Allen Associates

Recruiting Excellence

January 2023

Oxfordshire Recruitment Market Overview

Older workers may hold the key to unlocking labour shortages

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Introduction

We have not seen any major signs of a recruitment slowdown in early 2023 in spite of the UK's ongoing economic challenges – mainly due to the ongoing shortage of jobseekers.

The only exception so far has been within the technology sector, with large scale redundancies at Amazon and Microsoft making the headlines. However, experts say there is no evidence to suggest this is a bellwether for the rest of the economy and jobseeker shortages are likely to remain the number one challenge for employers as they navigate the year ahead.

Some may have entered the new year expecting recruitment pressures to ease in the face of negative growth forecasts, declining consumer confidence and seemingly endless price rises – but in reality, the challenges remain.

Most of the Oxfordshire-based employers that we work with are finding it as difficult now to attract candidates as they were in 2021 and 2022, and they don't think it's going to get any easier.

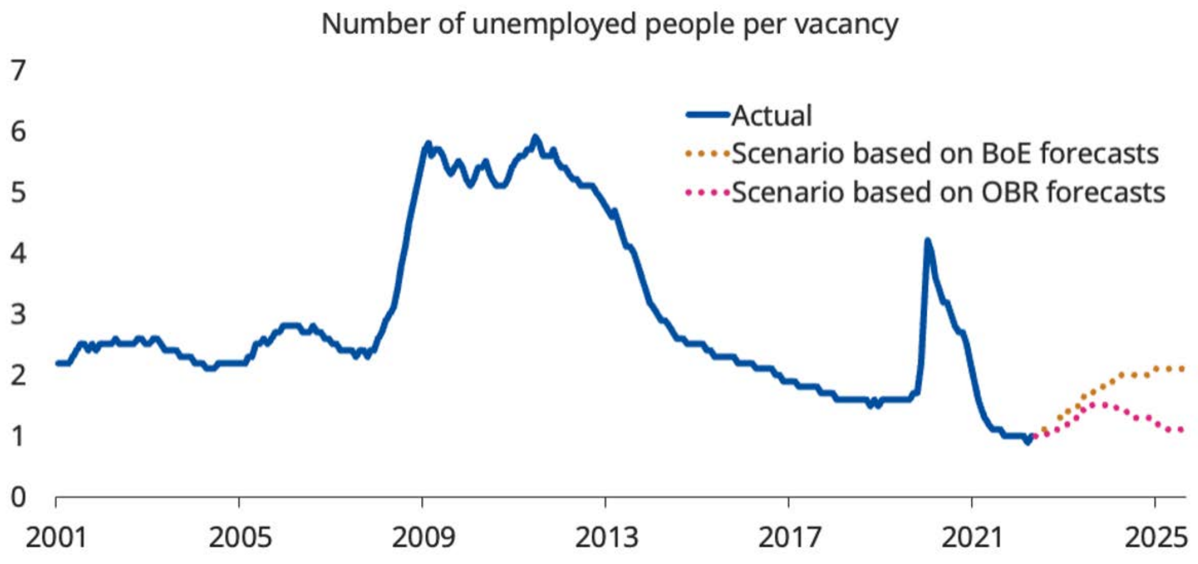
According to the findings of our most recent poll, employers and HR professionals in our region are expecting it to be much more difficult (22%) or slightly more difficult (47%) to attract the talent they need in 2023.

Jack Kennedy, an economist at Indeed Hiring Lab, was the guest speaker at Allen Associates HR Hub in January. Much of this blog is based on the data insights shared at this event.

Recession unlikely to make recruitment easier

Economists believe that recruiting candidates is unlikely to become much easier, even if the UK does enter recession as predicted. The number of job vacancies may fall but given the starting point of record low unemployment, labour market restraints and ongoing supply issues, the candidate pool is likely to remain small and competition for the best people will continue to be strong.

