

# THE UK LABOUR MARKET PUZZLE

Why are employers unable to find workers  
and what can be done about it?

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## Part 2: Solving the Labour Market Puzzle

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# Introduction

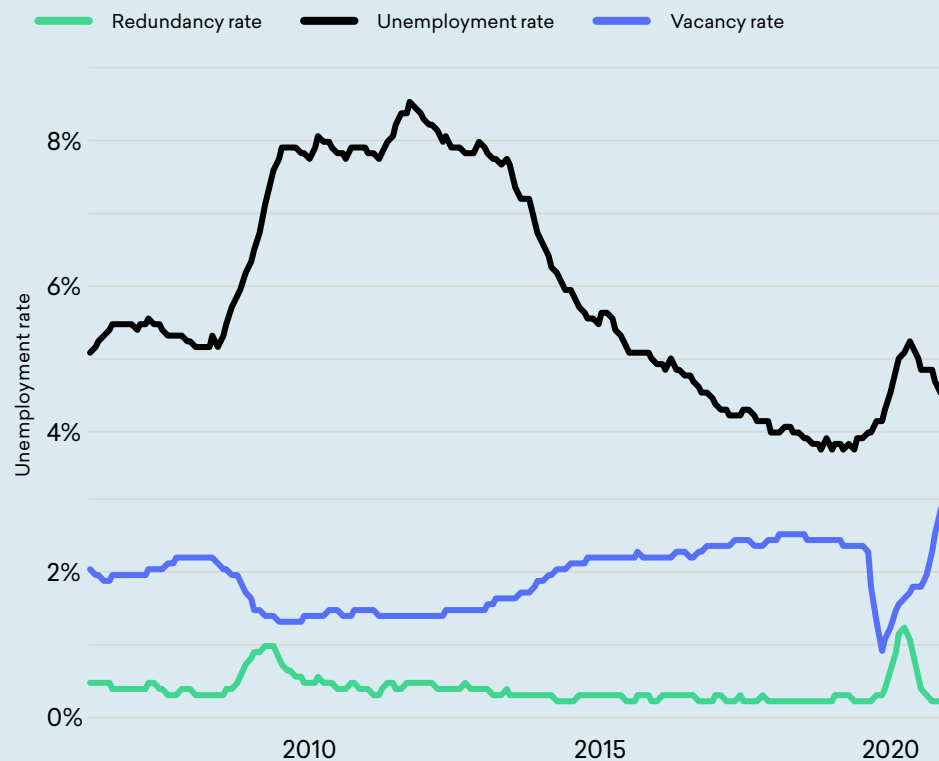
In the first part of this report, we began by looking at how the labour market has changed over the past couple of years as the Covid crisis hit, together with restrictions on many parts of the economy. We saw that the initial loss of jobs and huge decline in employer demand was then followed by an extraordinary reversal, with unemployment falling throughout 2021 almost as sharply as it had risen the previous year, and the number of job vacancies reaching an all time high by August (see chart below). In the rest of the report, we looked at how the labour market had become remarkably tight, with the number of candidates per vacancy at historic lows.

This tight labour market means that employers will need to look to implement new and innovative ways of attracting the talent they need to grow their business. This includes communicating more effectively the salaries and benefits they offer, and many employers will also be thinking about investing in new technology to automate processes as labour becomes more expensive. This fiercely competitive labour market will also mean employers having to look to the early talent market to fill the roles they are having trouble recruiting, which in turn will necessitate closer collaboration with education and training providers, particularly in promoting apprenticeships in more creative and appealing ways.

The huge number of job vacancies we have seen over the last few months cannot continue to rise indefinitely, and so some sort of move to equilibrium between labour supply and demand is likely to happen at some point. However, both employers and education and training providers should seize the current highly unusual situation as an opportunity to review their strategy for recruiting employees and apprentices, not only so they can get through this particular time of change, but also to better place themselves for the future.

In part two of this report, we once again bring together Emsi Burning Glass's labour market data and GetMyFirstJob's data for new entrants, this time to shed some light on some solutions to the puzzle. On pages p.4-7 we look at how salaries are influencing the choices new candidates are making; pages 8-12 look at some of the ways employers are changing the way they advertise their vacancies; on pages 13-14 we look at the role of education and training providers, particularly in working with employers to make their apprenticeship offer more appealing; and finally on page 15 we finish with a summary of what we have seen.

## Redundancies, unemployment and vacancies (January 2006 to August 2021)



Data: Emsi Burning Glass analysis of ONS employment, unemployment and vacancies



# How is candidate behaviour changing?

In this section, we use new candidate data from GetMyFirstJob, which tracks both the number of vacancies and the number of applications for each vacancy, in order to get a sense of how the choices of those entering the labour market have been changing over the last few years in relation to pay being offered. The charts below show data for all roles, with the green lines representing vacancies advertised, the blue lines representing the corresponding number of applications, and the four charts representing a progression from low salaries on the left (up to £3.89 per hour) to higher salaries on the right (£8.00-£20.00 p/h).

