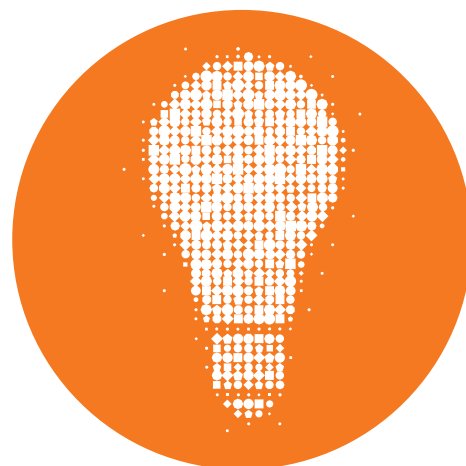
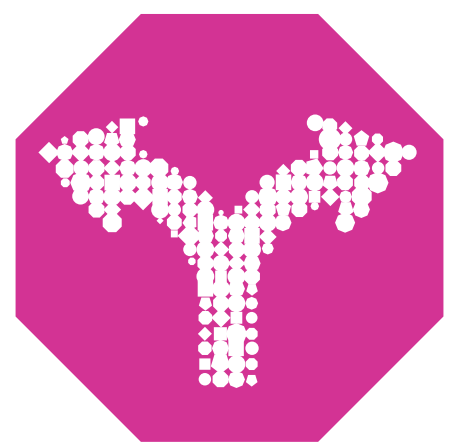
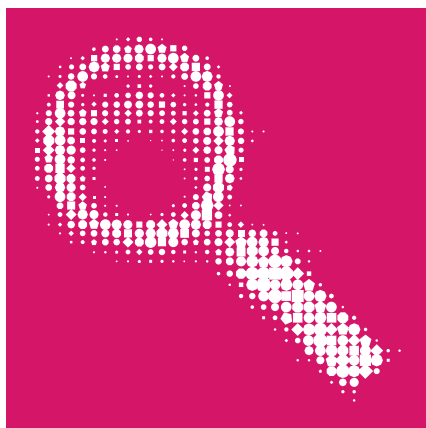
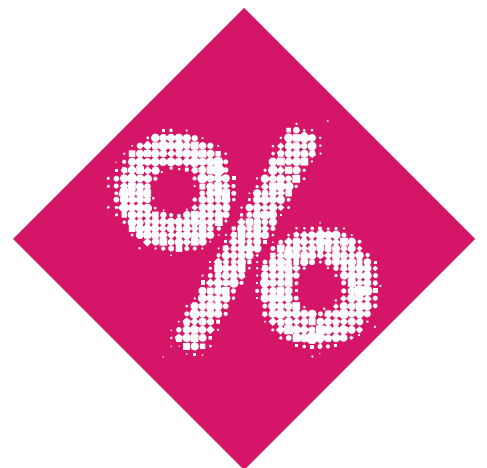
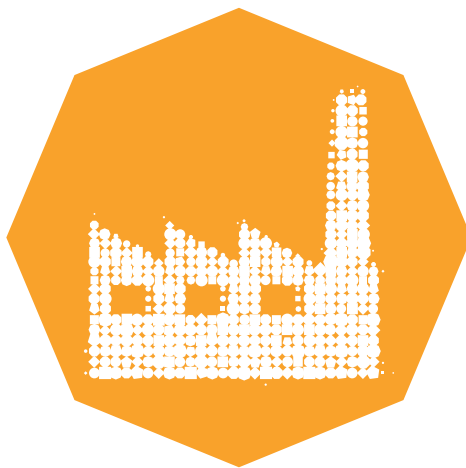
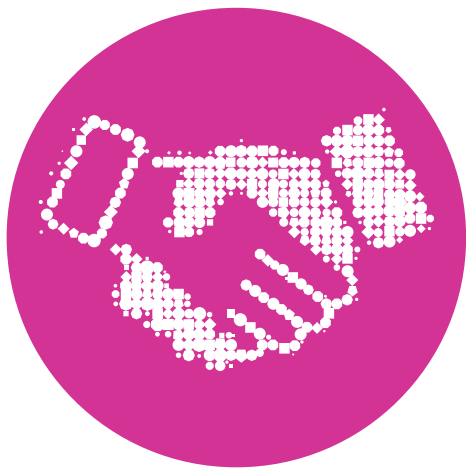


# People power

Does the UK economy have the skilled people it needs for the future?

June 2018





**1000**

employers were asked  
for their insight and  
views in this report



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There has been a lot of talk over the last few years about the problems employers are having recruiting new employees, particularly in those industries that tend to be low paid, and which have relied heavily on workers from countries within the European Union.

With the lowest unemployment figures for decades, but around 800,000 vacancies being advertised for at any one time, it is fairly clear that competition to attract workers is fierce.





# Foreword

The UK is in the grip of a skills crisis that is affecting many of our industries and impacting productivity, growth and ultimately the bottom lines of businesses across the country. Our education system is simply not well aligned to the needs of industry and employer investment in skills development has not recovered since the 2008 recession.

With the lowest unemployment figures for decades, but around 800,000 vacancies being advertised for at any one time, it is fairly clear that competition to attract workers is fierce. Exacerbating the issue, the jobs market is in one of the greatest states of flux we have seen for decades. Increasing globalisation and digitalisation, the introduction of artificial intelligence and the automation of many roles means that industries and jobs are changing incredibly quickly.

And then of course there is Brexit, as well as a move more generally by Government to curtail economic migration to the UK. There is a huge amount of uncertainty about how this will play out in the medium to long term and what the impact will be on the UK labour market. It's not surprising then that many employers feel they are facing a very uncertain future, with some sectors in particular, such as construction and accommodation and food services, relying heavily on overseas labour to fill vital roles, and already experiencing huge recruitment challenges.

As happens from time to time in the life of any economy, the labour market currently appears to resemble a giant snow-dome that has been given a huge shake, and as yet we don't quite know where exactly all the pieces will fall.

In this country we have a real issue with low productivity and it's no coincidence that we also have one of the lowest levels of employer investment in skills development in Europe, with the UK ranking 23 out of 26 countries according to the CIPD. Some work has been done by the UK Government to try to stimulate greater employer investment in skills with the introduction of the apprenticeship levy in 2017, the careers strategy and the forthcoming T Levels, with varying degrees of success to date.

To understand the impact of these interlocking issues on UK plc we polled over 1,000 UK employers to find out how they are faring in terms of recruiting and training the skilled workers they need to thrive and to uncover what challenges they see on the horizon. We also worked with economic modellers Emsi to consider the current state of the UK labour market and predict what it may look like in the coming years.

This research aims to give some context and pointers to where future demand is likely to be, so that those currently grappling with these issues can have a more solid basis for doing so. It also provides practical recommendations for employers, Government and the education sector to help combat skills gaps and shortages.

It is our belief that this data and analysis that follows might shed enough light on future job demand and workplace trends to be able to influence the answers to some of the big questions facing the British economy. As ever with research such as this it's only as useful as the actions that come out of it and we sincerely hope that the nine recommendations we've outlined will be acted upon to create real and lasting change and stop this research becoming yet another piece of commentary on such a vital issue



**Kirstie Donnelly MBE**  
Managing Director,  
City & Guilds and ILM



# The employers' outlook for the next 3 – 5 years

## UK businesses are confident about their futures

### So what are the employers' perceptions of the near future?

Interestingly, despite the current economic and political climate the majority of employers (85%) told us that they are confident that their business will grow over the next three to five years, with nearly a third (32%) telling us that their business will grow significantly. It remains to be seen if this is a case of over-optimism as they tackle the impacts of issues such as; Brexit, increasing levels of migration control, the forecasted interest rate rises, the diminished value of the pound, skills gaps and ongoing poor productivity.

Small businesses (between 1 – 50 employees) were less confident than large employers (5,000 – 10,000+ employees) about their growth prospects though, with only 21% of small businesses confident that they would see significant growth over the coming years, compared to 50% of large employers.

## Employers believe skills shortages and Brexit will impact their productivity in the next 3 – 5 years

Despite their optimism overall, many employers told us that there are factors that are likely to impact their ability to grow and their productivity more generally in the coming years.

### Internal factors

#### Skills gaps and shortages are having a significant impact

Employers believe that the factors that will most impact their productivity over the next three to five years are; the struggle to recruit skilled workers (47%), the fact that existing staff do not have the right skillset (32%) and a lack of effective leaders and managers within the business (27%).



**47%** of UK businesses are most worried about the impact of skills gaps on their business

### What internal factors might impact upon the productivity of your business over the next three to five years?

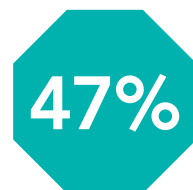
I struggle to recruit the skilled people I need	47%
Existing staff don't have the right skillset	32%
Lack of effective leaders and managers within our business	27%
We don't have the right technology in place	27%
There are no internal factors that might impact upon the productivity of my business over the next three to five years	27%
Other, please specify	27%



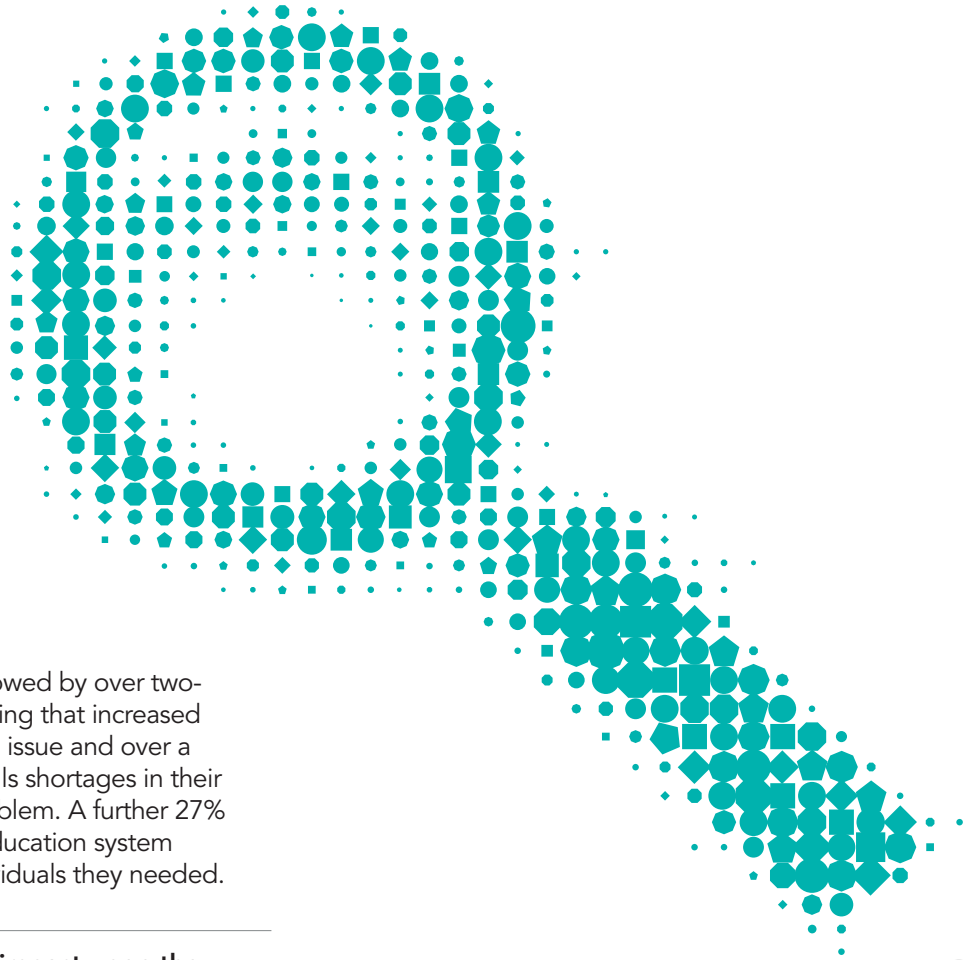
### External factors

#### Brexit begins to bite

It should come as no surprise with the deadline for the UK to leave the EU looming large, that employers told us that Brexit was their biggest concern when it came to their productivity over the next three to five years, with 46% stating it was a concern. Larger companies (1,001 – 5,000) were even more alarmed, with 55% stating it might have a negative impact on their ability to reach their potential.



**47%** of UK businesses are most concerned about the impact of Brexit on their business



Concerns over Brexit were followed by over two-fifths (44%) of respondents stating that increased competition was likely to be an issue and over a third (35%) who told us that skills shortages in their industry were likely to be a problem. A further 27% of respondents said that the education system wasn't creating the skilled individuals they needed.

#### What external factors might impact upon the productivity of your business over the next three to five years?

Brexit	46%
Increased competition	44%
Skills shortages in my industry	35%
New legislation (i.e. GDPR)	30%
Education system not creating the skilled people I need	27%
Size of the market we operate in is likely to shrink	21%
There are no external factors that might impact upon the ability of my business to grow over the next three to five years	5%





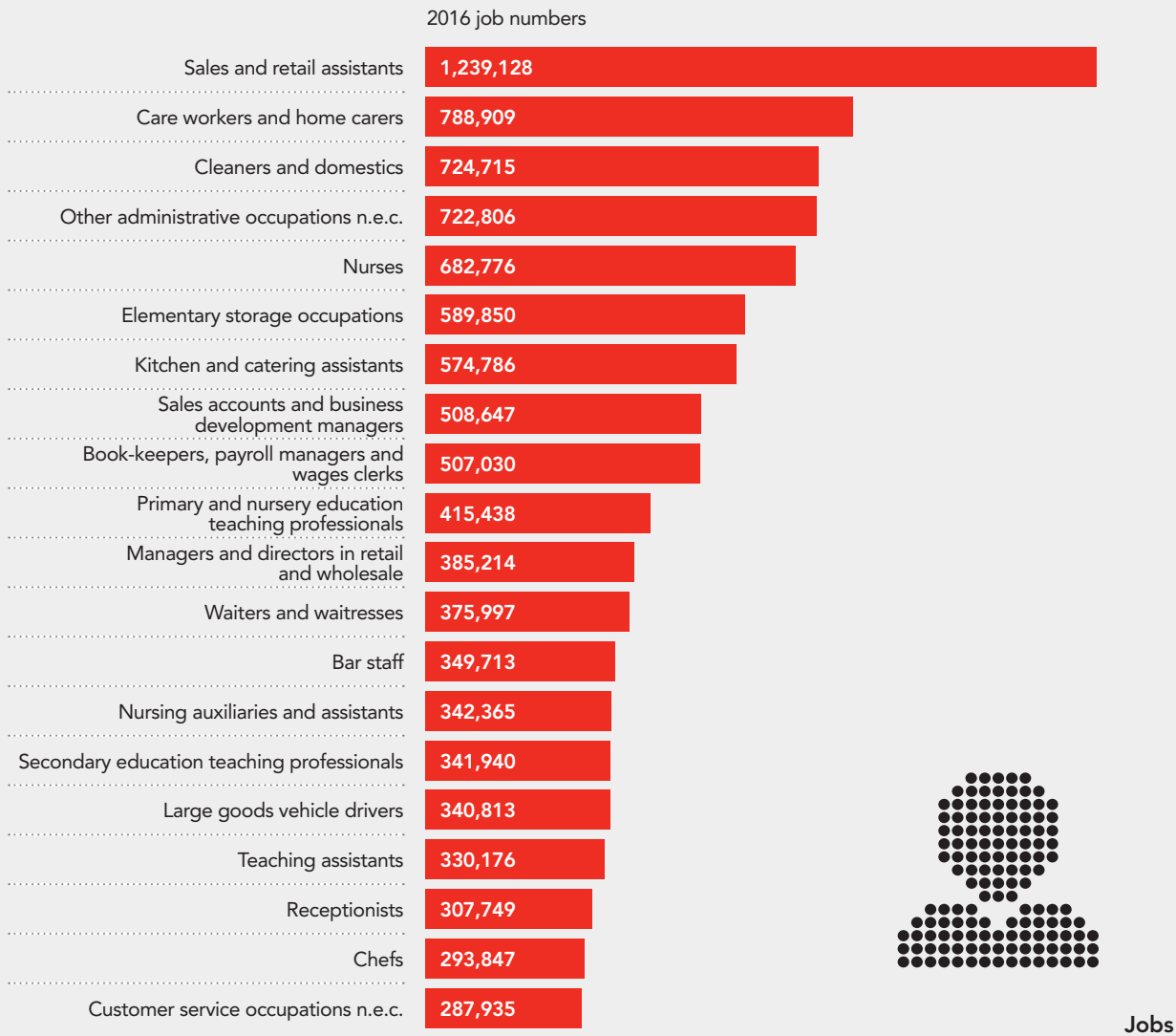
# Predicted job growth / decline by occupation to 2024

Before we start to consider which jobs UK employers are finding most difficult to fill, it is worth thinking about which job types are likely to grow in the coming years so we can see where competition is going to intensify. We have also considered which jobs are likely to decline and some of the reasons for this.

