



Tackling the UK Skills Shortage

What, Why,
and How

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The UK's workplace, and its workforce, has been through a revolution.

For many, it's for the better.

But the challenges that have come with this new normal – from staff retention to managing remote workers – are significant. And when people are your biggest asset, but what they want is changing, you need to change with them.

Future Workspaces is our ongoing mission to help UK employers on this new frontier. It started life as an exploration of tomorrow's office, then became a guide for the post-pandemic world, now it's a plan for the future.

Michael Stokes, Partner, Head of Employment and Immigration

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This report addresses the current skills shortage, what it means for you, and how you can overcome it.



What's the issue?

The UK has been facing a skills shortage, particularly in knowledge-intensive sectors, for years.

But now – with Brexit, Covid, and a cost-of-living crisis – it's more universal and it's affecting more businesses.

Skills are missing in every shape and size of company

68% of SMEs and 86% of large organisations are facing skills shortages



OU Business Barometer

2023 is brighter than 2022, but we're still way off pre-pandemic levels

Compared to 2019, there were 304,000 more vacancies in Q1 this year



ONS Vacancy Survey

The shortage now extends well beyond the need for high-skill jobs

By 2030, we'll need 3.1m intermediate-skill workers compared to 2.5m high-skill



Learning and Work Institute

This developing trend has the potential to drastically impact the UK economy

Forecasts show a reduced economic output of circa

£120 billion



Learning and Work Institute

Youth unemployment is higher in the UK than in comparable global economies

A mismatch between skills learned in education, and skills that the future economy will require, plus the shortage of training opportunities during the pandemic, means we're

falling behind the pack



Edge Foundation, May 2022

What are our clients telling us?

Bold headlines about the big picture are one thing, but what does it really mean for your business?

We asked our clients to tell us what's happening to theirs:

“We have 3 vacancies in IT which we have simply not been able to fill. We have outsourced recruitment to an agency, who we've always been able to rely on to fill roles in all other areas, but are currently hitting a brick wall with filling these roles. We are finding it really challenging to compete to attract the people with the skills we need. We must seriously look at our options before the issue compounds.”

Sally Kerr
Head of HR

Selco Builders Warehouse
3,000 employees

Molly Lutner
HR Manager

Biogen (UK) Ltd
185 employees



“As a leading UK renewable energy company, we need qualified engineers and mechanical engineers. Our struggle to recruit these skilled workers is not a recent one; we have experienced a skills shortage for at least the past 5 years, probably longer. This was largely a result of many previous governments having focused on academic over vocational learning, meaning fewer qualified engineers coming through to replace those retiring. Covid did not help, but the problems existed long before that.”

“Recruitment has been a focus for us here at allpay since the Covid restrictions were removed. In terms of difficult-to-fill roles, we have previously struggled for specialist roles within our IT team. We’ve since looked at this in a different way and built a successful grow-your-own model in our Software Development team. This started off the back of an IT Open Evening where our hiring managers were chatting to potential candidates and we realised the potential to make this a go-to model for the team.”

Nicola Everett
Head of People

allpay
280 employees

“We regularly struggle to recruit staff for our shop floor, especially since the limitation of free movement across the EU. The direct result is that we produce less, as our lines must be continually slowed down, due to reduced workforce levels. We are running in-house recruitment open days, to help us engage with candidates we may have missed due to poor applications, but overall our hiring costs are up. We are now having to use recruitment agencies, which in the past has never been necessary.”

HR/ Payroll Manager

UK Manufacturer

Some sectors are being hit harder than others.

The Home Office’s SOL, or Shortage Occupation List, sets out the skilled worker roles that the UK Government deem to be in short supply within the UK and therefore most affected.

The MAC, or Migration Advisory Committee, regularly reviews this list and responds to different sectors’ calls for action.

To find the sectors which cannot meet their skilled worker needs in the UK, look for those which both the SOL and MAC prioritise:

- Health & Social Care
- Manufacturing
- Scientific & Technical

The businesses in these sectors are increasingly becoming sponsor licence holders and looking outside the UK to fill their skills gaps.





Following the MAC's review of Health and Social Care in February 2022, care workers and home carers were added to the SOL.

