



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

ASSESSMENT 1

Human Resource Management

Name : Anto Mathew
Student ID : 2237339
Lecturer : Gladius Kulothungan
Programme : MBA – Master of
Business Administration
Submitted on : 23/08/2023

Table of Contents

Introduction.....	3
The current state of the labour market in the UK	3
The emerging changes in Human Resourcing Strategies in the post Covid, post Brexit external environment	5
Conclusion	8
References.....	10

Introduction

The year 2020 was a challenging year for businesses all across the UK due to two major events taking place the same year. At first, the Brexit process was finalized in January 2020 (Amuedo-Dorantes & Begen, 2023). Shortly after that the pandemic started which had almost paralysed the whole economy (Lattice, 2022). The ramifications of these two critical events on the UK labour market were also intricate and multifaceted, challenging traditional labour supply and demand, wages, productivity, and job security (Elliott, 2023). From a sudden pivot towards remote work to shifts in the sectoral makeup of the workforce, these events have redefined the trajectory of the UK's labour landscape (Clarke & Gregg, 2018). The aggregate impact was not uniform across all sectors and demographics, thereby exacerbating existing inequalities and introducing new challenges. The following is a detailed report on the current state of the labour market in the UK and the emerging changes in human resourcing strategies in the post Covid, post Brexit external environment.

The current state of the labour market in the UK

From December 2022 to February 2023, the estimated employment rate in the United Kingdom was 75.8%, up 0.2 percentage points from September to November 2022 (Leaker, 2023). The most recent three-month increase in employment was driven by part-time workers and self-employed individuals (McIntyre, 2023). The unemployment rate increased by 0.1 percentage points from December 2022 to February 2023, to 3.8%. Those unemployed for up to six months contributed to the increase in unemployment (Lattice, 2022).

The rate of economic inactivity decreased by 0.5 percentage points from December 2022 to February 2023, to 22% (Sargent, 2023). During the most recent three-month period, the decline in economic inactivity was predominantly driven by individuals aged 16 to 24 (McIntyre, 2023). Examining economic inactivity by the causes, the quarterly decline was primarily driven by students who are unemployed (Portes & Springford, 2023).

From December 2022 to February 2023, the average total pay (bonuses included) grew by 5.8%, while the average regular pay (bonuses excluded) grew by 6.5% (Morando, 2022). In the period between December 2022 and February 2023, private sector regular pay increased by 6.5% on average, while public sector regular pay increased by 5.8% (Paterson et al., 2023). In recent

months, the gap between the private and public sector growth rates has shrunk. In December 2022 to February 2023, real (inflation-adjusted) annual growth in total and regular pay was 3.1% for total pay and 2.4% for regular pay (Portes & Springford, 2023). The last time real total pay fell by a greater percentage year-over-year was from February to April 2009, when it fell by 4.6%, but this is still among the largest declines in growth since comparable records began in 2001 (Sargent, 2023).

The above data provides a brief overview of the current labour market conditions in the UK (Paterson et al., 2023). While there are positive growth indicators, the rising unemployment rate and the reduced total pay rates do indicate that the labour market is facing some issues. Describing the challenges facing the UK's labour market, the Guardian (2023) reported that "Britain's economy is suffering from a textbook case of stagflation, and the symptoms are clear from the latest labour market trends". The number of employment seekers increased while the number of available positions decreased (Sargent, 2023). The number of hours worked in the economy decreased in 2022, while the number of days lost due to strikes reached its highest level since 1989 (Morando, 2022). The diagnosis of the current labour market trends also shows that in the last three months of 2022, no significant growth was reported, and annual inflation was above 10% (Spital & Aerssen, 2023).

Recent data from the Office for National Statistics highlight a few issues (Amuedo-Dorantes & Begen, 2023). The aftermath of the pandemic has influenced labour availability, primarily as a result of older workers exiting the workforce, either by choice or due to chronic illness (Spital & Aerssen, 2023). Even though the count of job openings has decreased since the previous summer, it remains significantly higher than levels seen before the pandemic (Paterson et al., 2023). Companies and workers are reacting in expected manners to these developments. Businesses are seeing beyond the present economic downturn and are contemplating their ability to rehire if they lay off employees now (Clarke & Gregg, 2018). Predominantly, they're retaining their staff, favouring part-time over full-time hires, and increasing their employees' pay (Amuedo-Dorantes & Begen, 2023).