It comes as no surprise that many of the jobs making up the top 20 high growth jobs in 2016 are those

towards the lower end of the spectrum in terms of skills and wages, as these types of role are typically higher volume than higher skilled, more specialist roles. For example, cleaners and domestics, elementary storage occupations, kitchen and catering assistants, waiters and waitresses and bar staff as well as caring, leisure and other service job classifications.

**Top 20 occupations in Great Britain in 2016 by total job numbers**

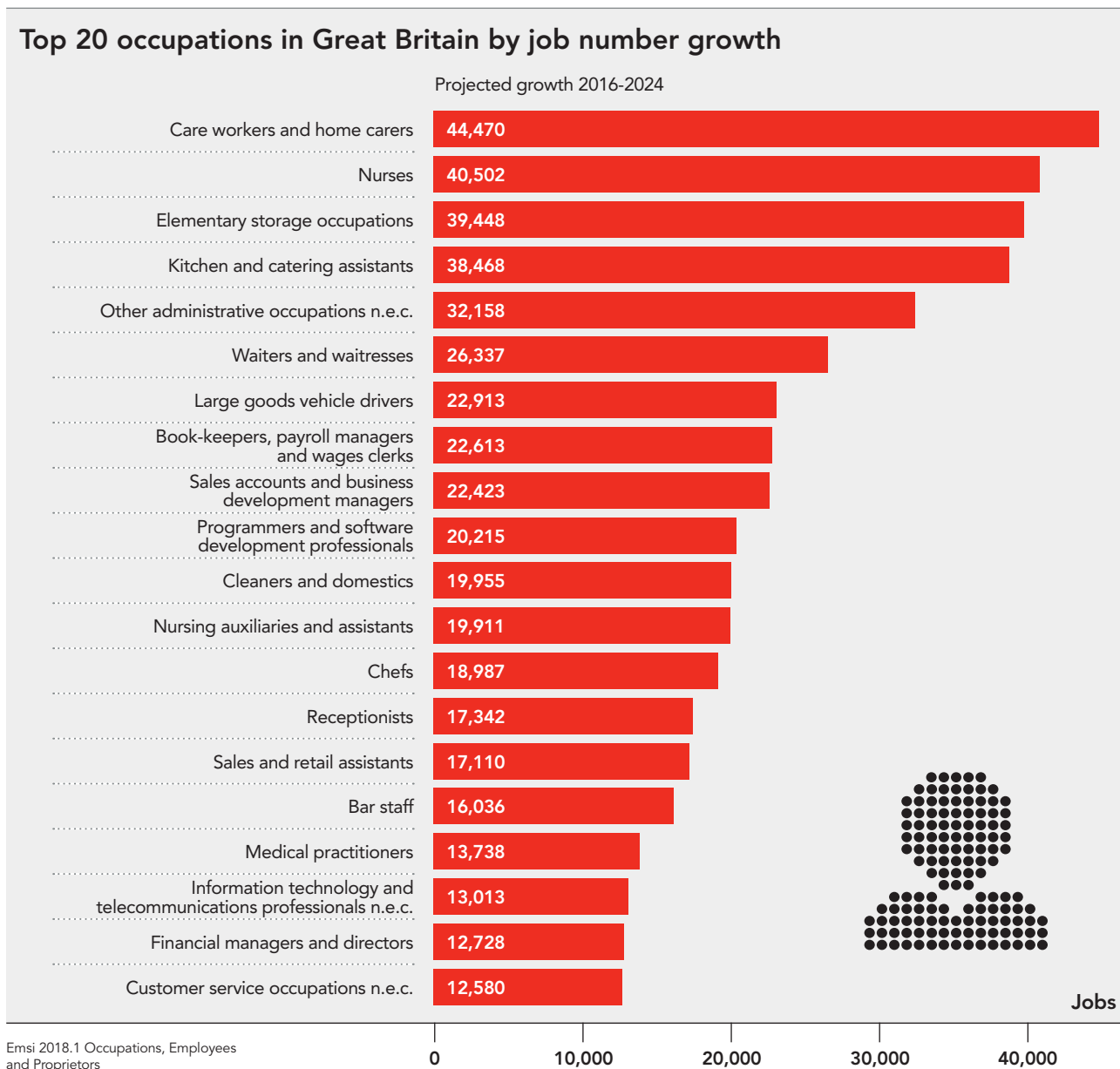


Emsi 2018.1 Occupations, Employees and Proprietors



Although there are a handful of higher wage occupations in the top 20 – primary and nursery education teaching professionals, secondary education teaching professionals, and nurses, for instance – the overwhelming number of occupations are low wage, with the average hourly pay for these jobs being just £12.52 per hour, compared to the national average for all jobs of £15.47. As for education level, most of the jobs in the top 20 require a lower level of educational attainment, with 16 of the 20 requiring a Level 1-3 qualification.

In terms of job growth, this echoes what we find in the top 20 current jobs, albeit with some interesting differences. For example, although care workers and home carers is the second largest occupation in terms of job numbers, growth in this area is expected to outstrip all others with over 44,000 new jobs being created between 2016 - 2024. Elsewhere, Sales and retail assistants, which was by far the biggest occupation in terms of overall job numbers in 2016 (over 1.2 million), is set to see only very slight growth between 2016 and 2024 (17,110 jobs) and this growth will be in largely non-retail related areas, reflecting the decline seen in high street shopping.



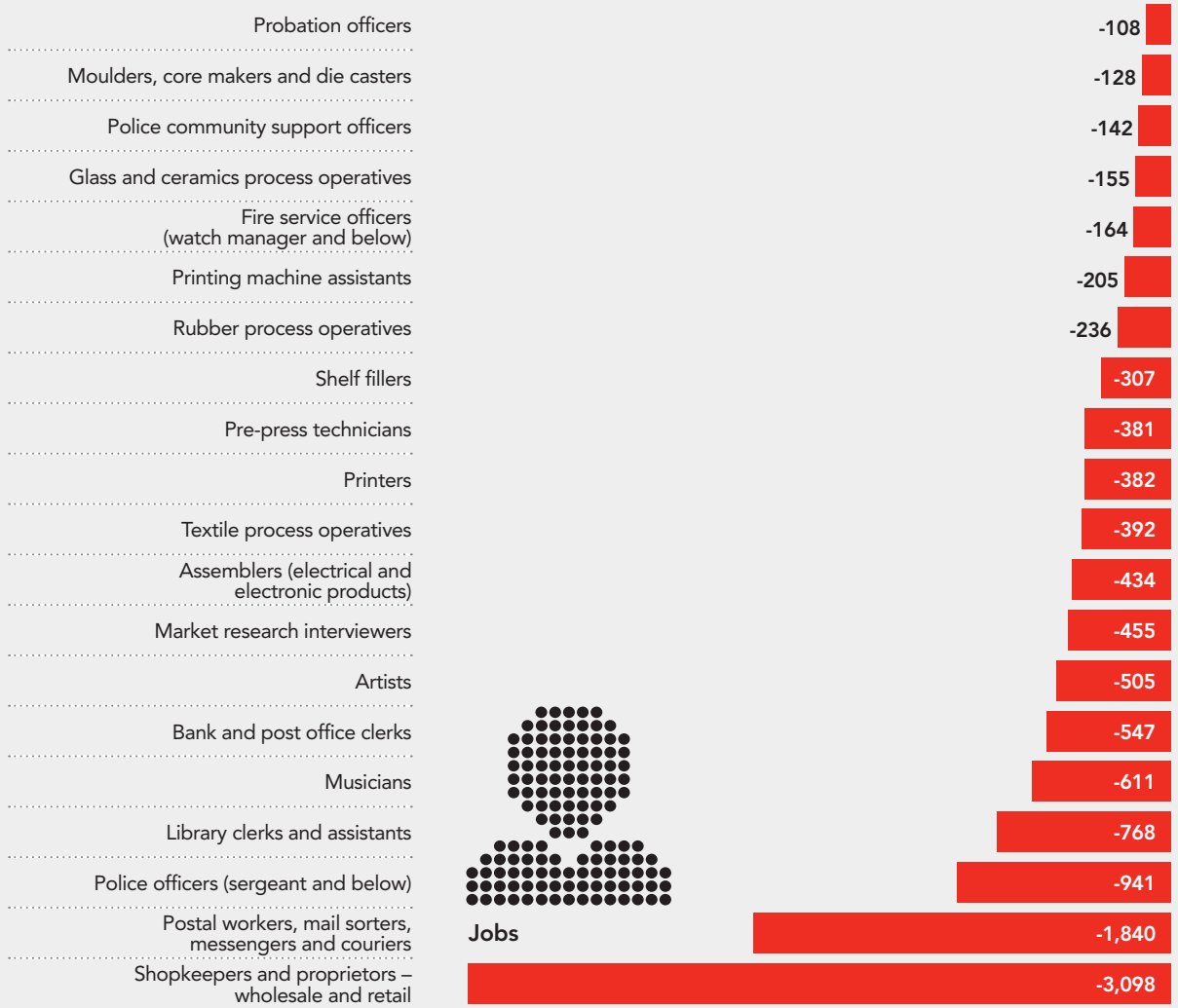


It's interesting to note the number of highly skilled and highly paid jobs that make it into the top 20 jobs in predicted growth, which weren't in the current top 20 job numbers. For example, we can expect to see growth in programmers and software development professionals (around 20,215 new jobs), information technology and telecommunications professionals

(13,013), and financial managers and directors (12,728), each of which requires a Level 6 qualification and pays an hourly wage well in excess of the national average. This high-value jobs growth largely derives from the technology sector with all of the jobs requiring qualifications in a STEM subject.

### Bottom 20 occupations in Great Britain by absolute job number growth

Projected growth 2016-2024

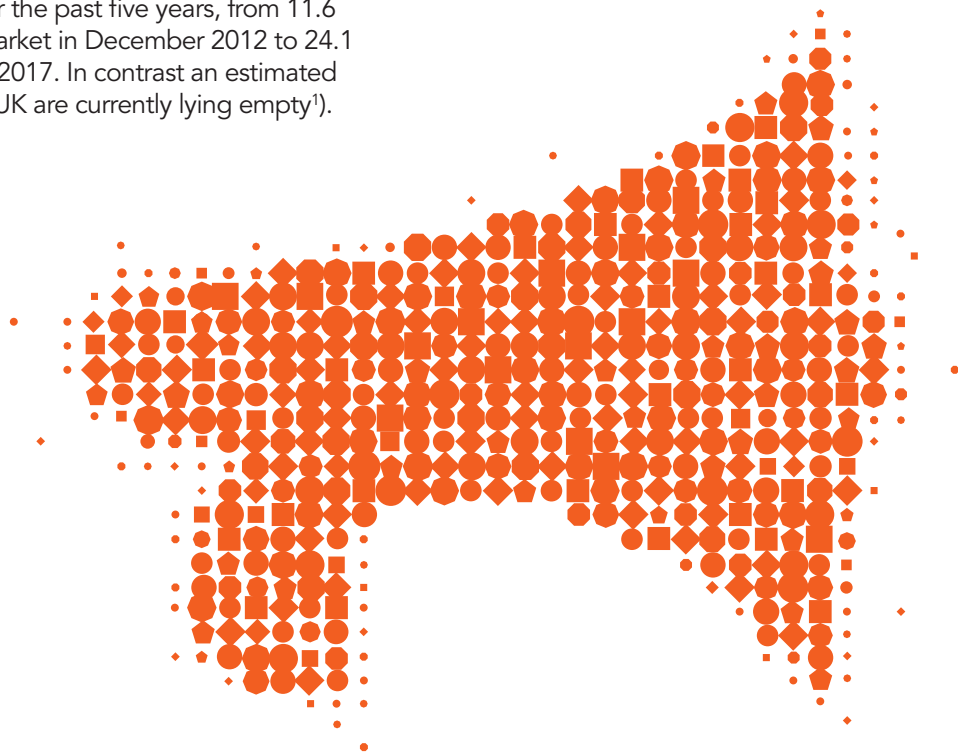


Emsi 2018.1 Occupations, Employees and Proprietors

At the other end of the scale, where we look at those occupations that are projected to decline in the chart below, the majority of them are from two overarching classifications, with five occupations falling within the process, plant and machine operatives occupation category (which would tend to be in the Manufacturing sector), and another five being from the 'associate professional' and 'technical occupations' classification. It's likely that greater automation will play a part in the decline in numbers in many of these cases (i.e. printing machine assistants, rubber process operatives, assemblers of electrical and electronic products) particularly as we know that overall the manufacturing sector is set to grow over the coming years after decades of decline (see industry graph on p25).

Similarly, there is a projected decline of shopkeepers and proprietors – wholesale and retail, between 2016 and 2024 of more than 3,000 jobs. This can be at least partly attributed to the rapid change in shopping habits we have seen in recent years as internet shopping becomes ever more prevalent (according to the British Retail Consortium online sales of non-food items have soared over the past five years, from 11.6 per cent of the total market in December 2012 to 24.1 per cent in December 2017. In contrast an estimated 1/10 retail units in the UK are currently lying empty<sup>1</sup>).

1/10  
retail units in the  
UK are currently  
lying empty



<sup>1</sup> According to Springboard

# Skills gaps and shortages

Now we have seen the labour market predictions for the jobs market between the current day and 2024, we can compare this with the findings of our employer survey to get a better understanding of where we are likely to see competition for employees intensify and skills gaps increase in the coming years.

## Managers and team leaders are the most difficult jobs to fill

We can see from the graph below that the jobs employers found most difficult to fill were managers and team leaders, with almost half (47%) telling us that they struggled to recruit these roles. This is followed by specialist roles such as digital analysts, engineers, marketing and IT staff (32%) and experienced core staff such as secretaries and security (27%).



### Which jobs levels do you most struggle to recruit?

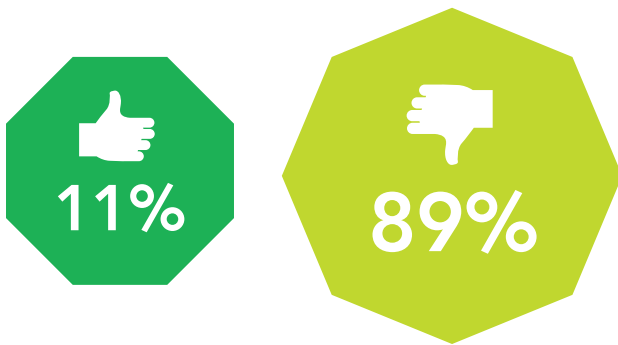




# Quantifying the impact of skills gaps and shortages

We have highlighted that employers rated skills gaps at the top of their list of concerns but how great a problem is it in actuality?

In fact, only 11% of respondents told us that they never struggle to recruit the staff they need compared to 19% who said it is a problem all of the time.



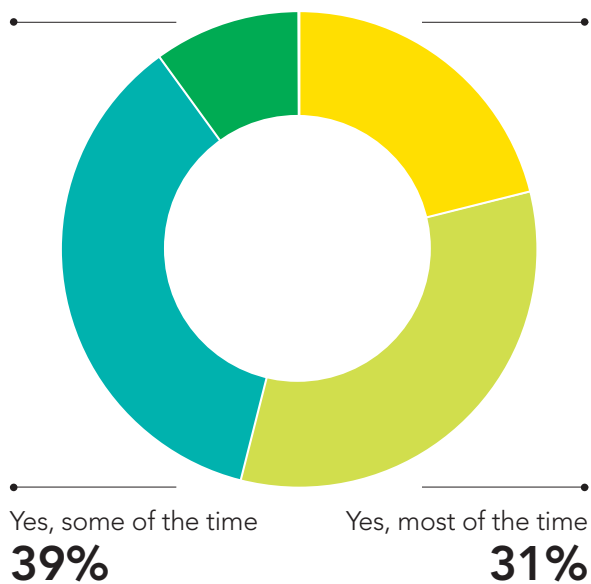
Just a third (33%) of employers stated that they thought that skills gaps in their business would improve over the next three to five years.

In contrast almost 2/3rds (63%) believed they would either remain the same as they are now (34%) or worsen (29%).



Do you currently struggle to recruit the skilled staff you need?

No, never **11%**      Yes, all the time **19%**



What will the impact of skills gaps on your business be over the next three to five years?

Get much worse	4%
Get somewhat worse	25%
Stay the same	34%
Get somewhat better	24%
Get much better	10%
There are no skills gaps in my business	3%

## Skills gaps are hitting the bottom line of UK businesses and diminishing productivity

As we can see from the graph below skills gaps currently have a significant impact on both the profitability and productivity of UK businesses.

