

A report

From Brexit to Talent Shortages

A report on the challenges facing recruiters in 2019

In the latter stages of 2018, much was written about the recruitment challenges that companies would face this year. With Brexit bringing so much uncertainty and recruitment moving towards a more candidate-driven market, it's important for employers to make the most of their talent acquisition strategies.

As we head into Q4, we take a look at some of these key challenges and explore how they can be overcome.

Challenge #1

The impact of Brexit upon the political landscape

Undoubtedly the biggest challenge facing any recruitment team is the changing political landscape. Since the 2016 Brexit referendum, the UK has been affected by political instability. With a third Prime Minister in just three years, we still appear to be no closer to Brexit, and this is having a significant impact upon recruitment practices, both nationally and globally.

There are mixed messages surrounding the impact of Brexit upon recruitment. Whilst the CIPD recognised that immediately after the referendum, employment saw a sharp drop, their [Autumn Report](#) showed that the “proportion of employers looking to increase staff versus those looking to reduce staff has recovered strongly and remains at pre-vote levels”.

Whilst many Brexit discussions have focused upon the future impact on the public sector (a significant employer of EU citizens) and the migration of the [low skilled workforce](#) (such as cleaning staff, fruit pickers, warehousing staff, etc), it is clear that the Brexit-effect is already impacting recruitment practices.

In a live [panel discussion](#) hosted by recruitment software specialists Workable in January 2019, it was agreed that whilst the uncertainty makes it harder, it's still important to plan ahead and implement both short-term and intermediate-term risk mitigation strategies. These strategies should be flexible, allowing them to be adapted as soon as the situation becomes clearer.

During the discussion, panellist [Louise Haycock](#), Director & Solicitor at Fragomen stated that;

“There are certainly elements that we can look at and start to plan on a worst-case scenario basis and on a best-case scenario basis. Obviously, that means a lot of investment for businesses on things that might not happen and that does cost money”

Under a withdrawal agreement there will almost certainly be a transitional period post October 31 and free movement will likely continue until the end of 2020. For recruiters, this means that recruitment practices are unlikely to change dramatically day-to-day and they would have plenty of time to consider what support is needed for existing and potential EU national employees.

However, in a worst-case scenario, if the UK leaves the UK with a no-deal, free movement will end on the 31 October, so employers need to understand what they need to do to support existing EU national employees. Currently, these employees and candidates will need to register under the EU settlement scheme although details are rapidly changing, and the latest confirmation of details will be available on [gov.uk](#).

From an employment prospective, it's imperative that time is taken to communicate with existing EU employees to help them understand the situation as it unfolds and how they may be affected.

“The best thing that employers can do, is to show that they're on top of the registration scheme and can help by directing queries and offer provision of support in making these applications”

Louise Haycock, Director & Solicitor at Fragomen

Challenge #1 - Continued

Looking specifically at recruitment practices, until more details are released over the coming months, it will remain difficult to fully understand the true implications of Brexit. The rising UK employability statistics suggest that the UK is in a strong position and undoubtably whilst there may be some casualties post-Brexit, there are also a variety of business opportunities which could occur.

Sage suggest that as part of any Brexit-strategy plans, businesses should look to see the positives as well as how to minimise the risks. In a recent [blog post](#) they suggested that;

“There are likely to be business benefits provided by Brexit. UK manufacturers serving UK businesses are likely to be in demand because of the potential difficulties and issues surrounding imports from the EU. Similarly, the potential difficulties in data transfer between the UK and EU—at least initially—might mean that UK companies switch to UK-based data storage.

As such, there are certainly business opportunities presented by Brexit that should be part of any preparedness plan, in addition to measures to overcome issues.”

Keir Thomas Bryant, Sage

Sage’s optimism is also reflected in a 2019 business census compiled by global credit company [CreditSafe](#), where 7% of companies stated that they were unsure about what to expect and how it would affect them, whilst 60% stated that they had seen no impact to date. Just 35% stated that leaving the European Union had already had a negative impact on them.



What is clear is that post-31 October 2019, businesses in the UK will have a clearer understanding of how they can adjust their recruitment and retention strategies.

For instance, whilst the short-term focus may be upon communicating with employees and understanding the potential impact of immigration, a longer-term view may be to revise workforce structures and planning with a specific emphasis upon recruitment practices. As part of this, businesses need to include all departments within their strategy planning including the C-suites, line managers and finance teams to enable everyone to prepare their own processes and recruitment requirements in a cohesive way.

Challenge #2

The UK's economic outlook & employability

From a political perspective, whilst Brexit may be dominating the headlines, it's important to stay focused on the UK's economic outlook.

In the [May 2019 Inflation Report](#), the Bank of England suggested that whilst GDP was "stronger than expected" in Q1, it will be "subdued" in the near term, coinciding with a weaker global economy.

