

THE UK LABOUR MARKET PUZZLE

Why are employers unable to find workers
and what can be done about it?



Part 1: Defining the Labour Market Puzzle

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Introduction

The last 18 months has seen huge disruption to the labour market across the country, as well as seismic shifts both to working practices and general living. For example, the number of people in work, the number of job vacancies, and employer demand all fell dramatically, particularly during the first Lockdown, whilst at the same time many workers switched to working from home, businesses were forced to adapt to new ways of working, and changes to lifestyle saw a big shift to online retail.

In recent months, however, we've seen a swift reversal of some of these phenomena, with employment being resurgent, and unemployment falling faster than anticipated. The story of employer demand has been particularly stark, with levels now significantly higher across most of the country than they were before March 2020. Given that many people had lost their jobs, and many had been on Furlough, it was widely anticipated that these positions would be filled fairly quickly. However, what we've actually seen is that whilst employer demand is high, and there is in theory a ready workforce, these positions are not being filled.

Although the problem is perhaps most obviously seen in Hospitality, it extends well beyond this sector. An article in the **New York Times** in September put it like this:

“Job vacancies in Britain are about 20% higher than their pre-pandemic levels, and the need for workers has gripped nearly every occupation, including computer programmers, health care assistants and farmworkers. Yet Britain also has nearly a quarter of a million more people unemployed and looking for work than before the pandemic.”

The labor [sic] market, in short, is in a logjam: Employers have positions they need to fill, and plenty of people are looking for work, but the empty positions do not match what people are prepared for or want to do.”

The problem has been put down to a combination of the effects of the upheaval due to Covid-19, as well as the departure of several hundred thousand EU workers after Brexit. However, as a report in **Bloomberg** noted, the problem is not peculiar to Britain, but is being seen across many countries:

“A survey of nearly 45,000 employers across 43 countries showed 69 per cent of employers reported difficulty filling roles, a 15-year high, according to employment-services provider ManpowerGroup Inc. At the same time, 15 countries – focused in Europe and North America – reported their highest hiring intentions since the survey began in 1962.”

This odd “logjam” scenario is something of a labour market puzzle. Employer demand is higher than we might have expected, given the huge level of disruption that has taken place, yet labour supply is not meeting that demand, even though in theory the numbers of people looking for work should mean that many of these roles are filled.

In this two-part report, Emsi Burning Glass and GetMyFirstJob have teamed up to try to make sense of this puzzle. Using Emsi Burning Glass's labour market data, we are able to shed some light on the current state of play regarding employer demand. Using GetMyFirstJob's data on new entrants into the labour market, we can shed some light on how the level of supply has been affected. By putting these datasets together, we can get a much better sense of how demand and supply are meeting or missing one another.

In this first part, we'll be looking at both demand (p.4-7) and supply (p.8-10), and then summarising the findings (p.11). In Part 2, which will be released in early December, we'll be shining a spotlight on some key sectors, and asking how education and training providers can respond to this unique and very puzzling situation.

The demand story: Tales of the unexpected

The labour market is in something of a peculiar place. After the turmoil of 2020 and the beginning of 2021, few would have predicted that coming to the end of the year we would see unemployment falling fast; redundancies declining to levels seen at the start of 2020; the number of vacancies reaching an all-time high; and yet employers all over the country struggling to fill positions. Yet, as you can see from the chart below, this is just what we are seeing.