Difficulty meeting customer demand was noted as the biggest problem affecting 38% of employers. This was followed closely by higher operating costs (36%) and having to outsource work to another company (28%). In addition, over a quarter (27%) told us that it meant they lost business to competitors.

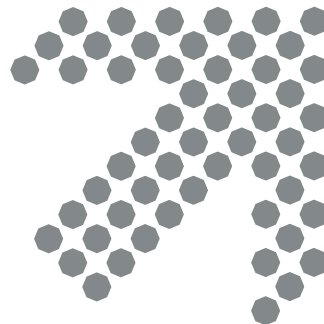
Meanwhile, over a quarter (28%) told us that skills gaps made it difficult to introduce new practices and technology and a quarter (25%) stated that it created difficulty in developing new products and services, demonstrating the ongoing impact on productivity.

### What kind of impact do skills gaps have on UK business?

Difficulty meeting customer demand	38%
Higher operating costs increased salaries	36%
Having to outsource work to another company	28%
Difficulty introducing new practices / new technology	28%
Losing business to competitors	27%
Difficulty developing new products and services	25%
Other, please specify	2%

### Why do you have a problem recruiting skilled staff?

High level of competition for skilled people in the area	43%
UK education system doesn't create the skills we need	38%
We can't compete on salaries/benefits	24%
The location of our business	22%
Losing business to competitors	28%
We aren't able to offer progression opportunities within the business	20%
We don't have the budget to train staff appropriately	18%
Our industry is not desirable	14%
I don't know	2%
Other, please specify	—



The most prevalent reason stated for struggling to recruit was a high level of competition in the area (43%), followed by the failure of the UK education system to create the skills needed (38%) and the fact that businesses are unable to compete on salaries (24%).





# Employers' skills gap solutions

## What needs to be done to fix skills gaps?

Almost half of employers (45%) told us that they believed educational institutions needed to be better aligned to the needs of business, with the same number again (45%) stating that companies need to invest more in training their staff and the same again (45%) stating that businesses, the education sector and Government need to collaborate better.

As employers have noted above, they see the need for a collaborative solution to reducing skills gaps but also believe they can start to tackle this problem themselves by progressing their own staff.

### Why do you have a problem recruiting skilled staff?

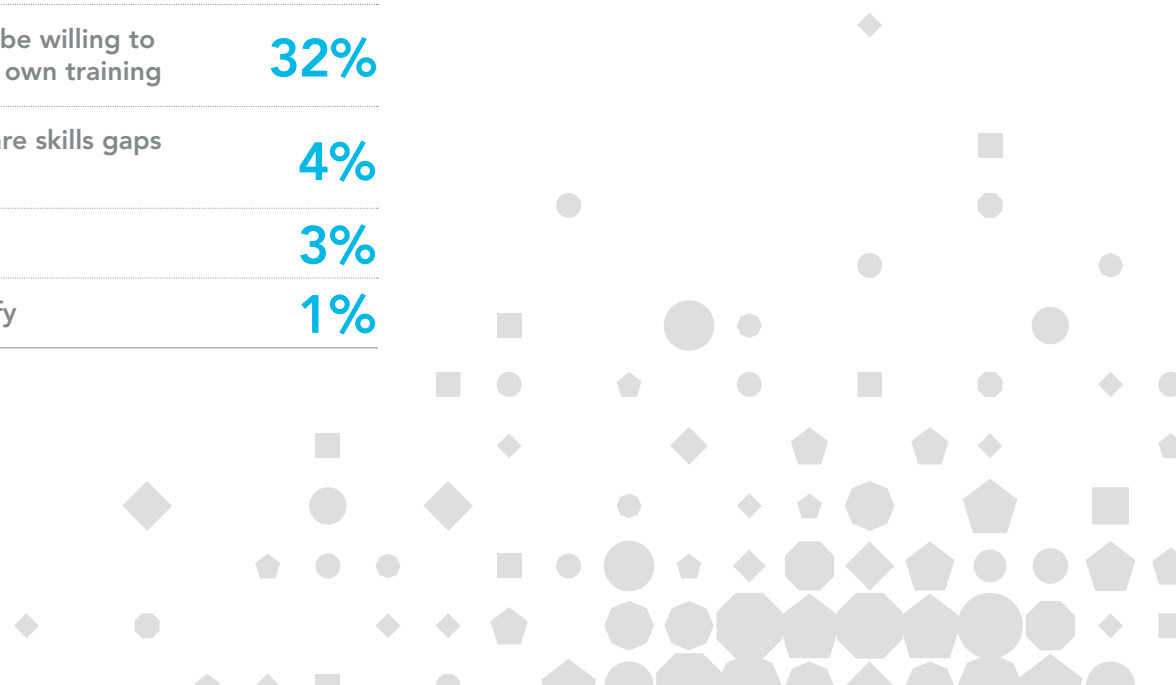
Educational institutions need to be better aligned to the needs of business	45%
Companies need to invest more in training their staff	45%
Businesses, education sector and Government need to collaborate better	45%
Companies within my industry need to collaborate together better	32%
Individuals need to be willing to invest more in their own training	32%
I don't think there are skills gaps in the UK	4%
I don't know	3%
Other, please specify	1%

## Which piece of Government policy do employers believe is most effective in tackling skills gaps?

The apprenticeship system comes out on top as a solution for skills gaps, with over a fifth (21%) telling us that they believed it was the most effective piece of Government policy currently in operation. This suggests that many employers do in fact back the new system, even if there is clearly still significant work to be done amongst the other 4/5ths to ensure that it is widely adopted.

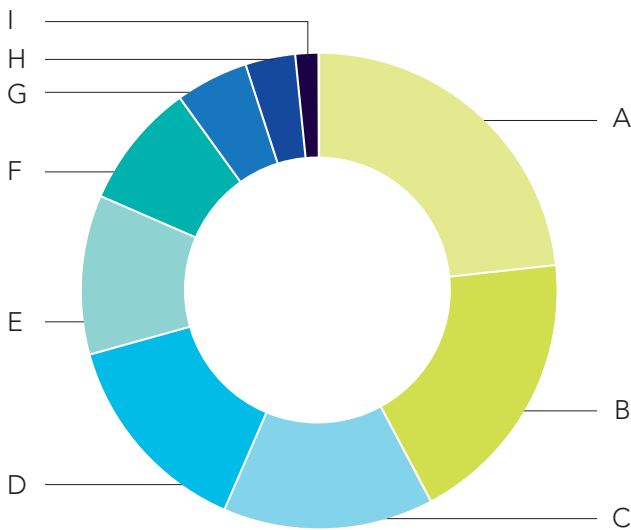
The apprenticeship levy was followed closely by the new careers strategy (19%) and the forthcoming National Retraining Scheme (14%) meaning that there is a reasonably even spread of responses in this section. This suggests either that employers are confused about the number of Government initiatives, or possibly it is a recognition that you can't have one silver bullet to solve everything.

It also is worth noting that a significant minority (10%) felt that no Government policy at all was effective at tackling skills gaps suggesting that Government may still need to do more work with employers to understand their skills needs and meet them.





**Which piece of Government policy is most effective in tackling skills gaps?**



A. The apprenticeship levy	<b>21%</b>
B. New careers strategy	<b>19%</b>
C. The National Retraining Scheme	<b>14%</b>
D. Industrial Strategy	<b>11%</b>
E. I don't think any Government policy is effective at tackling skills gaps	<b>10%</b>
F. Devolution of skills to the regions	<b>10%</b>
G. T Levels being introduced	<b>8%</b>
H. I don't know	<b>6%</b>
I. Other, please specify	<b>1%</b>

**Employers are very positive about their own skills development activity**

It's interesting to note from the data below how positively employers rate their activity to tackle skills gaps in their businesses, particularly when we noted earlier in this report that 9/10 employers stated that skills gaps were an issue for their business.

Over three quarters (77%) of respondents ranked their talent management plan as very effective or effective whilst another 77% stated that their management training was either very effective or effective, this is despite almost half (46%) telling us that managers and line managers were the most difficult roles to fill.

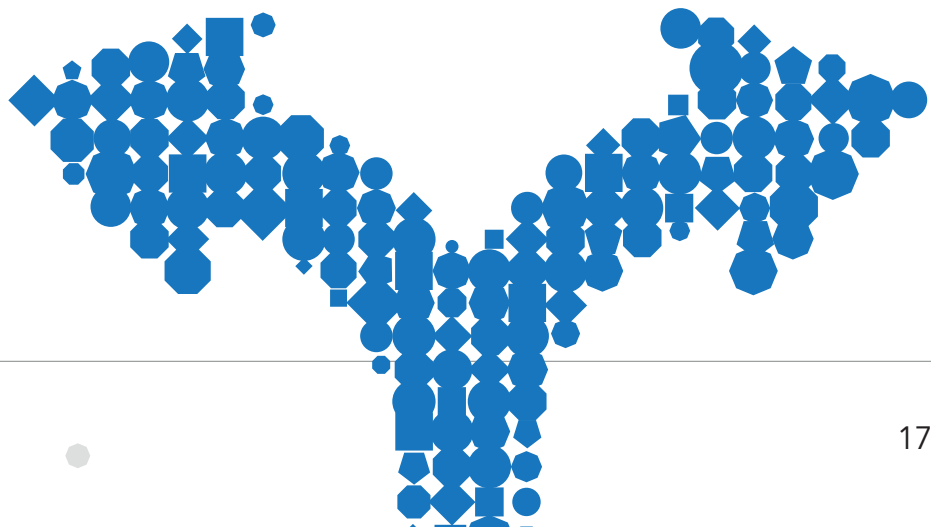


of employers believe management training is effective



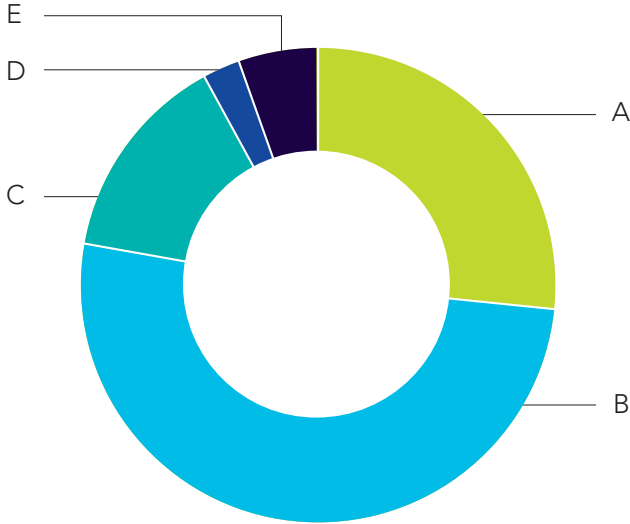
of employers stating they are most difficult role to fill

There seems to be a disconnect in the findings here which suggests that employers may be overly-positive about the impact of current training practices.



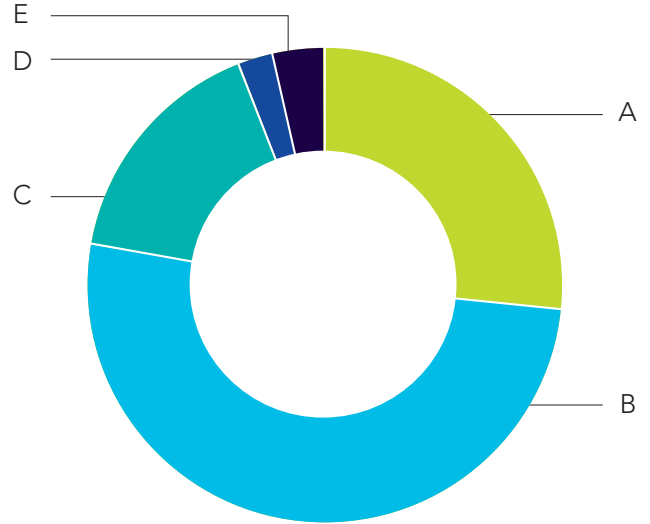
## Employers are very positive about their own skills development activity

### We have a structured talent management programme



A. Very effective	<b>27%</b>
B. Somewhat effective	<b>50%</b>
C. Not very effective	<b>13%</b>
D. Not effective at all	<b>1%</b>
E. We don't have this measure in place	<b>10%</b>

### We invest in leadership and management training



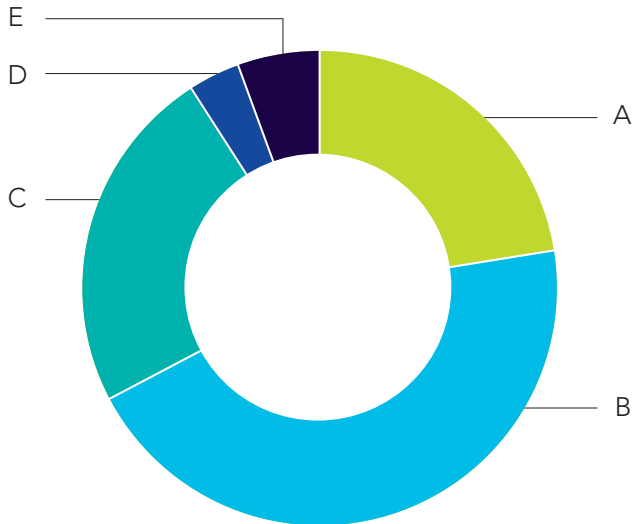
A. Very effective	<b>27%</b>
B. Somewhat effective	<b>50%</b>
C. Not very effective	<b>15%</b>
D. Not effective at all	<b>2%</b>
E. We don't have this measure in place	<b>7%</b>

As you would imagine, increasing recruitment spend was deemed as being a successful tool with over 2/3rds (67%) telling us that this was effective or very effective at addressing skills gaps. Increasing salaries was similarly successful for two thirds of employers.

Given the current Government drive to reduce migration of skilled workers it is interesting to note that more than half of respondents (54%) stated that recruiting overseas was either successful or very successful at closing skills gaps. This may become much more difficult in the coming years.

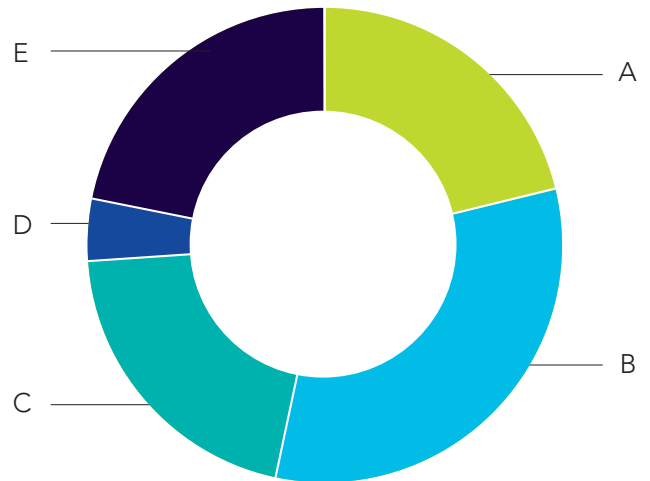


**We are increasing recruitment spend**



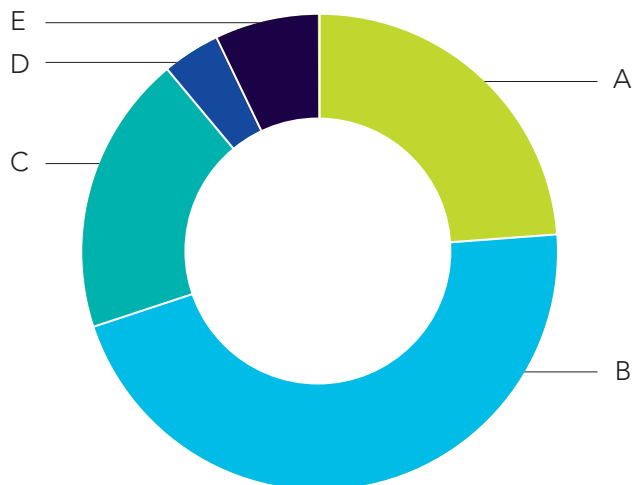
A. Very effective	<b>22%</b>
B. Somewhat effective	<b>45%</b>
C. Not very effective	<b>22%</b>
D. Not effective at all	<b>3%</b>
E. We don't have this measure in place	<b>9%</b>

**We recruit staff from overseas**

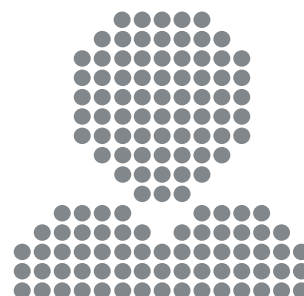


A. Very effective	<b>22%</b>
B. Somewhat effective	<b>32%</b>
C. Not very effective	<b>17%</b>
D. Not effective at all	<b>6%</b>
E. We don't have this measure in place	<b>22%</b>

**We are offering higher salaries**



A. Very effective	<b>25%</b>
B. Somewhat effective	<b>41%</b>
C. Not very effective	<b>19%</b>
D. Not effective at all	<b>5%</b>
E. We don't have this measure in place	<b>10%</b>



## The value of training programmes

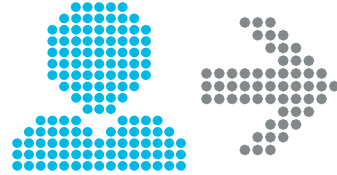
As we can see from the graph below training programmes add more than just the skills they impart to staff. Almost half of respondents (46%) told us that they provided greater staff loyalty and retention, a further 45% stated that they improve productivity and 40% agreed that they improved staff engagement. Just 1% felt that their training programmes brought no value to their business.

