



Trends in the UK Labour Market and Emerging HR Strategies

Assignment Title: Strategic Management

Module: Human Resource Management

Module code: LCMB7000

Lecturer: Dr Mohamed Asim

Student Name: Lucien H K Yao

Student ID: 1916224

22nd August 2023 at London UWTSD

Word Count: 2800

Table of Contents

Abstract.....	3
Task 1: Trends in the UK Labour Market.....	4
Introduction.....	4
Trends in the UK Labour Market.....	4
Demographic changes and diversity.....	4
Labour Supply and demand dynamics.....	6
Gig economy trend.....	7
Impact of Brexit and Covid-19 on the Labour Market.....	7
Impact of Brexit.....	8
Impact of Covid-19.....	8
Task 2: Emerging Changes in Human Resourcing Strategies.....	10
Introduction.....	10
COVID-19 Oriented HR Strategies.....	10
i. Flexible work arrangements.....	10
ii. Remote Work and Virtual Collaboration.....	11
iii. Health and Safety as the New Priority.....	11
Brexit-Oriented HR Strategies.....	12
i. Training and Upskilling.....	12
ii. International Workforce Management.....	13
iii. Cross-Cultural Awareness and Diversity.....	13
Discussion and Conclusion.....	13
References.....	16

Abstract

In an era marked by transformative events such as Brexit and the COVID-19 pandemic, organisations are grappling with dynamic shifts in workforce dynamics. This paper delves into the evolving landscape of the UK labour market and its consequential impact on emerging human resource (HR) strategies. The first part of the paper investigates trends in the UK labour market, including demographic changes, supply and demand dynamics, the rise of the gig economy, and the repercussions of Brexit and COVID-19. The second part of the paper focuses on the evolution of HR strategies in response to the post-COVID and post-Brexit environment. It underscores how HR practices have transformed to adapt to new realities. With the pandemic's impact, flexible work arrangements have gained prominence, supported by remote work and virtual collaboration tools. By understanding these shifts, organisations can formulate strategies that foster resilience, inclusivity, and agility in the dynamic modern workforce.

Task 1: Trends in the UK Labour Market

Introduction

The UK labour market is a dynamic and ever-evolving landscape, influenced by various factors such as demographic changes, supply and demand dynamics, and socio-political events like Brexit. Armstrong and Taylor (2020) define the labour market as “a place where employers seek workers and workers seek employment” (p.59). The scholars further note that the composition and availability of individuals in the labour market significantly impact organisation’s recruitment accomplishments as well it’s overall success. Armstrong and Taylor (2020) argue that by examining and understanding the nature of the labour market, organisations can develop tailored strategies to attract and retain talent, address skill shortages, promote diversity and inclusion, navigate competitive landscapes, and leverage technological advancements. To this end, this comprehensive analysis aims to provide a deep understanding of the current state of the UK labour market, exploring key trends, challenges, and opportunities that shape its dynamics.

Trends in the UK Labour Market

In this section we will focus on trends in the UK labour market, including demographic changes and diversity, labour supply and demand, and the emergency of the gig economy.

Demographic changes and diversity

The changing labour demographics is one of the emerging key trends that are significantly influencing the dynamics of the labour market. The changing labour demographics and diversity encompasses various dimensions, including age, gender,

ethnicity, and cultural backgrounds. GOV.UK. (2022) shows that while the overall employment rate for working-age individuals stood at 75% in 2021, disparities emerged when examining different ethnic groups. The employment rate for white individuals was 76%, whereas it was 67% for all other ethnic groups combined, signalling a 9%-point difference (GOV.UK, 2022). Encouragingly, between 2004 and 2021, this employment gap narrowed by 7% points, indicating progress in inclusivity. As shown by figure 1 below, the highest employment rate in 2021 was observed at 82% for the 'white other' ethnic group, while the combined Pakistani and Bangladeshi group had the lowest rate at 58% (GOV.UK, 2022). Notably, both groups experienced substantial increases in employment rates over the same period, highlighting positive strides. Besides, unlike before, the labour market is today increasingly characterised by the presence of multiple generations working side by side. As illustrated by Cennamo and Gardner (2008), each of these generations, including millennials, Generation X, Baby boomers, and Generation Z, bring unique work ethics, values, and expectations. To this end, organisations' HR departments in the country need to recognise and embrace this diversity to create inclusive workplaces that value different perspectives and experiences. For instance, recruitment policies should be designed to attract and retain a diverse range of candidates, promoting equal opportunity and fostering a culture of inclusivity.

