

OVERCOMING THE UK'S SKILL SHORTAGES:

WHAT NEEDS TO
CHANGE?



Enabling Transformation

QAPSCo *Talence*e↑

Introduction

Foreword from Ann Swain, CEO of APSCo

The UK's skills shortages have been well documented for some time now. In a post-Covid and Brexit-hit landscape, competition for the best, highly-skilled professionals is rife. Throughout 2022 so far, we've seen the Office for National Statistics (ONS) report record-breaking vacancy numbers while unemployment levels dropped. Employers from a range of sectors have vocalised their concerns around the availability of talent – with specialist STEM (Science, Technology, Engineering and Maths) skills in particularly high demand but increasingly short supply.

The potential impact this shortage of talent could have on the UK's economy has been acknowledged and the recent 'Mini Budget' announced by new Chancellor, Kwasi Kwarteng, has set out some steps to help bolster our labour market.

However, in order to ascertain what action is needed to boost the country's professional skills, it's first important to take a look at where the gaps are being felt most, what employers and recruiters are already implementing to address this talent gap and what success has been achieved so far. Only once we have this benchmark can we steer recruitment strategies in the right direction.



Ann Swain,
CEO of APSCo



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About the Survey

In early 2022, APSCo, Talence and QX Global Group joined hands to conduct an online research survey on skill shortages. Staffing agencies and several other businesses in the UK were invited to participate in this survey, and a total of 161 responses were recorded.

A detailed analysis of the data will help staffing businesses gain data-driven insights on the current state of the labour market and enable them to make critical changes to their workforce management strategies. This report details the extent of the impact of skills shortage, the risks it poses to businesses and practical guidance to address it.

While we have prepared this report to contribute to the industry's growth, we also carry the drive to do something for the greater good, which is why we are helping another child in the same way for every single copy of this report that is downloaded. So, as you read our report, another vulnerable young girl gets a better life. We hope that this initiative makes these pages even more rewarding for you.





Executive Summary

Here's a preview of some of the major findings from the report:

- Lack of access to international talent has been a top driver of skill shortages for Recruitment Agencies

- A third of the total respondents stated that digital and tech skills were most difficult to source

- The capability to scale business has been most impacted by skills shortages

- Acute Skills Shortage are felt across Wales, Southern England, the South West, the North West & North Yorkshire

- A higher percentage of recruitment firms indicated that access to international talent would be the best approach to meet skills demands

- Only 35% respondents are very confident that skills shortages will be resolved in the next 5 years

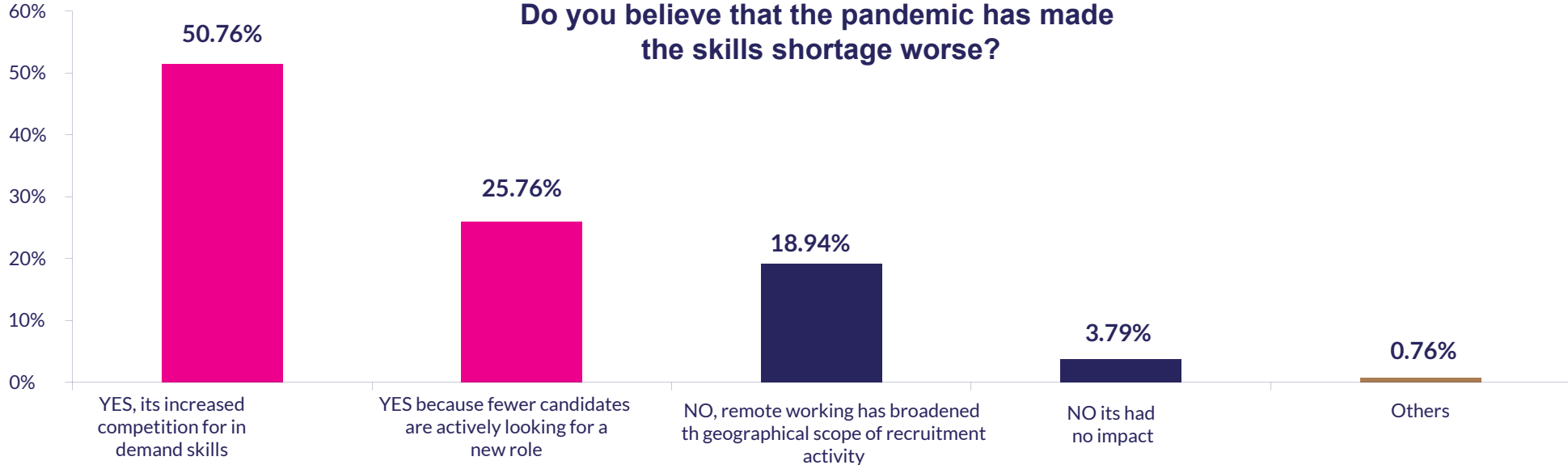
CHAPTER 1

The extent of the skills shortage in a post-Covid landscape

The extent of the skills shortage in a post-Covid landscape

When we asked respondents if the pandemic had worsened the dearth of talent, the resounding response was yes overall, with 51% agreeing that Covid increased competition for already in demand skills, exacerbating the shortage of candidates. A further 26% indicated that the pandemic has made the skills shortage worse because fewer candidates are actively looking for a role.

