



# The Great Labour Shortage: How Businesses can Respond to a Post-Pandemic Staffing Crisis

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**UK employers are facing the worst labour shortage since 1997<sup>1</sup>**

Following a successful vaccine rollout, the UK's strict lockdown restrictions have slowly lifted in recent months. But despite enabling an economic recovery which has outperformed expectations<sup>2</sup>, this has created a new set of challenges for British businesses.

While demand for goods and services has boomed, numerous industries are struggling to find the staff they need to properly respond to that demand. More companies are hiring today than were pre-pandemic<sup>3</sup>. And surveys from the British Chambers of Commerce showed 70% that had tried to hire staff in the three months to June 2021 had struggled to do so<sup>4</sup>.

This has created a seller's labour market, putting pressure on organisations to win over staff with better wages.

**Average hospitality wages in the UK have increased by nearly 14%<sup>5</sup>, while wages across all industries have risen 7.4%<sup>6</sup>; many hospitality businesses have even begun offering hefty signing-on bonuses just to bring talent on board.**

1. <https://www.theguardian.com/business/2021/jul/08/uk-employers-struggle-with-worst-labour-shortage-since-1997> 2. <https://www.standard.co.uk/business/uk-economic-boom-covid-freedom-day-gdp-b940637.html> 3. <https://www.bloomberg.com/news/articles/2021-07-08/u-k-wage-inflation-emerges-with-post-lockdown-staff-shortages> 4. <https://www.theguardian.com/business/2021/jul/08/uk-employers-struggle-with-worst-labour-shortage-since-1997> 5. <https://www.bighospitality.co.uk/Article/2021/06/22/Staffing-crisis-drives-up-hospitality-wages> 6. <https://www.thetimes.co.uk/article/restaurants-and-bars-bank-on-higher-wages-to-attract-staff-khjltg3jd>

## Such a staffing crisis could not come at a worse moment for businesses.

The hospitality sector has a shortage of 188,000 jobs at the same moment experts suggest 72% of all businesses in the sector are at risk of shutting permanently in 2021<sup>7</sup>.

And a similar picture is seen across numerous other industries.

Ultimately, businesses must develop more sophisticated strategies to deal with the current crisis. And in order to do this, they need to understand the complex factors shaping the current staffing landscape.

In this eBook, we explore how the crisis has emerged - and explore ways businesses can more effectively respond to it.



Restaurants are on average

**10 – 25%**

short of staff<sup>8</sup>.

There were

**862,000**

job vacancies in the UK between April–June 2021<sup>9</sup>.

**80%**

of construction businesses are struggling to fill vacancies. While 76% of hotel and catering businesses are also struggling, as are 68% of production and manufacturing businesses<sup>10</sup>.

7. <https://www.theweek.co.uk/uk-business/108706/last-orders-72-of-hospitality-and-pub-businesses-could-close-in-2021> 8. <https://www.theguardian.com/business/2021/may/01/uk-restaurants-pubs-brexit-staff-covid> 9. <https://www.bbc.co.uk/news/business-57846381> 10. <https://www.bloomberg.com/news/articles/2021-07-08/u-k-wage-inflation-emerges-with-post-lockdown-staff-shortages>





# Understanding the Great Labour Shortage

How the pandemic and Brexit have created a staffing crisis

## The pandemic has changed workers' priorities

It has been widely reported that lockdowns have caused workers across virtually all industries to change their attitudes towards work. The majority of UK workers now claim they are actively on the lookout for work they find meaningful. And 75% of workers have made changes - or plan to make changes - to how and where they work<sup>11</sup>. This has shaken up the entire staffing landscape.

A great number of workers were forced to change professions during the pandemic, and many have decided not to return to their previous roles.

For example: the number of temporary drivers available for work in June was

**28.8% down**  
on its March level, with many opting for shifts in the hospitality and retail sectors instead.

During the same period in which we saw the gradual easing of lockdowns across the UK, the number of delivery shifts needing to be filled rose by 15.6%<sup>12</sup>.

<sup>11</sup>. <https://www.cpapracticeadvisor.com/payroll/article/21221139/how-working-conditions-and-attitudes-have-changed-due-to-the-pandemic> <sup>12</sup>. <https://www.thehrdirector.com/business-news/jobs/delivery-sector-hits-speed-bumps-as-a-quarter-of-temporary-drivers-return-to-pre-pandemic-professions/>

## Labour shortages are highly location specific

Another effect of the pandemic has been geographical: record numbers of people have left London during the pandemic<sup>13</sup>, and other cities have seen similar trends – as workers look to live in quieter, more affordable areas which are perceived to offer a better quality of life.