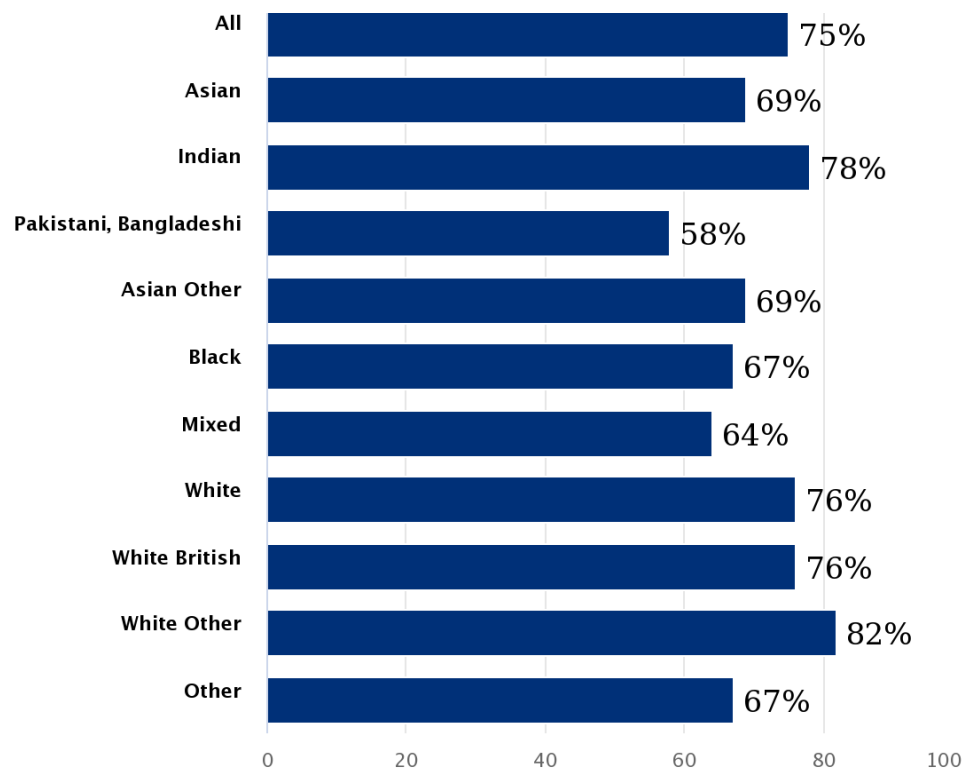


Figure 1: Percentage of 16 to 64 year olds who were employed in 2021 by ethnicity

Labour Supply and demand dynamics

Supply and demand factors have played a key role in shaping the dynamics of the UK labour market. The labour market acts as an external pool of candidates from which organisations draw their recruits (Lussier and Hendon, 2019). According to the Office for National Statistics (ONS), the UK employment rate was around 75.8% in December 2022 to February 2023, showing a 0.2% increase compared to the previous year. However, Gallacher (2023) notes that recruitment difficulties remain substantial, particularly for professionals and specialists, with three-quarters of organisations experiencing difficulties in filling vacancies. The figures from the Office for National Statistics (ONS, 2023) show that the UK's unemployment rate from December 2022 to February 2023 went up by 0.1% points on the quarter to 3.8%. This was particularly evident in terms of a drop in applicants per vacancy for all skill levels, most notably for lower and medium-skilled roles. This indicates a slight rise in

unemployment compared to the previous period. The unemployment rate, as reported by the Office for National Statistics (ONS, 2023), influences the ease or difficulty of recruitment. Higher unemployment rates generally make recruiting easier, while lower rates increase competition for available talent (Lussier and Hendon, 2019).