The discussion of the current trends in the UK labour market would be incomplete if the impact of the Brexit on the labour market is not discussed. Before the Brexit, the EU citizens could work and live in the UK without permission (Spital & Aerssen, 2023). It was reported that around 3.6 million

EU citizens were living and working in the UK before the Brexit (Paterson et al., 2023). However, that changed after the Brexit, when 460,000 EU origin workers left the UK, who accounted for around 1% of the total labour force in the UK (Clarke & Gregg, 2018). The health, wholesale and retail sectors were the ones affected the most due to the sudden loss of a significant percentage of the EU workforce in the UK (Gupta et al., 2023). However, some reports suggest that after the pandemic, the non-EU labour migrant labour force had somewhat filled up the gap from the EU labour force leaving the UK (Elliott, 2023).

Another problem that Brexit caused was that it had indirectly increased the wage payouts in some sectors. Before Brexit, businesses in some sectors, including, retail, wholesale and healthcare, could offer less in wages to EU workers (Gupta et al., 2023). These were the sectors that saw significant increase in EU workforce till 2020. However, as reported by ONS (2022) and Indeed (2022), industries including construction, cleaning, hospitality, driving, and leisure - which had over 10% of their workforce comprised of EU workers - witnessed an 11% increase in advertised salaries from 2019 to 2021.

The impact of Brexit on the UK labour market has also been reported by the European Commission (2022) and Deloitte (2022), there's proof indicating that the cessation of unrestricted EU citizen mobility has played a role in the recent wave of labour shortages, particularly in industries reliant on lower-skilled workers. Nonetheless, there are other factors, possibly more critical, contributing to the decrease in the UK's workforce participation. The long-term effects, including the potential impact of reduced EU trade and EU migration on future labour supply and productivity, still hold a significant level of uncertainty. Thus, significant changes in the labour market were caused by Brexit.

The emerging changes in Human Resourcing Strategies in the post Covid, post Brexit external environment

In response to the changes in labour market due to Brexit and pandemic, new strategies have emerged as best practices in business to effectively manage workforce (Elliott, 2023). Some of these strategies include remote working and digital transformation, hybrid working model, focus on employee wellbeing, reskilling and upskilling, adopting the recruitment and selection strategies

as per the current market conditions, adopting developing focused performance management strategies etc (Hill, 2022).

The most obvious change in labour market that came from the pandemic mainly, was the digital transformation of workforces (Hill, 2022). The pandemic forced many businesses to adopt remote working model during the pandemic, which created shifts in HR strategies to manage remote teams, including new methods of communication, performance management, and maintaining employee engagement (Elliott, 2023). Furthermore, it has hastened digital transformation in HR with increased use of HR tech for recruiting, onboarding, and training. While the pandemic is no longer and most of the workforce has returned to normal, some effects from the shifts have remained. For example, remote working is still a commonly sought opportunity among the candidates as they look for firms to submit applications (McIntyre, 2023). While many companies struggled to fit remote work in their existing organisational culture before, some firms realised the benefits of remote work and adopted a hybrid working model that combines the benefits of remote work and physical workforce (Ludwikowska, 2023). Thus, the pandemic has clearly made remote work more popular than before and led to the emergence of new working models. A recent study by Owl Labs reveals that globally 16% of the total workforce are still working remotely, whereas 62% opted for working hybrid (Lattice, 2022). The emergence of hybrid working model has been considered the strategy adopted by organisations to leverage on the popularity of remote work and the essential benefits of physical workplace and then establish a working model that increases job satisfaction without affecting productivity (Ludwikowska, 2023).

