
HUMAN RESOURCE MANAGEMENT

THE LABOUR MARKET POST-BREXIT

AND

POST-COVID-19

COURSE NAME: MBA HUMAN RESOURCE MANAGEMENT STUDENT

NAME: SUSANA ALEXANDRA QUILUMBA CACUANGOSTUDEN ID

NUMBER: 2121745

MODULE COORDINATOR: DR GLADIUS KULOTHUNGAN

CONTENT

A brief.....	Pg. 3
1. Introduction.....	Pg. 4
1.1 Labour market.....	Pg. 4
1.2 What is the labour market?.....	Pg. 4
2. Brexit and the UK labour market.....	Pg. 6
2.1 Brief explanation of Brexit.....	Pg. 6
3. Labour market: employment and labour force trends.....	Pg. 7
3.1 The British labour market in crisis?.....	Pg. 7
3.2 EU workers.....	Pg. 8
3.3 Address the challenges of recruitment.....	Pg. 8
4. Brief explanation of the coronavirus in the UK.....	Pg. 8
4.1 The labour market after COVID-19.....	Pg. 9
4.2 Brexit and Covid in the UK labour market.....	Pg. 12
5. Innovative measures.....	Pg. 14
6. Bibliography.....	Pg. 17

A brief.

This paper will look at the various obstacles that the United Kingdom has had to overcome in the field of employment. First, because of the break-up with the European Community and, second, because of the repeated appearance of the pandemic, which affected different sectors, with a particular impact on the labour market.

Thus, Brexit has generated a gap between employers and workers, where the former must try to fill the jobs that immigrants from the European Union occupied thanks to the right to freedom of mobility that they had as members of the EU.

On the other hand, we can see how COVID-19 forced many companies to stop their activities, and consequently many workers were affected by being left without work or with reduced working hours.

Therefore, Brexit and COVID-19 have had a brutal impact on society, which is still in a process of adaptation, the supply of employment continues to grow, while demand has plummeted in the last two years. The new entry requirements are today a barrier for those less qualified citizens, of whom the UK has a great need today.

1. Introduction.

1.1 Labour market.

The future of the labour market cannot be predicted with certainty or precision. However, all participants in the labour market make plans for the future, this is the reason for working futures which is a set of complete, systematic and transparent projections that can help inform everyone about the world they are likely to face.

Making a technical report (Wilson et al., 2019¹) gives us all the data from the sources and methods in detail to create results, including subnational results information; Subregional. The working futures projects give us a broad vision and a forecast of what may happen in the future in the labour market, the macroeconomic context and the labour market. Until today, these forecasts have been especially difficult due to all the uncertainties associated with Brexit or Covid-19, being able to notice that the forecasts are always subject to uncertainty or risk, for example, Brexit has generated barriers to trade and the movement of people, generating a great impact for many countries, especially the UK.

1.2 What is the labour market.

The labour market refers to the supply and demand of labour, that is, where employers provide the demand and employees the supply. It is an important indicator of any economy, closely linked to capital markets, goods and services.

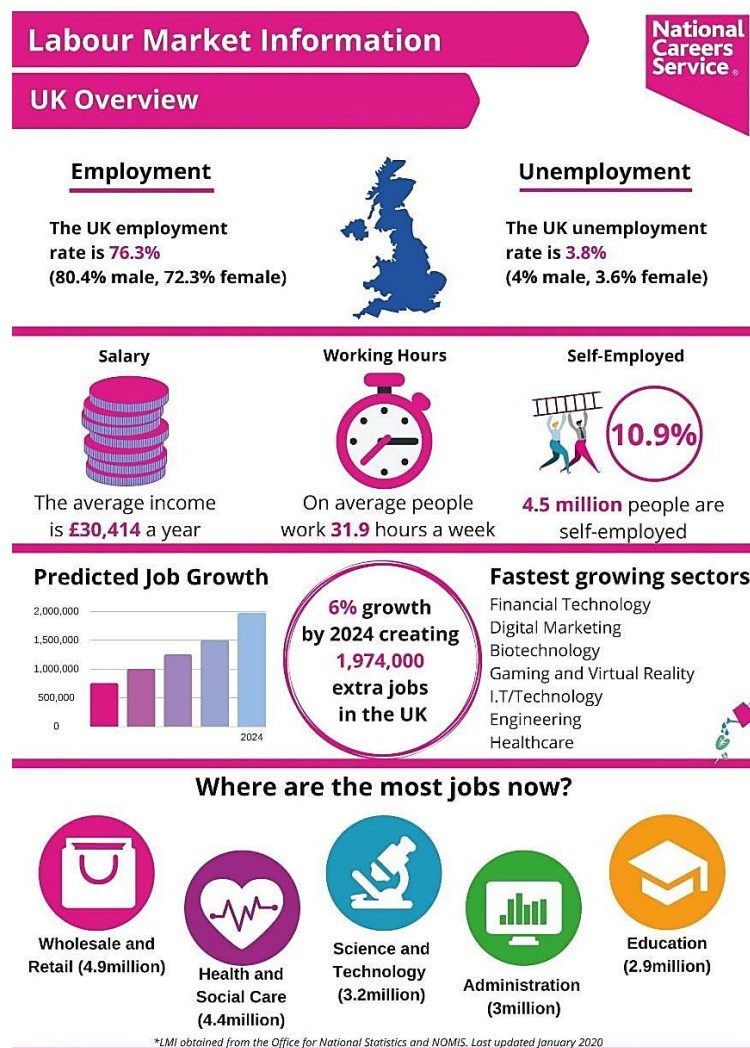
In order to better understand the labour market, it must be approached from two points of view:

- On the one hand, from the macroeconomic level, the dynamics of the national and international market influence the labour supply and demand, but the age of the population, the levels of education or

¹ Wilson, R. A., M. May-Gillings, S. Patel and H Bui, (2019). Working Futures 2017-2027: Technical report on sources and methods. Department for Education.

immigration are also factors. Relevant measures include productivity, unemployment, participation rates, total income and Gross Domestic Product (GDP).

- On the other hand, from the microeconomic level, it is the interaction of individual companies with employees when they hire, fire, increase or cut wages and hours. Regarding supply and demand, this influences the number of hours employees work and the compensation they receive in wages, benefits and wages.



2. **Brexit and the UK labour market.**

“We have taken back control of our destiny” by Boris Johnson²”



2.1 Brief explanation of Brexit.

The United Kingdom³ definitively left the European Union⁴ on January 1, 2021 after remaining in the bloc for more than 40 years, since January 1, 1973.

This happened after the holding of the referendum, on June 23, 2016 in the UK, in which 51.9% of voters supported leaving the EU. Being an absolute decision the exit of the United Kingdom from the EU, this process is more commonly known as Brexit, to which we must add the activation of Article 50 of the Treaty on European Union on March 29, 2017 by Prime Minister Theresa May. The exit process, initially planned for two years, was extended up to 4 years, ending the agreed transition period and with Boris Johnson as Prime Minister of the British Executive, so it can be said that today Brexit is a reality.

The UK labour market after the break-up with the EU.

Brexit has brought many beneficial reforms for the country, such as monetary control, border control, control of democracy or control of power to regulate in a free

² The Prime Minister told a No 10 press conference, on December 24, 2020. At a Downing Street press conference.

³ Hereafter UK.

⁴ Hereafter UE

and balanced way both domestic and foreign trade (imports and / or exports) giving greater ease to British companies, this opens a window to consumers in which savings are sought for their families.

After the break with the EU, a global Great Britain has been created, giving the opportunity to create new alliances and strengthen its own partnerships with the rest of the countries without any ties. Trade agreements have been reached with 70 countries, such as India, Japan or Australia, without neglecting those that have been made with the EU.

These alliances and agreements open up many opportunities for large British companies to expand their businesses and for consumers to have access to more products at reasonable prices, but how has the labour market been affected internally?

3. Labour market: employment and labour force trends.

After the 2016 referendum, there were concerns about the impact that Brexit could have on employment, but coincidentally employment and employees grew sharply after this referendum.

This growth was stagnant in 2019, due to the onset of COVID-19 in which the Confederation of British Industry⁵ (CBI) published its "*Latest Market Insights*" explaining that the UK is one of the countries most affected by the shortage of labour. The main reason for this loss of manpower has to do with the fact that the British economy was facing at the same time Brexit and the Pandemic, The CBI proposed several actions to deal with this situation that was affecting multiple levels of qualification and that would take years to resolve, negatively affecting the economic recovery of the country.

3.1 The British labour market in crisis?

The shortage of labour and skilled labour is noticeable throughout the economy,

⁵ The **CBI** has an ambitious vision for the economy of the future. A healthier, more diverse, greener and innovative economy. The most dynamic, competitive and future-focused economy in the world.

in multiple areas of work, generating a negative impact on the economic recovery.