Our proprietary data reveals the shortage of delivery drivers is most acute in Edinburgh, where driver numbers tumbled by 54% between March and June while the number of available shifts posted by employers spiked by 131%.<sup>14</sup>

In London, the number of available drivers declined by 14% while shifts were up 53%.

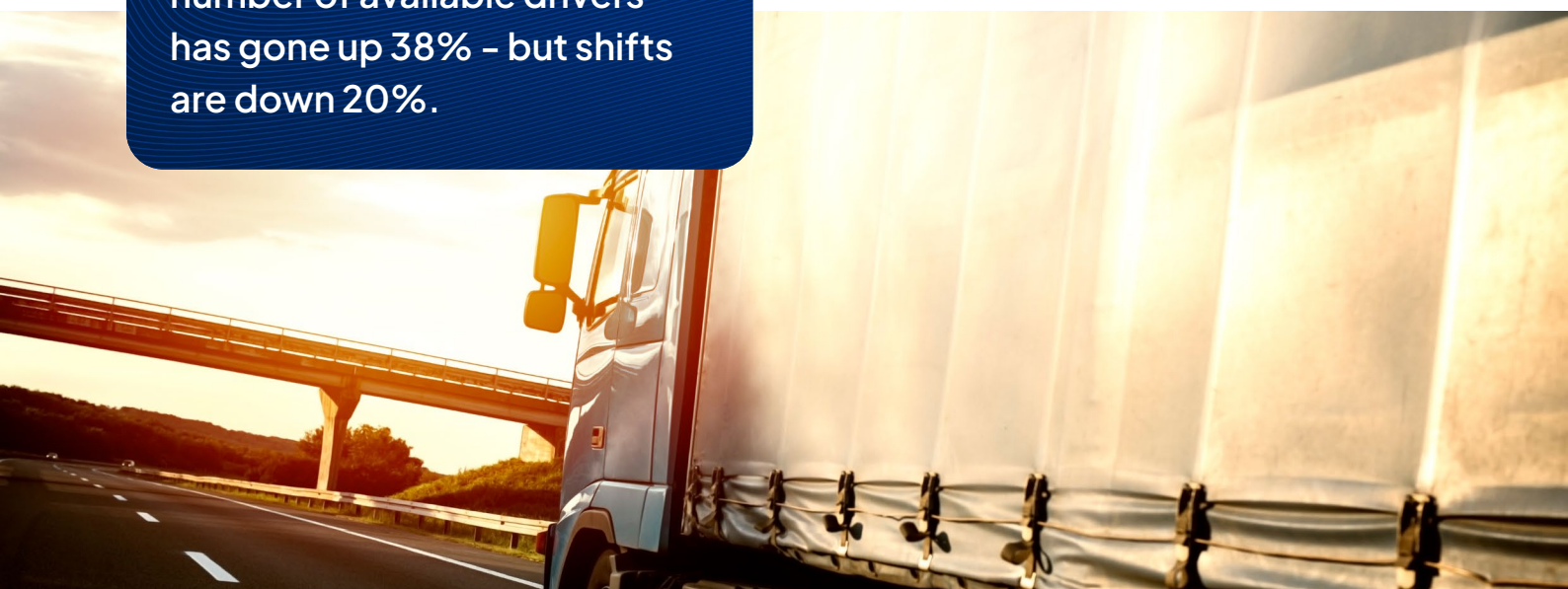
Yet the situation is reversed in the Midlands, where the number of available drivers has gone up 38% – but shifts are down 20%.