Labour market could stay tight despite recession



Sources: ONS, Indeed calculations based on OBR and BoE forecasts (based on historical relationship between GDP and vacancies)

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One attention-grabbing statistic is the ratio of jobseekers to job vacancies. According to the Office for National Statistics (ONS), there is, on average, one jobseeker for every one vacancy in the UK. To put this into perspective, there are currently 1.16 million job vacancies – that's over 40% more vacancies than in February 2020, just before the pandemic.

In fact the latest ONS data reveals that the UK employment rate now stands at 75.6%, which is one percentage point lower than it was on the eve of the pandemic. This is largely down to rising economic inactivity, currently measured at 24.5%, up 1.3 percentage points on February 2020.

It's little wonder then that employers are finding it tough to hire the people they need.

These average figures are skewed by those sectors that are experiencing the severest labour shortages – such as transport and logistics, warehousing, hospitality, retail, care, manufacturing and engineering – but nevertheless, recruitment remains challenging across the board.

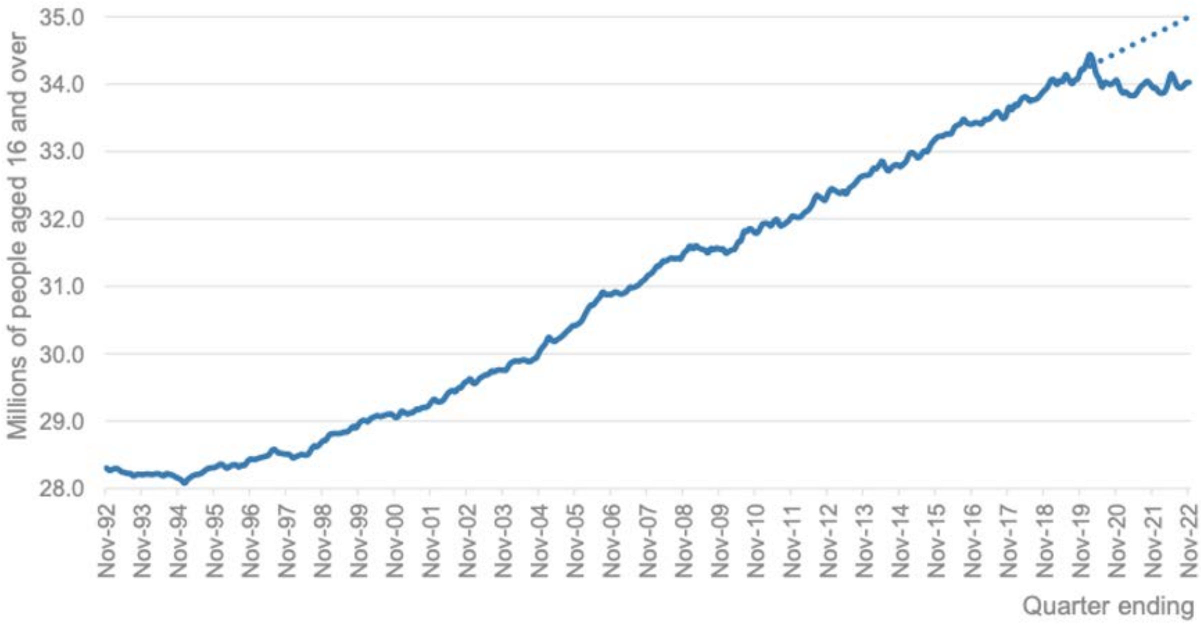
Why is the labour market so tight?

The UK's so-called 'missing million' has been blamed for the UK's tight labour market and ongoing candidate shortages. Analysis by the Institute for Employment Studies, using ONS data, reveals a black hole of almost one million workers versus what we could have expected had the pre-pandemic trend of rising economic activity continued.

The figure of nearly one million workers is based on the fact that there are currently almost 400,000 fewer people active in the labour force than there were on the eve of the pandemic, plus over half a million more if previous trends of older people staying in work longer, rising female participation and inward migration had continued.