The unemployment and vacancy bounceback

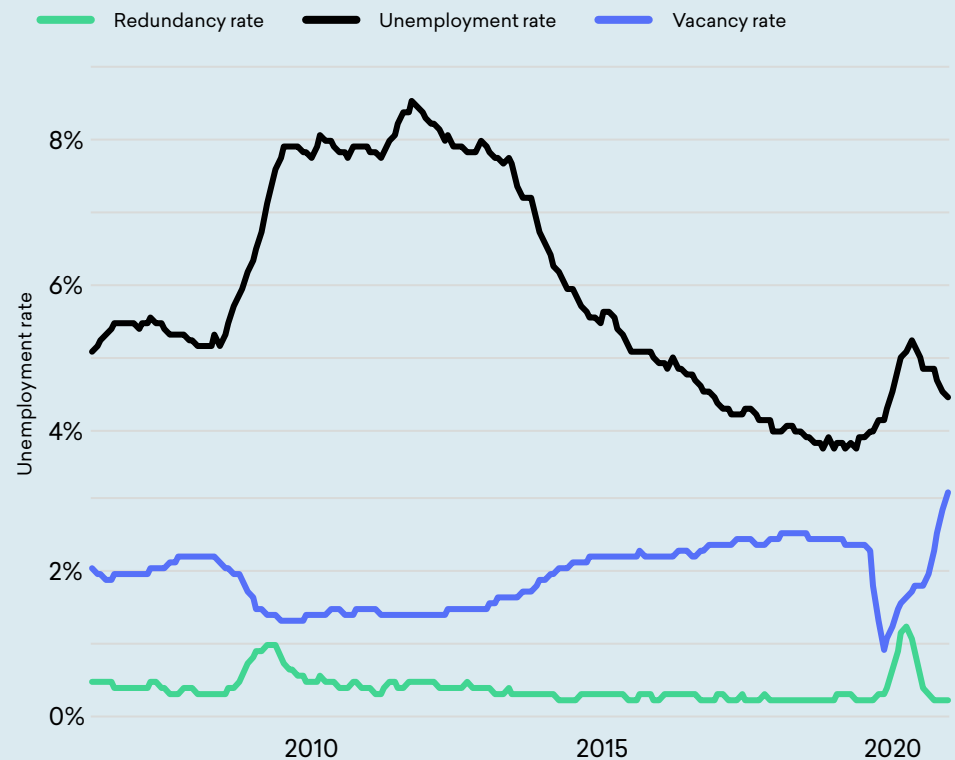
The chart shows seismic activity in the labour market from March 2020, as large swathes of the economy simply switched off. Unemployment (black line) rose very quickly as did redundancies (green), whilst vacancies (purple) dropped off the proverbial cliff. But as the economy began to open up, we see that these trends were all reversed very sharply.

Although unemployment has not yet returned to early 2020 levels, the trend is certainly heading that way, whilst redundancies are now actually slightly below pre-Covid levels. According to the ONS, the number of vacancies in September stood at 1.1 million, making it the second month in a row where vacancies had been above a million (over 3% of the workforce). To put that into context, the number had never been above a million before 2021.

The chart on the following page goes into more detail, using Emsi Burning Glass's Job Posting Analytics to track employer demand (purple line) across 16 sectors since the start of 2020, along with the number of workers on Furlough in each industry. The black horizontal line is a benchmark of job postings in 2019.

Without exception, each of the 16 industries saw a large decline in employer demand during the first Lockdown. Since then, however, they have all not only recovered but are now well above 2019 levels. The highest overall increase is 77% in *Administrative and Support Services*, which includes a number of logistics functions, whilst even the smallest increase, in *Education*, is still 26% above January 2020 levels. Without doubt, we are currently seeing a boom in demand, to an extent that is remarkable given what went before.

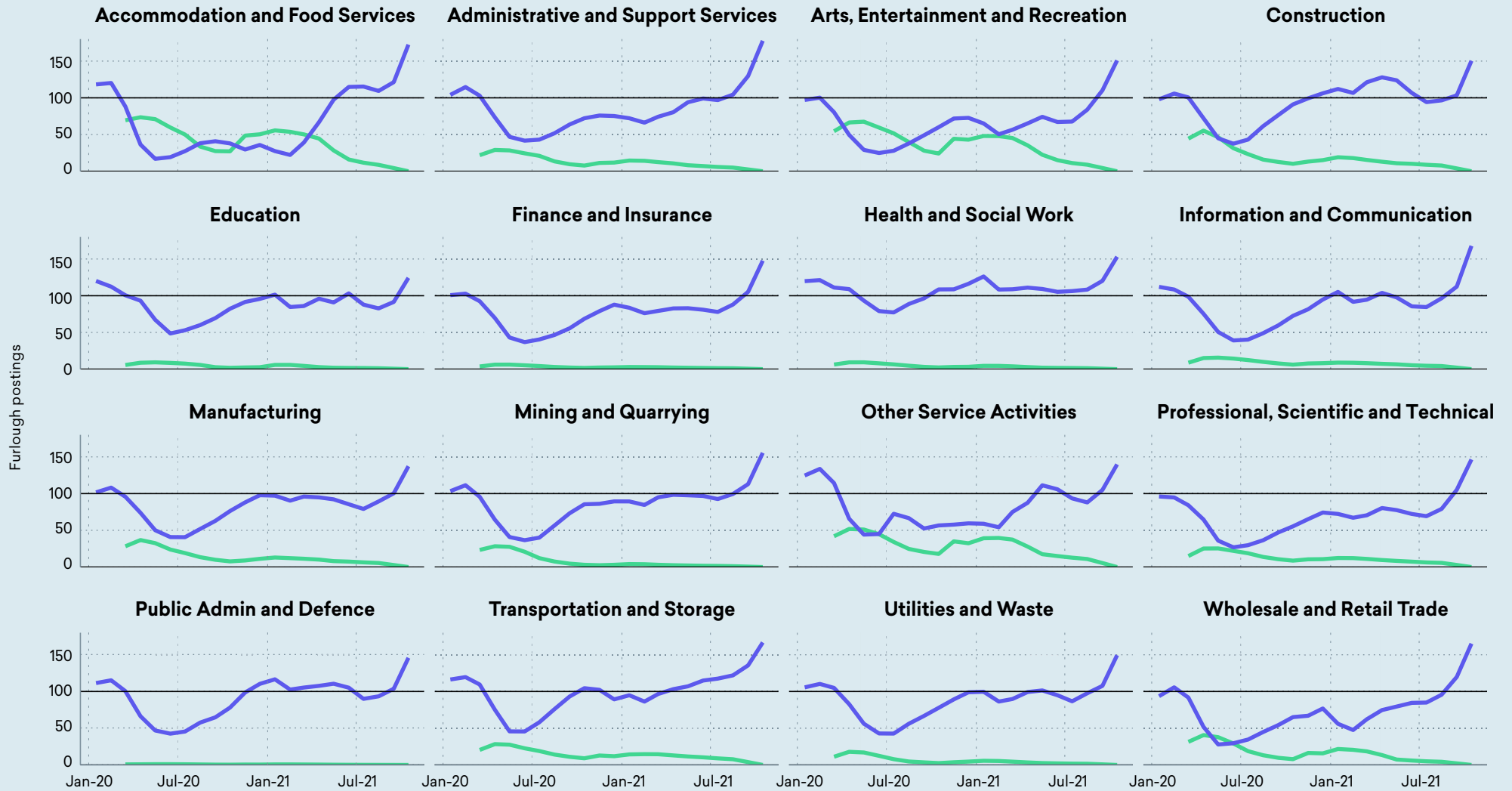
**Redundancies, unemployment and vacancies
(January 2006 to August 2021)**