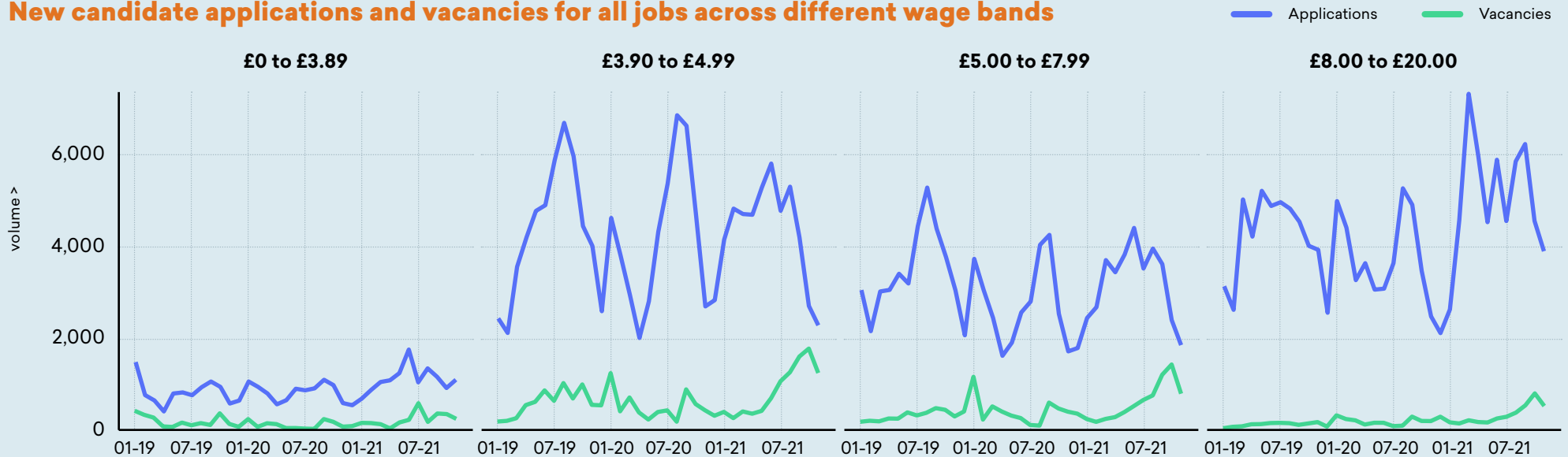
We can see that the number of vacancies has risen significantly during 2021 across all pay bands, although it does appear to have dropped off towards the end of the year. Applications are somewhat volatile, and much of this reflects the fact that this is a fixed cohort of around 200,000

16-18 year-olds, and therefore subject to the enforced peaks and troughs in education cycles.

The main story this tells is that whilst the number of applications at the lower and middle pay bands are similar to 2019 levels, there has been a significant increase at the higher end of the pay spectrum. What this suggests is that as the labour market has become more of a seller's market, applicants have become more choosy about which jobs they are applying for, opting away from the low to middle paid jobs towards those offering a higher remuneration.

Over the next three pages, we highlight the same data for three occupation groups to get a sense of whether the pattern we see here is repeated or whether there are any differences.

## New candidate applications and vacancies for all jobs across different wage bands



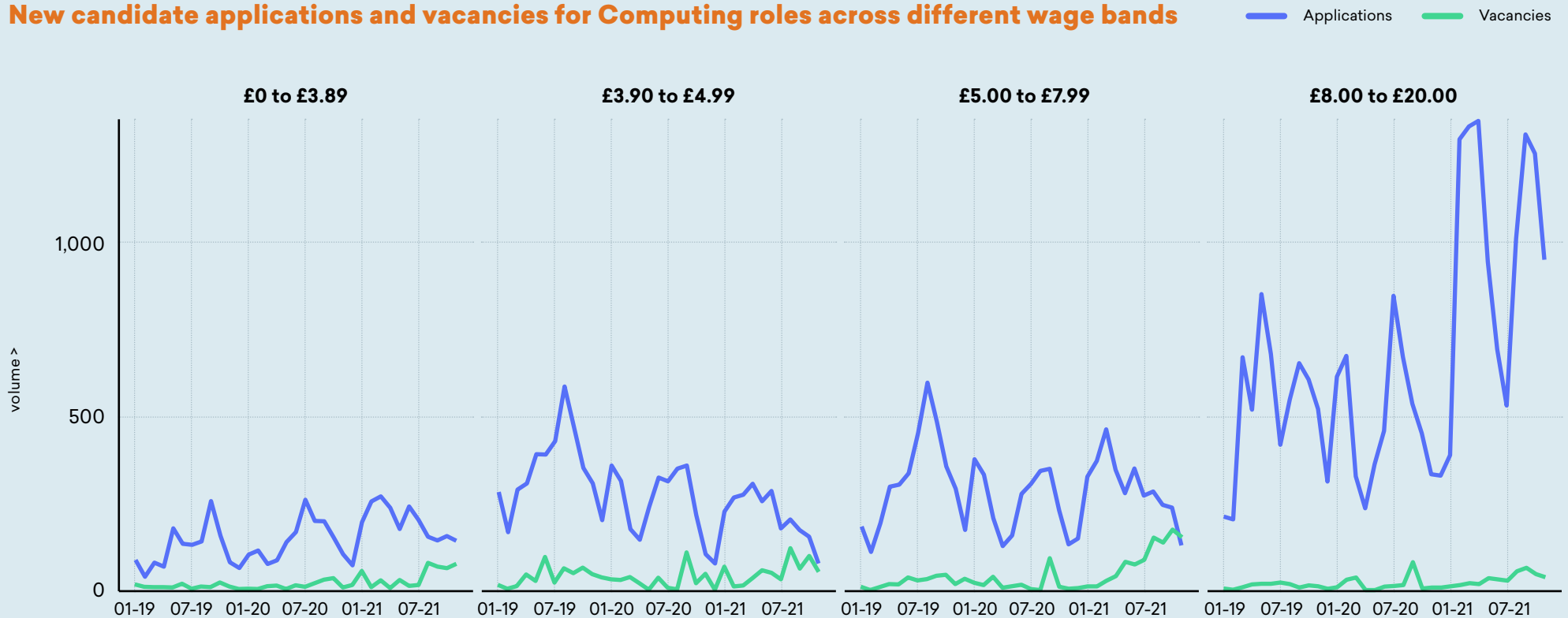
Data: Emsi Burning Glass and GetMyFirstJob.co.uk

## Spotlight on Computing

Looking at Computing roles, there are a couple of main points that are striking. The first is that in the two middle pay bands, whilst the number of vacancies increased throughout 2021 (particularly in the £5.00 to £7.99 pay band), the number of applicants applying for these positions fell to such an extent that by the end of the year the number of applicants and number of vacancies were almost one-to-one. It would therefore appear to be quite difficult for employers to get people to apply for jobs in those middle paying categories.

We can see the reason why this is happening when we look at the highest pay band. Although the number of vacancies is hardly above 2019 levels, the number of people applying for these roles is currently much higher – almost four times the number three years ago. This suggests that those with computing skills who are looking to enter the jobs market are not rushing to apply for any job they can get, but rather feel they can afford to be much more picky and apply for the better paying roles.