Rebecca Leask, Head of Health and Social Care at HCR says:

“Recruitment and retention struggles in healthcare are nothing new. But Brexit and Covid have added to that pressure, leaving providers heavily reliant on agency staff. With legal challenges to holiday pay, National Minimum Wage, sleep in pay, and cost of living prices increasing – health and social care employers have found staff pay pressures a real concern.”



Rebecca Leask

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In this year's Budget, following another MAC review, the government also added 5 extra construction roles to the SOL.

Colin Jones, Construction Partner at HCR says:

“The shortage of skilled labour is now right up there with construction's big challenges, like material price inflation and slow supply chains.

“And just like healthcare, this is a sector packed with global talent and transferable skills. Construction needs broader access to international workers, with the relevant expertise, to keep the UK's economy afloat and growth on track.”



Colin Jones

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The agricultural sector, which has played a prominent part in UK employment for hundreds of years, is also going through significant change – with shortages at both ends of the skills spectrum.

Denise Wilkinson, Head of Agriculture and Estates at HCR says:

“We are currently experiencing a perfect storm in agriculture, of which skills shortages are a huge aspect. Labour shortages too, in a post-Brexit and Covid world, particularly when it comes to pickers and abattoir workers. We see a range of tactics being used, like higher wages and provision of accommodation, but most businesses aren’t experiencing the benefits and are having to scale back.

“The skills deficit has been creeping up on us. The sector’s image (low wages, dirty work, toiling outside in all weathers) isn’t appealing to the young. Neither is the fact that training and progression are limited, nor the connectivity given the quality of rural broadband. Fix the image, fix the skills gap.

“In agri-tech, things are a bit different. There’s government support for start-ups and lots of funding, as well as lots of activity from FE colleges aimed at both students and start-ups. For some, it’s a case of grasping the nettle and investing in technology which reduces the reliance on labour (like robotic fruit picking and gene editing) but that requires capital. It also means you develop a new skills challenge, as now you’re looking for advanced workers with R&D and IT expertise.”



Denise Wilkinson

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3 routes to tackle your skills shortages

1 Creating a truly competitive employment proposition

Rachel Roberts, Deputy Head of Employment and Immigration at HCR says:

“Becoming an employer of choice isn’t an overnight job.

“It starts by curating a culture that encourages people to stay with you, which is the best social proof you have. But it also means having the right leadership style, and employee engagement initiatives which make you desirable to potential candidates and current employees.”



Rachel Roberts

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Salesforce was named as the UK’s best big business to work for in 2022. (That’s its third #1 in five years.)

The contest and report, from **Great Place To Work**, shows what makes Salesforce an employer of choice:

- **Meaningful work**, which is purpose
- **Good people**, which is culture and values
- **Unparalleled rewards**, which is pay, benefits, and L&D.

Whilst regularly achieving all three might be what it takes to win the award, today’s economic climate puts pay at the sharp end. With headline rate of inflation at 3x that of the average pay rise, people are more money-driven than ever.

For some, it’s a matter of maintaining the lifestyle they’ve worked hard to build. For others, it’s a fight for survival.

In April 2023, a chief economist from the Bank of England said that British households and businesses “need to accept” they are poorer and stop seeking pay increases and pushing prices higher. This comes as households continue under pressure from food and drink prices soaring at their fastest annual rate since 1977.

Whether or not the public are going to accept this view remains to be seen, but regularly benchmarking your salaries is an important exercise to ensure your staff are fairly compensated within their roles. For most people, in most businesses, in most sectors – money talks in today’s economy.

“Making our business a great place to work has been key to mitigating the impact of the skills shortage. Whilst our total remuneration package is both appealing and competitive, we fully understand that possessing a culture that reflects the values of our owners, attracts and retains the right people.”

Matt Wayne
Group HR Director

Direct Wines

But one size never fits all. Purpose, culture, and values can be powerful magnets for certain demographics. Like the more socially aware and active youth market – **Deloitte** highlights that Gen Z **value salary less than every other generation** – and the many older workers who can often afford to choose purpose over pay.

“We have placed a lot of investment into building a flexible benefits platform, supporting our people to choose the benefits offering that matches their needs at different points in their lives. We constantly evaluate market rate salaries and have undertaken cost of living salary reviews for a number of years. We also launched a reward and recognition platform so managers have autonomy with a reward pot to reward their people appropriately. They can issue out points and these can be converted into high street vouchers or options to use in our onsite restaurant.”