"Missing million" workers from labour force

People in labour force (aged 16+) compared with pre-pandemic trend



Sources: IES analysis of Labour Force Survey

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Who are the missing million?

The rise in people absent from the UK workforce has been driven by three key groups:

1. **Older Workers**
   A significant number of people between the ages of 50 and 64 withdrew from the workforce during the pandemic. This is the group that is most likely to have paid off their mortgage and have a softer financial cushion to help weather inflationary and cost of living pressures, putting them in a stronger position to take early retirement, start a business, go travelling or make other long-held dreams a reality.

2. **People who are not well enough to work**
   The number of people on long-term sick leave has never been higher. It is clear that lengthy NHS waiting lists have contributed to the numbers of people who are signed off and unable to return to work until they receive the surgeries or treatments they need.

3. **EU workers**
   Employers have struggled to attract EU workers back to the UK post Brexit. Academic research estimates that by September 2022, there was a shortfall of 460,000 EU workers. This was partially offset by 130,000 more international workers from non-EU countries, but as these were mostly for higher skilled roles, the most pronounced gaps in sectors such as transport, warehousing, retail and hospitality have not been filled.

Attracting older workers

The biggest opportunity to grow the current pool of available workers is to encourage the over 50s back to work – and the Chancellor, Jeremy Hunt, is actively calling on older workers to return.

Many of these workers are highly skilled and could make a significant contribution to GDP while helping to ease some of the labour market pressures if – and it's a big if – they can be persuaded.

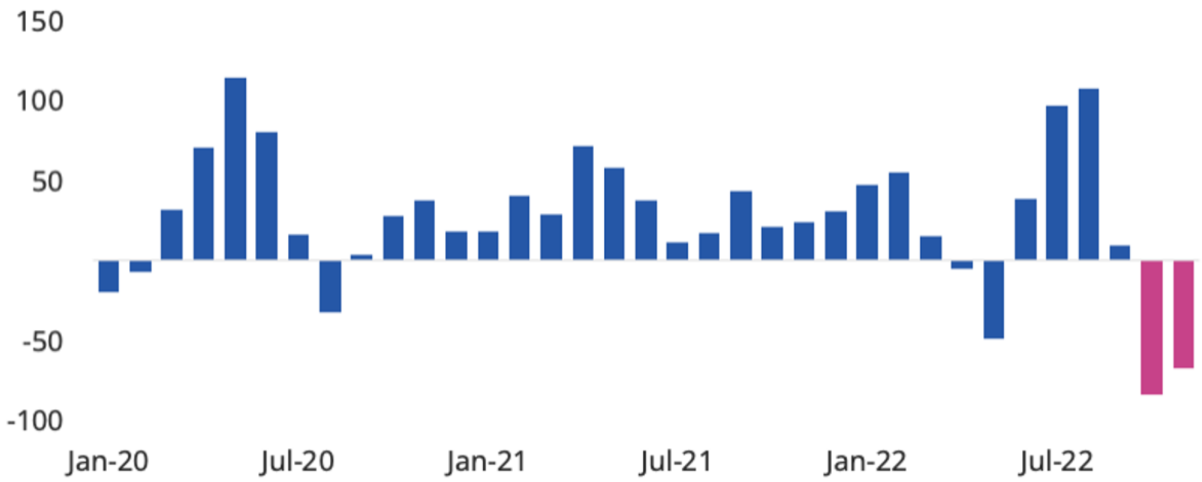
Record inflation, price hikes and uncertainty have seen people in the 50-64 age bracket begin to return to the workforce in what some policymakers hope is the start of a 'great unretirement'.

However, businesses have to be open to the idea of willing older workers and willing to adapt.

The challenge facing employers is that many in this group are financially stable and only willing to re-enter the jobs market on their own terms, with a flexible approach to hours and place of work being a key requirement.