Gig economy trend

Armstrong and Taylor (2020) note that the gig economy has emerged as a significant trend in the UK labour market in recent years. The labour market today is primarily composed of short-term contracts and freelance work as opposed to traditional long-term employment agreements. Individuals are typically employed on a project-by-project basis rather than in a permanent role. This is referred to as the gig economy (Armstrong and Taylor, 2020). In the UK, the gig economy has experienced notable growth, with the number of people working in gig economy roles, such as Uber drivers and delivery workers, estimated at around 1.3 million according to the Chartered Institute of Personnel and Development (CIPD) in 2017 (Inman, 2017). Gig workers are typically treated as contractors, which means they often have no guarantee of pay or employment rights, and may be subjected to last-minute scheduling by their employers. As noted by Armstrong and Taylor (2020), emergence of the gig economy has had an impact on how employers satisfy their staffing needs. As noted by Gibbons (2022), organisations have increasingly turned to gig workers to fill specific roles or to meet fluctuating demand without committing to long-term employment contracts. This has allowed businesses to access a flexible workforce and adjust staffing levels based on their immediate needs.

Impact of Brexit and Covid-19 on the Labour Market

The labour market in the United Kingdom has also undergone substantial shifts due to significant socio-political events and global crises. In this section, we delve into the profound

impacts of both the Brexit process and the unprecedented COVID-19 pandemic on the UK labour market.

Impact of Brexit

The UK's exit from the European Union has had a noticeable influence on the nation's job market. According to Portes and Springford (2023), the decrease in EU personnel in the UK labor force has caused a gap of 330,000 individuals in the UK labour force, mainly in the low-skill industry. These shortages and unfilled job vacancies have become a challenge for businesses across all sectors, bringing the unfilled job vacancies in the country to a historically high in 2023. Since Brexit, there has been an increase in immigration from countries outside of the EU, yet it has not been enough to make up for the lack of workers from countries in the EU. According to O'Carroll (2023), the reduction in net immigration to the UK by June 2022 was estimated at 540,000. The implementation of the points-based immigration system since January 2021 has presented a greater challenge for those without qualifications to relocate to the UK for work. This has resulted in an estimated reduction of 460,000 EU labourers by June 2022 (O'Carroll, 2023). While there has been some cushioning of the labour gap with the arrival of 130,000 non-EU labourers, O'Carroll (2023) notes that there are still significant shortages in key sectors.

Impact of Covid-19

Like Brexit, the Covid-19 pandemic has significantly impacted the UK labour market, leading to various changes in employment, unemployment, working hours, and earnings. At the start of the health crisis and when the first lockdown was implemented in March 2020, the employment rate dropped drastically while unemployment and economic inactivity went up. According to Powell et al. (2022), the number of employed people dropped by 825,000, unemployment increased by almost 400,000, and economically inactive individuals rose by

327,000 from January-March 2020 to October-December 2020. Redundancies hit an all-time high and UK working hours declined to the lowest since 1994 (Powell et al., 2022). The amount of individuals receiving unemployment assistance increased twofold from March to May 2020. However, Powell et al. (2022) note that throughout 2021 and 2022, employment and unemployment levels began to improve, with redundancies decreasing and job vacancies reaching record highs. By the first quarter of 2022, the number of layoffs had decreased to lower than before the pandemic, and the rate of unemployment had also decreased compared to before the pandemic. Despite these improvements, employment levels remained around 350,000 lower than before the pandemic, and economic inactivity continued to grow (Powell et al., 2022).

Besides, the pandemic has not only affected the employment rates, but has also led to a shift in work arrangements. For instance, International Labour Office (2020) notes that the Covid-19 crisis has accelerated the adoption of remote work and digital transformation across various industries. Many organisations in the UK quickly shifted to remote work arrangements to ensure business continuity and employee safety. This has led to a greater reliance on technology and digital tools to facilitate virtual collaboration and communication (Nagel, 2020). As such, the disruption caused by the pandemic emphasised the importance of upskilling and reskilling workers to meet evolving demands. Many individuals sought opportunities to learn new skills or acquire additional qualifications to enhance their employability. Similarly, the pandemic has resulted in a shift in skill demands as certain industries experienced increased demand while others declined (Powell et al., 2022). Sectors like healthcare, e-commerce, logistics, and technology saw a surge in demand for workers, particularly in roles related to healthcare services, online retail, delivery services, and IT support. On the other hand, industries like travel, hospitality, and traditional retail faced decreased demand and struggled to retain employees.