Nicola Everett
Head of People

allpay

Angie Novell
CEO

MK SNAP

Providers of education, life skills, work preparation and opportunities for work to adults aged 18+ with learning disabilities

“People often come to work in a space like SNAP thinking they are ‘giving back’ to help disadvantaged people. The reality is that they come away feeling as if they have themselves been ‘rewarded’. Working in the voluntary sector feels like a privilege and although like any job it’s not without its challenges; it provides real emotional fulfilment through the focus on social value. I feel the other, fundamental, advantage is that working for an organisation where decisions are values-led creates a more compassionate leadership model (which is good for everyone).”



“In the charity sector we have mixed opportunities. We struggle to attract the most ambitious and driven candidates on salary. But in recent years we have recruited high quality candidates with other motivations. Some are in the latter stages of their careers, bringing a wealth of experience, but looking to work in a role with a better work/life balance or greater social impact. Others have high-value commercial skills but with their other commitments, such as young families or caring responsibilities, the ethos and flexibility of the third sector is an attractive proposition.”



James Clarke
Director of Communications

Severn Wye

Nicola Everett
Head of People

allpay

The other major driver in a post-Covid world is policy, like flexible working.

CIPD research shows that flexible workers have higher levels of job satisfaction, more commitment, and are likelier to work harder. 89% of employees consider flexible working to be a key motivator to their productivity at work, more so than financial incentives (77%). Higher levels of engagement, experienced by working flexibly, can reduce staff turnover by 87%.

“We invested in an applicant tracking software so we can build our candidate talent pool successfully. Nearly 3,000 candidates registered on our database with many having set up job alerts so they have the latest vacancies at allpay direct to their inbox. This helps us to keep future talent engaged even if we haven’t got the right vacancy at that point in time.

“Having a dedicated recruitment resource in-house has ensured smooth communication channels throughout the recruitment process. Innovation in the candidate experience will continue to be key to us here at allpay providing us with a talent pool of individuals that align to our culture and values.”

HOW TO:

become an employer of choice



Benchmark salaries



Keep your pay competitive

Provide soft benefits



Provide extras that work for all

Create the right culture



Download our guide to conducting a workplace culture analysis 

Purposeful work



Raise awareness of your 'why'

Opportunities for growth



Show people their potential

Smart working



Don't make people do the unnecessary

Ethics and ESG



Bring your moral core to the fore

Use your exit interview data



Download our guide to the importance of conducting effective exit interviews 

Safeguard reputation



Avoid scandal and advertise your goodness

Defined career paths



Build a ladder for people to climb

Use of technology



Use tech to increase efficiency

Mentoring



Create role models and give people access

Psychological safety



Work can be stressful, make sure you have measures in place

Share the types of clients and customers you work with



Attract your tribe

Understand the external perception of your business



Is it surprising? Do you need to change anything?



2 Upskilling your existing workforce

Ben Stanton, Employment and Immigration Partner at HCR says:

“When you’re suffering from skills shortages, ignoring training is often a false economy.

“It is regularly easier, and cheaper, to train existing staff – even in knowledge intensive sectors.”



Ben Stanton

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Adam Clements, Managing Director of the business consultancy Fresh Minds, notes that many employers did not hire during or in the immediate aftermath of the pandemic and are now trying to play catch up. He describes how many employers seem to be faced with the “hourglass” problem, whereby they have good talent at the top of their organisation and coming through at the very bottom, but are struggling to fill the middle positions normally associated with jobseekers who are three to four years into their careers. Clements believes that the solution to the problem will require employers to think in the long term around investing in and developing talent.

Joint research from the FSSC and PwC UK shows that financial services firms could **save almost £50,000 per employee** when retraining versus hiring. It’s not an approach without cost (retraining costs around £30k) but it’s significantly more cost-effective than hiring.



Catherine Mitchell,
Employment and
Immigration Partner
at HCR says:

“To avoid having to make a snap decision between hiring and retraining on-the-fly, the first step in a true upskilling strategy is a training matrix – which highlights skills gaps in each role and identifies your most immediate needs. By assessing the priority areas, you can assess which employees and roles are best suited to retraining.”