According to the report, there has been a reduction in business investment despite the market remaining strong;

“Many of the determinants of business investment have remained supportive. The cost of finance is low relative to historical norms, rates of return on capital are robust, the labour market remains tight and survey measures suggest that firms are operating with limited spare capacity. All of this should increase firms’ incentive to invest”

Bank of England

Despite these economic challenges, employment growth in the UK is currently stronger than expected. Figures released by the ONS ([Feb-April 2019](#)) show that current UK employment rates are at 76.1%. Not only is this higher than 12 months prior (75.6%) but it's the joint highest on record. Women have seen a strong increase in employment, at 72% (the highest since comparable records began) although it should be noted that this increase could be as a result of changes to the state retirement age.

Notable employment statistics (February-April 2019)

- 32.75 million people aged 16 years and over are currently in employment.
- Full-time working hours have increased to 24.15 million (an increase of 402,000)
- Part-time working has decreased by 45,000 to 8.6 million
- For March-May 2019, there were an estimated 837,000 vacancies in the UK (12,000 fewer than December 2018 – Feb 2019) – This could be seen as a direct result of the expected Brexit deadline.

So, if employability is increasing and determinants in business investment remain strong, why are so many businesses reluctant to recruit?

The Bank of England suggests that

“Decisions to hire and invest both involve a degree of commitment, which means that there is value in postponing them in the face of uncertainty. However, this uncertainty is likely to be weighing more heavily on investment than employment, given that decisions about employment tend to be less costly to reverse”

Although the increase in employment figures is undeniably positive for the UK's economy, it does present a new challenge for recruiting teams and hiring managers. After all, if more people are employed (either in full-time or part-time positions), it means that there is a much smaller talent pool of suitable candidates actively seeking employment opportunities. Combined with the Brexit effect, it's clear that recruiting teams need to work harder than ever before to find creative solutions to their talent acquisition needs.

Challenge #3

Are we facing a talent shortage?

There is a growing belief within the recruitment market that we are currently facing a talent shortage and the combination of increased employability and the instability of EU settlement means that the pool of attractive candidates is smaller than ever before.

Globally, the skills shortage is also taking effect. Research and advisory firm [Gartner](#) say that 'talent shortages' are the top emerging risk for organisations, exceeding previous concerns over 'privacy regulation' and 'cloud computing'.

The talent shortage can be a result of several different factors, but a key component must be the development of technology. As Artificial Intelligence, Automation and Blockchain have become mainstream, entire professions (such as marketing, finance, and human resources) have changed their entire functionality. No longer are they just about curating content or managing people; they have undertaken a digital transformation which has seen new roles emerge, new practices become commonplace and new skills required.

From a talent acquisition perspective, this makes recruitment strategies much harder.

It relies on recruitment specialists having the ability to spot these new roles, as well as understanding what skill sets are required for the right candidate to continue this digital transformation.

To combat this talent shortage, it's imperative for businesses to focus upon their talent management strategies and continue to invest in new training and development opportunities for their staff. A focus on retaining and investing in existing employees is deemed a popular choice for businesses to fill difficult positions.



Challenge #4

The changing world of work & the growth of the self-employment sector

As the political landscape changes and the digital revolution continues to have its impact on the business world, it's impossible to ignore the changing standard in our world of work.

Gone are the traditional 9am-5pm working hours, and in its place is a new 24/7 employment opportunity which puts the lifestyle needs of employees first.

Flexible working isn't just about allowing employees to work from home. It's about using a combination of factors which allows staff to work to the best of their ability. It may involve flexi-hours, remote working, job shares, or staggered or compressed hours. In some instances, flexible working can even include zero-hour contracts, as shown by the growth in popularity of the gig economy.

“Flexible working is seen as helping families and individuals reconcile caring responsibilities and work, as an important means of increasing the quality of work and delivering economic benefits such as better retention and recruitment and better productivity.”

CIPD

Perhaps you have a standout candidate who wants to pick up their children from school, or maybe you have a senior manager who wants to enjoy a greater work-life balance. With advancements in technology, it's never been easier for businesses to offer new flexible working practices.

Allowing employees to work around their lifestyles (such as later start times to help with commuting difficulties, or opportunities to work from home) shows greater levels of trust and respect between employer and employee. This not only improves staff motivation and productivity but has a significant impact on your staff retention rates.

Incorporating a flexible working policy doesn't need to warrant an intensive financial investment. There are numerous free options available which allow for flexible working practices – for instance, the use of Skype or Google Hangout can be used to replace lengthy face-to-face meetings, whilst new HR Information Systems (HRIS) have been developed to allow employees to have secure access to internal systems and processes at the touch of a button.

“In our next guide, we'll be exploring the positive impact that flexible working can have upon businesses, and why businesses which invest in flexible working practices are more attractive to candidates.”

Kate Allen, Allen Associates

Challenge #4 - Continued

For candidates who dream of having their own work-life balance and remaining in control of their own career progression, self-employment is an attractive alternative and it's one which firms should keep in mind when incorporating new talent acquisition strategies.

