

Labour and skills market in the UK economy

Introduction

This Institute of Hospitality market intelligence brief presents a range of research and data sources to provide our members with an overview of the developing picture of the labour and skills market in the UK.

Labour Market

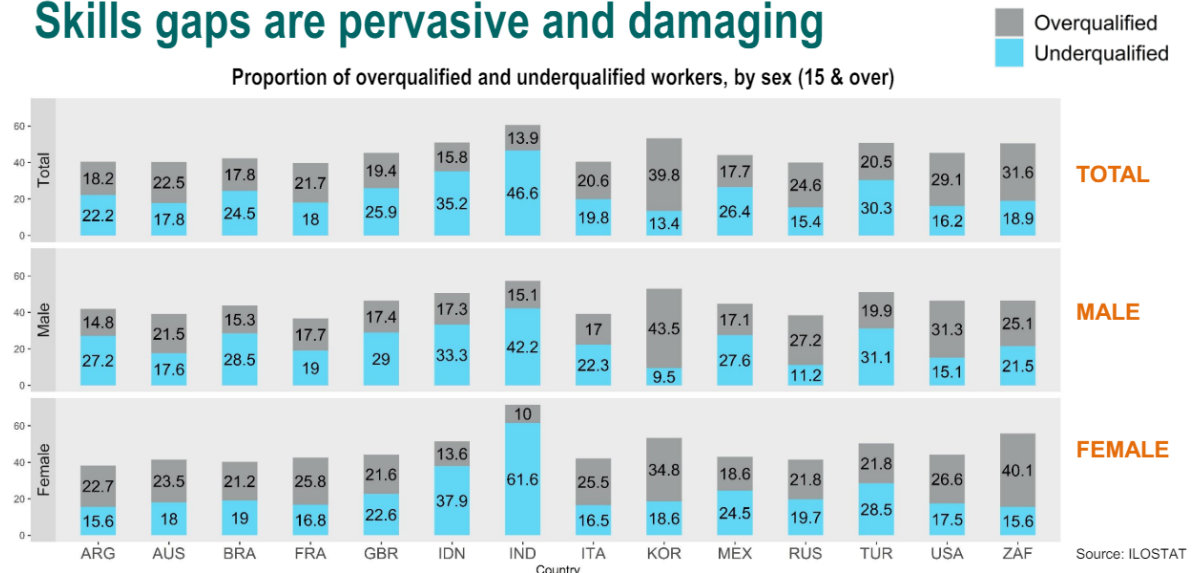
- **Employment rate** - Aged 16 to 64 seasonally adjusted (Oct-Dec 2023) 75.0%. Down 0.2% on previous year (ONS)
- **Unemployment rate** - Aged 16+ seasonally adjusted (Oct-Dec 2023) 3.8% up 0.4pp on previous year (ONS)
- payrolled employees for January 2024 increased by 48,000 (0.2%) on the month and increased by 413,000 (1.4%) on the year to 30.4 million. (ONS)
- The UK employment rate (75.0%) for those aged 16 to 64 years remains below estimates a year ago (October to December 2022), but increased in the latest quarter. The UK unemployment rate (3.8%) for those aged 16 years and over decreased in the latest quarter, returning to the rate a year ago (October to December 2022).
- November 2023 to January 2024, the estimated number of vacancies in the UK fell by 26,000 on the quarter to 932,000. Vacancies fell on the quarter for the 19th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels (ONS)
- Real pay growth continues as inflation continues to fall. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for total pay rose on the year by 1.4% in October to December 2023, and for regular pay rose on the year by 1.8%. (ONS)
- There were 108,000 working days lost in December 2023 because of labour disputes across the UK. The health and social work industry showed the most working days lost this month.

- Accommodation & food service activities **vacancies** Nov 2023 - Jan 2024 is 109,000 (down from 146,000 for the same period in 2022/23) Source: ONS Vacancy Survey.
- There were 121,000 unfilled roles in the sector between July and September 2023 (ONS).
- One in five employers (18%) believe increases in the National Minimum Wage (NMW)/National Living Wage (NLW) have impacted their wage bill to a large extent. This impact is particularly pertinent in the hospitality sector, where 43% of employers are feeling the pinch, possibly due to the number of lower-paid workers they employ (CIPD, Labour Market Outlook, Summer 2023)

Skills Market

- In the UK, the economic inactivity rate for those between the ages of 16 and 64 was 22.2%, which was higher than forecasts from the previous quarter and from a year prior (December 2022 to February 2023). (ONS, 2024)
- The pandemic has led to a record number of layoffs, higher unemployment, and an economic downturn. The problem for unemployed workers to find new job prospects in a time of crisis is further increased by the pace of automation in many industries, with the hospitality, retail, arts, and entertainment sectors being impacted most severely. (Nesta, 2021)
- Despite staff shortages, just 15% of employers have sponsored a migrant worker since its introduction. One criticism is that it fails to help sectors, such as transport and hospitality, that are experiencing significant worker shortfalls but cannot access labour through the current system. (ICAEW, 2023)
- According to Oxford Economics, the UK has the 2nd lowest growth potential in the OECD. "A shrinking labour market is a key concern as it limits a country's potential output. A constrained labour supply is severely limiting our ability to increase output without driving up inflation such as through higher wages." (ICAEW, 2023)
- According to 2022/23 data, the number of women and men on apprenticeships is about 50/50 (51.2% for women and 48.8% for men), but men make up the majority of apprenticeship starts in construction and the built environment 92.0%, in engineering and manufacturing this is 91.3%, in transport and logistics this is 82.7%, in digital it is 69.6%. Women make up the majority of starts in education and childcare at 93.2%, hair and beauty at 93.5%, care service at 81.3%, and health and science at 74.4%. (IfATE, 2024)

Skills gaps are pervasive and damaging



- Apprenticeships provide a great pipeline for new talent into an industry, particularly where employers want to change the gender balance in their sector. (IfATE, 2024)
- The hospitality sectors accounts for 7% of all workforce jobs. The extent of self-employment in the hospitality sector is only 6%, compared to an average of 11% in all other sectors. Of this, 86% of the Hospitality and Tourism workforce is employed in a restaurant, pub or hotel related business. (Gov UK, 2023)
- Hospitality and Tourism has a higher internal skills deficit compared to the UK average (7% vs. 4). Nonetheless, within Hospitality and Tourism there are certain job types, such as for example sales and customer services staff and staff in elementary roles, where the proportion of current staff that are not fully proficient at their role is above the sector average (7%) at 8%. In terms of internal and external skills deficits, Hospitality and Tourism employers' biggest challenges are operational, and management and leadership skills. (Economic Insight, 2019)
- Transferable skills are skills that are developed in one context but which can be used in other contexts. Traditional apprenticeship, for instance, allowed craft workers to develop skills that could be used by a broad range of employers. The opposite of transferable skills are company-specific skills that are appropriate to a particular technology or business process but which attract no premium on the external labour market. (Oxford Dictionary)

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