Catherine Mitchell

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Apprenticeships, too, have never been a more effective tool for building knowledge and skills. Given the financial assistance now on offer for companies which take on young worker-learners, both demand and supply are on the up. It may not be an immediate solution, but it’s a long-term and relatively futureproof one.

“We have a grow-your-own model here at allpay which has been in place for several years. This continues to provide the right learning and development for individuals to be competent in their roles but also nod to the future skills we require. Our model of recruiting apprentices in our entry level roles wherever possible, has continued to provide talent through and into our more senior roles.

“With the introduction of the apprenticeship levy in 2017 we have also invested in providing higher apprenticeships to support career development through to degrees in skills for the future e.g. Artificial Intelligence and Digital Marketer.

“Outside of apprenticeships we have invested in technology to support learning, enabling team members to access learning online. We have also invested in endorsing our leadership and coaching programmes by the Institute of Leadership and Management to ensure we future-proof the development of our leaders and managers.”

Nicola Everett
Head of People

allpay



“We have focused on developing existing staff, addressing the issue internally by implementing apprenticeship programmes. By doing so, we have been able to train our staff to our own standards of excellence, a further positive of the scheme.

“We have also worked to retain the skills and experience of our existing qualified staff, offering greater flexibility to those nearing retirement with a view to retaining them within the business for longer. This has included offering flexible working arrangements to allow them to continue working and to pass on their skills to the next generation of employees coming through. This has been invaluable to our efforts to create our own skilled workforce from within.

“The success of the company has meant that we cannot rely solely on apprentices coming through and have also needed to recruit externally to satisfy our work levels. We have advertised via multiple media channels and publications, and in a wider variety of areas to reach a greater number of candidates. We have found that individuals with an ex-forces background have related skills required by the business, having already received a considerable amount of training in their previous roles, so we have had good success in recruiting employees with this experience.”

Molly Lutner
HR Manager

Biogen (UK) Ltd
185 employees

Nicola Everett
Head of People

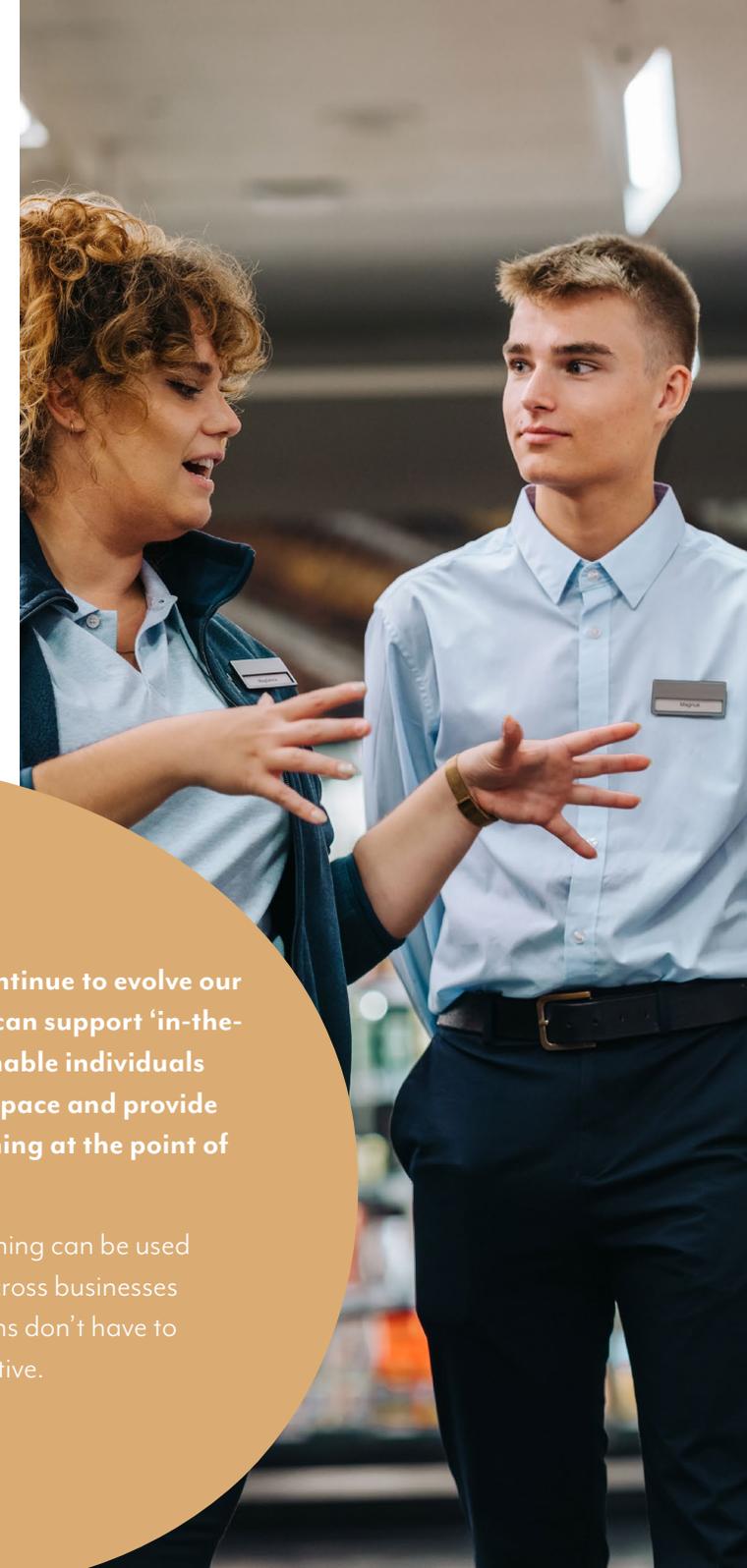
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“Our longer-term plan is to continue to evolve our digital learning journey so we can support ‘in-the-moment’ learning. This is to enable individuals to learn and grow at their own pace and provide knowledge and skills gap learning at the point of need.”