### What value do your training programme(s) bring to the business?



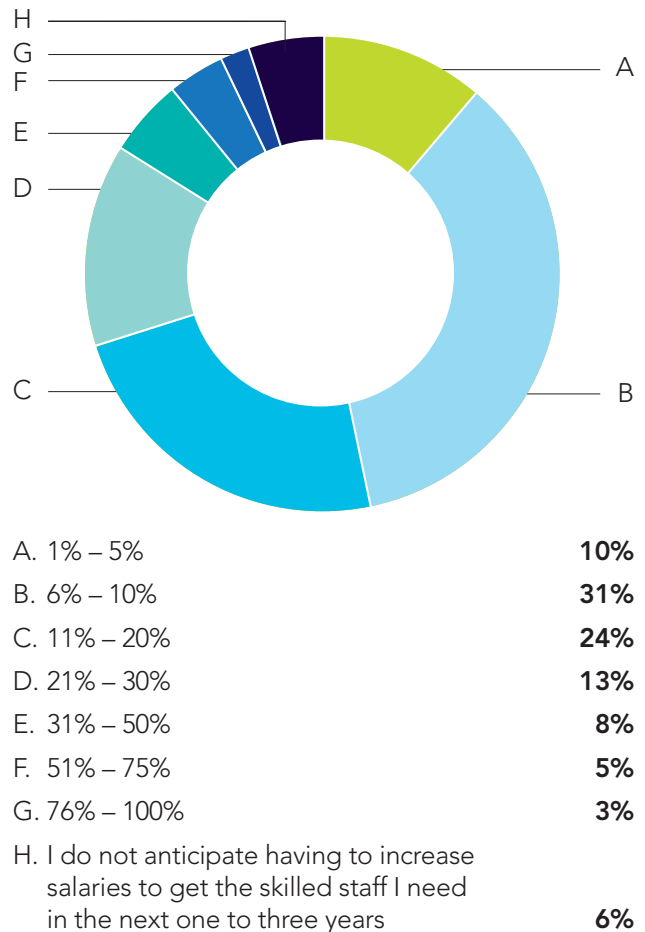
## Salaries

There has been a stagnation in salaries over the past decade but this might be set to change. Only 7% of respondents told us that they didn't intend to increase salaries at all over the next 3 – 5 years.



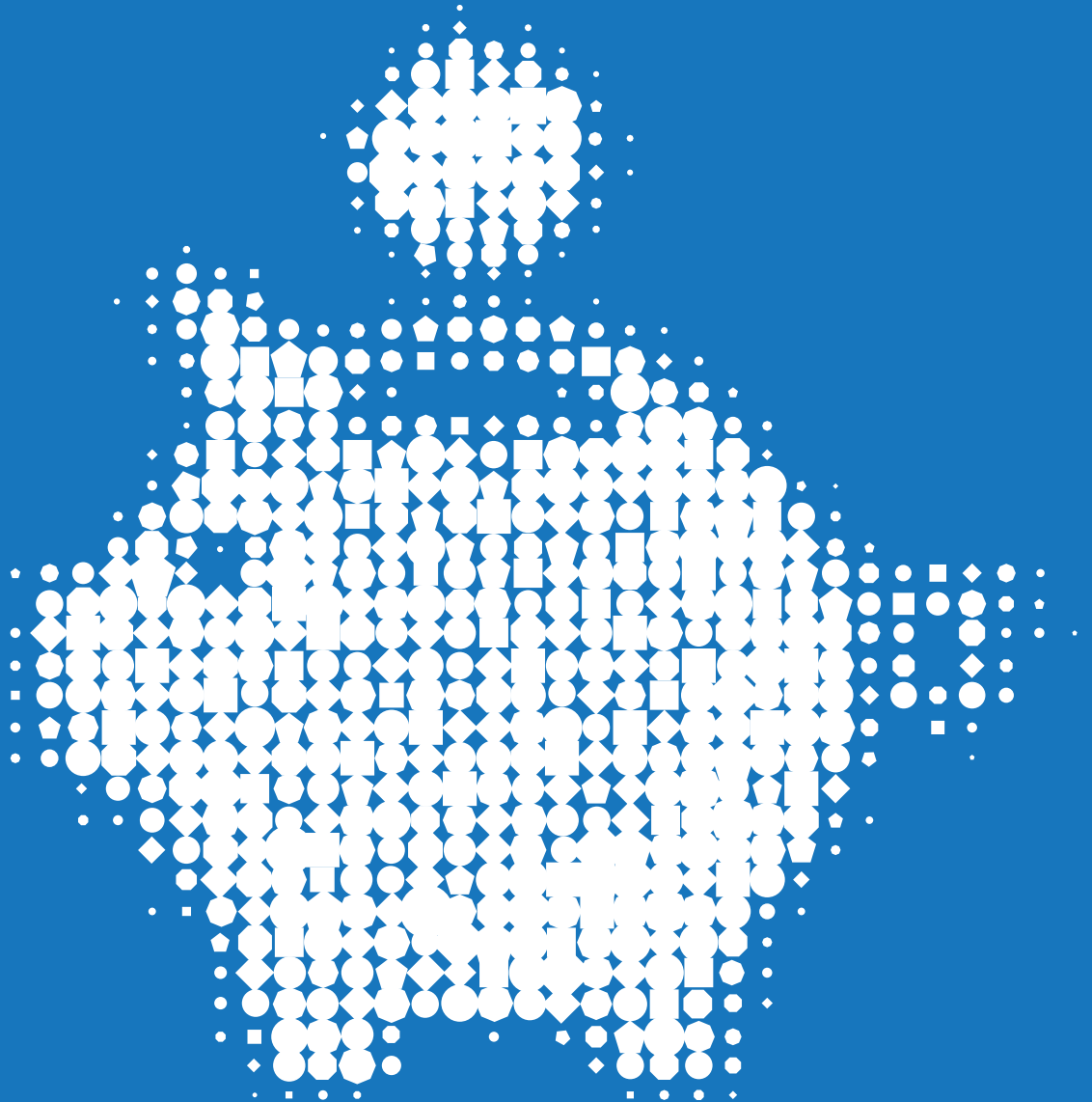
Almost a third of respondents (31%) told us that they would be increasing salaries by 6 – 10% during the period, with almost a quarter (24%) telling us that they expected to increase them by 11 – 20%.

### How much do you believe you will need to increase salaries by in the next 3 – 5 years?



# 94%

of employers intend to  
increase salaries in the  
next 3 – 5 years



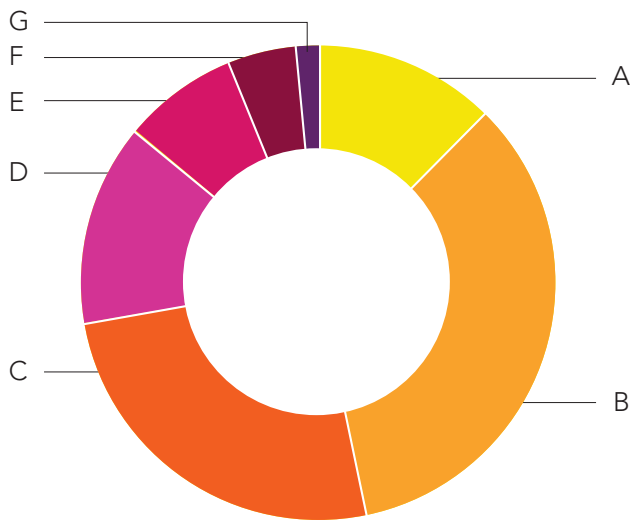


# Brexit

## What will be the impact of Brexit on skills gaps?

On average our respondents told us that almost a quarter (23%) of their employees currently hail from the European Union (EU). In larger companies (5,001 – 10,000) this number was even greater with over a third of staff (34%) coming from the EU.

### Currently what percentage of your staff come from the European Union?



- A. None **14%**
- B. 1% – 10% **27%**
- C. 11% – 24% **26%**
- D. 25% – 49% **16%**
- E. 50% – 74% **10%**
- F. 75% – 100% **5%**
- G. I don't know **2%**

## What measures are companies putting into place to mitigate the impact of Brexit?



of employers say Brexit has already had a negative impact on their ability to recruit the skilled staff they need.

Companies are already starting to feel the impact of Brexit and are preparing their businesses for the UK's departure from the European Union, with a particular focus on increasing home-grown skills.

Over a quarter (27%) of respondents told us that they were planning to upskill the current workforce and the same again (27%) stated that they are attempting to make their business more attractive to UK workers by improving pay, benefits and training. Apprenticeships were again noted as being a solution to this impending issue with almost a quarter (24%) telling us they would increase apprenticeship numbers.

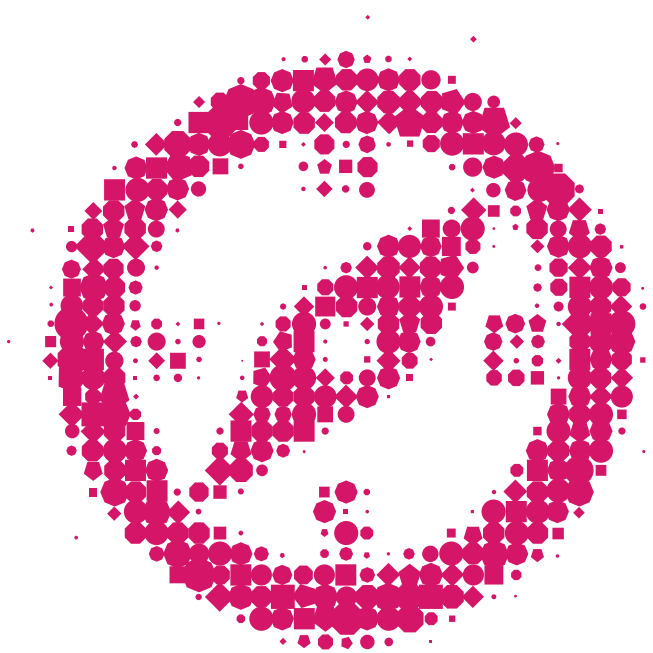
Less than a fifth of respondents (19%) stated that they had done nothing to prepare for Brexit so far.



of businesses are already putting measures in place to mitigate the skills impact of Brexit.

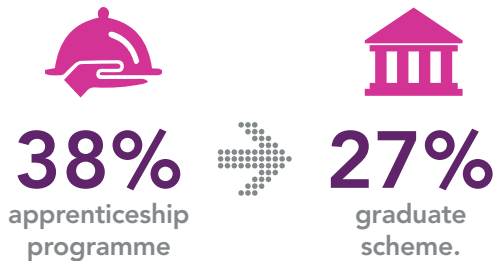
**What measures have you put in place to mitigate the impact of Brexit on your business' ability to recruit skilled people?**

We are going to upskill our current workforce	<b>27%</b>
We are taking steps to make our business more attractive to UK workers (e.g. improving pay and benefits, improving training and progression opportunities)	<b>27%</b>
We are increasing our apprenticeship numbers	<b>24%</b>
We are considering employing more international staff (from outside of the EU)	<b>23%</b>
We are taking steps to make our business more attractive to international workers (e.g. improving pay and benefits, improving training and progression opportunities)	<b>22%</b>
We are engaging more with schools to increase local recruitment	<b>19%</b>
We have not put any measures in place to mitigate the negative impact of Brexit	<b>19%</b>
We will have to outsource work	<b>17%</b>
We will redeploy staff from other parts of the business	<b>16%</b>
Greater automation	<b>16%</b>
We are considering relocating our business	<b>14%</b>
Other, please specify	<b>1%</b>



# Attracting new talent

Considering the amount of negative press regarding the new apprenticeship system over the past year, it was really encouraging to see that apprenticeships were noted as being the most popular choice to bring new blood into UK businesses, with over a third (38%) stating that this was their chosen method. This compares to 27% who have a graduate scheme.



The second most popular choice was work placement programmes (37%) followed by internships (27%). Encouragingly, only 13% of employers told us that they don't actively seek to bring young people into their businesses at all.

## How do you encourage new workers into the workplace?

We have an apprenticeship programme	38%
We have a work placement programme	37%
We have an internship programme	27%
We visit universities and talk to students	27%
We have a graduate programme	27%
We visit schools and talk to students	24%
We visit FE / 6th form colleges and talk to students	20%
We don't encourage entrants to the workplace in my business	13%

## More employers than ever are offering apprenticeships

Despite recent extensive news coverage about the large drops in the number of apprenticeship starts since the levy was introduced, our findings tell us that it is now the most used form of training within UK businesses with over two fifths (42%) telling us that they now have programmes in place.

Another two fifths (42%) offer in-house training programmes that are accredited by an awarding organisations (such as City & Guilds) and over a third stated that they offer traineeships (37%).

Just over a third (34%) told us that they offer leadership and management training. The fact that almost half of respondents (46%) struggle to fill leadership and management roles would suggest that more employers could consider offering this type of training.

## What kind of training do you offer your staff?

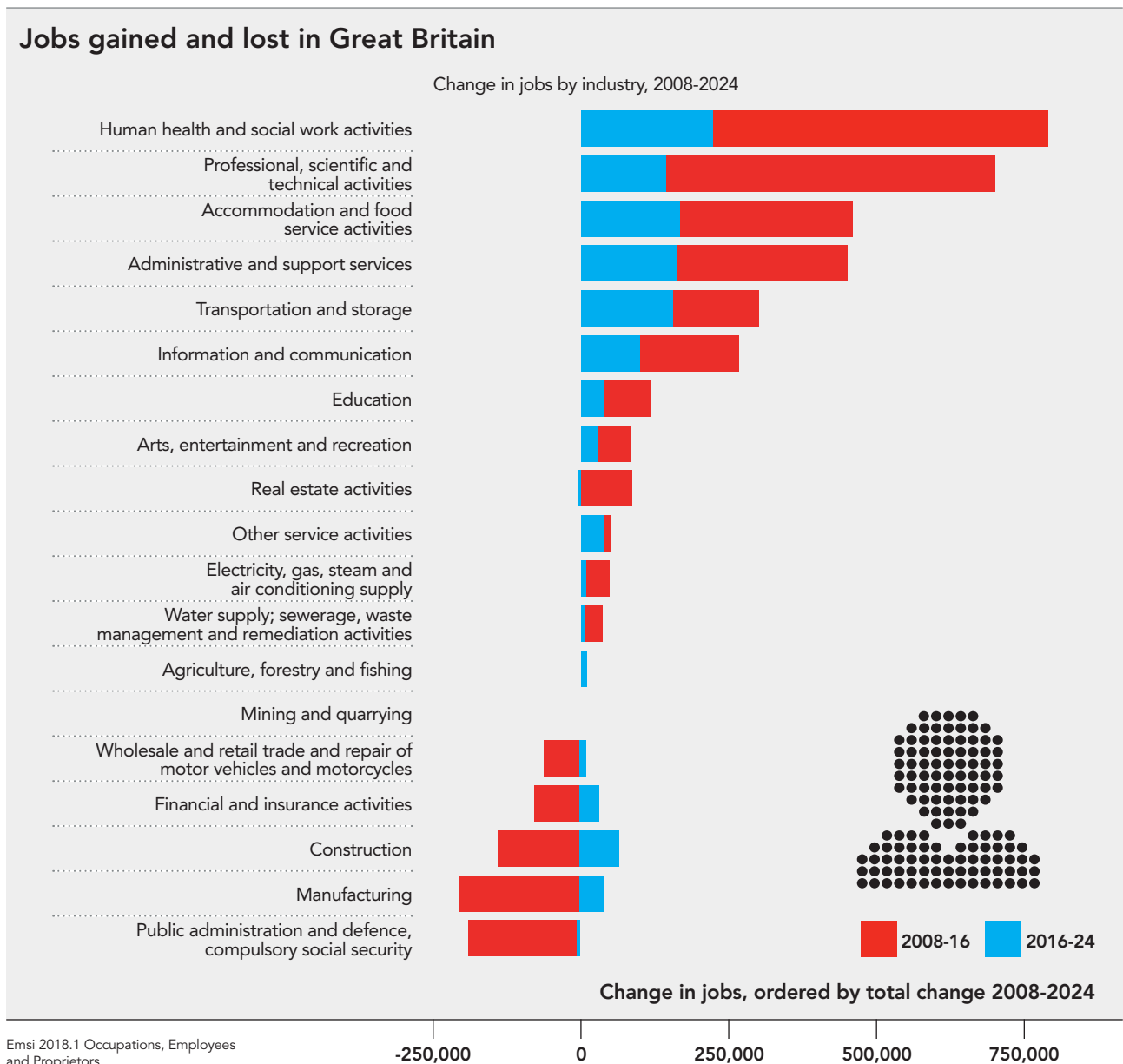
Apprenticeships	42%
In-house training programmes accredited by an awarding organisation (i.e. City & Guilds)	42%
Traineeships	37%
Leadership and management	34%
Unaccredited in-house training programmes i.e. anti-bribery	25%
Degree	21%
Masters / MBA	17%
License to practice i.e. construction, dentist	15%
We don't offer any training for our staff	5%
Other, please specify	1%



# Predicted growth and decline by industry to 2024

In the previous sections we have considered specific jobs roles. But what does the future look like for the UK's industries over the next few years? It's encouraging to see continued growth predicted in some of the largest employing sectors (Human Health and Social Work, Professional Scientific and Technical,

Accommodation and Food Services, Administrative and Support Services). However, we can see that growth is predicted to be more modest in most sectors than we have seen in the previous eight year period.