**New candidate applications and vacancies for Computing roles across different wage bands**



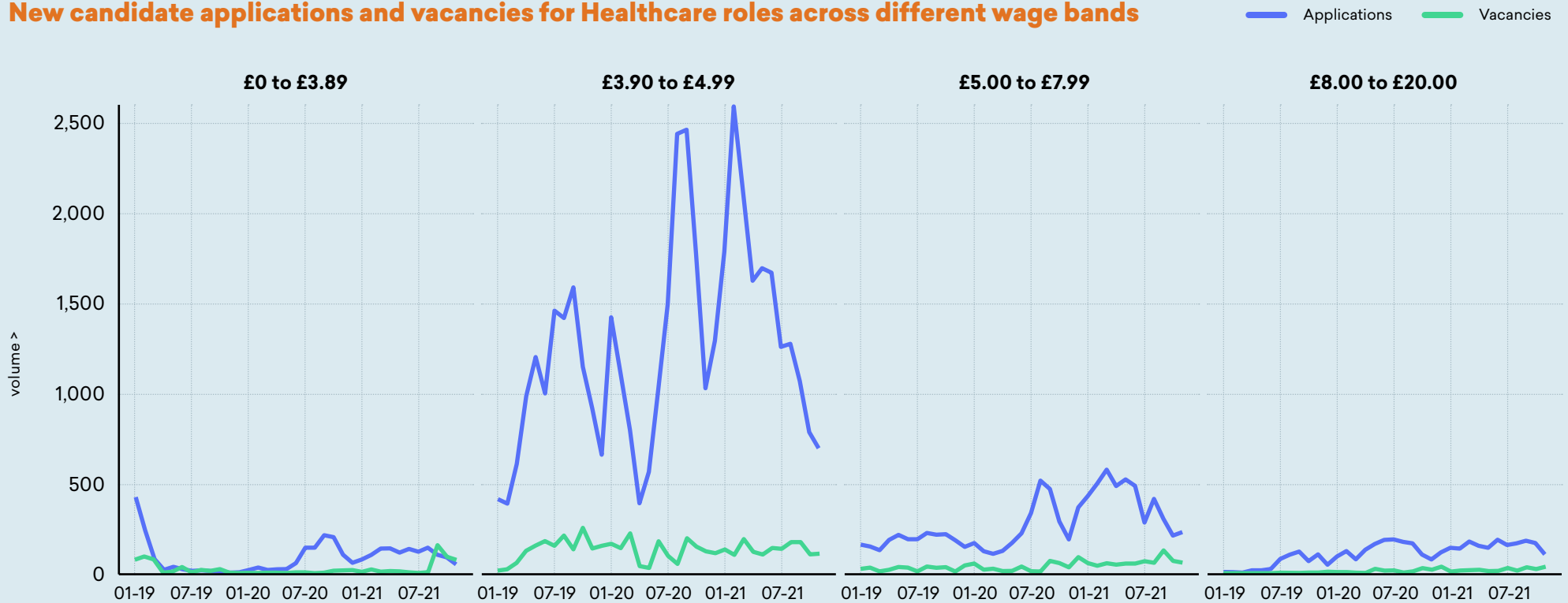
Data: Emsi Burning Glass and GetMyFirstJob.co.uk

## Spotlight on Healthcare

Unlike Computing roles, which exist in an open labour market with competition between businesses, Healthcare jobs do not generally have that kind of competitiveness, especially since salaries are set by central policy prescriptions through pay review bodies, and there are fewer alternative options to extract the benefits of the seller's market than the private sector offers. We therefore wouldn't expect to see anything like the kind of shift in applications towards higher paid vacancies that we saw with Computing, and in fact with one exception there is a reasonably stable number of applications across the pay bands.

That one exception is in the £3.90 to £4.99 pay band. Although we see a fairly stable number of vacancies since 2019, the number of applications has been quite volatile, with a couple of peaks in mid-2020 and the start of 2021, which were the periods of the first and third Lockdowns. Since that second peak, however, there has been a steep decline in applicants to levels that are around the same as those seen in the first quarter of 2019.

**New candidate applications and vacancies for Healthcare roles across different wage bands**



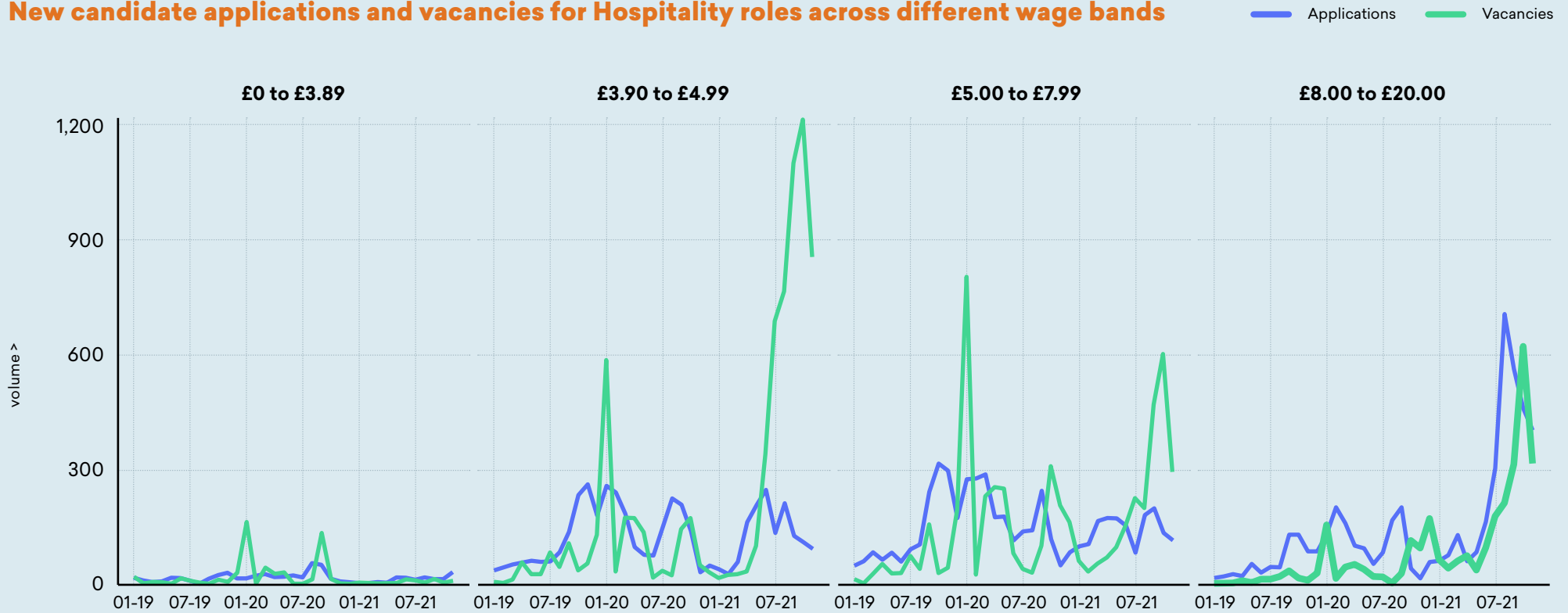
Data: Emsi Burning Glass and GetMyFirstJob.co.uk