The pandemic has also made a shift in the labour market, where the employers are now expected to put more focus on employee well-being. A recent study by Owl (2022) revealed that more than 67% of the employers now have dedicated team or schemes aimed at keeping a check on employee wellbeing, which is unprecedented if compared with the pre-pandemic stats. The study also reveals that the shift towards employee wellbeing has reduced a lot of stigmas around mental health of the workers (McIntyre, 2023). Hence, increased undertaking of employee wellbeing initiatives and programs is another strategy that is gaining momentum since the pandemic (Sargent, 2023).

As mentioned earlier, the Brexit has caused some shortage across sectors, which also affected the skills and competencies of the current workforce (Paterson et al., 2023). Furthermore, since the pandemic, the adoption of digital technologies has increased quite a lot. That is why reskilling and

upskilling are coined as necessary strategies to meet the needs of the current environment. Many businesses are focusing on reskilling and upskilling their current workforce to meet this need (Sargent, 2023).

Growing focus on inclusion and diversity is another strategic shift in the corporate environment. First of all, the loss of EU workforce has been substituted by the increase of non-EU labour force to some extents (Spital & Aerssen, 2023). As a result, the workforce in the UK is now more diverse than ever. Secondly, the recent shifts in the social dynamics and the growing attention towards LGBTQ+ movement now require employers to be more mindful of the diversity and inclusion aspects (Paterson et al., 2023). Studies suggest that adopting more effective diversity and inclusion strategies can now go a long way for companies because not only they can help establish harmony at workplace, but also protect businesses from many unwanted situations that may harm their firm's reputation online (Portes & Springford, 2023). Hence, HR strategies are focusing more on unbiased recruitment practices and building a culture of inclusion.

Changes in strategies specific due to Brexit include different recruitment strategies. Businesses are now expected to be more mindful of the changes in laws and regulations regarding employment and immigration (Paterson et al., 2023). This has required HR to adapt their strategies for hiring and to understand and implement new legal requirements. In presenting businesses with recommendations to deal with the changes caused by Brexit, Lattice (2022) stated that companies should start to deal with here and now, look ahead of how Brexit impacts recruitment, acknowledge salary differences, and establish greater transparency with employees (Spital & Aerssen, 2023). The reason why these recommendations are necessary for companies to consider is because these initiatives will help firms to mitigate the effects of the skill gaps, wage gaps and labour shortages caused by the pandemic in the short term and in long term (Portes & Springford, 2023).

Businesses should also tap into the opportunities in alternate workforces. Since the combined influence of pandemic and Brexit in the UK labour market, there has been an increase in the use of freelancers, contract workers, and part-time employees (McIntyre, 2023). HR strategies have had to evolve to manage this flexible workforce. As specified in the previous section, more companies are using part time and freelance labour (Morando, 2022). This serves both businesses and workers. Employees can now have more freedom with their time and their pursuit of different career options, employers can now also only pay for the labour that is used in generating some

economic value. Hence, it is becoming a win-win situation for all (Nishat, 2019). Only problem with this is that some businesses may utilise freelancing and part time to their benefit and at the expense of the full time and other workers. To avoid this, businesses must assess workforce needs using advanced data analytics tools to minimise bias in HR policies (Paterson et al., 2023).

Finally, businesses should address the evolving performance management in the UK. Traditional performance management methods have been replaced with ongoing feedback and development-focused approaches (Ludwikowska, 2023). Studies suggest that more people oriented and communication-based performance management are now more effective as they help acknowledge the real problems faced by workers and inform strategies that work the best to improve performance outcomes (McIntyre, 2023).

From the above discussions, two core strategies can be suggested as the emergent positive changes. One is the growing use of digital technology in human resource management (Lattice, 2022). From recruitment to performance management, managing physical, remote, outsourced and part time workforce, and using data to implement unbiased and people focused HR policies, digital technologies have great potentials to transform workforces (Hill, 2022). The case studies such as Facebook, Microsoft, Accenture are proof of what businesses can achieve by integrating digital technologies into HR management and leadership. Hence, it is recommended that companies invest in digital technology integrated HR tools and systems to improve how they manage their workforce (Leaker, 2023). Secondly, there has also been a growing shift towards people-oriented HR management and leadership styles (McIntyre, 2023). The traditional process centric HR policies and strategies experience quite a lot of criticisms nowadays, while firms with people centric management and leadership attract more skilled workers and are also able to retain skilled workforce (Ludwikowska, 2023). Therefore, it is recommended that businesses replace traditional HR policies and strategies with people-oriented HR policies and strategies for better outcomes.