While only 4% felt that Covid hadn't impacted skills shortages at all, 19% reported that remote working had actually broadened the geographical scope of hiring, giving businesses and recruiters greater access to more potential resources.



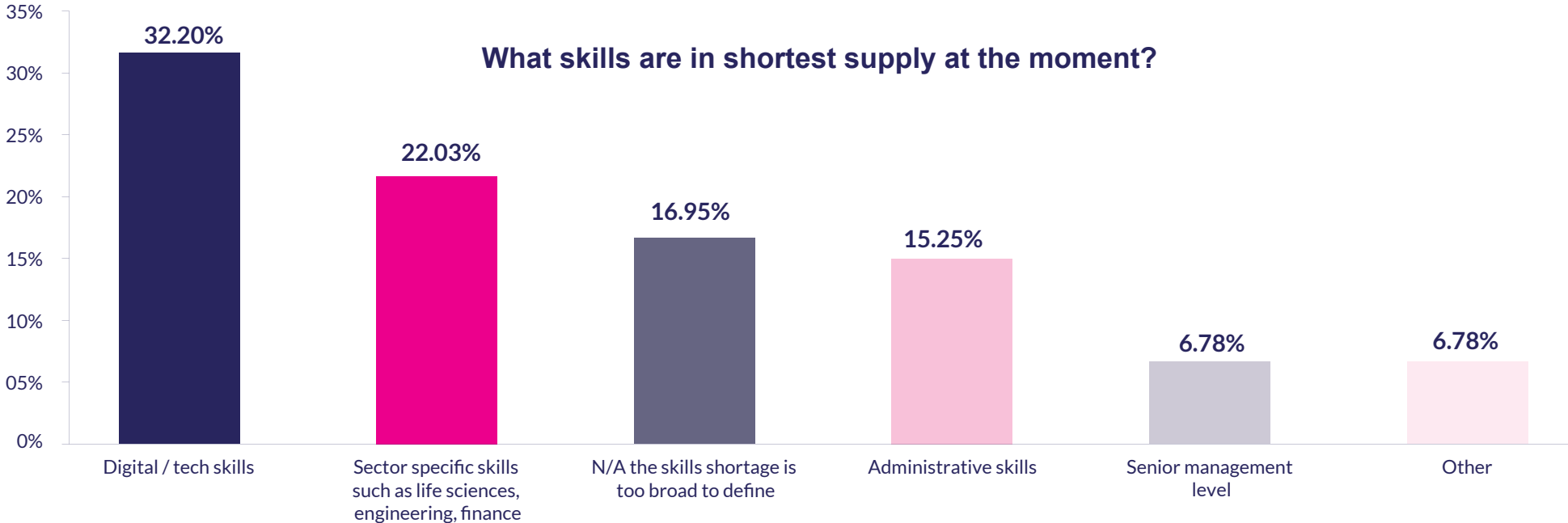
The extent of the skills shortage in a post-Covid landscape

It is interesting to note that while both recruitment businesses and end hires agreed that the pandemic has impacted the competition for in demand skills, a greater percentage of end clients felt that remote working had broadened the geographical scope of recruitment activity than recruiter respondents (28% versus 11%).

The shift to remote working practices has driven up demand for tech and digital skills and resources. It's perhaps no surprise, then, to note that digital and tech skills were ranked by respondents as the shortest in supply currently, with

almost a third (32%) stating that these skills were the most difficult to source. Sector specific skills such as life science, engineering, finance and STEM specific expertise ranked second (22%), while 17% of respondents indicated that the skills shortages were too broad to define.

While there was a general agreement across end client and recruitment business respondents that digital and tech skills were in shortest supply, the study reveals that more recruiters felt the skills gaps were too broad to define than employers (22% of staffing companies compared to just 6% of end-clients).



CHAPTER 2

What's Driving the Skill Shortages?



What's driving the skills shortages?

There has been a wealth of speculation as to the reasons behind the skills shortages. From Brexit, to Covid, to the Great Resignation. When we asked respondents to rank the key drivers of this ever-shrinking talent pool, being unable to find qualified candidates to fill the roles stood out as the biggest challenge, with 31% of participants ranking this as the top driver.

High attrition rates and the increased competition for talent since the pandemic started were the joint second issues listed in the top list of drivers by survey respondents. While not top of the list, it is important to add that rising salaries of the qualified candidates in the talent pool was also cited as one of the top three reasons for skills shortages by a number of participants.

With the cost-of-living crisis driving up demand for inflated salaries while also putting further financial strain on businesses and recruiters alike, this issue is likely to be a key challenge in the resolution of skills shortages for the rest of 2022.