Data: Emsi Burning Glass analysis of ONS employment, unemployment and vacancies

Furlough and job postings across 16 industries (January 2020 to October 2021)

— Furlough (% workforce) — Unique active postings (% 2019 month)



Data: Emsi Burning Glass Job Posting Analytics and analysis of HMRC CJRS statistics (Sep and Oct figures simulated on basis of closedown)

Unemployment by age group

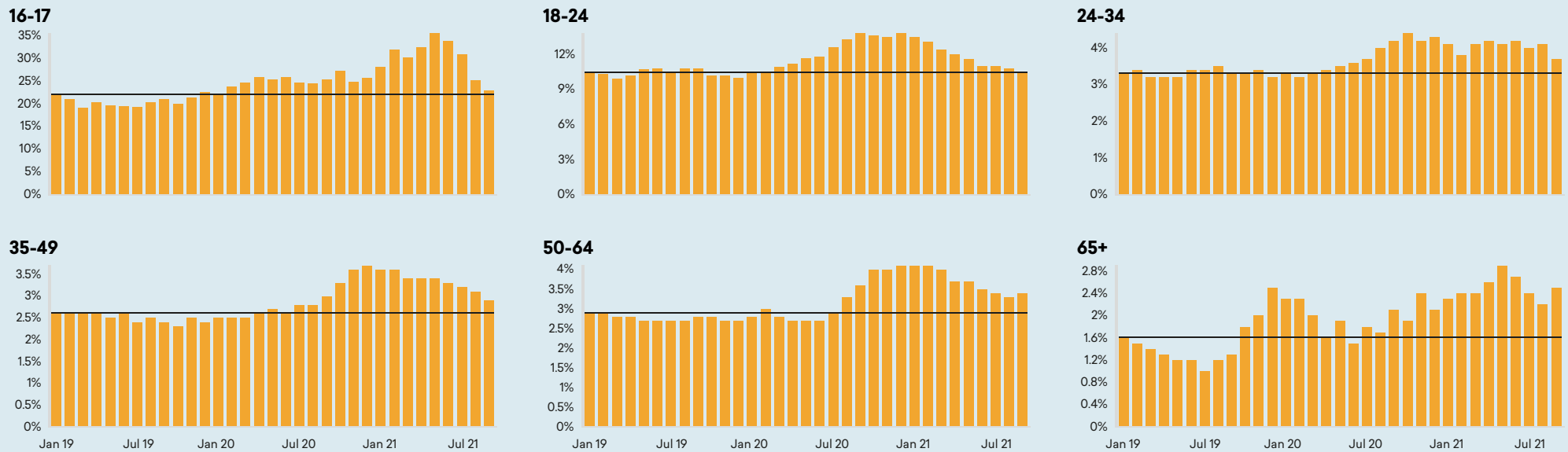
We can also break down unemployment figures into different demographics, to get a sense of which age groups have seen the most people out of work, and which have been the quickest or slowest to recover. In the chart below, we have shown unemployment across six age brackets, from January 2019 to September 2021 (the black horizontal line is the January 2019 unemployment rate).