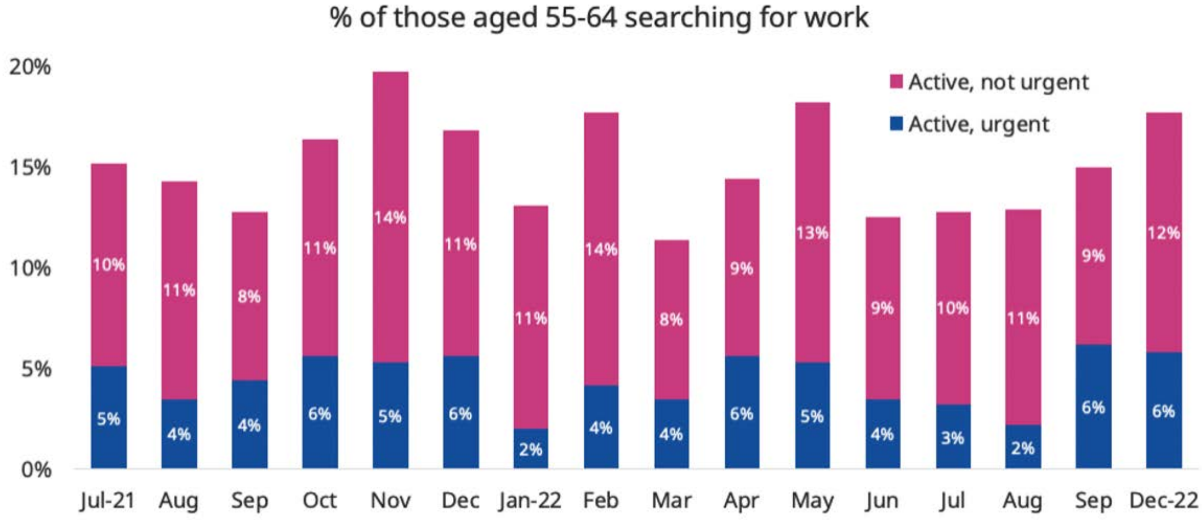
Inactivity has started to fall among 50-64s

Quarterly change in inactivity among people aged 50-64 (thousands)



Sources: ONS

Older workers aren't searching with great urgency



Sources: Indeed Hiring Lab Job Search Survey
Not seasonally adjusted. Quarterly frequency from Q4 2022

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As the graph from Indeed indicates, those aged 55 to 64 are not searching for jobs with any great urgency. This puts the onus firmly on employers to make their roles, remuneration packages and working environments attractive to older generations.

In short, they need a plan!

Employers are being urged, for example, to look carefully at their recruitment advertising and job descriptions to ensure they are fit for purpose and where necessary, revamp them as part of a new attraction strategy which taps into the needs of the audiences they are targeting.

Unfortunately, research from the Chartered Management Institute (CMI) suggests firms are much less open to hiring older workers than they are to developing younger people. In a survey of 1,000 managers conducted in October 2022, the CMI found that just 42% were open 'to a large extent' to taking on people aged between 50 and 64, as opposed to 74% when it came to hiring those aged 18 to 34.

These findings reported by the BBC, suggest that employers may be missing a trick and with a different, more inclusive approach, could widen their appeal and find themselves attracting a more diverse pool of candidates.

There are signs that things may be changing but it remains to be seen whether enough will be done to help ease candidate shortages this year

What are candidates looking for?

Salaries

According to Indeed's data, pay is still the number one driver for jobseekers with 25% of people looking to move jobs for more money. This is unsurprising, given that wages haven't kept up with inflation and with the spiralling cost of living, many people feel worse off than ever. Pay growth in November was around 6.4% year-on-year (7.2% in the private sector and just 3.3% in the public sector) but in an environment of double digit inflation, pay has decreased for everybody in real terms.

Flexible working

In spite of all the talk about bringing people back to the office, flexible working centred on remote working, is the second most desirable benefit. This should sound alarm bells for employers looking to instigate a return to the workplace on a more full-time basis.