## Spotlight on Hospitality

Hospitality was hit harder than any other sector during the Covid crisis, as mandatory closures and various restrictions were imposed on numerous occasions. Looking at the green lines representing vacancies in the charts below, we can very much see the story of boom to bust to boom again. At the start of 2020, the number of vacancies rose significantly, only to drop back down to very low numbers during the first Lockdown, where they largely stayed for the remainder of the year before rising again in early 2021 as the sector opened up after the third Lockdown.

What is really interesting is that in both the middle pay brackets, the number of vacancies now far exceeds the number of applications, whereas in the higher pay band, the number of applications has been in an almost one-to-one relationship with vacancies both before and during the crisis. The data therefore shows just how hard it has become for employers in the sector to fill positions, and that getting staff may well require increasing the wages being offered in order to have a chance of finding candidates.

**New candidate applications and vacancies for Hospitality roles across different wage bands**



Data: Emsi Burning Glass and GetMyFirstJob.co.uk

# What are employers doing to attract new talent?

In this section, we take a look at some of the ways in which employers have been changing the way they present their offer to make working for them more appealing. As we shall see, this includes not just pay, but also a variety of benefits that are being communicated in their adverts to help them stand out from their competitors.

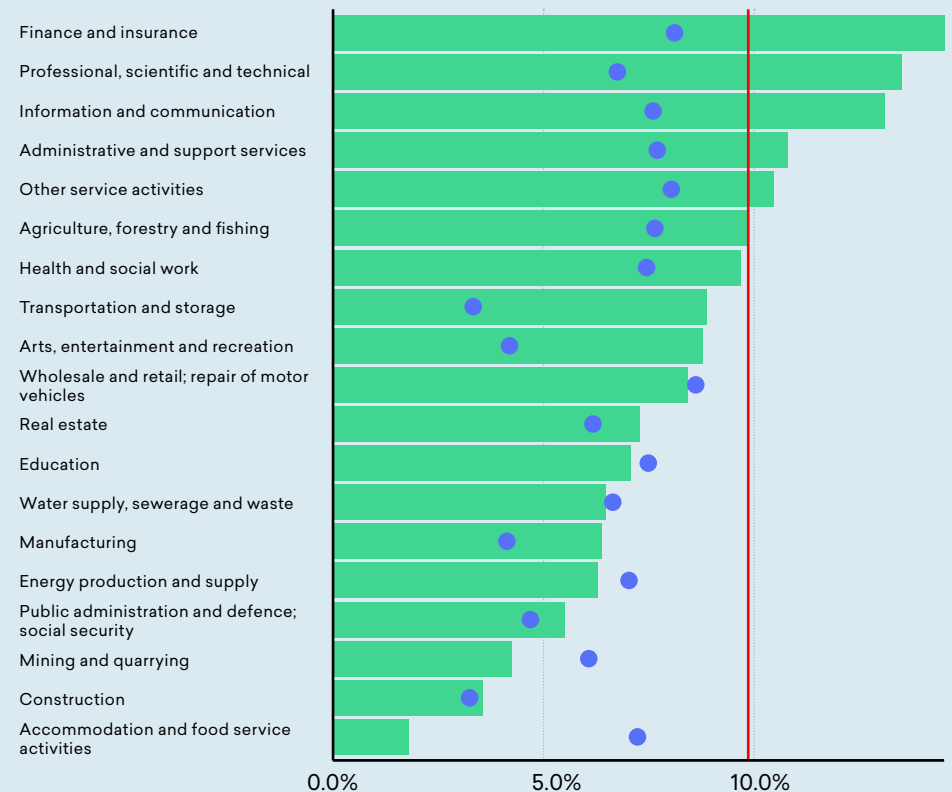
Beginning with wages, the chart to the right uses experimental Real Time Information for payrolled employees, developed by ONS and HMRC from the Pay As You Earn (PAYE) system to show wage growth in each industry. The bars represent the percentage change in median salaries between October 2019 and October 2021 – so taking into account the entire Covid period – with the red line representing total change across the economy during that time. The blue dots show the change in median salaries over the two previous years.

As you can see, most industries have seen pay grow at a faster rate over the last two years than the previous two, and it is perhaps no surprise to see the likes of Finance and Insurance, Professional, Scientific and Technical, and Information and Communication topping the list.

What is more interesting is the Transportation and Storage sector, which includes jobs like HGV Drivers and Warehouse Operatives. The huge shift to online retail over the last couple of years has meant that the industry has grown significantly, and here we see the effect this has had on wages. Between 2017 and 2019, pay growth in this sector was the lowest of all industries at around 3%, but during the last two years, although growth has been slightly below the average for all industries, we can see that it has been significant at around 9%.

At the bottom end of the chart, Accommodation and Food Services Activities is particularly interesting, with growth in pay over the last two years being around 2%, compared with 7% over the previous two years. Employers in this sector, it would seem, have not been rushing to fill their vacant positions by offering better pay.