## Work conditions are under scrutiny

The pandemic has also brought attention to working conditions, with many leaving difficult or demanding fields. Many workers now express serious reservations about returning to work, with more than 1 in 10 hospitality workers claiming they don't even trust their employer to keep their workplace safe and clean.<sup>15</sup>

We see a similar trend in social care: social workers faced among the highest mortality rates by occupation during the first phase of the pandemic<sup>16</sup>, and their sickness rates more than doubled between February and October 2020.<sup>17</sup>

Ultimately, a third of care sector staff were reportedly considering quitting their jobs by July 2020.<sup>18</sup>



<sup>13</sup>. <https://www.theguardian.com/business/2021/jul/08/uk-employers-struggle-with-worst-labour-shortage-since-1997> <sup>14</sup>. <https://www.standard.co.uk/business/uk-economic-boom-covid-freedom-day-gdp-b940637.html> <sup>15</sup>. <https://www.bloomberg.com/news/articles/2021-07-08/u-k-wage-inflation-emerges-with-post-lockdown-staff-shortages> <sup>16</sup>. <https://www.theguardian.com/business/2021/jul/08/uk-employers-struggle-with-worst-labour-shortage-since-1997> <sup>17</sup>. <https://www.bighospitality.co.uk/Article/2021/06/22/Staffing-crisis-drives-up-hospitality-wages> <sup>18</sup>. <https://www.thetimes.co.uk/article/restaurants-and-bars-bank-on-higher-wages-to-attract-staff-khjltg3jd>



# Brexit has hit employers hard

In the midst of these various pandemic-related issues, Brexit has come into full effect. This has added fuel to the fire, with numerous low-skill industries finding their workforce has been decimated.

An estimated 1.3 million non-UK workers have left the country during the pandemic. And while business leaders have urged the government to ease post-Brexit immigration rules to address shortages, few have seen any indications that they will be able to get around these new restrictions<sup>19</sup>. We can see this effect in the hiring data: just under 35% of new starters in the first quarter of 2021 came from the EU, compared with almost half in 2019<sup>20</sup>.

Currently, the UK's Road Haulage Association estimates there is a shortage of 60,000 truck drivers, mainly because many returned to their own countries<sup>21</sup>. Other industries have suffered too: In parts of Southeast England, a third of care workers are non-British citizens<sup>22</sup>.

And the hospitality sector has lost

**92,000**

EU workers this year<sup>23</sup>.



## Volatility has become the new normal

Between COVID-19 and Brexit, staffing has become deeply unstable across many UK industries. The so-called 'Pingdemic' is symptomatic: it has seen many businesses having to temporarily shut because large segments of their workforce have been forced to isolate<sup>24</sup>. And while this specific problem is likely to be short-term, the impact of both Brexit and the pandemic will be felt long after workers stop being 'pinged'.

<sup>19</sup>. <https://www.theguardian.com/business/2021/jul/08/uk-employers-struggle-with-worst-labour-shortage-since-1997> <sup>20</sup>. <https://www.theguardian.com/business/2021/may/01/uk-restaurants-pubs-brexit-staff-covid> <sup>21</sup>. <https://www.bloomberg.com/news/articles/2021-07-08/u-k-wage-inflation-emerges-with-post-lockdown-staff-shortages> <sup>22</sup>. <https://www.theguardian.com/commentisfree/2020/dec/07/england-brexit-care-home-staff-immigration-rules> <sup>23</sup>. <https://www.thecaterer.com/news/more-than-92000-european-union-eu-workers-estimated-left-uk-hospitality-sector> <sup>24</sup>. <https://www.bbc.co.uk/news/business-57885175>

# Looking Forward with Optimism

## What should businesses expect in 2022 and beyond?

While the staffing outlook may appear bleak, there are many reasons for businesses to feel optimistic looking forward. The combined impacts of the pandemic and Brexit have drawn much needed attention to pre-existing problems, and given businesses the opportunity to resolve them before it's too late.

Deloitte, for example, has published a highly positive assessment of the hospitality sector's future, emphasising the opportunity for reimagining both customer experience and legacy operating models<sup>25</sup>. This applies across every sector which is currently facing staffing shortages.

**UK household savings are the second highest they have been since 1963<sup>26</sup>. And as the UK economy continues to grow, businesses that are able to get a handle on their staffing challenges will reap the benefits of an economic resurgence.**

The UK service sector, for example, is currently experiencing its fastest growth in demand since the 1990s<sup>27</sup>, with some businesses already seeing sales reach 85% of their pre-pandemic levels<sup>28</sup>.

With the right approach to the Great Labour Shortage, businesses will thrive into 2022 and beyond.



