

BRIEFING NOTES – PEER2PEER

Labour shortages – a temporary blip or the shape of things to come?

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SPEAKERS

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PARC's first online peer exchange of 2022 focused on labour shortages. With reports from various countries of a 'Great Resignation', we wanted to share experiences and to understand how this was playing out in our member companies. The underlying statistics certainly suggest that something is going on. The numbers of vacancies and job moves have reached record levels in the UK, US and several other countries. In the last quarter of 2021, there were reports of staff shortages across multiple countries and sectors. In the UK, pay awards are higher than they have been for many years, although inflation levels are reducing the benefit that employees are likely to see.

Key Takeaways

1 Employers are experiencing attrition and labour shortages in some sectors

Shortages were reported as being particularly acute in:

1. Logistics
2. Healthcare
3. Tech
4. Hospitality
5. Legal

- Within the HR function, there is a notable high demand for talent acquisition experts.
- Companies are keen to build their capability and capacity to identify and resource key talent.
- HR skills are now seen as being key to the recovery – unlike in the aftermath of 2008 financial crisis.
- A survey of 52,000 US employees by Grant Thornton found that 21% have left a job and started a new one since the pandemic and 29% are actively looking to change employer.

2 The employment relationship has 'rebalanced'

- The pandemic has changed the employment relationship.
- Employees are becoming more demanding, and employers cannot dictate terms in the way they used to.
- Prospective employees are asking a wider range of questions when deciding 'Why should I come and work for you?'
- It's not just younger candidates interested in ESG factors.
- Different aspects of ESG tend to interest different age groups – younger candidates are more likely to ask about the environmental angle, while older ones more concerned about the social side – e.g. employee wellbeing
- Social media means that it is easier for candidates to connect with people who already work for the company to get their views on what it is like – all employees are potential ambassadors.

3 Some employers are suffering from 'self-inflicted wounds'

- Some employers have yet to appreciate the implications of the shift in the employment relationship.
- Grant Thornton survey shows top 4 reasons for rejecting a job offer:
 1. Reward package
 2. Time taken to make the offer
 3. Company reputation
 4. Company values
- While financial constraints may prevent companies competing on pay, reasons 2, 3 and 4 are all within a company's control.
- Poor reputation and/or lack of purpose is putting some candidates off.
- Some well-known brands have been caught on the hop, unable to articulate their purpose or to answer the question: 'What does it mean to work here?'
- Survey also showed that 30% found their manager to be the most stressful factor in their working day.
- This rose to 48% among higher earners, who are also more likely to switch employer as a result.
- 59% of job switchers had 3 or more offers.
- Tension between senior executives who want people to return to the office full-time and a large number of employees who are reluctant to do so.

4 Employer brand and value proposition now more crucial than ever

- Those employers that had put resource into developing their EVP and reputation are now reaping the rewards.
- If your employer brand is not strong you will face an uphill struggle and it's not easy to change perceptions quickly.
- 50% of the Grant Thornton survey didn't feel their employer's EVP was different from anywhere else.
- Lack of differentiation is a key risk – understanding why someone would join or stay rather than go somewhere else?

5 Shifting emphasis in HR policies

- Employers are thinking in terms of skills, rather than jobs.
- Companies are identifying which skills they need to emphasise – and where they can find those skills – both internally and externally.
- Recognition is becoming increasingly important.
- In recruitment, speed is everything – employers need to be quick and responsive.
- Stronger focus on L&D – skills-building is an important retention factor – and 'build not buy' becomes attractive in a tight labour market.

- More flexibility – making it easier for some groups of people to work – e.g. for call centre workers to be based at home.
- Career paths for people who do not necessarily want high rewards – changing employee priorities mean that an 'up-or-out' culture may no longer work.
- Expand the potential labour pool by encouraging back those people who have left the company (or the labour force altogether) and targeting those who are difficult to reach.

6 CONCLUSIONS

- It is likely that talent shortages and increased attrition are, in part, the result of pent-up demand – few people moved in 2020/21 so it was likely that there would be some delayed action.
- That said, the direction of travel this decade (demographics, ESG and the shift to Carbon Net Zero) suggests skills shortages and more demanding employees may be a recurring factor in some sectors.
- The shift in the balance of the employment relationship may have happened anyway but the pandemic has given it a boost.
- It is likely that employers will need to work harder than many did previously – to explain and sell their Employer Brand and to attract and retain key talent.

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