## Predicted growth and decline by industry sector to 2024

### Growth industries

Given the size and projected growth of occupations such as care workers and nurses, it is little surprise to find that the Human health and social work activities sector has grown by the most over the last few years, adding around 571,865 new jobs from 2008 to 2016. There has also been big growth in the Professional, scientific and technical activities sector, with over 560,000 new jobs being added.

### Industries in decline

At the bottom of the scale, the decline in Manufacturing over the past few years can clearly be seen, with the loss of over 211,000 jobs in the sector between 2008 and 2016. Also, public spending cuts since the 2008 recession can be seen with a decline in jobs in the Public administration and defence and compulsory social security sector of just over 181,000.

### Human health and social work

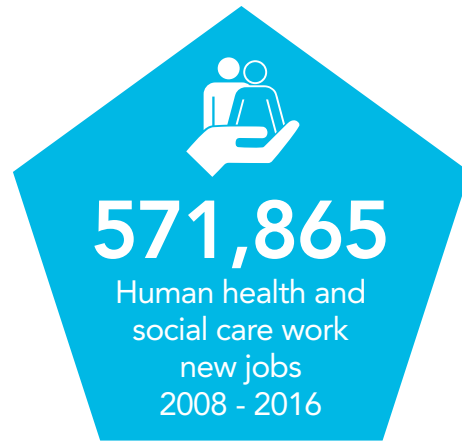
Looking to the future, our projections show that the biggest growth is likely to come from the biggest sector – Human health and social work activities – which is projected to see more than 223,000 new jobs added from 2016-2024, although this will be at a far slower rate than the previous eight years (6%, as opposed to 17%). Elsewhere, Accommodation and food service activities is also expected to see significant growth, with almost 177,000 new jobs added from 2016-2024.

Perhaps the most surprising element on the chart, however, is Manufacturing. As mentioned above, as a sector it continued its apparently terminal decline from 2008-2016, but it looks from the data that this decline may well have bottomed out, with expected growth of more than 40,000 new jobs from 2016-2024.

### Accommodation and food services

The expected growth in Accommodation and food service activities is interesting from the perspective of the point we made at the start regarding unfilled vacancies in this sector. Many of the occupations within the sector are at the lower end of the spectrum in terms of wages, and so if, as our figures suggest, the sector is set to grow, then the question of how vacancies are to be filled is likely to become more pressing.

At present, the industry as a whole pays an average salary of just £15,855 per year, which is significantly less than the next lowest paying industry – Agriculture, forestry and fishing, which has an average of £20,992 per annum. Notwithstanding factors such as the part-time nature of some of the occupations within Accommodation and food service activities, if the demand we are predicting is to be filled, it looks likely that businesses within the sector are going to have to pay significantly higher wages or look to recruit more staff from further afield, which may be a greater challenge post Brexit.



# Focus on Construction

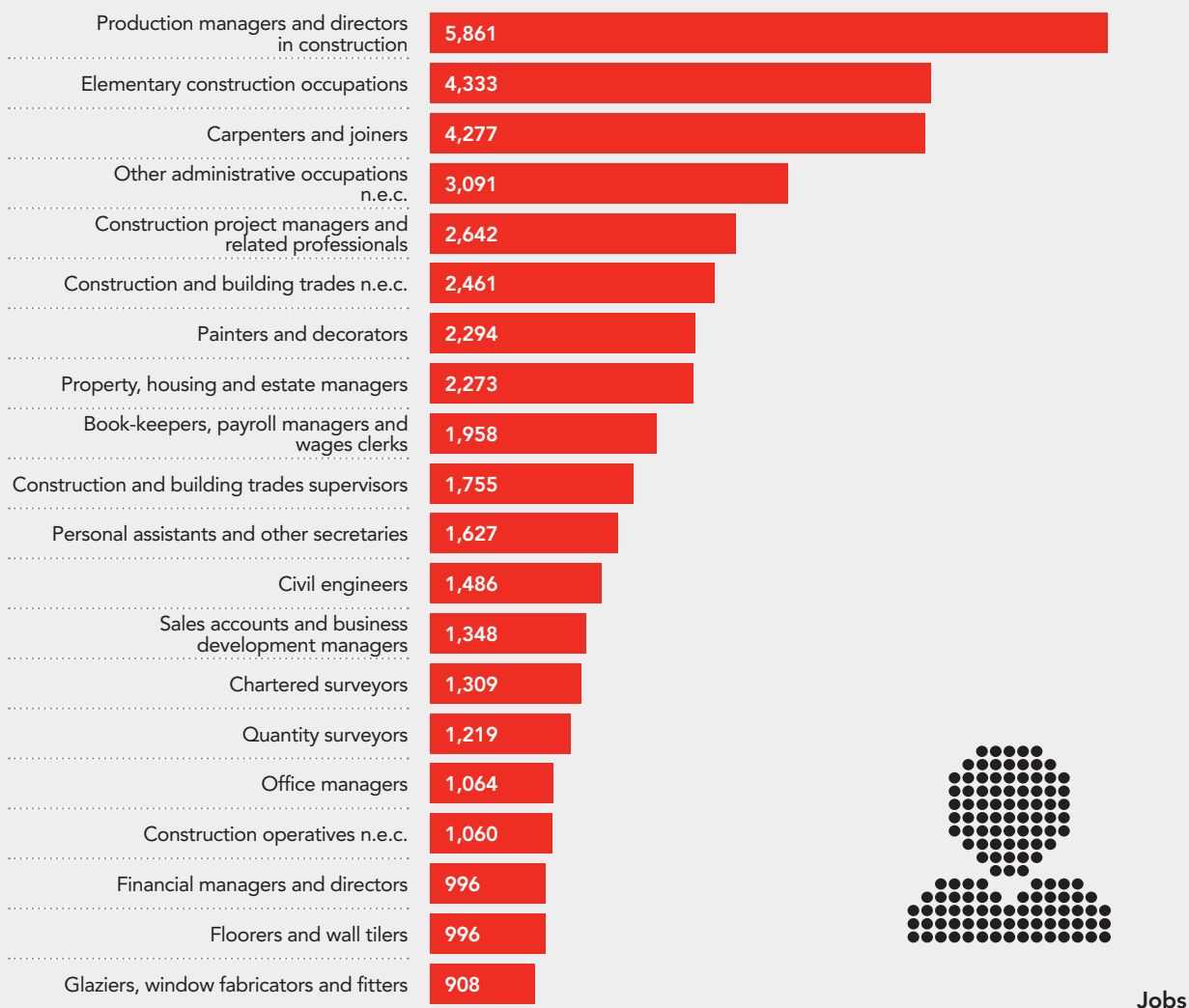
Having looked at general occupation and industry numbers and growth earlier in the report, we will now take a deep dive within a few sectors to understand how they are likely to perform. One of the more interesting aspects of the industry overview on the previous page was the construction industry figures. According to the data between 2008 and 2016, after the recession, the industry shrank by just over

140,000 jobs. However, as our projections show, from 2016-2024 the sector is projected to grow significantly, with more than 67,000 new jobs expected.

Rather than looking at the sector as a whole, we wanted to drill down into specific occupations and see where the growth is coming from.

## Construction: Top 20 occupations in Great Britain by job number growth

Bars: 2016-2024 projected job growth



Emsi 2018.1 Occupations, Employees and Proprietors

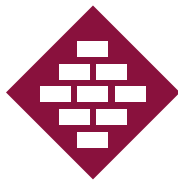
0 2,000 4,000 6,000 Jobs

Perhaps the biggest surprise comes at the top of the growth chart, where we find that the largest projected growth occupation in the sector is Production Managers and Directors in construction, which is predicted to grow by nearly 6,000 jobs. Despite being the fastest growing occupation in the sector, we know from previous research that the general public's perception of the construction industry is limited to well-known jobs such as Carpenter, Bricklayer etc and the majority would not associate Production Managers with construction. And yet it is both the current highest employing occupation in the sector (employing almost 90,000 people), and is also predicted to be the fastest growing.

Perversely, this anticipated growth in the sector is likely to bring significant challenges with it. Our employer research found that 92% of employers in the construction sector struggled to recruit the skilled staff they needed at least some of the time. This sector ranked skills gaps as the issue most likely to impact future productivity, with more than half (56%) stating that they believe this would be a problem in the coming years. They were also more likely than any other sector to state that Brexit would impact their ability to grow (51%). In this climate the ability to home-grow skills will most certainly increase in importance in the coming years.

**92%**

of construction employers struggle to recruit the skilled staff they need



From the graphic on the right we can see the jobs that employers in the construction sector told us that they most struggle to fill. The most difficult role to fill was in fact managers and team-leaders followed by specialists (the experienced core trades you would expect to find at the top), then experienced core support staff. This demonstrates the wide range of different roles available in this sector and the challenges in filling many of them.

**Which job roles do you most struggle to fill?**

**42%**

Specialists (non-managerial)  
i.e. digital analysts, engineers, marketing, IT

**29%**

Experienced core staff  
i.e. secretaries, security,

**35%**

Managers and team leaders

**16%**

Senior leaders

**24%**

Apprentices (on a training scheme)

**21%**

Entry level roles i.e. school/college leavers

**16%**

Graduates (on a graduate training scheme)

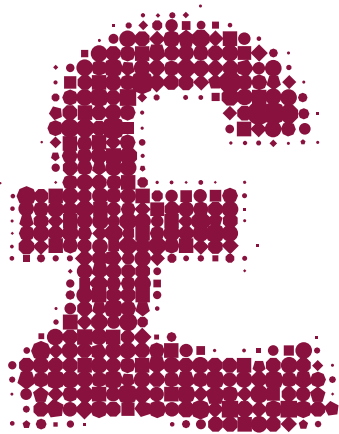
**24%**

Traineeship (on a training scheme)

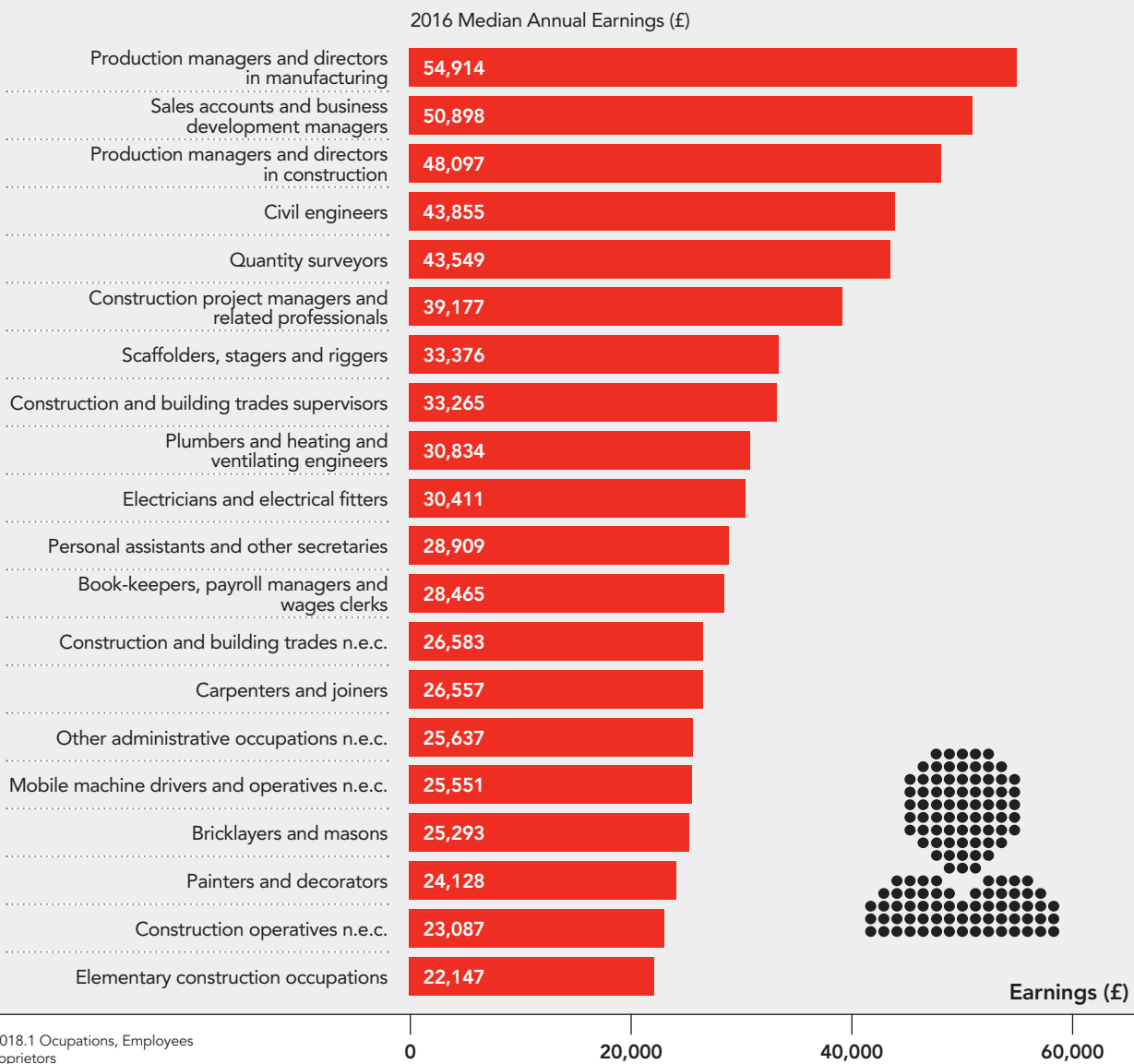
**1%**

There is no job level I struggle to recruit for the most





### Earnings in descending order of Top 20 construction occupations in Great Britain in 2016 by total job numbers



Emsi 2018.1 Occupations, Employees and Proprietors

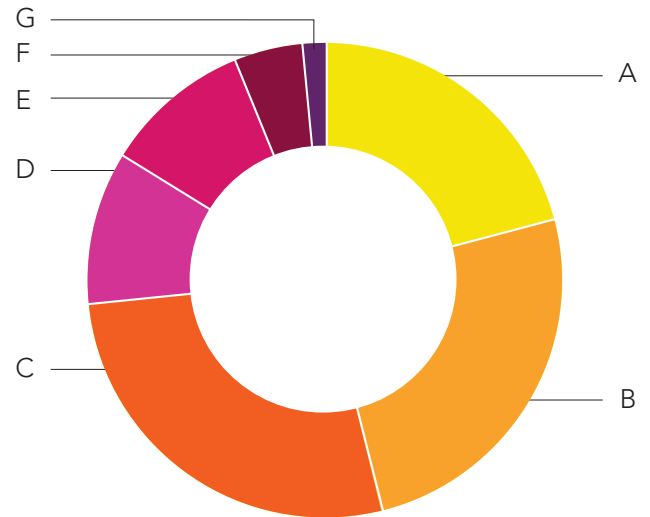
Our own research corroborates this with 82% of respondents telling us that they have staff from the EU in the workforce and over a quarter (26%) telling us that they relied on EU staff for between 11% and 24% of their staff and a third (33%) stating that they account for between 25% - 100% of their staff.