Interestingly, the results of the survey do show some disparity between employers and recruitment firms when it comes to views on what is driving skills shortages. While over a third (35%) of end clients stated that high attrition rates were a primary cause of the dearth of talent, just 8% of recruitment business respondents believed this to be a contribution to recruitment challenges. This suggests that the perception from staffing companies as to the talent concerns of employers today isn't aligned with the end-client perspective.

Top Drivers:



What's driving the skills shortages?

Staffing firms also highlighted that the lack of access to international talent in a post-Brexit landscape was exacerbating the skills shortages, while no employer respondents revealed that they felt this to be a significant contributor to skills shortages.

Clearly there's a disparity between recruitment businesses and end-clients when it comes to the key drivers of today's skills shortages. If this disconnect remains, the success of activity to alleviate the dearth of talent across the UK will be limited. The data suggests that greater communication and a level of education is needed across recruitment firms and the businesses they service to ensure everyone is pushing for the same resolution.

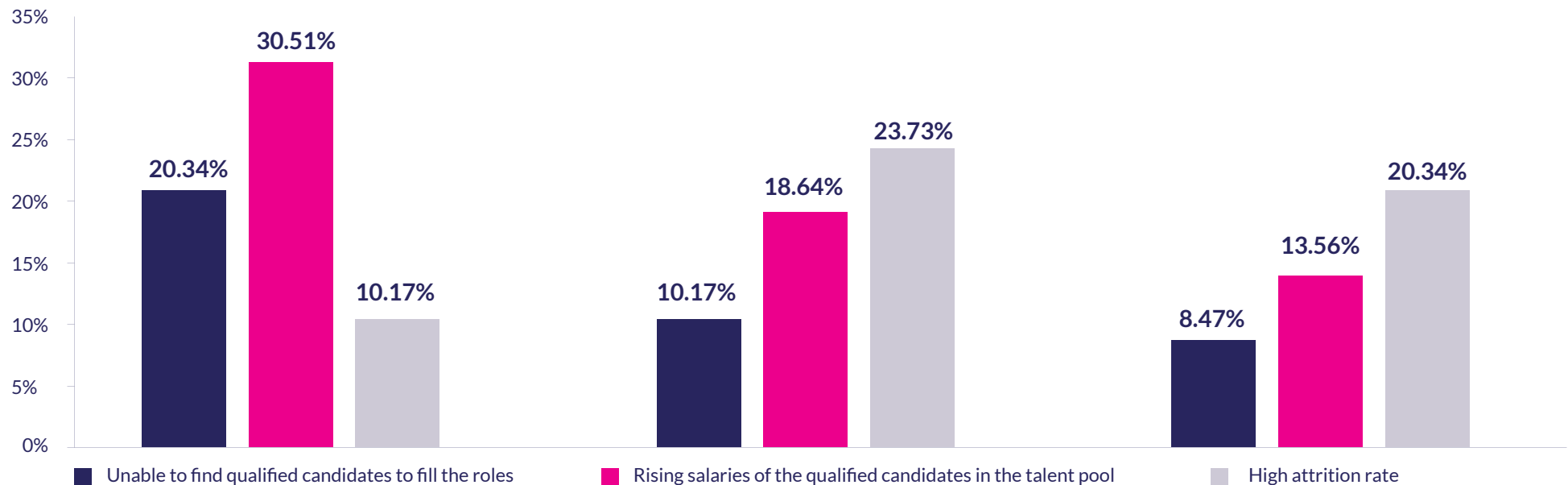
Key Driver for End Clients:

- > High Attrition Rate

Key Driver for Recruitment Agencies

- > Lack of access to international talent

What is the primary cause of skill shortage in your or your end client's business?



CHAPTER 3

Which sectors face the greatest skills shortages?



Which sectors face the greatest skills shortages?

There was a general recognition across all sectors recorded that the skills shortages are having major or some impact on their firms. The majority of respondents across each specialism also indicated that the pandemic has increased competition for in demand talent, though Engineering, Healthcare and IT appear to be feeling the impact of limited number of active candidates than all other sectors. Interestingly, businesses in the Financial Services arena reported the greater proportion of firms indicating that remote working had broadened the geographical scope of recruitment activity.

Perhaps unsurprisingly, digital and tech skills are the least easy to source in the IT sector, which is indicative of the ever-growing tech talent gap that the field has been experiencing. Financial Services and Accounting made the top three sectors feeling this shortage of tech talent most. The top two specialisms struggling with sector specific skills shortages, meanwhile, were Engineering and Pharmaceuticals & Life Sciences.

Financial Services Employers more likely to turn to **outsourcing solutions to fill skills gaps**

Accounting Sector indicated that **more skills training would be the best approach to tackle skills shortages**

Digital & Tech Skills Shortage Felt Majorly in:



Which sectors face the greatest skills shortages?

Respondents from the Healthcare and Accounting spheres were feeling the impact of high attrition rates more than another sector, while Financial Services, IT and Engineering respondents reported a greater impact of the lack of qualified candidates.

