UK Contingent Staffing in 2023:

Navigating Recent Changes

EXECUTIVE SUMMARY

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Across 2020 and 2021, the combined impact of the pandemic, the UK's exit from the EU, planned legislative change within the contingent labour arena and the rise of remote working options generated unprecedented turmoil within the UK labour market.

As the UK re-opened in the summer of 2021, and the furlough scheme ground to a close in September 2021, employers started to realise the extent to which the events cited above had impacted labour supply.

By Q2 2021, the official vacancy total had surpassed the pre-COVID (Q1 2020) level, since when it has rapidly increased, and continues to run at record levels. Job advertising levels followed suit, as employers were unable to access the talent that they needed. The net result was an acute, ongoing shortage of workers.

The dramatic events of 2022, including the onset of the war in the Ukraine, fuelled inflationary rises which inevitably led to a decline in workforce need and/or affordability. The impact can be seen both in declining official vacancy numbers and job advertising levels.

Despite this decreasing overall demand, however, notable proportions of employers in key sectors – including Health & Social Work, Education, Manufacturing and Accommodation & Food Service are still experiencing a shortage of workers. And skills shortages are being heightened by a significant increase in the number of people out of the workforce due to long-term sickness – likely to include many with long-COVID.

- Despite declining from their peak in March-May 2020, UK vacancy numbers were still 35% (282k) higher in Q1 2023 than in Q1 2020
- Again, whilst job advertising levels have declined from their near-term peak of 139% of pre-pandemic levels in May 2022, they were still running at 104% at the end of April 2023
- 13% of all UK businesses – including 31% of enterprises with 10+ employees – were still facing worker shortages at the end of April 2023

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With the UK historically relying upon engaging more than one in five of its workers on a non-permanent basis, the changing volumes and demographics of this talent pool have been hard felt.

Resourcing challenge #1: the shifting demographics of non-UK nationals in the workforce

Prior to the pandemic, the UK had become hugely reliant upon the support of non-UK nationals – to the tune of c.12% of its total workforce. Whilst declining, notably across 2020 and 2021, numbers have since surged and, by Q1 2023, the dependency had increased to c.13%. What has changed, however, is the underpinning demographics of the non-UK national workforce and the associated recruitment channels and protocols through which they were historically sourced, which left many UK businesses floundering.

Resourcing challenge #2: the loss of tens of thousands of freelancers

The impact of the new protocols for Off-Payroll Working (IR35) in the private sector has been significant, in terms of both the flux and fallout that ensued. Whilst not all of the colossal reduction in self-employed numbers across 2020 and 2021 will have been attributed to these protocol changes, a large proportion doubtless was.

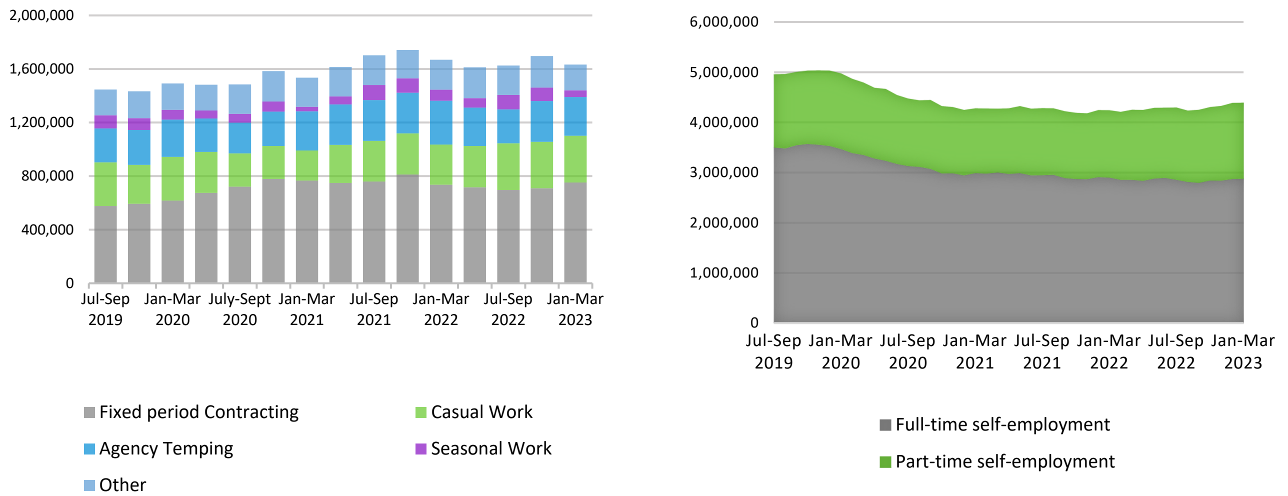
And by way of further evidence that it was not just the pandemic that was creating massive declines in self-employment. Comparison with EU data for both self and temporary employment highlights other drivers for change afoot in the UK.

Whilst is slowly increasing again, self-employed numbers were still 12% lower in Q1 2023 than in Q1 2020.

Resourcing challenge #3: resourcing within key skills sets has become boundaryless

Prior to the pandemic, around 1% of job ads offered remote work. In May 2023, the proportion of remote job ads varies considerably by sector, topping out at one in six (16%) jobs, or more, in the key Life Sciences and Tech sectors.

The numbers: how contingent labour changed between early 2020 and early 2023



Source: Pixid analysis of ONS data

Temporary employment was a clear winner over 2020 and 2021, with increases within Fixed-term contract (FTC) and 'Other' forms of temporary employment – a category that likely includes Umbrella Employment. Since then, numbers have broadly plateaued – but remain higher than pre-pandemic levels.

In contrast, **self-employment was the clear contingent-labour loser over the three-year period**. Moreover, an analysis of the change in industry utilisation, over the period, shows that self-employment numbers are lower in every sector (except Real Estate) – and, in many, they have substantially declined. And whilst self-employment numbers are now rallying, they remain significantly lower than prior to pandemic and legislative reforms.

A full sectoral and role-by role analysis of change, by engagement status, over the period 2019-2022 – and trend data for 2023 – is included within the main report.

With so much unprecedented turmoil occurring over such a relatively short time-period, there has never been a greater need for effective management of the contingent labour pool.

The implications: the increased need for speed, accuracy and efficiency

With the **combined contingent labour pool (self-employment and all forms of temporary employment) in the UK diminishing by 6.9% (449k) between Q1 2020 and Q1 2023**, there is a continuing heightened need for organisations to deliver a targeted, swift and professional attraction and recruitment process.

Moreover, with the new rules of engagement of 'Off-Payroll' workers and a new immigration system, there is, additionally, a heightened need to ensure and maintain compliance in relation to permissions and engagement status.

The rise, and likely permanency, of large volumes of remote working also throws new considerations into the process around how to effectively on-board, manage, maintain compliance amongst and off-board those who a hirer may never physically meet.

When combined, all the above lead to an increased need for speed, accuracy and efficiency within the contingent labour management process.

An overview of the best practices that assist hiring organisations, Managed Service Providers (MSPs) and staffing agencies to achieve this is contained within the main report, downloadable via this webpage.

If you would like to discuss ways Pixid can help you implement your best practices for contingent workforce management, please get in touch.

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