TOP TIP

Advances in e-learning can be used to up-skill teams across businesses of all sizes - solutions don't have to cost big to be effective.





HOW TO:

reskill
rather than
recruit

1

Complete a skills gap analysis

Align it to your business strategy and split it by team, department, or need

Download our free guide to preparing a skills gap analysis



2

Identify your hidden gems

Look for the people in your workforce with the ambition to do more or do something different

3

Prioritise the gaps to fill

Decide which skills you need to fill which gaps, and which gaps can be 'filled' via operational changes

4

Facilitate and reward upskilling

Put mentors and buddies in place or explore secondment opportunities. Make upskilling attractive by reducing workloads or paying bonuses

5

Create proper career planning

Show people their paths and help them to get there with training, mentoring, and check-ins

6

Find funding

Explore grants and programmes that reduce the financial burden on your business

7

Explore technology

Your skill gap might not need humans to fill it. What auto-innovations are your competitors using?

8

Provide for mental health

If you're asking your staff to do more, support them during the process

9

Review productivity

Some skills gaps aren't gaps at all. If something isn't getting done, is there another reason why?

3 Looking further afield

Many of our clients are seeking our advice on hiring internationally, and for assistance with sponsor licence applications. Whilst Brexit may have exacerbated the issue, it has also levelled the playing field for other markets and made hiring from countries outside the EU more realistic.

Visa sponsor licences have increased by **73%** since Brexit. The majority are for skilled workers

20,000 businesses have registered to employ overseas workers in the last two years, a 68% increase

18% of UK employees were foreign-born workers in September 2021 estimates show

There are various options available to assist with the recruitment of non-UK nationals. There are two broad categories:

Becoming a licensed sponsor

Becoming a licensed sponsor may seem an ideal solution, especially if you have offices or subsidiary companies based abroad, but what does it involve and how do you become one?





Lynne Adams, Head of Immigration at HCR says:

“A licensed sponsor is an organisation authorised by the Home Office to sponsor an overseas national, to work within its business in the UK. Sponsors are essentially gatekeepers, relied on to act in accordance with immigration laws, the various Home Office guidance for sponsors, and with wider UK laws, such as employment law and the prevention of illegal working.

“Significant trust is therefore placed in licensed sponsors by the Home Office. Once granted a licence, sponsors have access to the online sponsor management system which they can use to manage their licence. For example, it is through the sponsor management system that a sponsor can apply for and assign a certificate of sponsorship for use by an overseas national as part of their visa application.

“By sponsoring an overseas national, a sponsor is agreeing to take on various reporting and record-keeping duties in respect of the overseas national. It is important for licensed sponsors to be aware of the duties and obligations that come with sponsorship as the repercussions of getting it wrong include sanctions up to and including revocation of their licence.”