Task 2: Emerging Changes in Human Resourcing Strategies

Introduction

As illustrated in task 1, the post-Covid, post-Brexit external environment has presented organisations with new challenges and opportunities. In response, human resourcing strategies are evolving to align with the changing world of work. To this end, this part of the study explores the emerging changes in HRM practices, taking into account the specific context of the post-Covid and post-Brexit landscape. By critically evaluating academic literature, industry reports, and case studies, we will analyse how organisations are adapting their HRM practices to navigate these transformative times.

COVID-19 Oriented HR Strategies

The COVID-19 pandemic has presented unprecedented challenges for organisations worldwide, particularly by interfering with the typical workplace normalcy. As noted by Azizi et al. (2021), HR departments have had to swiftly respond to the crisis and implement strategies to protect employee well-being, ensure business continuity, and adapt to remote working environments. Some of the HR strategies that have emerged post the pandemic include;

i. Flexible work arrangements

Flexible work arrangements have become a critical strategy for organisations in response to the Covid-19 pandemic. These arrangements allow employees to have greater control over when, where, and how they work, providing flexibility to balance work and personal responsibilities (Smite et al., 2023). Post the pandemic, many organisations have adopted remote work policies, allowing employees to work from home or any location outside the

traditional office. In this new work arrangement, Vyas (2022) notes that employees use technology and virtual communication tools to collaborate with colleagues and perform their tasks remotely. HR teams across different organisations have implemented flexible scheduling options such as compressed workweeks, flextime, or shift variations aimed at enabling employees to adjust their work hours to accommodate personal needs or responsibilities. As noted by Ray and Pana-Cryan (2021), HR professionals are also accommodating individual circumstances by considering flexible leave policies, including paid time off for health and wellbeing-related reasons.

ii. Remote Work and Virtual Collaboration

Organisations in the post-Covid and post-Brexit environment have come to realise the importance of remote work and virtual collaboration as part of their HR strategies. The advantages of working remotely, such as more flexibility, less time spent commuting, and access to a larger pool of talent, have been widely acknowledged. To this end, HR departments are ensuring that employees have the necessary infrastructure to work remotely effectively (Shah-Nelson and Johnson, 2021). This includes providing employees with laptops, secure network connections, and access to relevant software and tools. HR professionals are also assisting employees in setting up home offices and creating ergonomics and data security guidelines. As illustrated by Shah-Nelson and Johnson (2021), HR departments are implementing virtual collaboration tools to enable seamless communication and collaboration. These tools encompass video conferencing platforms, project management software, instant messaging applications, and cloud-based document-sharing systems. Shah-Nelson and Johnson (2021) further notes that HR professionals are training employees on the effective use of these tools and promoting best practices for virtual collaboration.

iii. Health and Safety as the New Priority

The COVID-19 pandemic has highlighted the critical importance of health and safety in the workplace. Health and safety considerations have become a top priority as organisations navigate the post-COVID landscape. HR departments are implementing comprehensive strategies to ensure the well-being of employees and create a safe work environment. Islam (2023) notes that HR departments are working closely with relevant stakeholders, such as facility management and health experts, to develop and implement workplace safety measures. This includes conducting risk assessments, providing personal protective equipment (PPE), implementing social distancing protocols, and enhancing cleaning and sanitisation practices (Islam, 2023). In addition, Brooks and Ling (2020) notes that HR departments across the globe are implementing strategies to support employees' mental health in the workplace. This includes providing access to mental health resources, offering counselling services, and promoting mental health awareness through training and communication initiatives.