<sup>25</sup>. <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/consumer-industrial-products/ca-future-of-hospitality-pov-aoda-en.pdf> <sup>26</sup>. <https://www.ft.com/content/1660c16d-a334-4334-8285-18c8d5842910> <sup>27</sup>. <https://www.theguardian.com/business/2021/may/21/retail-sales-soar-as-shoppers-splash-out-on-clothing-and-footwear> <sup>28</sup>. <https://news.sky.com/story/covid-19-wagamama-owner-reports-very-encouraging-recovery-as-restrictions-ease-12316419>





## Four Ways Businesses can Respond

1

### Develop organisational agility

One of the key lessons of the pandemic is that existing organisational structures are often excessively rigid. Those that coped best during the pandemic – even in industries like hospitality which were particularly hard hit by lockdowns – were the ones which had the greatest adaptability.

Organisations should look to increase their agility, and staffing can be a key part of this. The 'blended workforce' is a great model to look to, where businesses use a combination of full-time and temporary workers.

It enables businesses to respond efficiently to peaks and slumps in demand, as well as reducing a number of staffing costs that full-time workers bring. It will also prepare businesses for a future where 60% of experts expect few people to have stable, long-term employment<sup>29</sup>.

There are over

**1.5 million**

temporary workers  
in the UK<sup>30</sup>.

<sup>29</sup>. <https://www.pwc.com/gx/en/services/people-organisation/publications/workforce-of-the-future.html> <sup>30</sup>. <https://www.statista.com/statistics/530216/temporary-workers-in-the-uk/>



## 2

## Increase wages when it matters

While many businesses are currently feeling pressured by the need to increase wages – and the inevitable squeeze that puts on their margins – there are reasons to see wage increases as a net positive.

Higher wages ultimately translate into higher consumer spending; businesses should not resist the pressure, but instead look at how they can ensure it leads to an even greater increase in revenue.

Put simply, businesses that get in front of wage increases will gain a competitive advantage – enticing the best talent and ensuring they don't miss out on increased consumer demand.



A £0.73 wage increase has been shown to reduce staff turnover by

**19%**<sup>31</sup>

<sup>31</sup>. <https://www.wsj.com/articles/the-case-for-higher-wages-in-hard-times-11611241084>



## 3

## Improve Employee Experience (EE)

Many of the difficulties currently facing employers boil down to the undesirability of roles. Therefore they must focus time and resources on improving the experience and environment they offer workers. This can be done in a number of ways.

In some cases, recognition and reward structures can be reinvented to better accommodate workers' needs; in others, it will be necessary to fully reimagine roles to appeal to a broader group of workers.

Another option is to introduce more temporary staff into the workforce – roles are often inherently more appealing when they offer employees a high degree of flexibility.

Employers could see a  
**55% increase**  
in employee engagement  
by addressing employees'  
need for recognition<sup>32</sup>.

32. <https://www.google.com/url?q=https://www.mckinsey.com/business-functions/organization/our-insights/covid-19-and-the-employee-experience-how-leaders-can-seize-the-moment&sa=D&source=editors&ust=1621962512552000&usg=AOvVaw06vP365cZPVdGSAWBtNRjO>





## 4

## Reimagine Talent Sourcing

Existing recruitment models are increasingly not fit for purpose. Businesses must look to improve their processes, looking to innovative models.

Technology offers businesses numerous opportunities to increase the efficiency and effectiveness of their staffing. By simplifying the process and empowering both employees and employers, embracing technology can help businesses truly reimagine how they source talent.

# 68%

of recruiting professionals say that the best way to improve recruiting performance over the next five years is by investing in new recruiting technology.<sup>33</sup>

<sup>33</sup>. <https://www.g2.com/articles/recruitment-statistics>



## Build a blended workforce with Indeed Flex

**We're Indeed Flex, a digital staffing partner delivering frictionless access to high quality, pre-verified, local workforces for market-leading brands via a range of flexible staffing solutions.**

Through our bespoke approach and strategic planning, we're committed to providing best in class service while leveraging market, worker and operational insights from our extensive talent pool, to help clients adapt to market demands and overcome recruitment barriers.

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We empower our worker community with greater ownership, control and choice over how they work, whether that's on a short or longer term basis, enabling our clients to discover a happier workforce which is more engaged and consistent. All this, plus, with the support and resources of the Indeed family of brands, we're uniquely positioned as the all-encompassing staffing partner to suit any forward-thinking business.



# Interested in learning more ?

Book a meeting with one of our experts to discuss how Indeed Flex can help you with your staffing needs today.



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