3.2 EU workers.

It has been observed that employers' interest in hiring immigrant workers from the EU has not decreased, this is due to the reduction in the supply of skilled workers and manpower within the UK. In 2018, two-thirds of companies agreed to continue recruiting and recruiting qualified EU citizens, arguing that they do not take into account their origin and/or nationality, but rather that they are suitable for the job. On semi-skilled or unqualified positions, the companies' main reason is that there were no national candidates to fill these vacancies. In 2021, due to the new immigration restrictions, employers should have already adapted to the new requirements and have made the necessary documents to guarantee and ensure that they can continue to hire and maintain their employees and have access to any changes that their business needs.

3.3 Address the challenges of recruitment.

Raising wages to attract staff is an excellent strategy, but employers can also take advantage of this challenge to introduce more inclusive hiring practices with non-financial benefits, for example, giving workers real development power and career growth opportunities or flexible work arrangements. This will make it easier for organizations to hire and create attraction for new employees in the short term and keep old workers in the long term.

4. Brief explanation of the Coronavirus in the UK.

In December 2019 the first case of coronavirus (COVID-19) was declared a global public health emergency by the World Health Organization (WHO). This pandemic has created an impact on economic and employment prospects worldwide.

At the beginning of the pandemic, the UK Government's action created a significant impact on the labour market. COVID-19 altered and changed labour markets, with both short- and long-term consequences. As many companies came to a standstill, millions of workers were laid off or temporarily suspended. While other companies had to change

their working practices in order to adapt to the new measures, for example, social distancing caused offices to close and therefore changed the way people worked, which quickly led to people having to adapt to teleworking from home.

On the other hand, many employees were considered as essential, so they were called “*key workers*” such as workers in hospitals, supermarkets, and all those considered as primary services, but always under the new protocols so that the spread of the virus would be reduced.

4.1 The labour market after COVID-19

With the emergence of the pandemic, the importance of the physical dimension of work became apparent for the first time. In research done by Labour Market Outlook a novel technique was developed to quantify the proximity required between co-workers, customers, the interpersonal interactions involved and where they take place. This study was done on over 800 occupations that were grouped into ten work areas.

Work arenas vary in overall physical proximity.

Overall-physical-proximity score by work arena (based on human interaction and work-environment metrics), score out of 100



Note: Occupations were assigned to work arenas using O*NET data.
Source: O*NET OnLine, Employment and Training Administration (ETA), US Department of Labor; US Bureau of Labor Statistics; McKinsey Global Institute analysis

McKinsey
& Company

Source: McKinsey & Company

Afterward, we can see that jobs with higher levels of physical proximity have had a greater change after COVID-19, as this sector was hard hit at the beginning of the virus, as can be seen in health care, customer service, personal care, leisure or travel.

As such, we can divide it into three main groups:

1) Jobs with high physical proximity: Front-line workers, i.e. those who have direct interaction with the customer at the workplace, such as banks, post offices or retail shops, etc., have adapted by incorporating digital transactions or by combining e-commerce.

On the other hand, the shift to remote working also affected the leisure and travel sectors, which were forced to close in 2020. As a result, the reduction of business travel or the incorporation of automation in some occupations can be seen today.

2) Jobs of medium physical proximity. On the other hand, for office workers, e.g. in administrative jobs in hospitals, factories, etc., jobs requiring moderate physical proximity, which have adapted considerably to COVID-19, this is a sector which accounts for about one third of employment in advanced economies.

3) Low proximity jobs. Jobs that require little proximity and interaction with others and are done outdoors. These include jobs in construction, farming, etc.

These are mostly found in China and India, representing 35% to 55% of their labour force.