The first thing to note is that the youngest age ranges have the highest proportionate unemployment, with over 20% of 16-17 year-olds and over 10% of 18-24 year-olds out of work even during a normal year like 2019. However, although these numbers are high, we must bear in mind that they are skewed by the fact that large numbers of 16-17 and 18-24 year-olds are still in education.

There is a similar pattern across each age range with unemployment rising a month or so into the first Lockdown, but starting to come down again particularly from the beginning of 2021. The rate of recovery, however, throws up some interesting differences. For instance, 18-24 year-olds have seen the biggest recovery, with unemployment in that age group being 10.4% in September 2021, which is exactly the same as January 2019. The next fastest recovering group are 35-49 year-olds, with the most recent unemployment rate being 2.9%, which is just 0.3% above that seen at the start of 2019.

By contrast, the slowest recovery is in the over 65s, which is 0.9% above the level in January 2019, whilst 35-49 and 50-64 year-olds have also been slow to recover.

Unemployment rate across six different age brackets (January 2019 - September 2021)



Data: Emsi Burning Glass analysis of ONS unemployment

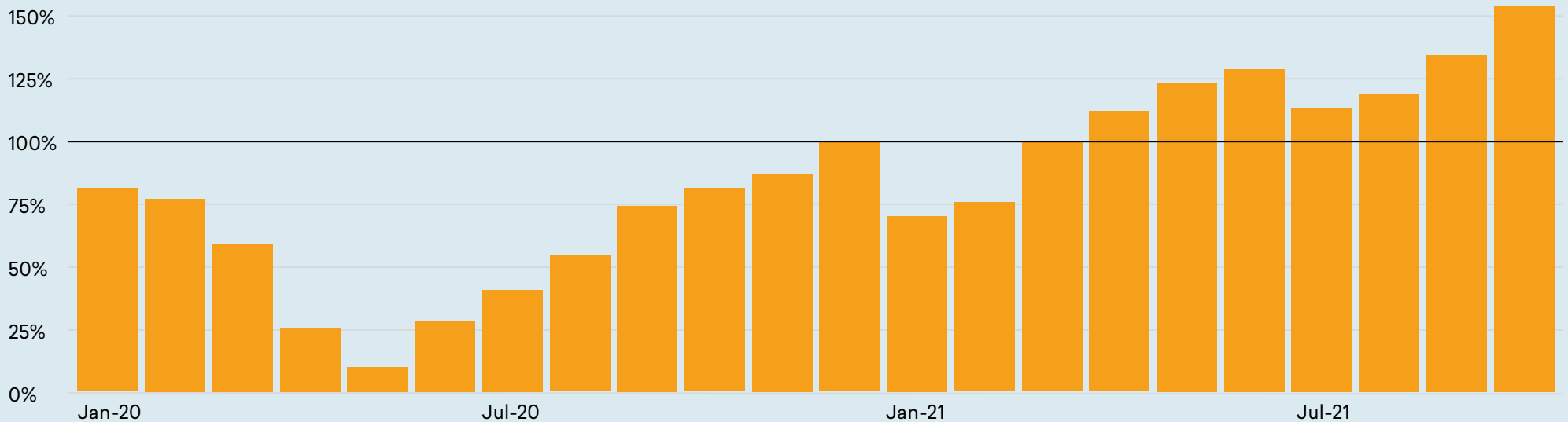
Apprenticeship vacancies across the UK

Another measure of how demand has shifted during 2020-2021 can be gleaned from looking at apprenticeship numbers. The chart below shows the number of apprenticeship vacancies from the start of 2020 until October 2021, according to data from the Government's apprenticeships statistics (the 2019 level is represented by the black line).

Like job vacancies, the number of apprenticeship vacancies also dropped significantly during the first Lockdown. At its lowest point, in May 2020, the number of apprenticeships being offered was just 10% of the equivalent month in 2019. There then followed a period of strong growth, and although the numbers were hit again during the third Lockdown, they have subsequently recovered since April, with the number of vacancies in October 2021 being 54% above October 2019.