Conclusion

The interplay of Brexit and the pandemic has instigated notable changes in the UK's labour market. Restrictions on EU migration, combined with the shift to remote work due to COVID-19, have resulted in labour shortages, particularly in low-skilled sectors. Businesses have adapted by

focusing on reskilling, increasing wages, and rethinking work structures. While these adjustments address immediate needs, long-term implications, including potential impacts on labour supply and productivity, remain uncertain, heralding an era of continuous evolution for the UK's labour market.

References

- Amuedo-Dorantes, C., Begen, N. (2023) How did brexit impact labour market efficiency in the UK? *Applied Economics Letters*, 1–5.
- Clarke, S., Gregg, P. (2018) The prospects for the UK labour market in the post-brexit era. *The Political Quarterly*. **90**(S2), 53–61.
- Elliott, L. (2023) UK labour market can't hold out much longer against impact of stagflation. *The Guardian*. [online]. Available from: <https://www.theguardian.com/politics/2023/feb/14/uk-labour-market-stagflation> [Accessed August 1, 2023].
- Gupta, R., Hasan, Md.M., Islam, S.Z., Yasmin, T., Uddin, J. (2023) Evaluating the Brexit and covid-19's influence on the UK economy: A data analysis. *PLOS ONE*. **18**(6).
- Hill, B. (2022) Studies of the impact of Brexit on UK agriculture. *The Governance of Agriculture in Post-Brexit UK*, 1–27.
- Lattice (2022) 4 ways HR can navigate Brexit's impact on UK business. *Lattice*. [online]. Available from: <https://lattice.com/library/4-ways-hr-can-navigate-brexit-impact-on-uk-business> [Accessed August 1, 2023].
- Leaker, D. (2023) Labour market overview, UK: April 2023. *Labour market overview, UK - Office for National Statistics*. [online]. Available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/april2023#:~:text=Main%20points,employees%20and%20self%20employed%20workers>. [Accessed August 1, 2023].
- Ludwikowska, K. (2023) Employee support for HRM covid-19 strategies as a factor shaping job redesign influence on job performance. *Scientific Papers of Silesian University of Technology Organization and Management Series*. **2023**(164).
- McIntyre, S. (2023) What's happening in the UK labour market? *Economics Observatory*. [online]. Available from: <https://www.economicsobservatory.com/whats-happening-in-the-uk-labour-market> [Accessed August 1, 2023].
- Morando, G. (2022) The early effect of the COVID-19 pandemic on the labour market outcomes of natives and migrants in the UK. *SSRN Electronic Journal*.
- Nishat (2019) How will Brexit change the game for Human Resources? *Open Access Government*. [online]. Available from: <https://www.openaccessgovernment.org/brexit-change-the-game/58873/> [Accessed August 1, 2023].

- Paterson, A., Sakariyahu, R., Lawal, R., Alabi, A. (2023) The impact of government policy responses to the COVID-19 pandemic and Brexit on the UK financial market: A behavioural perspective. *British Journal of Management*.
- Portes, J., Springford, J. (2023a) The impact of the post-brexit migration system on the UK labour market. *SSRN Electronic Journal*.
- Portes, J., Springford, J. (2023b) The impact of the post-brexit migration system on the UK labour market. *SSRN Electronic Journal*.
- Sargent, K. (2023) The labor market impacts of Brexit: Migration and the European Union. *Economic Modelling*. **121**, 106196.
- Spital, T., Aerssen, K.F. (2023) The impact of Brexit on UK trade and Labour Markets. *European Central Bank*. [online]. Available from: https://www.ecb.europa.eu/pub/economic-bulletin/articles/2023/html/ecb.ebart202303_01~3af23c5f5a.en.html#:~:text=Following%20the%20Brexit%20referendum%2C%20the,surpassed%2C%20pre%2Dpandemic%20levels. [Accessed August 1, 2023].