back. Unless we can genuinely harness flexibility in the labour market, we will lose that group entirely.

- **How is the UK's ageing population exacerbating the labour shortage that can already be felt in some sectors, e.g., hospitality, hair and beauty, social care?**

The retirement of "baby boomers" is having a significant impact on many sectors already experiencing shortages. As the 2021 Census shows, the number of people aged 65 and over has surpassed the number of children aged under 15, highlighting why planning for the future workforce needs to be at the top of the government's agenda.

Driving and logistics

Losing older workers has been a problem in the driving and logistics sector for years, but the impact of Brexit and the pandemic has exacerbated the issue further. Most HGV drivers leave the workforce before reaching the age of 45. By 2020 of those under 45 who held HGV licences, only 19% were professional drivers and only 32% retained their licences and qualifications. The rest left the industry altogether. A significant number of over 45's also leave the workforce some time before retirement; for example, 40,000 over 45's left in the first quarter of 2021.

Construction

There is growing pressure to deliver on major infrastructure, new housing and future green retrofit projects in the UK, but the construction sector is also experiencing a worrying plunge in the number of skilled workers. According to the Construction Products Association, 223,000 workers have vanished from industry over two years since summer 2019. Nearly half come from the skilled 45-55 age group.

The construction sector is being hit by a perfect storm; a substantial drop in younger skilled workers from the EU and a faster than expected loss of older more experienced workers born in the UK. According to CITB's annual migration report, over the last three years, the number of migrants working in construction has fallen by 15%, from over 326,000 to just 280,000, the equivalent of one in every seven migrant workers leaving the sector.

- **How can the Government help maintain the employability of older workers who wish to remain in work? What are the barriers facing older people in the workplace, including pension aged workers, and how should these be addressed?**

The REC has been invited to join the 50 Plus Choices taskforce by the Minister for Employment, aiming to provide advice and recommendations on recruiting and retaining older workers. We are working on our proposals to the Minister and would be happy share those with the committee when ready. As part of our work in an earlier working group under this taskforce, we were one of a small number of business bodies that recently published a report on [menopause and employment](#) which made recommendations aimed at bringing about comprehensive change around menopause transition awareness. There are close to 4 million women aged 45-55 in work in the UK - meaning there are few workplaces where the menopause is not being experienced by staff. We know menopause is a key recruitment and retention issue. Women experiencing menopause are often at the peak of their skills and experience and we should be getting the most from our female talent. This has never been more important at a time of chronic labour and skills shortages.

We also know that flexibility and caring responsibilities have been cited by some older workers as a reason for exiting the labour market, so that needs to be addressed as a priority. Government should consider introducing statutory two-week leave for grandparents and require businesses to conduct a review with all staff over the age of 55 on flexible working arrangements.



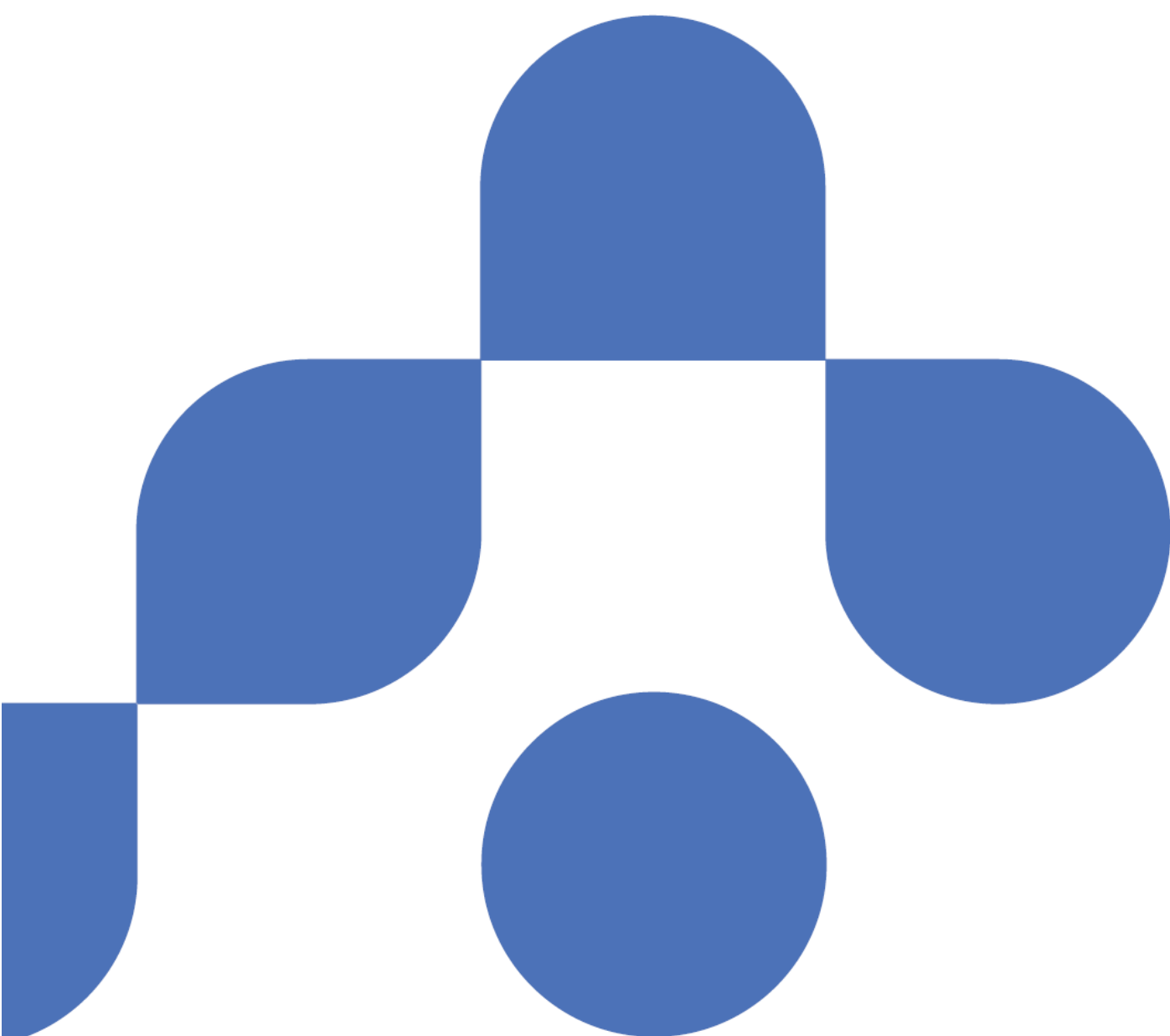
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