**Wage growth across all industries from 2017-2019 (blue dots) and 2019-2021 (green bars)**



Data: Emsi Burning Glass analysis of ONS PAYE RTI experimental statistics



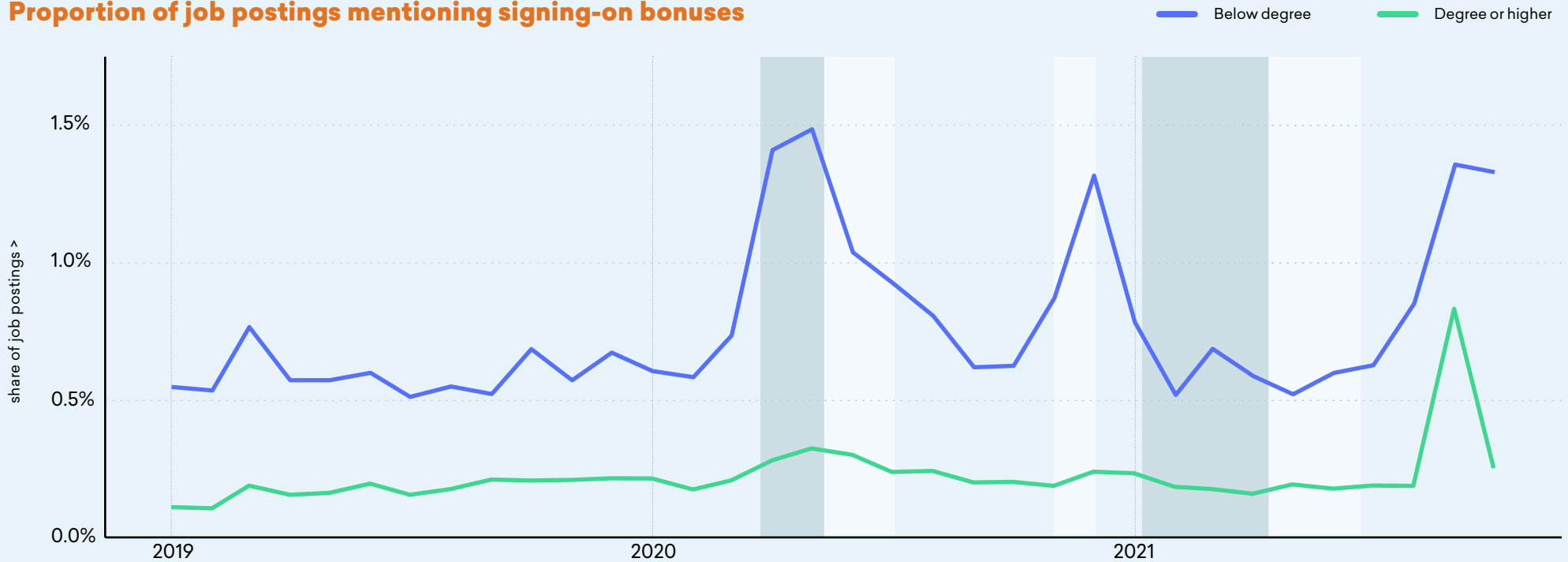
## Signing-on bonuses

Using Emsi Burning Glass's Job Posting Analytics, we can identify a variety of different elements within online job adverts, and track how often they are mentioned over time. The chart below does this for signing-on bonuses from 2019 to 2021, and we have further split this between education levels, with jobs requiring a degree or above in green and those below this level in blue.

With the adverts for degree or higher level jobs, the spike towards the end of 2021 seems to be a one off, and overall signing-on bonuses don't really seem to be something employers use.

The lower skilled end of things is more interesting, with three surges in the proportion of adverts mentioning signing-on bonuses. The first is likely a reflection that when the first Lockdown hit, jobs offering signing-on bonuses remained up whilst others were taken down. However, the increases towards the end of 2020 and 2021 are more organic, and an indicator of a much more competitive market where employers are fighting to attract talent. By the end of 2021, the proportion of job adverts mentioning signing-on bonuses was around two-and-a-half times that seen before the Covid crisis, and this may be the tip of the iceberg given that this data only looks at online adverts.