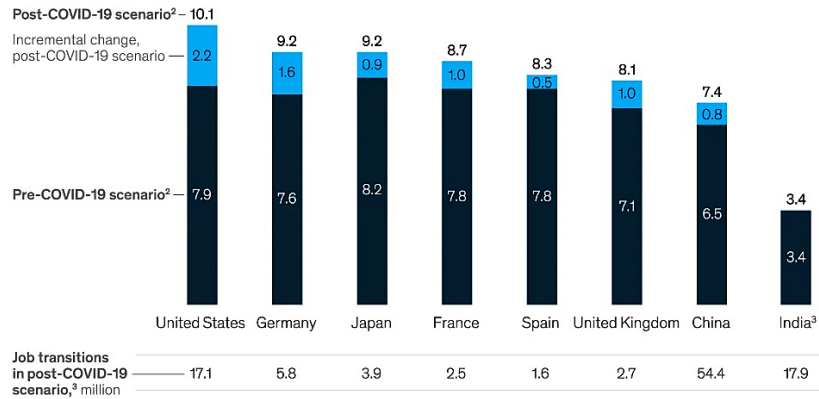
Before the pandemic, most low-wage workers could move to other low-wage occupations, for example, a data entry worker could move to the home health care sector, but now, because of the impact of COVID-19, job growth will be seen in high-wage jobs, while low-wage occupations will require specific skills to remain employed obtain a better wage.

In the graph below, focusing on eight countries, we can see that 1 in 16 workers will have to look for a different occupation by 2030 in a post-COVID-19 scenario, which

is 12% more than estimated before the pandemic and up to 25% more in advanced economies.

More people may need to transition to new jobs in the post-COVID-19 scenario.

Share of workforce that may need to transition to jobs in new occupations by 2030,¹ %



Note: Figures may not sum to total, because of rounding.

¹An occupation transition is defined as a job that has been displaced and does not come back with growth in labor demand overall.

²The pre-COVID-19 scenario includes the effects of eight trends: automation, rising incomes, aging populations, increased technology use, climate change, infrastructure investment, rising education levels, and marketization of unpaid work. The post-COVID-19 scenario includes all prepandemic trends as well as accelerated automation, accelerated e-commerce, increased remote work, and reduced business travel.

³Job transitions in India remain flat in both scenarios because of fewer service jobs (due to accelerated automation) for low-skill construction workers to transition into. Excludes farm transitions; if farm jobs were included, transitions would fall before the pandemic compared to after because there would be fewer transitions to secondary and tertiary sectors.

Source: McKinsey Global Institute analysis

McKinsey
& Company

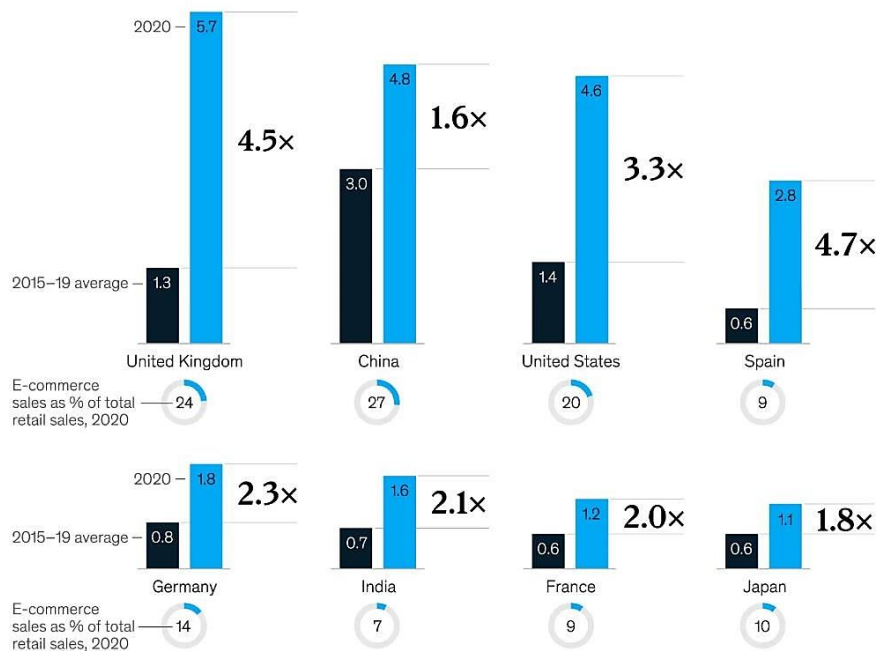
Source: McKinsey & Company

Ultimately, advanced economies may see a reduction in the supply of jobs in food service, sales and customer service or office support functions, adopting automation and replacing workers with artificial intelligence.

In contrast, the growth of e-commerce, digital transactions, telemedicine, entertainment, online banking, etc., has boosted jobs in the delivery, transportation and warehousing sectors.

E-commerce has grown two to five times faster than before the pandemic.