Lynne Adams

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HOW TO:

become a
licensed
sponsor

1

Seek advice and determine whether your business is eligible

2

Find out whether your role(s) meet the skills and salary requirements

3

Compile the relevant supporting documents for your application

4

Assign staff members to undertake the required 'Key Personnel' roles

5

Complete your application, pay the fees, and send the documents

6

Once granted, adhere to record keeping and reporting rules





That last step is perhaps the most important. The devolution of trust and responsibility, from the Home Office to your business, means that you'll carry some quite strict compliance obligations.

For example, you'll need to report structural changes (like changes in the size of the business and restructures) as well as certain changes to the migrant worker's job role and circumstances. These reports need to be made within strict timescales, so it is important that you're aware of your obligations from the outset.

When it comes to cost, licence fees vary depending on the size and nature of your business.

The licence application fee under the Worker route would typically cost less than £1,500 – but this is only the start of the process. There are other costs, such as the immigration skills charge, to take into account. The supporting documentation required, and compliance obligations imposed, are complex so it is advisable to seek legal help to increase your chances of getting it right first time.

The main disadvantage of a sponsor licence is that there are strict eligibility requirements which limit the roles that a sponsor can recruit into. For example, there are minimum skills and salary requirements but for certain roles with a domestic UK shortage these rules are slightly relaxed.

So, what if sponsorship is not an option, what else is available?

Visa routes outside sponsorship

There are visas which do not require sponsorship and may therefore enable you to recruit into the role you need.

For example, if you are looking to recruit a non-UK national who is currently in the UK on a Student visa, subject to eligibility it may be possible for the individual to apply for a Graduate visa which would give them permission to stay in the UK and work in most jobs for a further 2 year period (or 3 years in the case of a PHD) following the successful completion of their course.

Where a non-UK national has been awarded a qualification by an eligible overseas university in the last 5 years, they may be able to apply for a High Potential Individual visa which would permit them to stay in the UK for 2 years (or 3 years in the case of a PHD).

The Youth Mobility Scheme is also available for those aged 18 to 30 from specific countries who wish to come and work in the UK. It is a relatively inexpensive visa route, but the list of eligible origin countries is limited. A similar route, the India Young Professionals Scheme, has recently been introduced for Indian nationals between 18 and 30 where they have a bachelor's degree level qualification. However, to be invited to apply for this visa, the Indian national first needs to be successful in the related India Young Professionals Scheme ballot.

As you can see, there are plenty of potential visa options outside the sponsorship regime which can offer more flexibility and a wider scope. However, some are complex in terms of eligibility requirements, and each have their pros and cons. As such, it's advisable to ask for legal advice at the outset of your recruitment plans to see what visa options are available and decide on the best route to fit your requirements.



Lynne Adams,
Head of
Immigration at
HCR says:

“Despite these challenges, non-sponsorship visas can often provide businesses with some breathing space to not only see if an individual is the right fit with their organisation before committing to sponsorship, but also to go through the sponsor licence application process.”



What to do next

We can support you with every aspect of your skills shortage – from redefining your workplace culture to securing sponsor licences. Our workforce, immigration, employment, and sector specialists are on-hand to help you tackle any legal and professional obstacles in your path:



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Join the conversation



About HCR

We like to ask questions that go beyond our clients' legal challenges.

And we like to build lasting relationships, so that we can get under the skin of a project and advise on both business and personal matters, never sitting on the fence.

The working office affects us as individuals and employers, and as a firm with ten offices and 800 staff, we're keen to explore the challenges around workspaces and employees, to understand what the future looks like. For us and for our clients.

Our employment and immigration team provides expertise on all aspects of employing your people, from contracts and policies to settlement agreements, restructuring, TUPE, grievances, discipline and bullying. They have grown rapidly over the last five years, as they continue to provide great service to hundreds of clients.

Your business is complex and ever-changing. You don't want a bolt-on solution every time you discover a new challenge, you want a partner who understands where you've come from and where you're headed, and who has your best interests at heart.

So we truly partner our clients. We are pragmatic, and we fight your corner as if we were defending our own. Because if we don't, then what's the point?

This project has shown us where the new skills challenges are coming from in 2023.

And we want to help you tackle them.



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