Around 17% of jobseekers cite 'flexible working' as their most desired benefit when looking for jobs on Indeed, while searches for remote working are at a record high. Crucially, only 11.5% of job adverts mention these terms, which means employers may be missing a trick.

While the benefits of bringing everyone back together are well intentioned and understood, employers are being urged to tread carefully and be cautious about making any radical changes to their workplace policies without proper consultation and consideration of the potential implications.

Homeworking and the ability to work flexibly remain near the top of employees' wish lists so if employers want to retain and attract people in today's tight labour market, they need to consider how best to balance the needs of the business with those of the people they employ.

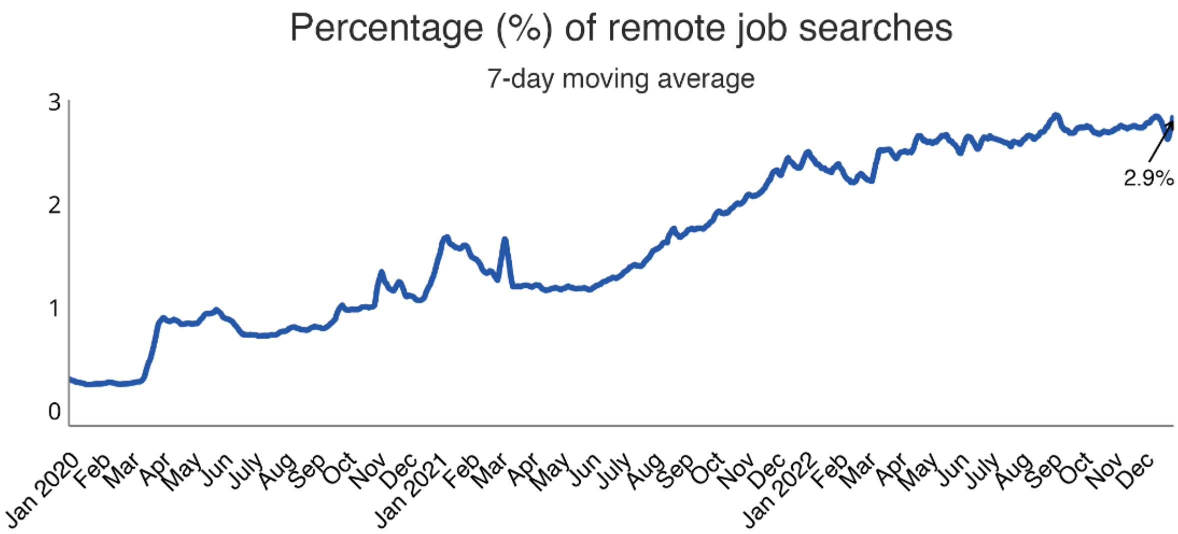
We know that productivity, engagement and communication can pose significant challenges to remote teams which means employers may have to invest more time in training with a view to adopting new strategies and improving current ways of working.

There are also significant issues around mental health and wellbeing which employers are having to grapple with. Talking to your workforce as well as any external advisers may provide some of the answers you're looking for.

For those roles that can't be done remotely, employers need to take a fresh look at how they can introduce more flexibility – for example around hours and shift patterns. It is important to remember that millions of workers now have the right to request flexible working from the first day of their employment.

Career development

Career progression is also highly valued and employers are encouraged to continue to invest in this area, for the benefit of new hires as well as existing staff.



Sources: Indeed

New and emerging recruitment trends

Introduction of signing-on bonuses

We are starting to see the beginnings of a trend for signing-on bonuses, with 1% of jobs advertised on Indeed now offering a one-off financial reward to successful applicants.

A 'golden hello' has been offered as a bonus to C-suite executives for many decades, but it is interesting to see this starting to trickle into mainstream recruitment practices.

Increase in searches for part-time roles

Searches on Indeed for part-time workers are also on the rise, perhaps as a result of growing demand for second jobs.