Year-over-year growth of e-commerce as share of total retail sales, percentage points



Source: Retailing by Euromonitor International, 2021; McKinsey Global Institute analysis

McKinsey
& Company

Source: McKinsey & Company

But what specifically in the UK has Brexit and COVID-19 affected their labour markets internally?

4.2 Brexit and Covid in the UK labourt market.



The labour effects of Brexit and the pandemic have hardened the labour shortages in some sectors such as catering, transport and construction, caused by the enforced implementation of COVID-19 and the end of the free movement of workers from the EU.

At the peak of the pandemic, many employers were forced to shut down their activities and lay off their employees, as there was too much demand and too little supply. After the pandemic, companies find themselves in the opposite scenario with a huge shortage of labour, caused by the flight of foreigners during the pandemic, but mainly triggered by a Brexit, in which companies cannot offer higher wages or import talent as these are usually the lowest paid jobs. This is compounded by the country's new immigration restrictions, whereby a foreign worker who does not have settled or pre-settled status can only be hired by a British company to come and live in the UK if they are paid a minimum of £25,000.

This was logically a problem not only for employment but also for the economy of the country, as the jobs previously held by Europeans in hospitality, maintenance, transport or commerce cannot compete with that salary range. If we look at the analysis made by *Recruitment & Employment Confederation*⁶ (REC) in the year 2021, the country was offering about 2 million jobs, in which only in the week of 13 to 19 September, there were 220,000 new jobs.

For example, Premier Foods, which supplies the country's supermarkets, had to call on Boris Johnson's government to consider using the army to fill the shortage of drivers to continue supplying supermarkets.

Employers have had to redouble their efforts to recruit new employees, and the solution is to offer the best possible working conditions to make the job more attractive. According to a report published by the REC, more than 7,500 new job vacancies for hauliers were advertised in one week alone, some with salaries in excess of £46,000 a year.

This is also true of the hospitality sector, with the Hawksmoor Steakhouse chain offering £2,000 bonuses to workers who successfully recommend candidates for

⁶ Available at: <https://www.rec.uk.com/our-view/reports-jobs>

vacancies.

Finally, we return to the CBI's research in which it offers a number of recommendations for business and government to take coordinated action to address this situation. The UK government should be more agile in the UK's training systems, not forgetting to be flexible or to update the list of job vacancies according to the list provided by the CBI. Businesses must accelerate their efforts by investing in training and harnessing talent from across society through diversity strategies, and by retaining and developing all under-represented groups in the labour.

5. Innovate measures.

Is increasing the salary the only way to attract or retain employees?

In this section, I will indicate which innovative measures, in my opinion, are the most suitable to make my job offer more attractive to employees compared to my competitors.

In this paragraph, we must not forget that we have to take into account the socio-demographic background of the country, in this case COVID-19, which has created a feeling of loss in the British and world population, especially human loss, in which many families lost their loved ones in the last two years.

This has led workers in all countries of the world to place a high value on the possibility of reconciling work and family life. With measures like this, companies and HR departments must face this great challenge, to alleviate the stress and instability of employees, which have reached alarming figures in the wake of the pandemic.

Thus, the first innovation is undoubtedly the remote work, is a tool of the most valued currently in the country, as we have a multitude of advantages for both the company, as for the worker.

- **Worker:** teleworking helps to adjust much more easily the personal and professional life, since there is a greater flexibility and adaptability to the place of work (in most cases, the workers' own homes),

decreasing consequently, the expenses derived from face-to-face work. This also reduces worker stress and consequently increases productivity.

- **Company:** it will reduce infrastructure costs, have greater control of staff productivity and of the employee's real working time.

Investment in training of human resources staff, and thus updating their problem-solving skills and management of employee behaviour. For example: many employees do not feel valued by the company or think that they are merely an instrument of work, this thought does not create a link "worker-company" causing in many situations the loss of the worker because if the competition offers a job in which they give expectations that the employee will be an important part of the work team, the worker will see an improvement in the condition of their work and will change company, without hesitation.

For this reason, creating a process focused on the candidate, in which it is made clear that the company will give him/her the value he/she deserves, that is, feeling welcomed and part of the company, even before knowing if the position is theirs, is a fundamental emotional connection for new candidates and for former employees as well, who will have the feeling of being part of a "*great corporate family*".

Invest in software programmes, a good investment in routine task management platforms will make these tasks more efficient for employees and employers, saving time and/or costs.