Clearly, if workers start to leave in great numbers or are simply unable to get visas to work in the UK, the sector could have a significant problem as demand starts to increase.

**82%**  
say that they have  
staff from the EU in  
the workforce



**Currently what percentage of your staff come from the European Union?**



A. None	18%
B. 1% – 10%	22%
C. 11% – 24%	26%
D. 25% – 49%	13%
E. 50% – 74%	13%
F. 75% – 100%	7%
G. I don't know	1%

# 51%

of construction employers  
said Brexit would impact  
their ability to grow vs  
46% of employers overall





# Focus on human health and social work

Human health and social work activities is not only the second largest sector in the country, but was also the fastest growing between 2008-2016, adding over half a million (570,000) jobs during that eight year period.

It is also set to be the fastest growing sector from 2016-2024, with our projections showing an expected increase of more than 223,000 jobs. The current highest employing occupations in the sector are care workers and home carers and nurses (662,272 and 592,931 respectively).

The findings of our employer survey suggest that this level of growth could be a huge challenge for this sector. 93% of employers stated that they already struggle to recruit the skilled staff they need and 61% stated that skills gaps would have the most significant impact on their sector in the next 3 – 5 years, greater than any other sector.



## Human health and social work – Which job roles do you most struggle to fill?





When we look at the projected growth numbers in the chart below we can see that growth in demand for these two occupations, although slower than between 2008-2016, is still set to continue for the foreseeable future, with demand for more than 36,740 Care workers and home carers (6% growth) and nearly 38,802 new Nurses (6% growth) between 2016 and 2024.



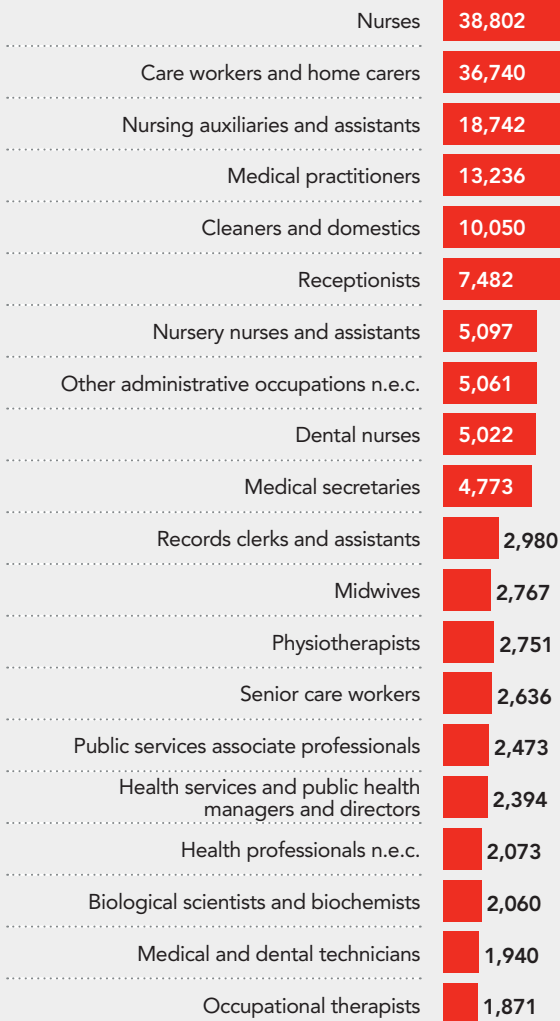
Skills gap challenge in health and social care



Skills gap nationally

### Human health and social work activities: Top 20 occupations in Great Britain by job number growth

Bars: 2016-2024 projected job growth

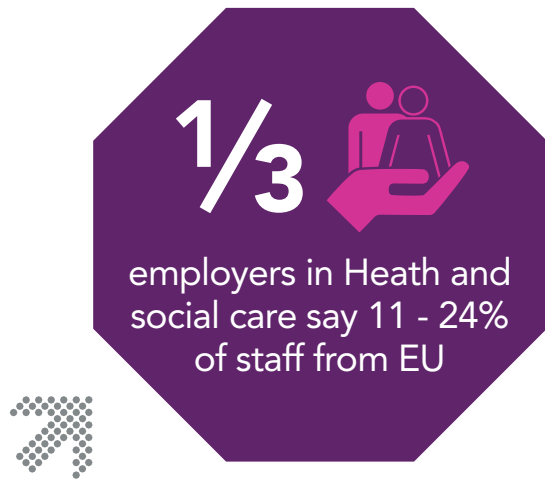


Jobs

Emsi 2018.1 Occupations, Employees and Proprietors

0 10,000 20,000 30,000 40,000

This data only serves to reinforce the scale of the challenge that we are already facing. For instance, it has been well reported that Nurses are leaving the profession in droves, with NHS Digital putting the figure at 1 in 10 per year. However, according to our figures, demand is set to continue growing over the next few years, which means that unless the issues that are causing nurses to leave are addressed and dealt with now, the situation is likely to become even more critical over the next decade.



### The Brexit effect

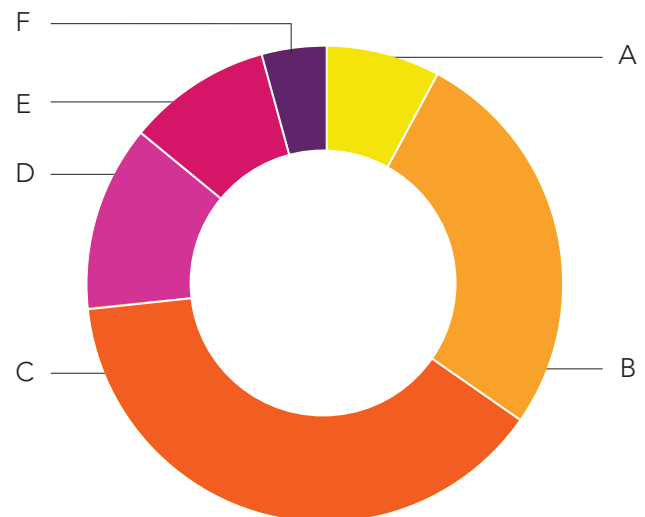
The human health and social work sector relies heavily on non-UK staff, of which a significant percentage are from the EU making up an estimated 5.6%<sup>2</sup> of the NHS's 1.2m workforce and 7%<sup>3</sup> of the adult care sector. And it is reported that we are already starting to see a change in recruitment and retention of NHS and social care staff coming from the EU with 10,000 staff said to have left in the first year after the Brexit vote<sup>4</sup>.

The number of EU nurses and midwives leaving the Nursing and Midwifery Council's register between October 2016 and September 2017 increased by 67% compared to the 12 months before, while the number joining it fell by 89% and, as we can see from the chart on the right, demand for these roles is set to increase further in the coming years.

The health and social care sectors could face a considerable loss of staff if EU migration is limited after Brexit. Modelling from Department of Health projects a shortage in the UK of between 26,000 to 42,000 nurses by 2025/26. Estimates from the Nuffield Trust suggest a shortfall in England of as many as 70,000<sup>5</sup> social care workers by the same date.

We can see from our own findings below that a high percentage of the health and social care sector derives from the EU, with only 8% of businesses telling us that none of their staff came from the European Union. Over a third (35%) told us that between 11% and 24% and a significant 12% telling us that 50% - 74% of their staff were of their staff were EU citizens.

What percentage of your workforce is from the EU?



A. None	8%
B. 1% – 10%	26%
C. 11% – 24%	35%
D. 25% – 49%	14%
E. 50% – 74%	12%
F. 75% – 100%	5%

This is reflected in the findings of our employer research where 51% of respondents stated that Brexit was likely to have the biggest impact on their ability to grow over the coming years.

<sup>2</sup> <https://digital.nhs.uk/data-and-information/find-data-and-publications/supplementary-information>

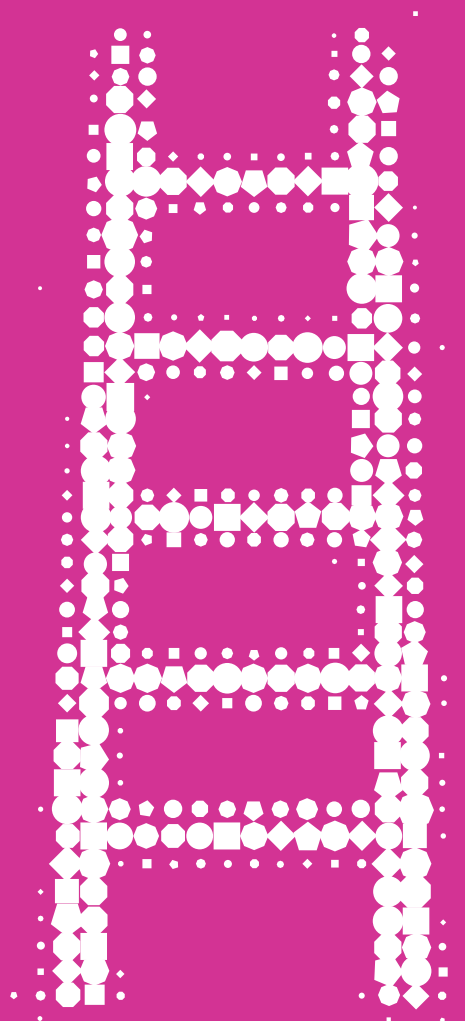
<sup>3</sup> <https://www.skillsforcare.org.uk/NMDS-SC-intelligence/Workforce-intelligence/publications/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx>

<sup>4</sup> <https://digital.nhs.uk/data-and-information/find-data-and-publications/supplementary-information>

<sup>5</sup> <https://www.nuffieldtrust.org.uk/research/getting-a-brexite-deal-that-works-for-the-nhs#funding-our-nhs-instead>

# 51%

of employers in Human Health and Social Work sector said Brexit would impact their ability to grow

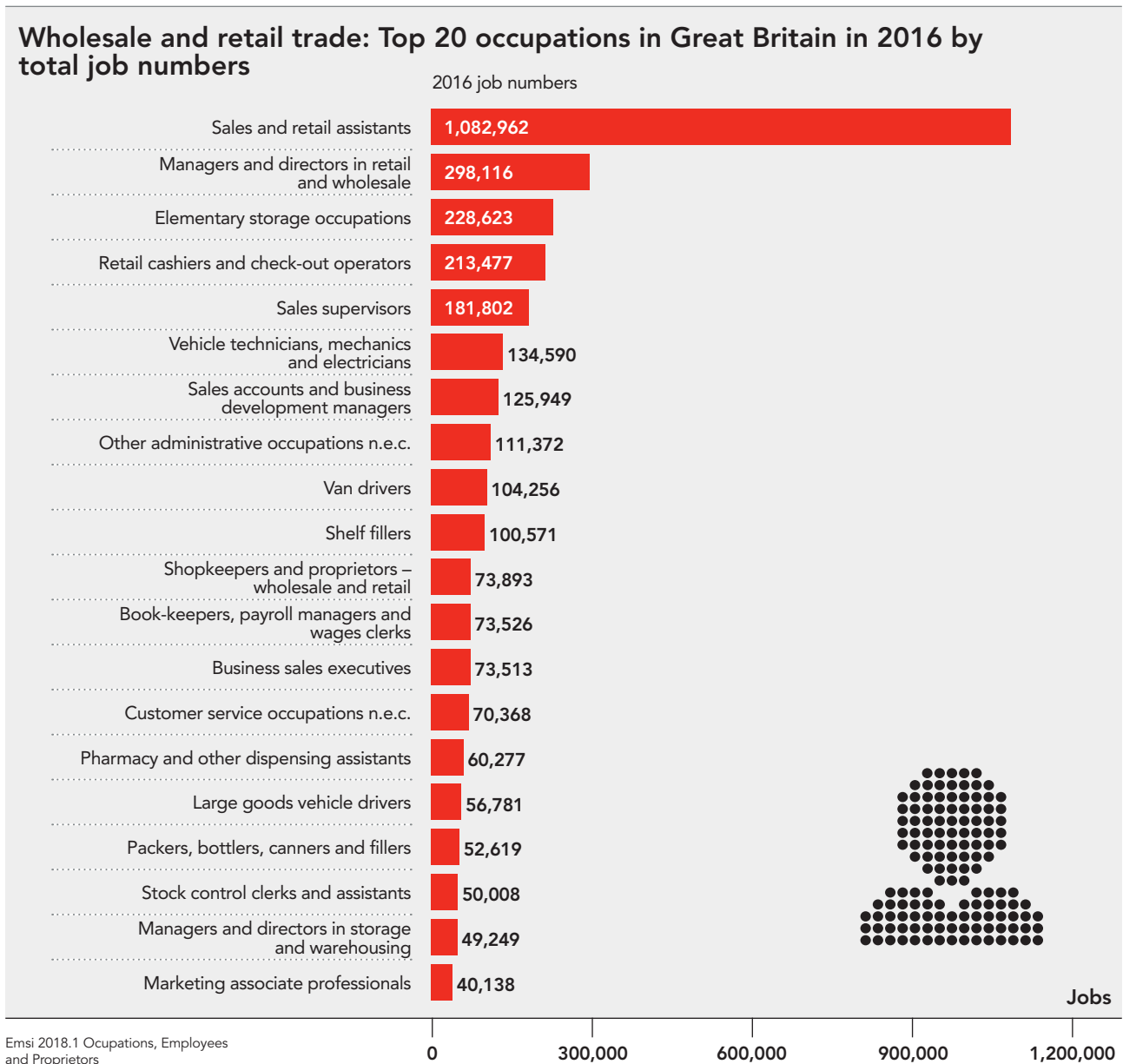




# Focus on wholesale and retail trade

As we showed earlier in the report the biggest employing occupation in the country is sales and retail assistants, which employs more than 1.2 million people. It is doubtful with a workforce of over 1.2 million people that the kinds of shops, supermarkets

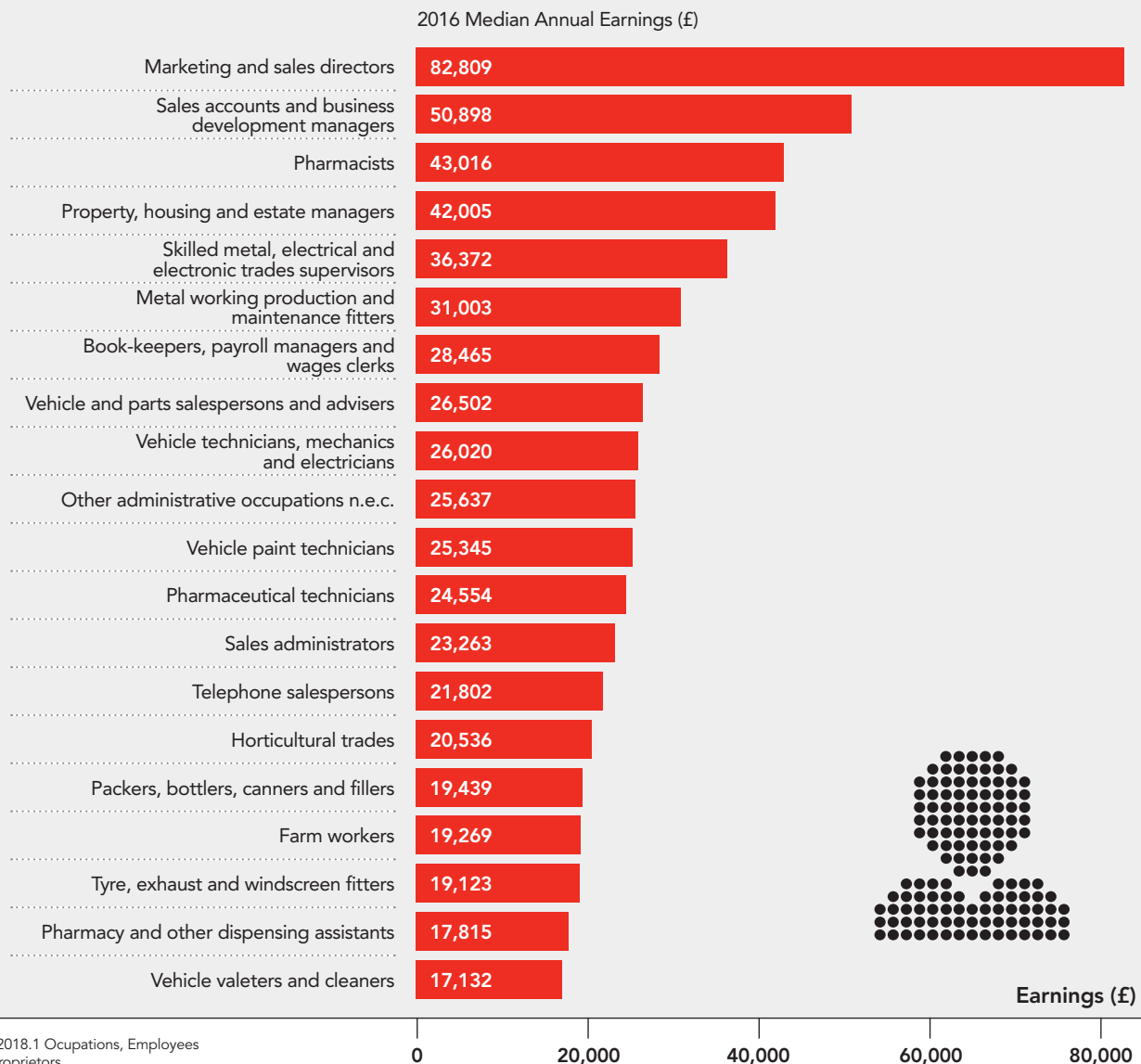
and shopping centres we now have were what Napoleon had in mind when he described England as a nation of shopkeepers, but nevertheless it is certainly the case that retail plays a huge part in our economy.