Employers across Financial Services were more likely to turn to outsourcing solutions to fill skills gaps than any other sector, while Engineering, Healthcare and Accounting reported the highest number of businesses looking at training and reskilling opportunities to tackle the shortage of skills.

Those participants within the Engineering remit felt more strongly than others that easier access to international skills – including non-UK contractors – was needed to address skills shortages. Those in the Accounting sphere, meanwhile, indicated that more skills training would be the best approach to tackling the dearth of resources, despite only a handful of those from the sector indicating that they are investing in training and reskilling at the moment to close talent gaps.



CHAPTER 4

Regional variations

Regional variations

The data reveals that the skills shortages are being felt across the UK, but there are a few nuances across regions. Most respondents with offices in the capital indicated that talent challenges are having a major impact on their business, though a handful did cite that their firm hadn't felt the impact at all. Survey participants across Wales, Southern England, the South West, the North West and North Yorkshire reported the fewest level of respondents reporting that a dearth of resources was having a minor or no impact on their business, suggesting the skills shortages are more acute in these locations.

Participants from Scotland and Wales largely revealed a lack of confidence that the existing dearth of talent will be resolved in the next five years. Given London's general level of attractiveness for job seekers, it's perhaps no surprise that respondents from the capital indicated there were mostly somewhat confident that skills shortages can be addressed in the coming years. The North West was the only other location outside the capital that reported a higher proportion of respondents who were somewhat confident rather than not at all in terms of addressing talent gaps within the next five years.

Skills in shortest supply in London:
Sector-specific skills

Interestingly, the skills in shortest supply in London are sector specific skills – bucking the national trend of digital and tech attributes being least available. Across all regions there was a general consensus that either digital / tech or sector specific skills were the most difficult to come by.

Skills in shortest supply across all other regions: **Digital/Tech sector-specific skills**

Acute Skills Shortage felt in locations:



CHAPTER 5

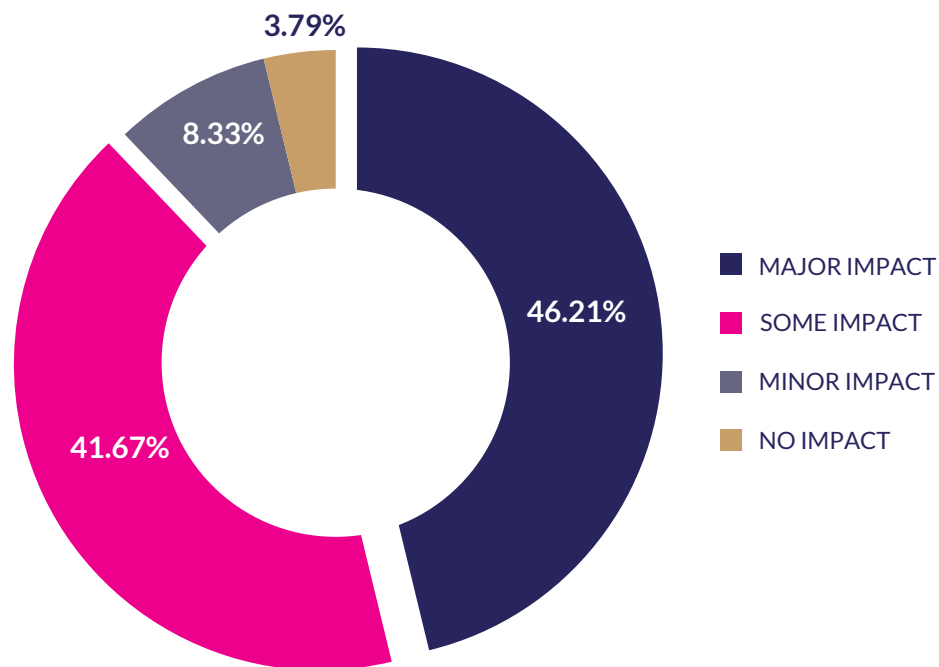
The risks to businesses



The risks to businesses

With survey respondents and broader UK data from the ONS revealing a continuously increasing dearth of skills across the UK, it's perhaps no surprise to note that just 4% of those we surveyed felt their business had not been impacted by talent shortages. The vast majority (88%) indicated that a lack of available skills has had a major or some impact on their firm.

To what extent has skill shortages impacted your business?