Create real opportunities for professional growth, this helps to contribute to the performance and productivity of employees, as their promotion will depend on how much they are linked to the company and demonstrate that they have the specific skills to develop professionally. Having well-established development pathways or career options within your organisation helps to create certainty for the employer that their staff are not constantly rotating and that the employee will work hard in their job and not want to move from one company to another.

In **conclusion**, I can say that the introduction of annual employee surveys will enable me, as Human Resources Manager, to see where there are gaps in work and/or productivity that need to be addressed, as the employees involved in the daily tasks

assigned to them can perceive the weaknesses of the company and in many cases also know how to remedy them.

A study by **Oxford Economics**⁷⁶ revealed that replacing a single member of staff can cost £30,000 or so depending on the sector, with £25,000 of that £30,000 coming from lost productivity due to the time it takes to bring the new employee up to speed. As a result, it can be argued that all this money can be invested in improving the quality of work of staff and creating robust and effective retention measures such as those mentioned above.

In this day and age, where the supply of jobs is greater than the demand, any further improvement on the part of the HR department, for the employees, will make the position more desirable. Not forgetting, of course, that better pay, productivity bonuses, discounts on goods or services, making employees feel good with praise, positive comments that motivate the workforce, will keep old employees with the company and make new ones want to join the workforce.

⁷ The cost of brain drain — Understanding the financial impact of staff turnover', February 2014, OxfordEconomics.

6. Bibliography.

6.1 References from books and articles.

- Armstrongs Handbook of *Human Resource Management Practice*, 15th Edition
- Wilson, R. A., M. May-Gillings, S. Patel and H Bui, (2019). Working Futures 2017-2027: Technical report on sources and methods. Department for Education.

6.2 Website references.

- *A perfect storm cbi insights on labour market shortages and what to do about it.* Available at:

https://www.cbi.org.uk/media/7159/20210906-a-perfect-storm-cbi-latest-labour-market-insights.pdf?mc_cid=c38bedb235&mc_eid=UNIQID
- *Businesses Will Increase Salaries To Attract And Retain Staff*, Wednesday 16th February 2022. Available at:

<https://www.facilitatemagazine.com/content/news/2022/02/16/businesses-will-increase-salaries-attract-and-retain-staff>
- *Coronavirus and the effects on UK labour market statistics*, 6 May 2020. Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/coronavirusandtheeffectsonuklabourmarketstatistics/2020-05-06>
- CIPD, *Brexit impact on workforce trends*. Available at:

<https://www.cipd.co.uk/knowledge/brexit-hub/workforce-trends#gref>
- McKinsey Global Institute, *The future of work after COVID-19*, February 18, 2021 | Report. Available at:

<https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-after-covid-19>

- Oxford Economics, *The Cost of Brain Drain Understanding the financial impact of staff turnover*, February 2014. Available at:

https://d2rpq8wtqka5kg.cloudfront.net/264283/open20140513053500.pdf?Expires=1650300297&Signature=OPbleG5cIImvOHObzYdeZ1mZtI9CdDAOPEPjuUKJuIrYa--x4RIG~85ypYMnZILAJr-GPX-Mv5LqfNXe8zpY6Z9d8wDZTcN~4MiKmff2ozwWNhHjuU4m3-UYfdP6GiQoSbRqaf26K-GFp1tRfWk4V7PNJnu-gDi~EcK0WtStRtnV~DOwM9CpuL~LHccwODBqU~MsHh8UykOJh6LwmfX_Wyl4AF0aTob4bp~klhleajbo29chRqaqKpOA1dKIz-ISPJ3HppKjPNKEggyXOJOxIcmAmwitEMCpuzh1KSEPAAgr~ZowUGDhTA35MDmkJXDHG4fM0tq9PZ4ZQXBtzQduEQ_&Key-Pair-Id=APKAJVGCNMR6FQV6VYIA

- *Practitioners' guide to the labour market outlook*, summer 2018. Available at:

https://www.cipd.co.uk/Images/practitioners-guide-to-lmo-summer18_tcm18-45839.pdf

- *The cost of brain drain — Understanding the financial impact of staff turnover*, Oxford Economics, Ungated post, 03 Mar 2014. Available at:

<https://www.oxfordeconomics.com/resource/the-cost-of-brain-drain/>

- Will Kenton, *Labor Market*. Updated August 31, 2020. Available at:

<https://www.investopedia.com/terms/l/labor-market.asp>