Employers might like to consider offering full-time roles on a job-share basis where practical. This can work particularly well in business support roles, including PA and administration, HR, marketing and finance.

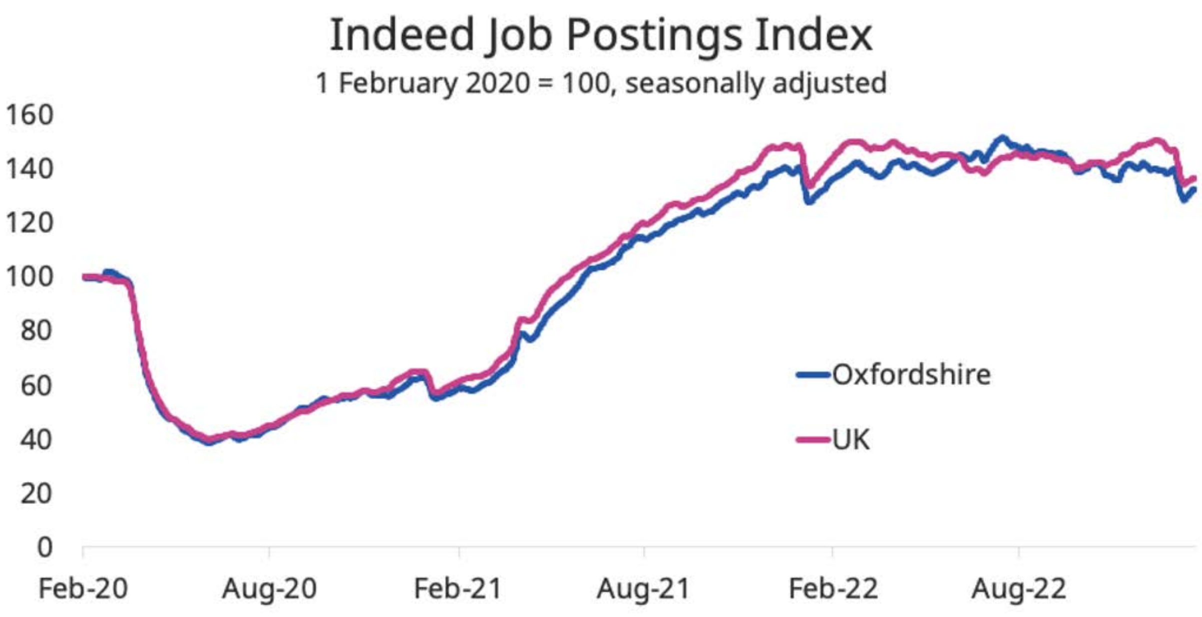
Recruitment in Oxfordshire

The Centre for Economics and Business Research predicted that Oxford would have the fourth fastest growing economy in the UK by the end of 2023, driven by its world-renowned, high growth sectors and large scale inward investment.

We know from talking to our clients that one of their major frustrations is not being able to source the people they need to fulfil their potential – whether that is expediting growth plans, resourcing major projects or developing new technologies at pace.

The shortage of skilled candidates in Oxford and across Oxfordshire is not limited to technical or niche roles either. Many businesses are finding it equally difficult to fill their support roles, including the key areas that Allen Associates specialises in: PA and administration, HR, marketing and finance.

The number of Oxfordshire-based job vacancies posted on Indeed in January 2023 was 32% higher than it was just before the pandemic began in 2020. While this is slightly lower than the national average of 36%, unemployment in Oxfordshire is substantially lower at 2.4% when compared to 3.7% nationally, so we're still looking at fewer candidates and more vacancies.



Sources: Indeed

Using temps to bridge the gap

For decades, temporary workers have been brought in to help businesses during good times and bad – whether that's to cover a hard-to-fill vacancy or absence, or to provide immediate support for a new contract win or period of rapid growth.

Temps also enable businesses to resource their operations without increasing their headcount or making a long-term commitment. This approach was particularly noticeable during the previous recessions as well as times like these, where the future looks particularly uncertain.