The risks to businesses

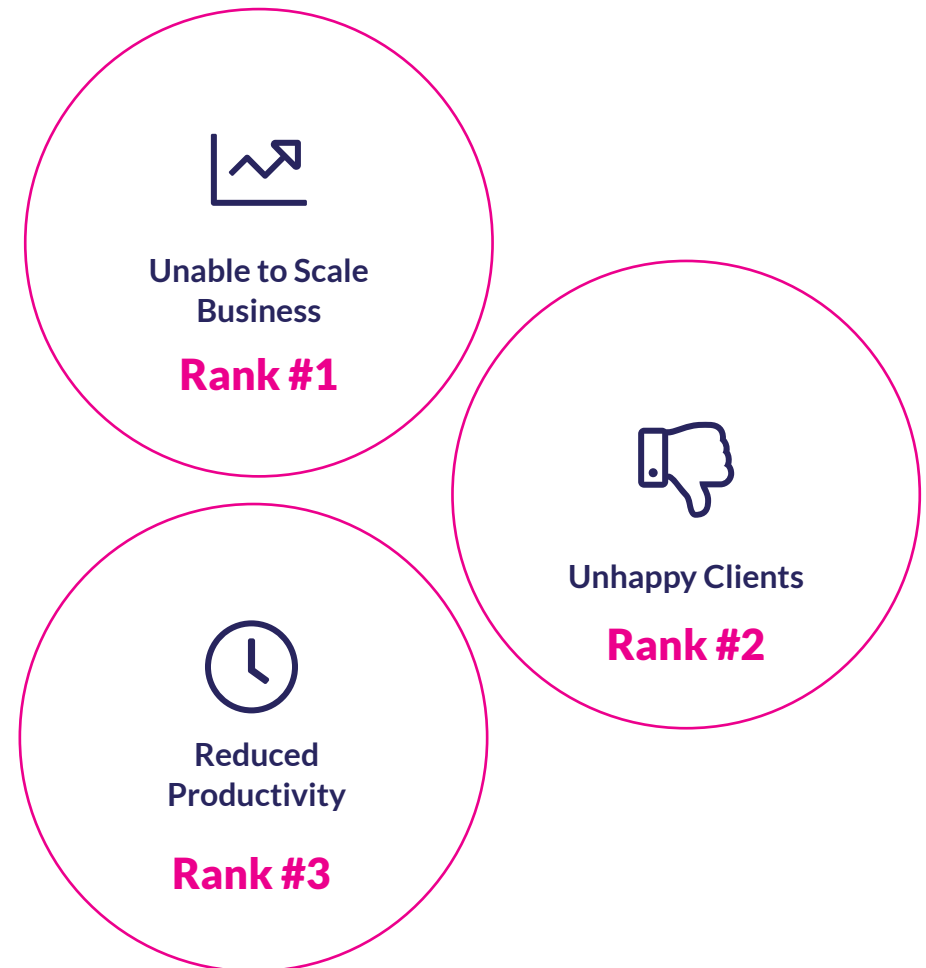
Respondents from end-clients appear to have a more pessimistic view on the impact that skills shortages have had on their firm. The majority (56%) of employers indicated that a lack of talent has had a major impact on their business. In comparison, 42% of recruiters felt it had a significant impact. Most staffing companies (58%) were of the opinion that skills shortages had just some or a minor impact on their business so far.

When we drill down into the data further, it becomes evident that a dearth of candidates has already had a detrimental impact on business operations and growth plans. The majority of respondents (61%) indicated that they had been unable to scale their business while 51% said they have been unable to meet client expectations, resulting in unhappy customers and stakeholders as a result of the skills shortages. A further 42% stated that their firm's productivity had negatively impacted their ability to source the skills, with 28% feeling this has impacted their competitive stance in their market.

Respondents from staffing companies revealed that a shortage of candidates meant they had been unable to scale their business (32%), with unhappy clients ranked second (24%) and reduced productivity third (22%).

End-clients reported similar responses, with 31% stating they hadn't been able to grow their firm, while 23% had unhappy clients as a result of talent shortages and 20% had seen productivity decrease.

Skill Shortage Impact on Staffing Agencies & End-Clients:

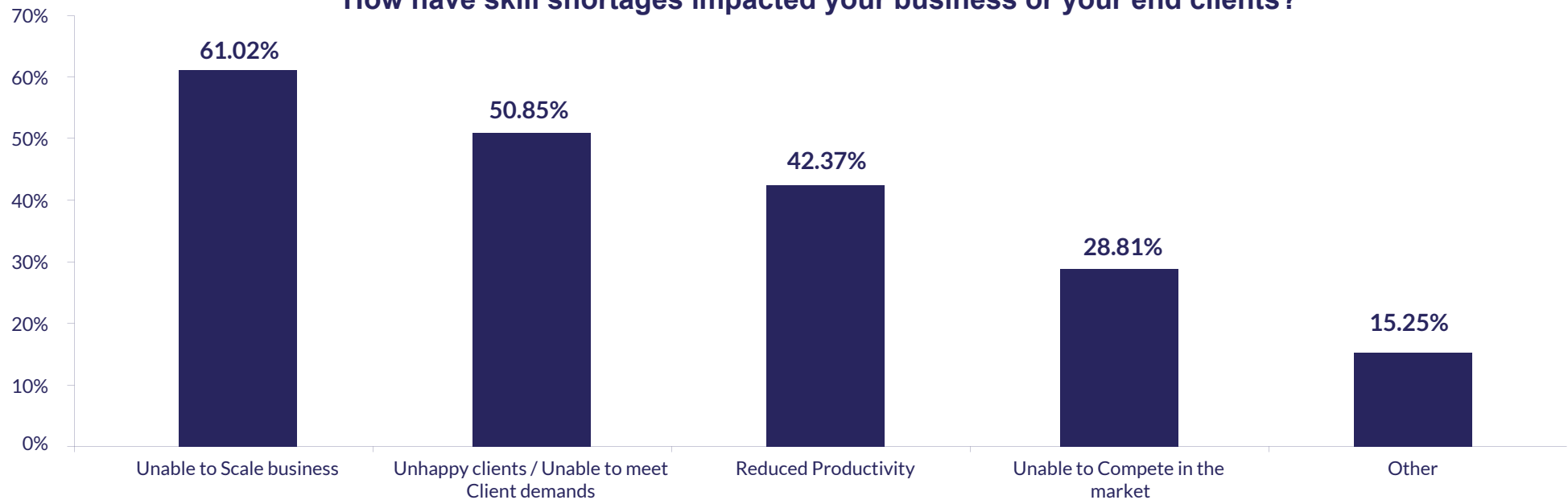


The risks to businesses

It is encouraging to note that the majority of respondents (56%) indicated that they had seen a shift in how recruitment is conducted since the pandemic began, suggesting that there has, in general, been a wide recognition of a need to adapt hiring practices to limit the risks to business. It is a concern, though, that 44% hadn't seen any change at all despite the large number of respondents recognising that skills shortages are impacting their businesses.



How have skill shortages impacted your business or your end clients?

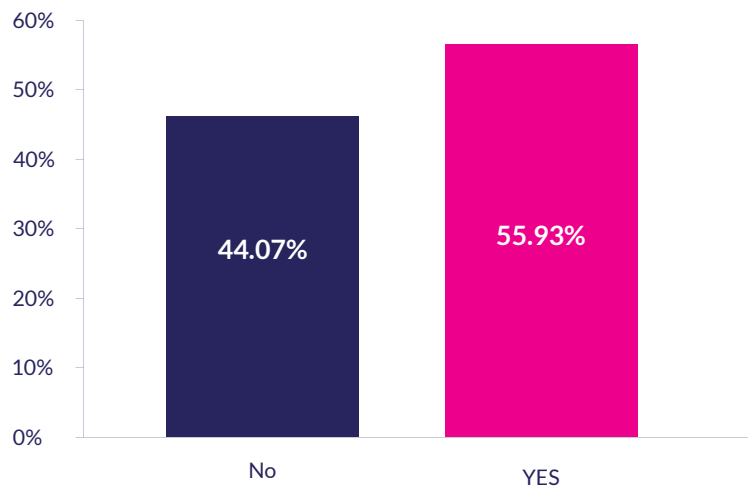


The risks to businesses

Of those that had seen a shift in recruitment activity, the majority cited technological investment and the growth of virtual processes as the main changes, which is unsurprising given the move to more remote working practices. Others noted that the pandemic had driven down the need for 'location-specific' hiring and increased the demand for offshoring which is in line with those respondents that felt the pandemic had, in fact, broadened the geographical scope of recruitment.

The data did reveal a further disparity between recruitment firm respondents and end-client survey participants in terms of changes to hiring practices since the pandemic. While 65% of recruiters stated that they had seen a shift in how recruitment is conducted, just 35% of in-house respondents felt the same. This suggests that while recruiters are adapting how they source candidates, employers aren't seeing these changes.

**Since the pandemic began, have you conducted
(i.e. an increased reliance on recruitment technology)?**



65% of recruiters stated that they had seen a **shift in how recruitment is conducted**

Pandemic has driven down the need for 'location-specific' hiring and **increased the demand for offshoring**

CHAPTER 6

How firms are addressing the skills shortage

How firms are addressing the skills shortage

The study clearly highlights that the UK is facing significant skills shortages that are putting business growth at risk for firms of all shapes and sizes. However, when asked what steps they are taking to address the dearth of talent, the majority (54%) stated that hiring was the most important solution they were focusing on. With a recognition that there simply aren't enough available skills in the UK's permanent workforce, this statistic is a concern for the future stability of the country's talent pools. Increasing hiring activity will only exacerbate the dearth of talent and is not a long-term fix to meet the skills agenda.

Respondents indicated that turning to contract professionals was the second most important solution, though with just 14% ranking this as their top priority, this suggests that businesses and recruiters alike are dubious to whether this approach would work. This is arguably due to a combination of the risk and costs associated with turning to this segment of the workforce in a skills short, IR35-hit market, and the limitations of the UK's contracting market. Just 7% of those we surveyed stated that reskilling or training was their priority and only 3% were focusing on cross-skilling.