Proportion of job postings mentioning signing-on bonuses



Data: Emsi Burning Glass

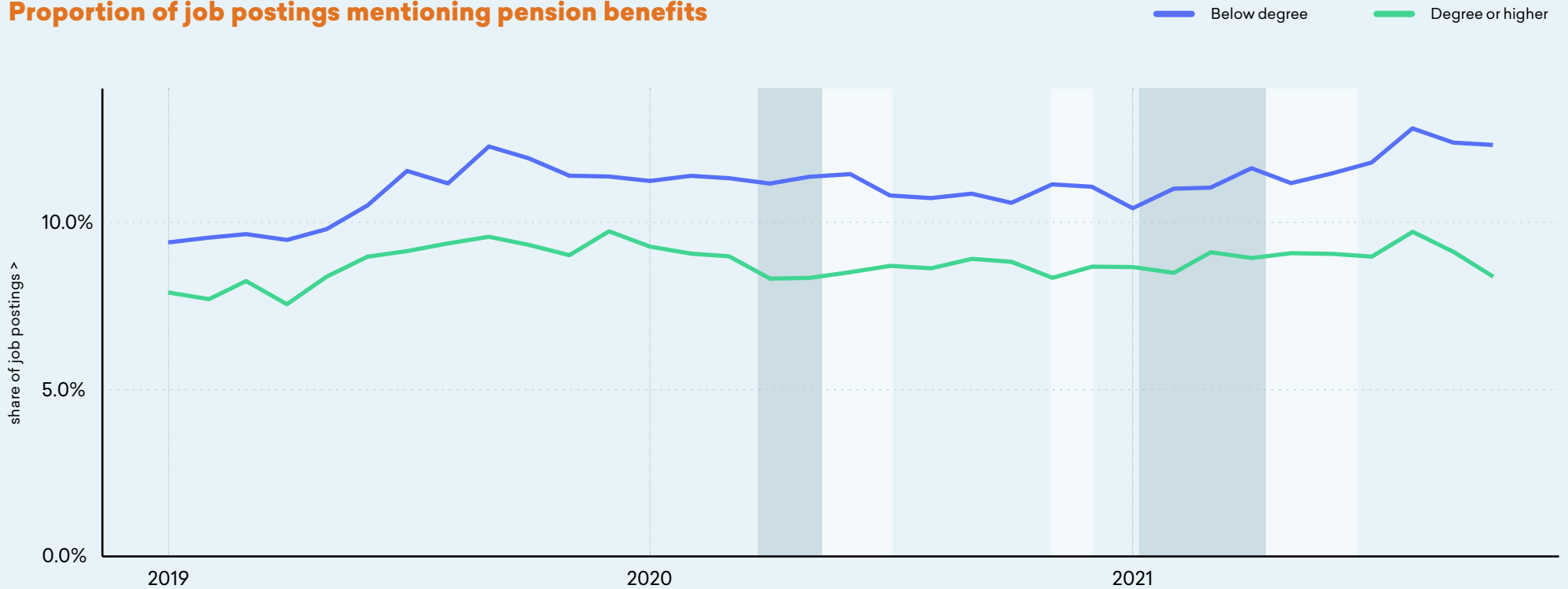
## Pension benefits

The chart below looks at mentions of pension benefits in job postings. In contrast to the mention of signing-on bonuses on the previous page, which only appeared in between 0.5% to 1.5% of online adverts, pensions are mentioned in around 10% of postings.

The law on mandatory employee pension contributions was changed in 2019, and this is the likely explanation for the uptick in mentions that year. In 2020, the number of mentions in both the lower skilled and degree and above jobs was fairly flat, but there is an interesting change

during 2021. Although the number of degree or higher level job adverts mentioning pension benefits increased in the third quarter of the year, it then dropped back to levels seen in 2019 and 2020. Whereas for lower skilled jobs, there has been a reasonably steady increase throughout 2021 from just over 10% at the beginning of the year, to over 12% by the end. The takeaway from this is that employers looking for workers at the lower skilled end of the spectrum seem to be more intentional and explicit about communicating the pension benefits they offer in their job adverts as the labour market tightens and becomes more competitive.

### Proportion of job postings mentioning pension benefits



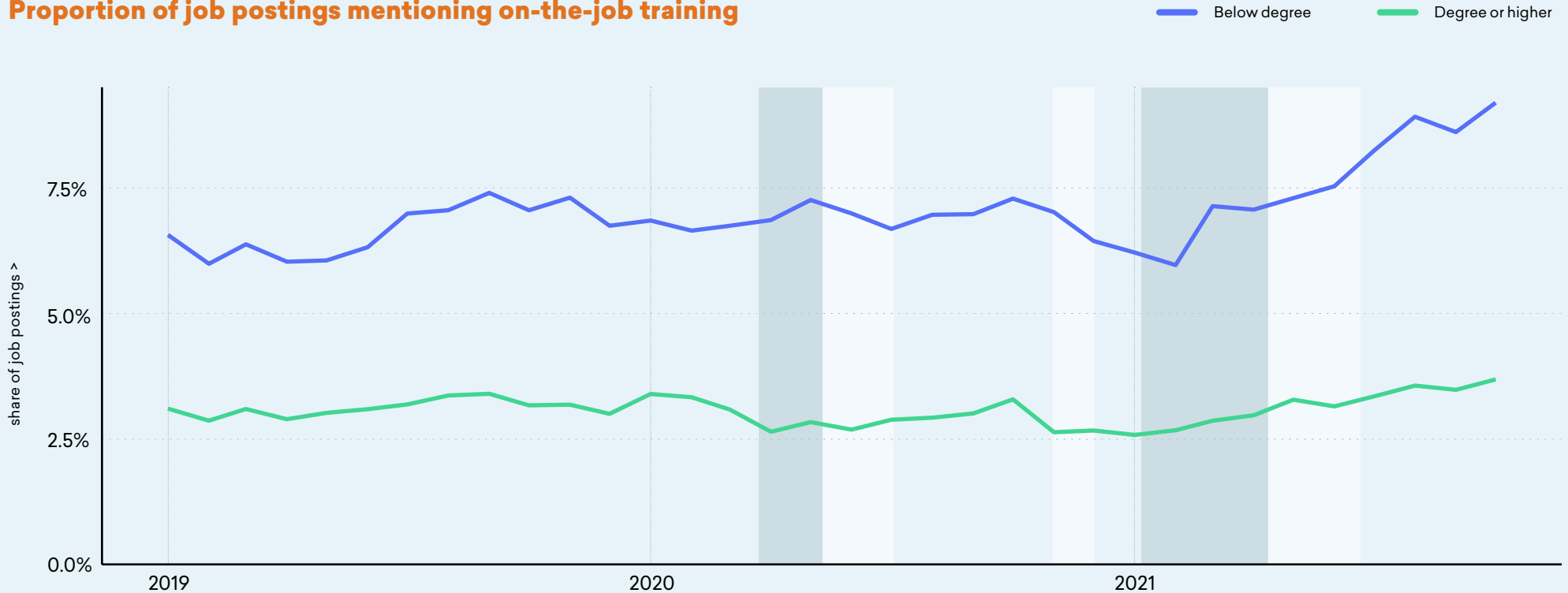
Data: Emsi Burning Glass

## On-the-job training

Another way in which employers can distinguish themselves from their competitors is by mentioning the training they offer, and the opportunities for career progression through training. This not only serves as a way of differentiating a company from its competitors, but also as a way of widening the candidate pool, since by mentioning it an employer is essentially saying to prospective employees that they do not need to be job-ready, and that they are prepared to invest in training them for a period of time in order to get them fully up-to-speed and ultimately make them productive for the organisation.

Looking at the data, we can see that mentions of training tend to be more numerous in lower skilled job adverts than in those requiring a degree or above. What is really interesting, however, is the significant increase in these mentions throughout 2021, rising from around 6% in January to around 9% by the end of the year. What this shows is not necessarily that more employers are offering training opportunities, but rather that they are being far more intentional in how they communicate this to potential employees as their market becomes tighter and more competitive.