Research from cloud accountancy software provider [FreeAgent](#) shows that 2.6 million Brits aim to become their own boss by the end of 2019.

FreeAgent discovered that the three primary reasons for most people starting a business are*

- Better work/life balance (46%)
- Wanting to choose they type of work that you do (44%)
- Attaining a greater sense of achievement (35%)

Currently, there are 4.91 million self-employed workers in the UK ([source: ONS](#)) and it is clear that self-employment is seen as a great alternative to traditional employment, particularly for professionals with a degree. Between 2001 and 2016 the percentage of highly qualified self-employed people with a degree (or equivalent) increased from 19.3% to 32.6%. This could explain why companies are finding it harder to recruit for senior or skilled/technical positions because the talent pool is no longer looking for specific employment as they are focusing upon their own self-sufficiency.

Working self-employed as a freelancer or contractor does have its challenges, but many are attracted by the ability to be in control of their own working patterns. If a person is keen to be able to balance their career with their lifestyle then it's certainly an attractive proposition. Therefore, it's so important for businesses to adapt to new ways of working; if they don't, they can easily find that employees decide to set up their own independent business to work on their own preferred terms.

Of course, just because someone is registered as self-employed, it doesn't mean that hiring managers need to discount them as a potential addition to the talent pool. Many businesses (ranging from SMEs through to globally renowned brands such as Expedia and Ancestry.com) are choosing to supplement their in-house teams with freelance or contractual support.

According to jobs board [Monster](#):

“In uncertain times such as these, hiring freelance talent is a flexible, cost-effective way to import well-honed skills and fresh perspectives, freeing you to focus on other aspects of your business. It can help you be more competitive and complete projects faster, without permanently adding to your overheads.”

If you have a hard-to-fill position, then it may be beneficial to start building strong relationships with freelancers or contractors. Many businesses are now reacting to the growing freelance sector and are working with preferred suppliers to outsource key areas of work (such as marketing or admin projects) which allows them the guarantee that the required work will get done, without the cost implications of a permanent recruitment drive.

This is a flexible approach which takes time and care. Whilst a freelancer will become an extension of your core internal team, it's important that they need to understand who you are and what your business does.

The three primary reasons for most people starting a business are:



Challenge #5

The introduction of Millennial and Gen Z workforces

A key challenge facing many firms is how to adapt the workplace to meet the demands of Millennial (b. 1981-1986) and Generation Z workforces (b.1997-2012). These generations are both digitally savvy (having grown up with technology) and will quickly become frustrated if workplace systems and processes are not efficient.

These workforces know that they have options; in a candidate-driven market, they simply aren't prepared to wait for opportunities and promotions to be offered. They'll actively seek out opportunities to help progress their careers, often changing employers simply to move further along their career path.

Unlike previous generations, they are unlikely to remain working for one company throughout their whole career. According to analytical firm [Gallup](#), 60% of millennials say they are open to a different job opportunity, and they are willing to act upon these opportunities. Gallup suggests that low engagement rates are a significant factor in why they are classed as the "job hopping generation". Only 29% are emotionally and behaviourally connected to their employer. Simply put, they want compelling reasons to stay at a company far beyond just salary and job title, and they'll keep moving around until they find what they are looking for.

From a recruitment and employment perspective, it's clear that this is a challenge where many businesses are struggling. Many businesses place greater emphasis upon attracting millennial candidates at the expense of their retention strategies. It's important to employ a balance; so that once candidates have completed their onboarding process, they are encouraged and inspired to remain working there.

“Don't write off Baby Boomers, or Generation X – They still have an important role to play within the modern workforce”

Kate Allen, Allen Associates

With so much attention placed upon the Millennial and Generation Z workforces, it's easy to forget that employers still need to consider both baby boomers and Generation X. They may be a slightly older workforce, but they still have considerable talents and experience to bring to the table.

As state retirement ages continue to change, many businesses will still need to meet the needs of their older employees who may not have the technical capabilities of their younger colleagues. Whilst attention does need to be paid to investing in new systems and processes to meet the changing world of work, it's important to ensure that existing workers are continually upskilled and supported to cope with these changes. These employees often have detailed knowledge of their business and their wider sector, so it's wise for businesses to combine this experience with the youthful enthusiasm of the Millennial generation.

At Allen Associates, we help Employers to source and secure the talent they need to achieve their lofty ambitions and retain their competitive edge in the market. For the last 20 years, our business has grown to become a leading independent Recruitment agency with offices in Oxfordshire and London. No matter the size of your business or how specific your needs with regard to personnel, our specialist recruitment consultants are well-equipped to advise and assist you in talent acquisition.

To talk to a member of our team, [click here](#) for more information or contact us on:

Oxford:

01865 335 600

London:

0203 800 1920

jobs@allen-associates.co.uk