Brexit-Oriented HR Strategies

Brexit, the United Kingdom's withdrawal from the European Union, has had a significant impact on the external business environment particularly with the disruption of the labour market demand and supply. HR departments have been required to adapt their strategies to navigate the changes and uncertainties resulting from Brexit. Below are some of the HR strategies that are emerging as a result of Brexit.

i. Training and Upskilling

The loss of EU workers who were skilled in different areas or specialisations has created a shortage of professionals with expertise in fields such as nursing, carpentry, plumbing, and civil engineering. To address potential skill gaps resulting from Brexit, Davies (2021) notes that HR departments have focused on training and upskilling programs. The focus is currently

on identifying the skills needed in the post-Brexit landscape and providing employees with opportunities to develop those skills (Davies, 2021). This may involve offering training programs, partnering with educational institutions, or implementing apprenticeship schemes to cultivate a skilled workforce and reduce reliance on external talent sources.

ii. International Workforce Management

Brexit has compelled the UK to explore opportunities for attracting workers from non-EU countries to address the skill gaps in the labour market. By shifting the focus to non-EU workers, the UK aims to diversify its talent pool and attract individuals with the skills and expertise needed in various sectors. For organisations with a multinational workforce, HR departments have implemented strategies to manage international employees in light of Brexit. In line with Sumption (2022) study, these strategies include assisting employees with visa applications, providing support for work permit requirements, and addressing any legal or administrative challenges related to the employment of international staff. HR professionals have ensured compliance with immigration regulations and facilitated the smooth transition of international employees in the post-Brexit environment.

iii. Cross-Cultural Awareness and Diversity

Opening up avenues for non-EU workers to address skill gaps in the UK labour market present challenges and considerations related to workplace diversity. Blunk et al. (2021) notes that the influx of workers from different countries and cultures brings diversity to the workforce, which can have both benefits and challenges for organisations. To this end, HR departments are encouraging the implementation of inclusivity and diversity programs to develop a workplace that is inviting and accommodating to employees of varying backgrounds. They are fostering cultural awareness programs, offering language training, and encouraging cross-cultural collaboration. Among the core responsibilities of the HR

professionals today is to ensure that employees feel valued and supported, regardless of their nationality or cultural background.

Discussion and Conclusion

An in-depth analysis of the UK labour market shows a changing landscape of trends, obstacles, and possibilities. HR professionals face the added pressure of dealing with demographic variations and diversity in the workplace. They must ensure that all members of the workforce are given equal chances regardless of age, gender, race, or culture. Furthermore, the growth of the gig economy and digitalisation of the workplace necessitates HR to take the lead in upskilling and reskilling efforts. This involves working with other departments to recognise upcoming skill needs and create thorough training programs. Through their training initiatives, HR can effectively contribute to organisation's flexibility and success.

It is also evident that Brexit and the COVID-19 pandemic have posed an immense test to HR teams. One of the implications of these situations is that HR departments must possess a high degree of strategic agility to adapt to rapidly changing circumstances. This is because they need to be proactive in identifying emerging challenges and opportunities, and devising flexible strategies to address them effectively. Another implication is that employee well-being and mental health has become a critical concern for HR. The pandemic and post-Brexit environment have introduced new stressors and uncertainties into employees' lives. As such, HR must create comprehensive well-being programs that offer mental health support, resources, and a safe space for employees to discuss their concerns openly. Besides, as skill requirements evolve due to changing business demands and emerging skill gaps

resulting from Brexit, HR needs to focus on upskilling and reskilling initiatives. Developing learning paths that equip employees with the necessary skills to excel in new roles or address shifting industry demands is essential to ensure workforce readiness and organisational competitiveness.

In conclusion, this paper has delved into the evolving landscape of the UK labour market and the resulting changes in human resource (HR) strategies. The first part of the paper examined key trends in the labour market, including demographic changes, supply and demand dynamics, and the rise of the gig economy. The second part explored how HR strategies have adapted to the challenges posed by the post-COVID and post-Brexit environment. The analysis underscores the critical role of HR professionals in navigating the complexities of today's workforce dynamics.

References

- Armstrong, M. and Taylor, S., 2020. *Armstrong's handbook of human resource management practice*. Kogan Page Publishers.
- Azizi, M.R., Atlasi, R., Ziapour, A., Abbas, J. and Naemi, R., 2021. Innovative human resource management strategies during the COVID-19 pandemic: A systematic narrative review approach. *Heliyon*, 7(6).
- Blunk, J., Benson Marshall, M. and Cox, A.M., 2021. European Union librarians on the move? An exploration of potential impacts of Brexit on workforce diversity. *New Review of Academic Librarianship*, 27(4), pp.402-422.
- Brooks, C.D. and Ling, J., 2020. "Are We Doing Enough": An Examination of the Utilization of Employee Assistance Programs to Support the Mental Health Needs of Employees During the COVID-19 Pandemic. *Journal of Insurance Regulation*, 39(8).
- Cennamo, L. and Gardner, D., 2008. Generational differences in work values, outcomes and person-organisation values fit. *Journal of managerial psychology*, 23(8), pp.891-906.
- Davies, G., 2021. Addressing skills and labour shortages post-Brexit. *London: Chartered Institute of Personnel and Development*.
- Gallacher, J. 2023. Businesses face record recruitment difficulties.
<https://www.hrmagazine.co.uk/content/news/businesses-face-record-recruitment-difficulties/>