### Proportion of job postings mentioning on-the-job training



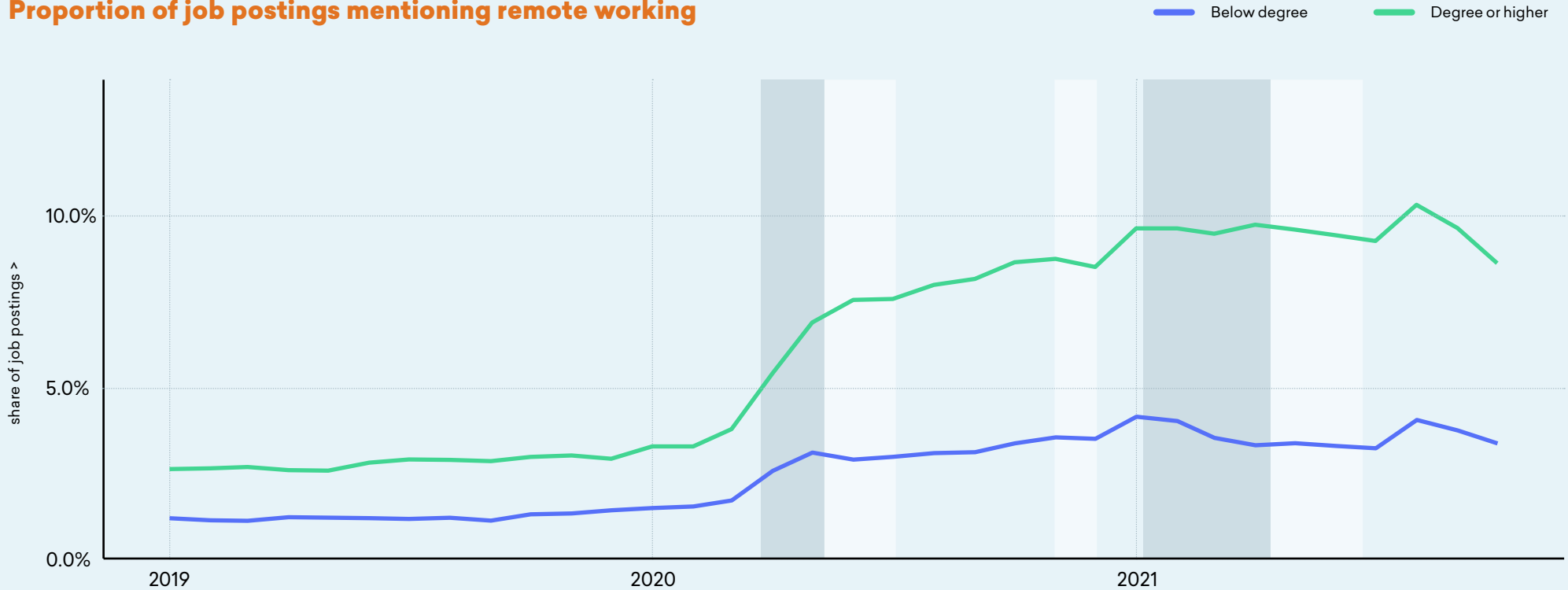
Data: Emsi Burning Glass

## Remote working

Finally in this section, we look at the data for job adverts mentioning remote working. As we are all well aware, remote working increased massively in March 2020, when workplaces all over the country were ordered to close, and entire workforces had to work from home. It is therefore no surprise to see a significant rise in job adverts mentioning remote working during the first Lockdown and throughout the rest of 2020. In 2021, however, the numbers stabilised and then dropped off towards the end of the year, which is perhaps a reflection of many employers wanting to get back to a normal office working environment.

Unlike the previous metrics we have looked at, mentions of remote working tend to be more prevalent for jobs requiring a degree or above, which is probably because high skilled jobs tend to be more adaptable in terms of where they can be performed. Overall, mentions of remote working for higher skilled jobs have increased from around 2.5% in 2019 to 6-7% by the end of 2021, and from around 1% to 3.5% in lower skilled jobs. Again, the point brought out by the data is that as the labour market has tightened, employers have been more intentional about communicating their offer in ways that they hope will be attractive to potential candidates.

### Proportion of job postings mentioning remote working



Data: Emsi Burning Glass



# Appealing to the new talent market

We've seen how new entrants to the labour market are responding to the current situation by becoming more selective about which jobs they apply for, with a clear shift in applications towards higher paid roles. We've then looked at how employers are responding to the situation, particularly in becoming more intentional about communicating the benefits of working for them. But as the shortage of workers means employers are forced to look more towards the new talent market to fill their vacancies, there is a very real opportunity for more collaboration between employers and education and training providers to promote apprenticeships to young people.

The apprenticeship market is undergoing something of a period of change and fragmentation, with a lot of this being driven by big employers and some of the more innovative training providers. According to GetMyFirstJob's CEO and Founder, David Allison:

*"What we are seeing is a number of employers shaking up the apprenticeship landscape by bringing their recruitment experiences and expertise to the table. They come with a commercial mindset, understanding the need to really stand out from their competitors in terms of their offer and how they communicate this to potential candidates. This is seen in how their adverts describe the vision and mission of the company, progression routes, the culture, and what it's like to work there. All of which is very appealing to young people."*

This is a far cry from the traditional approach to promoting apprenticeships that many training providers still take, which tend to focus on tasks and responsibilities – the “what” rather than the “why” of working for the company. But at a time when there are so many vacancies on offer, and with young people having far more access to information on their choices than ever before, David says this kind of approach is unlikely to be successful:

*"Training providers that think they can just post any old vacancy on a jobs board and get loads of applicants are not only going to find that this just doesn't work anymore, but it ultimately means they won't be able to deliver the services they're promising to employers. They are going to have to change their thinking in order to succeed and thrive."*

Those employers who are really setting out to give young people a vision of the benefits the job offers them, rather than just presenting them with a list of tasks and responsibilities, can act as a yardstick for training providers who want to serve businesses that don't have the kind of scale or ability to own the whole recruitment process. Training providers who can act like a recruitment organisation to truly sell the company, sell the job, and sell the career to potential applicants, will be in a much stronger position in the market to attract both employers and students to great outcomes.