As we might expect in this sector, the majority of the biggest employing occupations are relatively lower skilled and low wage. Out of the top 20 biggest occupations, only two require a qualification above Level 3 (these higher skilled jobs are sales accounts and business development managers and Marketing associate professionals), and in terms of wages, only four occupations pay above the national average wage of £15.47.

### Earnings in descending order of Top 20 wholesale and retail trade and repair of motor vehicles and motorcycles occupations in Great Britain in 2016 by total job numbers



We can see from the graphic on the right managers and team leaders are again the most difficult role to recruit (46%), followed by non-managerial specialists (31%) and then experienced core staff (25%).



### Retail and wholesale trade – Which job roles do you most struggle to fill?

31%

Specialists (non-managerial)  
ie: digital analysts, engineers,  
marketing, IT

25%

Experienced core staff  
ie: secretaries, security,  
Managers and team leaders

46%

Managers and team leaders

25%

Senior leaders

18%

Apprentices  
(on a training scheme)

20%

Entry level roles  
i.e. school/college leavers

14%

Graduates  
(on a graduate training scheme)

21%

Traineeship  
(on a training scheme)

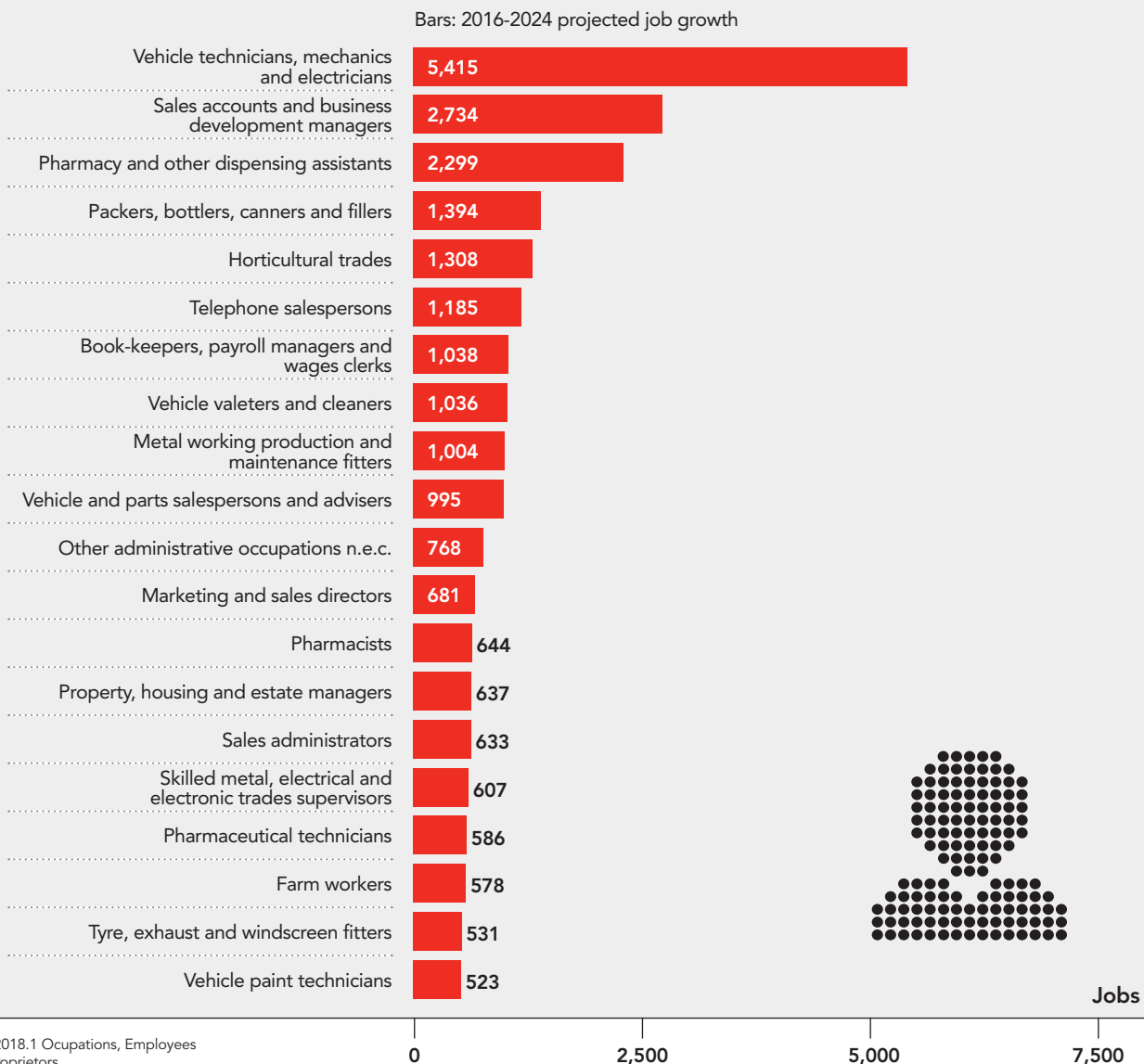
1%

There is no job level I struggle  
to recruit for the most

**7,446**  
new jobs by 2024  
in the vehicle and  
motorcycle repair  
area.

As for growth over the next few years, much of it is to be found in the motor vehicle and motorcycle part of this overarching sector, rather than retail. For instance, the biggest growth occupation is expected to be vehicle technicians, mechanics and electricians, with an expected increase of around 5,415 new jobs by 2024, as well as vehicle valeters and cleaners (1,036 new jobs), and Vehicle and parts sales persons and advisers (995 new jobs).

### Top 20 wholesale & retail trade and repair of motor vehicles and motorcycles occupations in Great Britain by job number growth



Emsi 2018.1 Occupations, Employees and Proprietors

But the biggest story in the sector is those occupations which are actually expected to decline. For instance, Sales and retail assistants, which as we have pointed out above is both the biggest occupation in the sector, and in fact the biggest occupation in the country, is set to

decline by more than 2,000 jobs between 2016-2024. A bigger loss is to be found in shopkeepers and proprietors - which currently employs almost 74,000 people, but which is projected to fall by more than 5,000 (or 7%) from 2016-2024.

### Top 20 declining occupations – Wholesale and retail trade



Decline



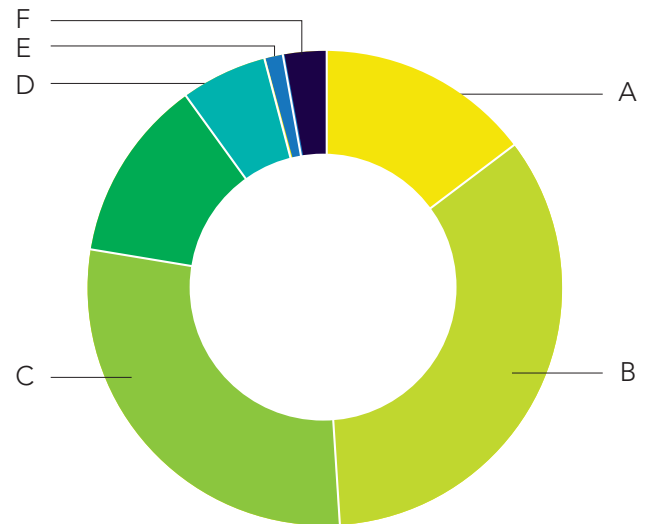
In 2016 research agency Mintel reported that online grocery shopping grew by 29% on the previous 12 months, what's more, sales are forecast to grow a further 73% to reach £15 billion by 2020. This helps us to understand the decline in certain job roles in the retail sector.

### The Brexit effect

Although this sector is only expected to grow modestly with retail roles actually declining slightly over the period to 2024, it is still worth considering the possible impact of Brexit. Our research found that only 15% had no staff from the EU, with a third (33%) telling us that between 1% and 10% of the workforce came from the EU and more than a quarter (26%) telling us that 11% - 24% of their staff were EU citizens.

In absolute numbers these percentages translate into high figures that could cause considerable problems if the Government pushes ahead with a hard Brexit.

### What percentage of your workforce is from the EU?



A. None	15%
B. 1% – 10%	33%
C. 11% – 24%	26%
D. 25% – 49%	15%
E. 50% – 74%	6%
F. 75% – 100%	1%
G I don't know	4%

**£15 billion**

forecast online grocery sales by 2020 – increase of 73%





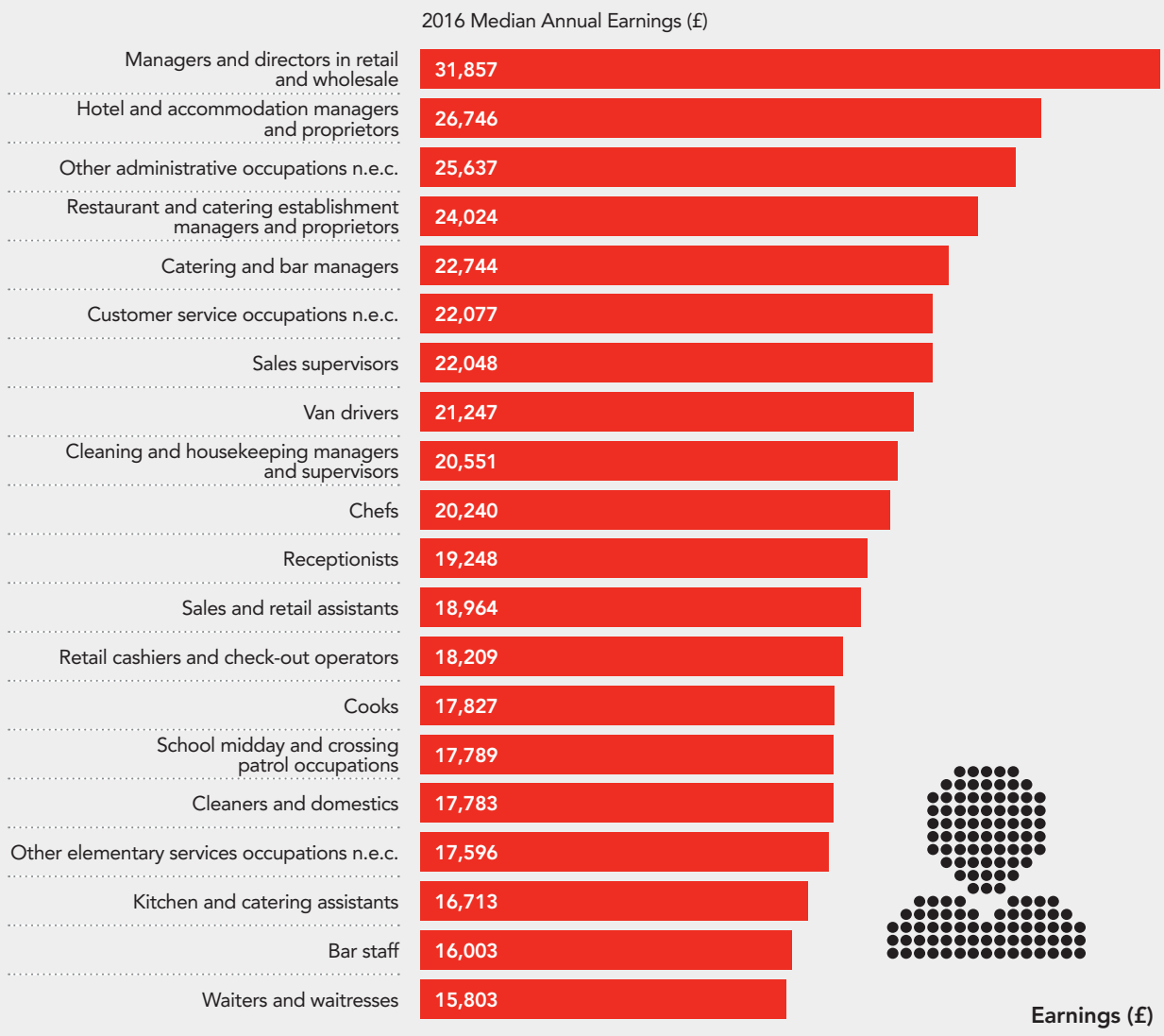
# Focus on accommodation and food services

The Accommodation and food service activities sector is set to grow by almost 177,000 new jobs between 2016 and 2024. Given the low wages traditionally paid by this sector, this growth may prove problematic to achieve unless changes are made.

**177,000**  
(almost) new jobs between 2016 and 2024



**Earnings in descending order of Top 20 accommodation and food service activity occupations in Great Britain in 2016 by total job numbers**



Emsi 2018.1 Occupations, Employees and Proprietors

Like the Wholesale and Retail Trade sector, the top employing occupations in the Accommodation and food service activities industry are almost entirely lower skilled jobs, with only one – Conference and exhibition managers and organisers – requiring a degree. Wages in the Top 20 are also extremely low, with an average of just £10.21 per hour.

From the graph below we can see the jobs that employers in the accommodation and food services sector told us that they most struggle to fill. Again, managers and team-leaders were the most difficult to fill (51%), followed by specialists (33%) then senior leaders (20%) so once again we can see a real challenge in filling managerial positions in this sector.

**89k+**  
increase in demand for the largest employing occupations (catering, waiters, chefs and bar staff)

**Accommodation and food services – Which job roles do you most struggle to fill?**

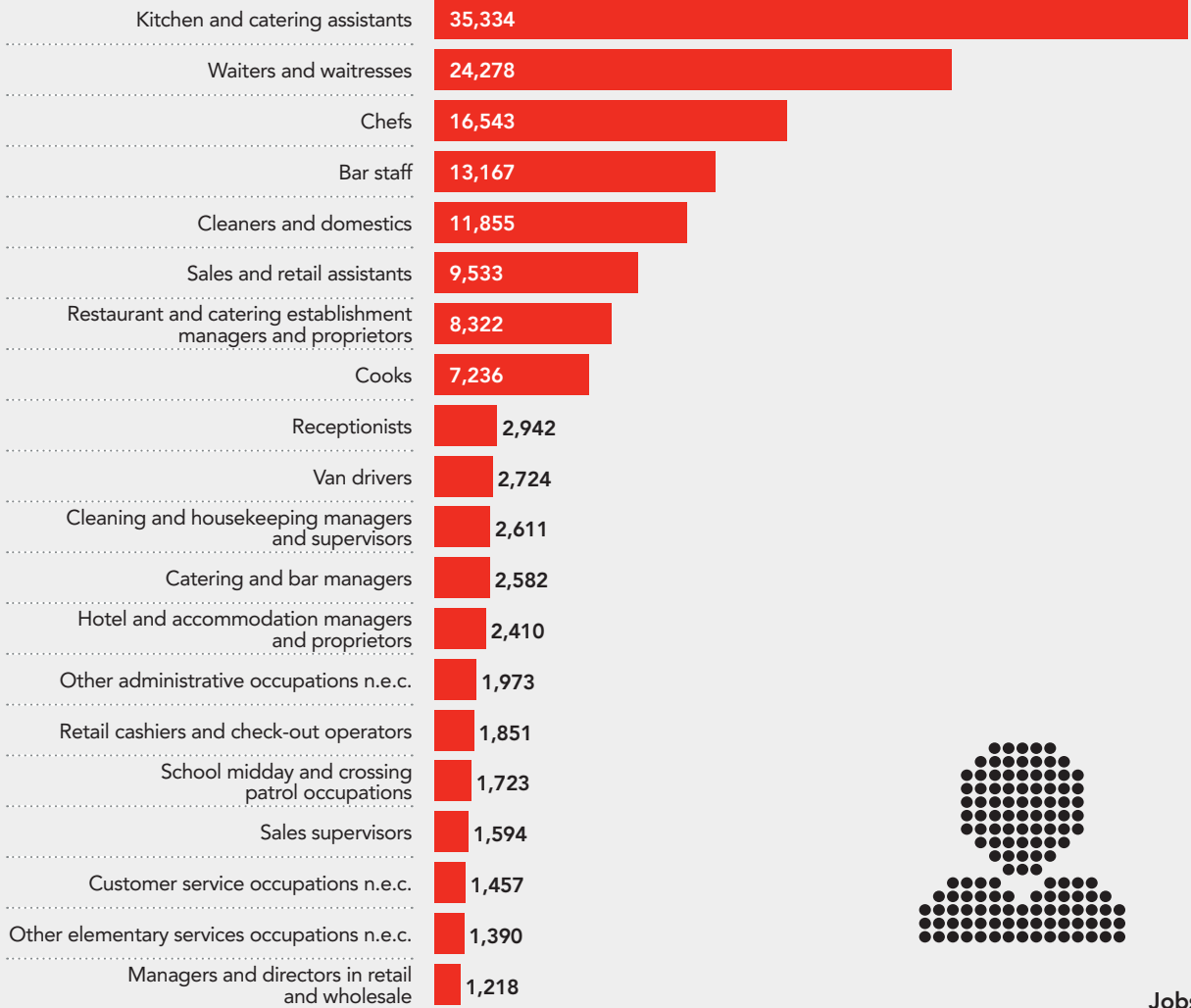




In terms of growth, there are no great surprises here, with an increase in demand for each of the largest employing occupations, notably Kitchen and catering assistants (more than 35,000 jobs between 2016 and 2024); Waiters and waitresses (24,278); Chefs (16,543); and Bar staff (13,167).