Gibbons, S. 2022. 3 Reasons Businesses Are Tapping Into The Gig Economy. Forbes.

<https://www.forbes.com/sites/serenitygibbons/2022/07/21/3-reasons-businesses-are-tapping-into-the-gig-economy/?sh=18b30019101c>

GOV.UK. 2022. Employment. Ethnicity facts and figures.

<https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest>

Inman, P. 2017. Gig economy companies trying to have their cake and eat it, say workers.

<https://www.theguardian.com/business/2017/mar/17/gig-economy-companies-have-cake-eat-it-workers-study-cipd>

International Labour Office, 2020. *Teleworking during the COVID-19 pandemic and beyond: A Practical Guide*. International Labour Organisation (ILO).

Islam, A. 2023. The role of human resources in promoting workplace safety and well-being. Thaddeus Resource Center.

<https://www.linkedin.com/pulse/role-human-resources-promoting-workplace-safety/>

Lussier, R.N. and Hendon, J.R., 2019. *Fundamentals of human resource management: Functions, applications, and skill development*. Sage Publications.

Nagel, L., 2020. The influence of the COVID-19 pandemic on the digital transformation of work. *International Journal of Sociology and Social Policy*, 40(9/10), pp.861-875.

O'Carroll, L. 2023. Shortfall of 330,000 workers in UK due to Brexit, say thinktanks.

<https://www.theguardian.com/politics/2023/jan/17/shortfall-of-330000-workers-in-uk-due-to-brexit-say-thinktanks>

Office for National Statistics (ONS). 2022. Long-term international migration, provisional: year ending June 2022.

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingjune2022>

Office for National Statistics (ONS). 2023. Labour market overview, UK: April 2023. ONS website, statistical bulletin.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/april2023#:~:text=The%20UK%20employment%20rate%20was,employees%20and%20self%20employed%20workers>.

Portes, J. and Springford, J., 2023. Early impacts of the post-Brexit immigration system on the UK labour market.

Powell, A., Francis-Devine, B. and Clark, H., 2022. Coronavirus: Impact on the labour market. *Research Briefing*.

<https://researchbriefings.files.parliament.uk/documents/CBP-8898/CBP-8898.pdf>

Ray, T.K. and Pana-Cryan, R., 2021. Work flexibility and work-related well-being. *International journal of environmental research and public health*, 18(6), p.3254.

Shah-Nelson, C. and Johnson, H.A., 2021. Combining technology with human resources management to strengthen virtual teams. *LSE Business Review*.

Shaw, W.S., Main, C.J., Findley, P.A., Collie, A., Kristman, V.L. and Gross, D.P., 2020. Opening the workplace after COVID-19: what lessons can be learned from return-to-work research?. *Journal of Occupational Rehabilitation*, 30, pp.299-302.

Smite, D., Moe, N.B., Hildrum, J., Gonzalez-Huerta, J. and Mendez, D., 2023.

Work-from-home is here to stay: Call for flexibility in post-pandemic work policies. *Journal of Systems and Software*, 195, p.111552.

Sumption, M., 2022. Shortages, high-demand occupations, and the post-Brexit UK immigration system. *Oxford Review of Economic Policy*, 38(1), pp.97-111.

Vyas, L., 2022. “New normal” at work in a post-COVID world: work–life balance and labor markets. *Policy and Society*, 41(1), pp.155-167.

Wallace, A. and Favell, A., 2023. In the wake of Brexit: negotiating diversity and majority-minority relations in the North of England. *Journal of Ethnic and Migration Studies*, 49(8), pp.2070-2089.