A number of training providers have really grasped this, and because they are doing this well, they are actually now charging commercially for the service. Yet according to David, now is the ideal time for many more colleges and training providers to really up their game on the way they promote their apprenticeships, by developing fully-fledged recruitment packages to attract candidates, and so deliver the workers that employers desperately need right now.

*"The current labour market presents a golden opportunity to tap into the new talent market to deal with some of the skills shortages we are seeing. But it could turn out to be a huge missed opportunity if education and training providers continue to employ the old-school approach to marketing apprenticeships, as this will not only fail to tap into that market, but ultimately lead to employers becoming disengaged if they find their talent needs are not being met."*

On the following page, we've given a couple of examples of these different methods of promoting apprenticeships.

## Two approaches to promoting apprenticeships

The examples below are excerpts from a couple of real-life, anonymised apprenticeship adverts, the one on the left being the old-school approach, and the one on the right being the newer recruitment-led approach. As you can see, the one on the left is very dry, and basically a list of tasks and responsibilities. The one on the right, by contrast, is all about inspiring a young person to want to work there with a vision of what it will be like, and the sorts of benefits they will enjoy.

### Level 3 Apprenticeship: **Business & Administration**

#### **Description of the role:**

The role includes logging and processing import and export declarations; communication with stakeholders; internal and external systems' processes and updates; assorted admin processes; liaising with third party brokers; documenting processes for audit trail; and helping to manage processes and related recharges of the costs.

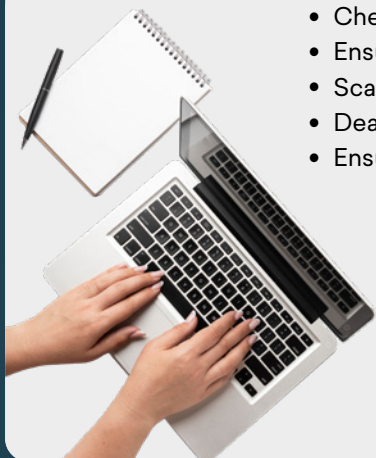
#### **Duties of the role:**

Reporting to the Customs Supervisor, you will be expected to:

- Check all relevant customs and trades documents
- Ensure accurate and timely data validation and entry
- Scan and file documents correctly
- Deal with enquiries by phone and email
- Ensure compliance is met at all times

#### **Requirements of the role:**

You will need a reasonable level of maths and English, as well as IT competency including knowledge of Microsoft Outlook, Excel and Word. Attention to detail is critical to this role, along with a willingness to learn new regulations, procedures and systems.



Of the two, the one on the right is far more likely to motivate potential candidates, and the reason for this is that whilst the Business and Administration advert is all about “what” they will be doing, the Catering and Hospitality one is all about “why” this is something they should do. Whilst the first feels like the apprentice will be a “cog in the machine” the second sounds like they will actually find fulfillment in their job, enjoy what they do, and use it as a springboard to realise their ambitions.

### Level 2 Apprenticeship: **Catering & Hospitality**

**We are seeking engaged, motivated, talented people to represent our well-known brand. If you have the desire and the drive to produce great food in a genuinely fun environment, we'd love to hear from you.**

#### **What can you expect from this role?**

Working in our fast-paced kitchens, you'll learn a wealth of knowledge and experience of food preparation and food handling. With the ability to develop your skills across a variety of dishes and menus, this is a great opportunity for someone who has a passion for creating amazing fresh food dishes and who dreams of one day becoming a Head Chef.

#### **Who are we looking for?**

If you have a passion for making food, want to work as part of a dynamic team, and are excited by the catering industry, you are who we are looking for.

#### **Why work for us?**

As well as a highly competitive salary, you will benefit from a package which includes pension scheme; discounted meals; flexible working hours; ongoing training; progression opportunities; discounts with major retailers; and food and accommodation discounts.



# Summary

- The current tight labour market means that employers will need to look to become more innovative in how they attract the talent they need to grow their business.
- As well as reviewing and potentially increasing the salaries they are offering, employers will also need to think about how they can communicate the benefits they offer more clearly.
- GetMyFirstJob's candidate data shows new entrants into the labour market are becoming more choosy about which jobs they apply for, particularly in respect of salary.
- Applications for Computing roles have seen a very clear shift to jobs offering higher pay, whereas wages appears to be less of a factor for those applying for Hospitality and Healthcare roles.
- Hospitality employers are having a hard time attracting workers, but as the chart on page 8 shows, the sector as a whole does not appear to have responded by offering higher wages.
- The tight labour market has led employers to get more explicit about the benefits they offer in their job advertisements, such as pensions, bonuses and training.
- With employers needing to turn to the early talent market to fill vacancies, there is a real opportunity for collaboration with education and training providers, particularly through apprenticeships.
- If this opportunity is to be fully grasped, education and training providers will need to develop fully-fledged recruitment packages to inspire the candidates employers so desperately need right now.







Emsi Burning Glass is the world's leading authority on job skills, workforce talent, and labour market dynamics.

With engineers and data specialists collecting and analysing data from thousands of job boards, company websites, online resumes, employee profiles, and traditional government sources, the company produces the most comprehensive and up-to-date picture of the labour market available. Organisations across the globe use Emsi Burning Glass market research, analytical software, and data expertise to better understand their own workforce and identify skilled and diverse talent for future growth.

Headquartered in Boston, Massachusetts, and Moscow, Idaho, Emsi Burning Glass is active in more than 30 countries and has offices in the United Kingdom, Italy, New Zealand, and India.

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GetMyFirstJob is a social enterprise established in 2010 to help companies access the talent they need, when they need it.

The company's mission is to help employers access and employ the talent of tomorrow by using innovative technology to inform young people about their options and create effective and efficient routes into training and employment. Through GetMyFirstJob, candidates find out about roles that really interest them so are more engaged, whilst organisations are able to recruit people that have a genuine interest in their work, not simply people who were told to apply to a job on a website.

In a busy month, GetMyFirstJob helps over 30,000 candidates to access the right opportunity for them, with over 2.25 million people having used the site since it was set up to find out more about this approach.

## Contact

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