According to our professional industry body, the REC, there are 1.2 million people working via a recruitment company on a contract or temporary assignment in the UK at any given time.

Allen Associates has a large cohort of experienced temps who have all been pre-interviewed and registered, and these temps are available now.

What to expect from the year ahead

The start of the first quarter of 2023 has seen a weaker economy with the Purchasing Managers' Index, a key business survey indicator, dropping to 47.8, which is below the 50 no change level. Businesses are citing staff shortages, supply chain challenges, export issues, rising costs and industrial action as some of the contributing factors.

The International Monetary Fund (IMF) has downgraded its forecast based on the UK's high energy prices, rising mortgage costs, increased taxes and persistent labour shortages, predicting that the economy will contract by 0.6% in 2023 rather than grow slightly as previously anticipated. The IMF forecasts the UK will be the only major economy to shrink this year.

The Office for Budgetary Responsibility (OBR) also forecasts a contracting economy and a challenging year.

Unemployment is expected to rise from 3.7% to 4.6% which may ease recruitment pressures slightly, but this is likely to be short-lived and unemployment is forecast to be falling again from the second half of next year.

In spite of all this, the Oxfordshire employers and HR professionals who responded to our January poll said their organisations were maintaining a positive outlook:

- 16% said they were feeling bullish and actively going for growth;
- 39% said they felt positive and it is business as usual;
- 35% were cautiously optimistic, saying they were being careful but still pushing forward.

The longer-term forecasts are more positive, with green shoots appearing as we get closer to 2024 and look forward to a return to growth. The IMF says it expects the UK to grow in 2024, revising its forecast up to 0.9% from 0.6%.

Key takeaways

Allen Associates is a leading, independent recruitment agency, based in Oxford. We have been successfully matching talented people to temporary and permanent roles at all levels in Administration, HR, Marketing and Finance, within Oxfordshire-based businesses, the education sector and not-for-profit organisations for 25 years.

Our advice to employers and in-house recruiters looking to fill their vacancies in a tight labour market, is as follows:

- **Find new ways to attract the over 50s.** For example, by reviewing your culture; any bias within policies; the language used in adverts, job descriptions and the interview process; benchmark your remuneration packages; revisit your approach to flexible working and generally get creative about appealing to this hard-to-reach but highly valuable group
- **Continue to be flexible** and open to new approaches and different ways of working
- **Upskill, train and develop** your people; try to promote from within
- Consider whether a **signing-on bonus** might work for your business
- Look at experienced **temporary workers** as an immediate solution
- **Talk to us** about the value we bring to the recruitment process and how partnering with us will not only help you fill your vacancies quicker but also allow you to focus on other priorities and save you time and money in the long run

In conclusion

Neil Carberry, Chief Executive of our recruitment industry body, the REC, and a former guest speaker at Allen Associates HR Hub, is a regular source of wise words.

His comments on the ONS figures, published in December 2022, sum it all up:

"The overall picture we see is one of a labour market that is still defined by labour shortage constraining its ability to grow. That's why businesses need to work with their recruiters on innovative and effective strategies, and all firms are looking to Government to act on some of the barriers – from skills to immigration, and right to work checks to employment support, there is a huge amount the Government could do to fire up our labour market."

Neil Carberry, CEO, Recruitment & Employment Confederation (REC)

Additional reading:

Oxfordshire Recruitment Market Overview for Q4 of 2022
Oxfordshire Recruitment Market Overview for Q3 of 2022
Oxfordshire Recruitment Market Overview for Q2 of 2022
Oxfordshire Recruitment Market Overview for Q1 of 2022

Monthly webinars:
Allen Associates HR Hub

Useful contacts and more insights

If you'd like to discuss the Oxfordshire recruitment market or any of the issues raised in this report, please contact Kate Allen, Managing Director of Allen Associates: kate@allen-associates.co.uk.

You'll find more useful data and insights from Indeed Hiring Lab.