### Top 20 accommodation and food service activities occupations in Great Britain by job number growth

Bars: 2016-2024 projected job growth



Jobs

Emsi 2018.1 Occupations, Employees and Proprietors

0 10,000 20,000 30,000


Once again, it is worth reiterating the point that if the high demand for these occupations is to be met, it may well be that managers and proprietors in the sector are simply going to have to pay better wages in order to attract people, particularly as the impact of Brexit is realised.

### The Brexit effect

According to the British Hospitality Association an estimated 700,000 (or 15.5%) of the 4.5 million people that make up the hospitality and tourism industry in the UK are workers from the European Union so it's likely that this sector would be severely affected by a hard Brexit.

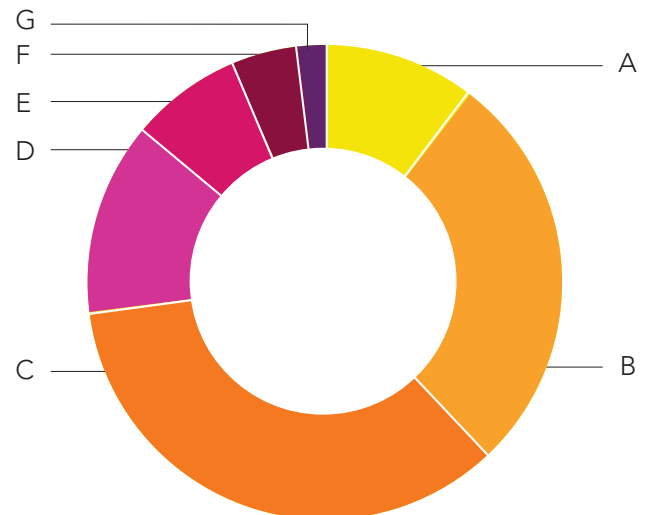
Hotels are amongst the sectors most dependent on EU born citizens with 27% of workers in the UK's accommodation sector and a further 27% in food & beverage services foreign-born according to the Labour Force Survey.

Our poll of employers found that almost a third of respondents (28%) relied on staff from the EU to fill between 11% and 24% of their workforce. With only 13% saying that none of their staff came from the EU.

**47%** 

of employers in  
Accommodation and  
food service sector said  
Brexit would impact  
their ability to grow

### What percentage of your workforce is from the EU?



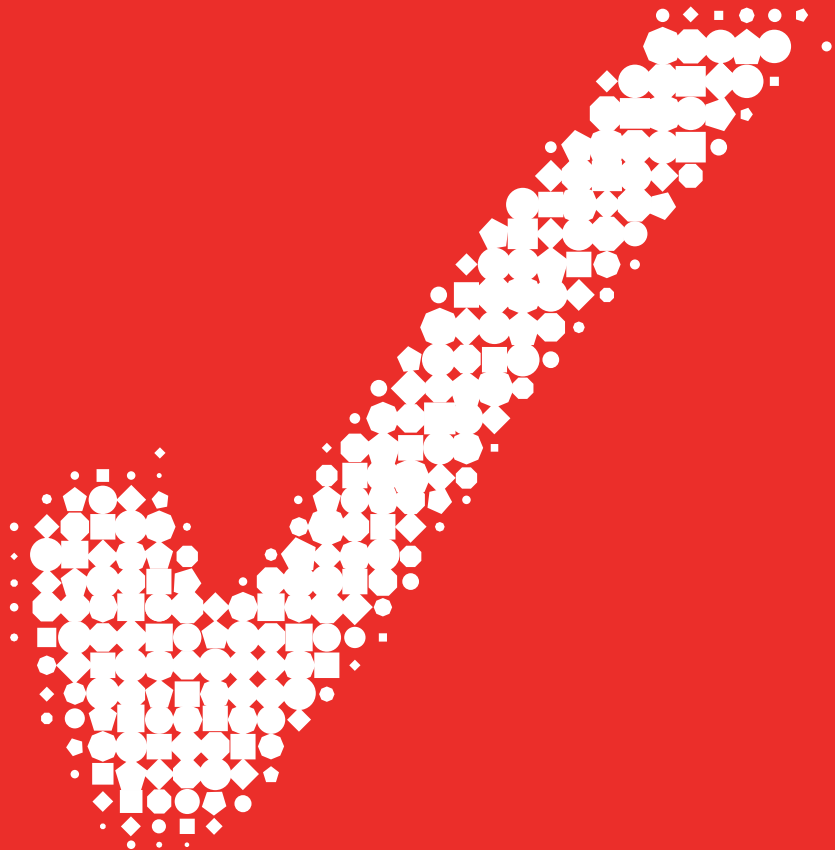
A. None	13%
B. 1% – 10%	26%
C. 11% – 24%	28%
D. 25% – 49%	17%
E. 50% – 74%	9%
F. 75% – 100%	5%
G. I don't know	2%

This is reflected in the findings of our employer research where 47% of respondents stated that Brexit was likely to have the biggest impact on their ability to grow over the coming years.

# Recommendations

Our research has shown that UK employers are facing significant challenges as a result of skills gaps and skills shortages. Brexit is on the horizon and remains a largely unknown quantity, productivity is lagging behind other developed nations and there is a very real threat that skills gaps could significantly impact the UK's ability to perform on a global scale. Added to this, increased digitalisation, AI and automation are also playing their roles in contributing to the current state of flux.

We have set out nine recommendations for Government, employers and the education sector which address the concerns raised in this report. We believe these will help to create a skills system that is fit-for-purpose and can support a thriving UK economy, both now and in the future.



### 1. Careers education, information, advice and guidance (CEIAG) needs to be redesigned for the modern world

Despite just 19% of our respondents telling us that they believed the careers strategy was the most effective way to tackle skills gaps, there is clear evidence to show that a lack of co-ordinated careers advice and guidance is hampering young people's chances of securing a successful career. This in turn contributes to the skills shortages faced by 9/10 employers who responded to this research.

We need to rethink the way that CEIAG is delivered to young people today. Generation Z are digital natives who are adept at consuming data on smart phones and devices. Making greater use of digital channels will democratise access to information about careers, with young people from all areas of the country and all walks of life able to access the same information from the same sources whilst also making sharing of information more efficient for employers and Government alike

### 2. T Levels could help to reduce skills gaps and provide a good route into work for young people if they are better promoted and embedded

T Levels are, in theory, a positive policy intervention that, if implemented correctly, could support young people into meaningful careers with real progression whilst at the same time helping to reduce the skills shortages many industries are facing. However, Government must recognise that it's a real risk for young people to choose to study an untested qualification that is not widely understood by employers. We know from recent research with AELP that just 17% of employers have a good understanding of T Levels. Our research echoed these findings with just 8% of employers stating T Levels were an effective skills policy intervention.

The Government will need to invest heavily to promote T Levels to young people and their parents so that they achieve the desired take up. There is also more work to be done to distinguish them from apprenticeships and make it clear to employers why both routes into work are valid and needed. Finally, what distinguishes

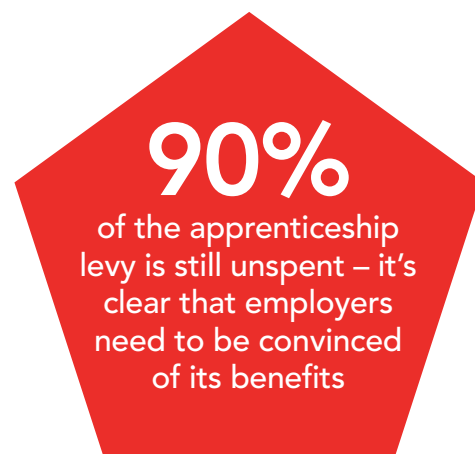
T Levels from other qualifications is the industry placement so it is essential Government provides enough financial support and guidance to ensure employers and providers can successfully deliver this essential element of the programme

### 3. Make the most of the apprenticeship levy to build a talented home-grown workforce and upskill employees at all levels

Brexit could create huge skills challenges particularly in sectors such as accommodation and food services, construction and retail.

The apprenticeship levy is an effective tool for developing home-grown talent and enabling people to progress through the workforce. However, with 90% of the levy still unspent it's clear that employers need to be convinced of its benefits. Employers should look at their talent development plans and see where the levy can be used to support reskilling and upskilling, as well as entry level recruitment.

Employers need greater support and advice from Government to help them recognise the benefits of apprenticeships and better understand how to access the system. Some thought should also be given to simplifying the current system, as employers have told us they find its complexity off-putting.



#### 4. Government should consider widening the apprenticeship levy to meet employer needs

Whilst the apprenticeship levy was the most popular of the current Government initiatives to tackle skills shortages, still only a fifth (21%) of our respondents stated that it was the most effective piece of policy.

There has been a significant amount of media coverage since the launch of the apprenticeship levy focusing on the fact that the new system does not fully meet the needs of employers.

Government must be willing to listen to employers to make sure that the new-system genuinely works for them. There is appetite from across industry to broaden the scope of the levy and Government must work with employers to understand how they want to use their levy to support skills development in their organisations. This may require employers to provide evidence of investment in apprenticeships to unlock some use of levy for other reskilling/upskilling programmes.

#### 5. Investing in training and development activity can have a significant impact on business performance

Our findings show that high-quality training programmes could help to tackle skills shortages by not only upskilling employees to do roles but also by encouraging current staff to stay with the business. Almost half (46%) of our respondents told us that their training programmes helped increase staff loyalty and retention.

Our findings also demonstrate that training helps to improve productivity within businesses (45% of employers agreed).

However, despite this proven business benefit, Britain has some of the lowest levels of employer investment in skills development in Europe with only Greece, Poland and Romania providing less employer-funded training. It is encouraging that almost half of respondents to the survey (45%) recognised that employers themselves need to invest more in training to help address skills gaps and Government and the education sector can play their part by demonstrating the value of skills investment through evidence-based case studies.



#### 6. Employers should consider investing in quality on-boarding and engagement programmes

As noted in the research 9/10 employers experienced problems with skills gaps, hanging onto the people that you have already managed to recruit will help to mitigate some of these issues.

It is estimated that on average one third of new employees leave within the first six months of taking up a new role<sup>1</sup>. Recruitment is expensive and laborious so having a comprehensive programme to pre-board, welcome and support new recruits into a business will mean that employers retain much more of the talent that they have invested so much time and effort in attracting.

Employers should consider allocating a buddy for new hires whilst they settle in, potentially elongating their on-boarding process to as long as a year and ensuring that staff have adequate access to any necessary training and advice needed to do their jobs effectively.

#### 7. Effective leaders and managers will be essential to help businesses navigate Brexit and in the post-Brexit world

Employers cited Brexit as the single most concerning external factor facing their business, with almost half (46%) of respondents stating it would impact their productivity in the coming years. This is coupled with other skilled labour immigration constraints, all of which require UK Plc to look inwards for recruitment and staff development.

Having effective leaders and managers in place during this tumultuous time will be critical in helping businesses navigate change and transition from a pre-Brexit to post-Brexit world. Yet employers told us that leader and manager posts were most difficult to fill with almost half (47%) stating that they struggled to recruit these roles.



Only a quarter of respondents (27%) told us that they were planning to upskill their current workforce to mitigate the impact of Brexit and just a third (34%) told us that they offered leadership and management training.

Employers who aren't already doing so, should consider putting in place a talent management programme to identify future managers and leaders within their own organisations. Through the use of diagnostics tools they can identify talent within organisations and begin to develop it. This in turn will help with staff retention and engagement.

### 8. Training and development activity needs to be linked to business performance and its effectiveness constantly measured and evaluated

There was a clear mismatch between how effective employers believed their activity to develop skills was, with 77% stating that their talent management planning and management and leadership training activity was effective or very effective, with the incredibly high level of skills gaps and shortages that they were experiencing.

HR budgets and activity need to be seen as vital to business performance and HR departments must constantly measure their outcomes in terms of productivity and business performance



**10%**  
of employers think  
no Government  
policy is effective at  
tackling skills gaps

### 9. An independent body is needed to have oversight of UK skills policy and make sure it meets current and future skills needs

Employers were less than enthusiastic about any existing policy interventions; our research showed that 10% of employers think no Government policy is effective at tackling skills gaps.

Even less (8%) felt T Levels would be effective and just 14% of respondents felt the National Retraining Schemes would be the most effective way of tackling skills gaps

Part of the issue is that skills policy is currently developed in different places and in silos, resulting in disjointed policy that is not as effective as it could be at meeting UK skills needs now and in the future. Government often also lacks the required level of buy-in from employers when implementing policy (as has been seen with the apprenticeship levy.)

We believe a Skills Policy Institute should be created with representatives from across policy makers, education/training and industry to take a holistic view of existing skills policy and look at how it can be most effectively implemented now and in the next 5 to 10 years.

# Methodology

We worked with economic modellers Emsi to map the UK jobs market and identify occupation changes over the next six years. All jobs and industries throughout this analysis use either 1-digit or 4-digit Standard Occupation Classification (SOC) and Standard Industry Classification (SIC) codes.

We also worked with researchers Censuswide and polled 1,000 employers to understand their first-hand experience of the labour market, get their thoughts about what they believe the future holds for their business over the next three to five years and how well equipped they feel they are to meet the challenges of today and tomorrow. Research was undertaken in March/ April 2018.

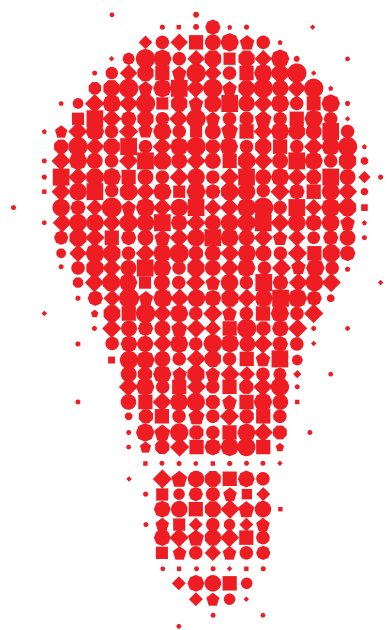
## **Methodology for employer research carried out by Censuswide**

The research was conducted via online survey by Censuswide, with 1,006 UK C-Suite level personnel in UK between 05/04/2018 – 30/04/2018. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

Methodology for economic modelling carried out by Emsi

Emsi labour market data is created from a collection of nine Government sources, which they combine to provide multi-layered cross-checking. This includes:

Business Register Employment Survey (BRES); Workforce Jobs Series (WJS); Working Futures (WF); Annual Survey of Hours and Earnings (ASHE); Labour Force Survey (LFS); Annual Population Survey (APS); Mid-Year Population Estimates; Subnational Population Projections; Annual Business Inquiry (ABI).





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