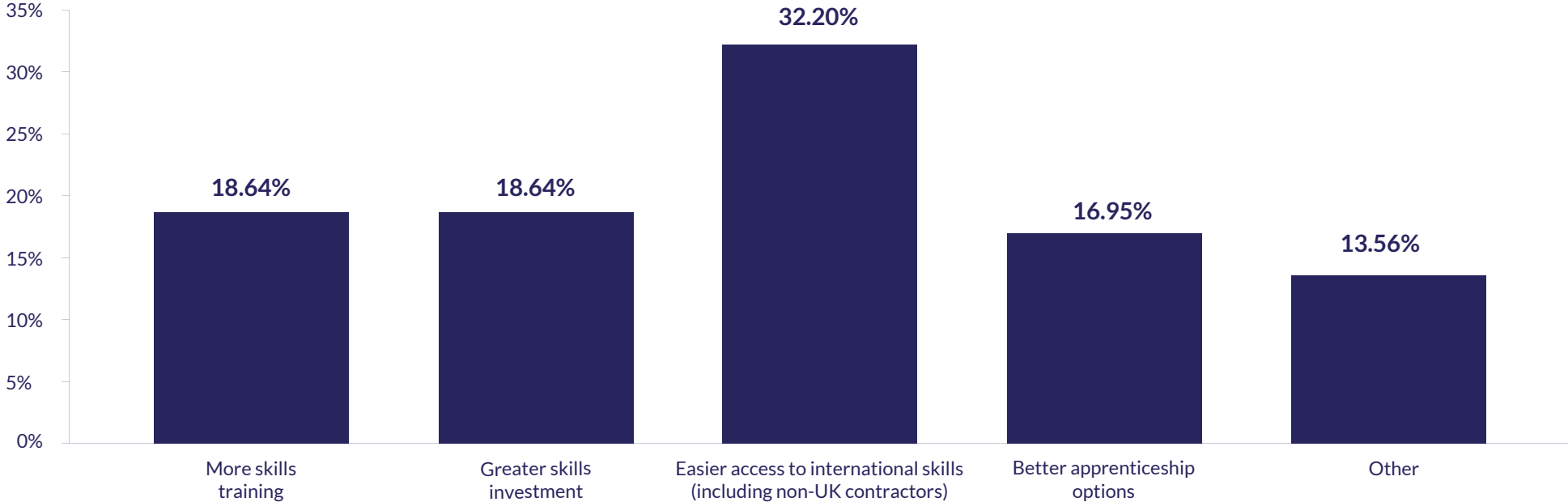


How firms are addressing the skills shortage

When we compare what respondents are doing to address the skills gap, with what they believe needs to happen, there's a clear disparity. Despite the majority ramping up their hiring activity rather than developing talent, 19% stated more skills training across the UK is needed, with a similar percentage stating greater skills investment is required and a further 14% believe there needs to be better apprenticeship options across the country. This disparity is perhaps indicative of the in-effectiveness of the levelling up agenda so far.

The highest-ranking action that respondents believed is needed to address the skills shortages is easier access to international skills including non-UK contractors, ranked as the top requirement by almost a third of participants (32%). A higher percentage of recruitment firms indicated that this would be the best approach to meeting skills demands than end-clients (35% compared to 27%), while better apprenticeship options was considered more important by employers than recruiters, cited as a key solution by 27% of end-clients and just 11% of staffing companies.

What do you feel needs to be done to address the skills shortages you're experiencing?



CHAPTER 7

Looking forward: what does the future hold?

Looking forward: what does the future hold?

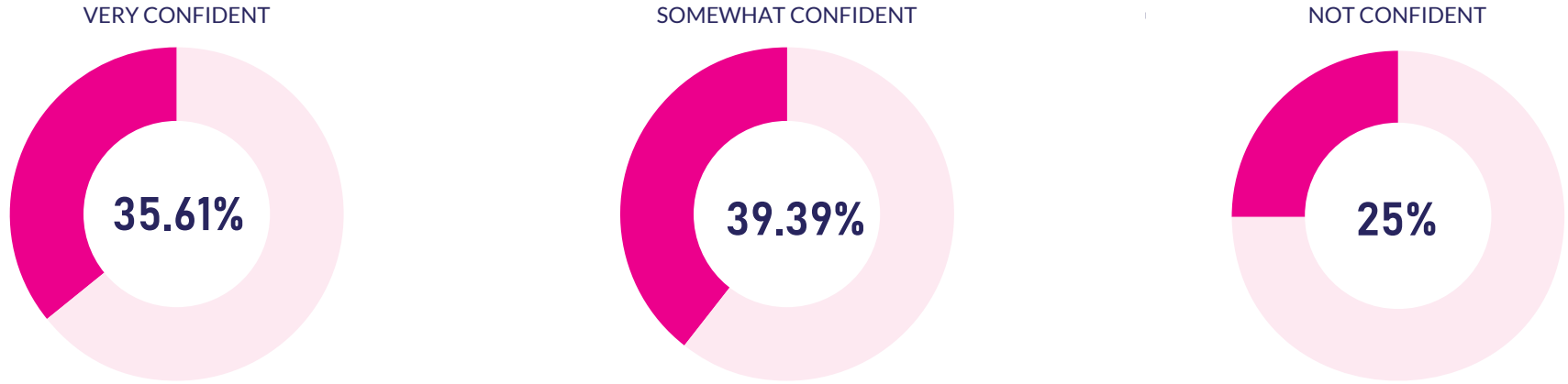
If the economic forecasts reported across the media of late come to fruition, then uncertainty will reign rife for the foreseeable future. With a cost-of-living crisis, strike action and suggestions that a recession is soon on the cards, the skills challenges facing the UK's employers and recruiters will only be exacerbated. The impact of Brexit also continues to be felt, with a lack of viable, attractive entry routes into the country for highly skilled contract professionals and the self-employed hindering the UK's ability to attract international resources.

