



REC

Recruitment
& Employment
Confederation

REC Manifesto for Growth

Manifestos need to acknowledge the role of the jobs market in driving growth – all parties should directly address workforce issues on skills, supply and engagement.

The UK jobs market is at a critical point, and it has never mattered more to our shared prosperity. Labour shortages, rising inflation, economic uncertainty, and international supply chain issues are all playing a part in this. But there are policy measures we can take to enhance UK investment, boost productivity, and promote economic growth. It's essential that politicians commit to them, taking a long-term view.

Research from the Recruitment and Employment Confederation (REC) shows the economic impact of not addressing labour shortages could see UK GDP up to £39 billion lower every year from 2024 than it could have been.

Placing a million people into new permanent jobs every year, and a million temporary workers into workplaces every day, the recruitment and staffing sector is at the heart of avoiding this negative outcome. And we are hopeful. There is a lot businesses and governments can do to help. This manifesto sets out some key ideas.



Key Ask One:

Make sure the skills system encourages firms to invest more, not less: reform the Apprenticeship Levy, create local delivery networks and use a tax credit system to reward firms that do the right thing.

To raise economic output and productivity, an environment where investment in people, skills and training is encouraged and incentivised is essential. Skills shortages resulting from the loss of labour supply remain a huge concern. Many firms are already reskilling and upskilling existing staff, while others have set up training academies to help new joiners develop their skills. But the volume of this training is still too low – and that is because the system remains driven by what government wants, rather than what business needs.

Currently, the Apprenticeship Levy is taken on wages of all workers, but the provision it supplies is too narrow and inflexible to be of use to all firms and all types of workers. Often, firms find that the levy effectively puts the cost of their training up, encouraging them to do less, not more. A reformed levy that funds high quality, modular, Ofqual regulated training of different forms would enable

many more people to train and fill vacancies. It will also enhance the apprenticeship brand and return it to its core purposes, rather than making it the one size fits all answer skills issues.

We need a skills development system that is responsive to local and sectoral needs, well-regulated and funded in a way that catalyses business investment. This will pave the way for a more productive labour market. We need government to work with business to reform the Apprenticeship Levy so that it is fit for purpose.

Key Ask Two:

Create a Future Workforce Strategy, outlining the skills that the UK will need over the coming years. Use that to inform policy decisions that will boost economic growth.

Any government should have a long-term strategy for how the UK will put people planning at the heart of its growth plans. But it matters more now than it has for decades. Close collaboration with business is vital to inform and monitor progress. Government should empower local leaders, like mayors, to determine regional skills priorities. The strategy could be owned by Cabinet Office or an independent commission.

What gets measured gets actioned. To create a sustainable labour market which boosts productivity, encourages investment, and stokes economic growth, we need to make people planning the priority it should be.



Key Ask Three:

Extend work visas to at least five years and establish an immigration route for entry-level skilled workers in shortage sectors. Immigration should be seen as a tool to alleviate shortages, as well as boost growth and international investment.

The government should develop home-grown talent strategies, but we need an 'immigration for growth' policy approach. According to REC research, immigration is amongst the top priority policy areas being used by other G7 countries like Canada and Germany to alleviate labour and skills shortages. Immigration should be part of the solution to put the UK in a strong, globally competitive position.

Part of a responsive and responsible labour market has to be an immigration system that meets business needs to facilitate growth, innovation and encourages increased productivity. It should be responsive to employer needs.

Key Ask Four:

Employment laws need to reflect modern ways of working and be effective in protecting workers. This should deliver clarity for employers and fairness for employees. This test should apply to all new regulations, and we should review and update current legislation where necessary.

With an increasing number of people choosing to work in flexible ways, it's important that legislation keeps up with these changes. Businesses support a strong base of rights, but we need to ensure those rights are enforced properly – to protect workers and compliant firms – and also that legislation is easy to implement. For example, while the basic rights in the law are supported by all, the increase in flexible working and new interpretations of working time introduced by case law mean that the Working Time Regulations 1998 are unclear for businesses and difficult to deliver.

Transparency about how workers are paid, their rights and tax obligations, and how they are engaged is critical for labour market participation, particularly in sectors where contract working is standard. The law should be clear and enforced.



Wider policy recommendations for Growth

Skills: how to boost investment and prepare for the future

One of the trends we have seen is that many of the hardest-to-fill vacancies are for roles requiring level one and level two skills, often overlooked in current funding provision.

Yet these are ideal entry-level jobs for young people or career changers. That's why we need to give business the financial incentive to invest in training and upskilling, at every level.