When asked what top skills would be most at risk over the next three years, IT, tech and digital specific expertise were a stand out for many respondents. Other attributes participants cited as ones of concern include; engineering, cyber security, analytical, healthcare, life sciences, recruitment and manufacturing.

Despite this, though, respondents indicated some confidence overall in the recovery of skills in the near future. Just a quarter of those surveyed indicated that they didn't feel the dearth of talent could be resolved in the next five years. While most respondents were relatively on the fence – with 36% stating they were 'somewhat confident' – more than a third (36%) stated that they were very confident that skills shortages would be resolved in the next five years.

It is interesting to note, though, that recruitment firms are more concerned that the skills shortages won't be addressed anytime soon, with 51% indicating that they weren't confident this can be reversed in the next five years. In comparison, just 18% of end clients believed skills shortages couldn't be resolved in this time frame.

How confident are you that the skills shortages you're seeing today will be resolved in the next five years?



Conclusion

We live during unprecedented times. Globally, the labour market is tight. Candidate shortages, which were already plaguing employers, have been further exacerbated by Covid, Brexit, the global economic downturn, and the Great Resignation.

This year, to find, build and sustain talent, look at your recruitment strategies and be ready to pivot and test at every turn. Our research shows that employers and HR leaders are making an increased investment in skills training and development, apprentice options, and getting easier access to international talent to overcome skill shortage challenges.

Being creative and taking risks will pay off. So act differently and take care of your employees, help them learn new skills and adapt for future jobs. We can't wait to see what you create.



For Recruitment Agencies

Part of the QX Group of companies, QX Recruitment Services (QXRS) is an APSCo, SIA, ASA, and Tech Serve Alliance member company providing outsourced recruitment support services to 50+ global staffing and recruiting agencies.

We employ over 600+ recruiters across our 6 delivery centres in India and a nearshore centre in Guadalajara, Mexico.

[See what we do](#)



Enabling Transformation

QX Global Group is a professional services company with capabilities in Business Process Outsourcing (BPO), Technology and Management Consulting.

The QX eco-system has three business units employing 2,400 people who service more than 150+ enterprise clients across the UK, USA, Canada and India.

1. QX Finance & Accounts Services (QXFA), provides finance and accounting services to enterprise clients
2. QX Accounting Services (QXAS), provides outsourced accountancy to accountants in practice
3. QX Recruitment Services (QXRS) delivers offshore recruitment process outsourcing to staffing firms

In February 2022, QX acquired a majority stake in Austin, Texas-based Chazey Partners Inc., a management consulting and advisory firm specializing in business and digital transformation. Via this acquisition, we have augmented our near-shoring and offshoring capabilities by opening new Centres of Excellence (COEs) in India and Latin America.

QX has appeared on the IAOP (International Association of Outsourcing Professionals) list of the World's Top Outsourcing companies for 9 consecutive years. In 2022, QX was awarded the Great Place to Work certification for excelling on the 5 dimensions of a High-Trust, High-Performance Culture™ – Credibility, Respect, Fairness, Pride and Camaraderie.



The Talence Team of expert coaches and trainers share over 50 years' experience within talent management, recruitment, sales, coaching training and development; an experience that has been harnessed into a rigorous approach to personnel growth and retention. They work globally to provide motivational and innovative training that has accelerated the performance of over 200 recruitment businesses within every sector and at all levels from trainee to board level.

Talence is here to support recruitment businesses for the whole journey: from training their rookies to developing their executive teams. It's foundational value encases the credence that teams need to be built, nurtured and developed to thrive and achieve optimum performance in this dynamic fast-changing world.

Ian Knowlson, the founder of Talence, is also a global influencer on the #Future-of-Work/Future-of-Talent/Recruitment working with leading brands such as IBM, Cisco, Sage and Salesforce.

Ian's enthusiasm for coaching doesn't end there, as a qualified FA coach he enjoys motivating people to be the best in their sporting endeavours, as well as in business.

Using Neuro-Linguistic Programming (NLP) and management psychology, Ian is able to teach sales relationship skills that it takes others years to learn.



The Association of Professional Staffing Companies (APSCo) is the professional body representing the interests of recruitment organisations engaged in the acquisition of professionals, on behalf of their clients, either on a permanent or flexible basis.

To its members it delivers valuable commercial opportunities, business information, research, an influential lobbying function, networking, social and charity events, specialist forums and thought-leading public relations.


To candidates and employers it provides a guarantee of excellence, best practice, quality, integrity and expertise.

APSCo provides a powerful unified voice for the Professional Recruitment market and is proud to represent, promote and support such vibrant and innovative sectors of the recruitment industry.

For more information



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