Recommendations

- ▶ Redesign the Apprenticeship Levy to make it flexible so that more people can access high-quality, early-career apprenticeships, good retraining opportunities and modular options.
- ▶ Expand Local Skills Improvement Plans across England with a view to supporting the model across the UK.
- ▶ Increase funding for key worker sectors, ensuring there are financial incentives and adequate training opportunities to help attract and retain workers. For example, student nurses mention financial barriers during training as a key challenge to entering the industry and say that nursing bursaries, significantly reduced in 2016, need to be increased.
- ▶ Expand the Lifetime Skills Guarantee and its eligibility criteria, especially for skills that are critical for a green economic recovery.
- ▶ Create a 'green tax credit' for businesses that invest in green skills and green jobs.
- ▶ Introduce new and improved activation programmes, like Kickstart and Restart, learning from the past by improving the administration and user journey for employers.

Immigration: how to support critical labour market needs

We've heard first-hand from REC members that our immigration system is costly, lengthy and difficult to navigate, and hampers our ability to attract global talent.

This is particularly important in high-growth sectors (digital, engineering, technology, cyber) where the UK is at risk of falling behind global competitors. Extending work visas from two years to at least five is a straight-forward step that would make employers more likely to invest in global talent and see a return on that investment.

Recommendations

- ▶ Update the Shortage Occupations List (SOL) every six months and create SOLs for each devolved nation to make the immigration system more responsive and relevant to each region.
- ▶ Provide greater access to the immigration system with simplified checks, less costs, mutual recognition of qualifications for certain professions (medical professions, architects, and notaries for example) and an easier route to settlement.
- ▶ Reduce the waiting time for asylum seekers to be eligible to work in the UK from 12 months to six months.
- ▶ Establish an immigration route for entry-level skilled workers, who do not meet the Regulated Qualifications Framework 3 skill threshold. Allow sectors experiencing severe shortages to use the immigration system with less restrictions and allow a sector-based approach to fill positions in high demand.



Levelling Up: how to make local labour markets realise their potential

Local businesses, local authorities and local people are the experts when it comes to their areas.

But currently there is a mismatch between the jobs that are available in a geographic area and the skills, education, training opportunities and infrastructure needed to fill them. This is why we want to see government, in collaboration with businesses and local leaders, develop a Future Workforce Strategy which puts people planning at the heart of national, regional and local development. With the right powers and incentives, central government can unlock the potential of these areas and help the devolved nations, regions, and local areas across the UK to grow.

Recommendations

- ▶ To address rising costs, reduce business rates as soon as possible and introduce annual business rates revaluations to help areas lagging behind and rejuvenate high streets.
- ▶ As we move towards our net zero goal, remove energy efficient investments from the business rates bill.
- ▶ Further invest in local transport especially buses and involve local businesses in those plans.
- ▶ Build on the success of the Gatsby Benchmarks to ensure every young person gets effective, and locally relevant careers advice.
- ▶ Introduce statutory two-week leave for grandparents and make medium and large businesses review flexible working arrangements with all staff over the age of 55.
- ▶ Mandate ethnicity and disability pay gap reporting for large businesses to further diversify the labour market. This will help attract and retain talent.
- ▶ Ensure everyone in the UK has access to full fibre broadband which will boost productivity and help employers and employees harness the benefits of hybrid or flexible working models.
- ▶ Introduce new and improved activation programmes, like Kickstart and Restart, learning from the past by improving the administration and user journey for employers.

Employment Rights: how to support everyone in the labour market

As well as ensuring employment legislation is effective, more can be done to safeguard workers and tackle tax avoidance.

The introduction and extension of IR35 created issues for many workers and led to the growth of non-compliant umbrella companies which use disguised remuneration schemes and other tax mitigation models. The latest iteration is to use joint employment models to reduce their VAT bill. This has a significant impact on the companies working hard to be compliant and leaves workers vulnerable to large tax bills should an umbrella company go under.

Recommendations

- ▶ Introduce a Single Enforcement Body to give workers clarity around enforcement of their rights.
- ▶ Introduce umbrella company regulation by bringing them under the scope of the Conduct of Employment Agencies and Employment Business Regulations 2003 (Conduct Regulations).
- ▶ Introduce a regulatory framework to deal with Joint Employment models.
- ▶ Further improve HMRC's Check Employment Status for Tax tool, which despite minor improvements, remains unreliable.
- ▶ Reintroduce Regulation 7 of the Conduct Regulations.



If you'd like to discuss our recommendations in more detail, please get in touch with:

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