Given what we have already seen of the tight labour market, this data shows an extremely interesting development. What it suggests is that many employers who are having trouble getting people for the roles they are looking to fill, may well be turning to apprenticeships as a way of filling these roles. Put another way, it looks like the tightness of the labour market, where demand is at an all-time high but employers are unable to find the talent they need, may be causing employers to think about whether bringing in apprentices, or even growing people from within their business (and so placing existing employees into apprenticeships), could be a better long-term strategy for meeting their recruitment needs than the more traditional routes they might have gone down. This is a trend that will be interesting to keep a watch on in the coming months.

Total apprenticeship vacancies across the UK (January 2020 to October 2021)



Data: Emsi Burning Glass Job Posting Analytics from [apprenticeships.gov.uk](https://www.apprenticeships.gov.uk)

The supply story: From feast to famine

The insights in this section are taken from GetMyFirstJob's candidate data, which includes new entrants to the workforce, and so enables us to look at supply relative to demand. Although we are only looking here at candidates from one job board, it gives us some rich insights into how candidates are responding to the current situation, with the chart below showing the number of candidates per vacancy across all roles in the labour market throughout 2020 (green) and 2021 (black).

An 18 month labour market roller coaster

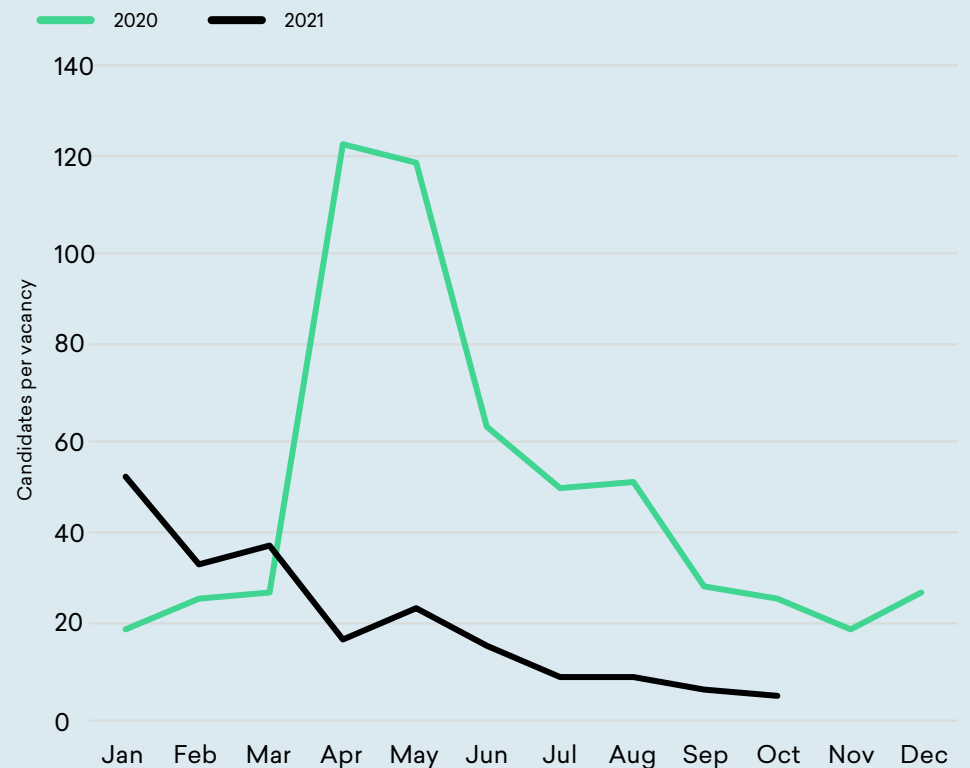
At the start of 2020, there were around 20-25 candidates per vacancy, but this was then followed by a huge spike, rising to around 120-125 in April and May. If we didn't know what had caused this, we might be inclined to think there had been a surge in candidates. However, we know from the vacancies data on page 4 that what actually happened is the number of available vacancies collapsed. The spike we see here is therefore the flip side of that: candidates were faced with a far narrower range of vacancies, which pushed up the candidates per vacancy rate.

What happened next was very interesting. In the last few months, the situation so reversed that by October 2021 the number of candidates per vacancy was around five – a fifth of the pre-Covid levels. The labour market has therefore gone from a moderate position of supply relative to demand at the start of 2020, to a very loose situation with supply way outstripping demand in Spring of 2020, to the opposite extreme of demand now significantly outstripping supply – all in the space of less than two years.

What has caused this? As we saw on pages 4 and 7, the number of vacancies and apprenticeships have risen massively throughout 2021, but this has not been matched by increased candidate numbers. According to GetMyFirstJob's CEO and Founder, David Allison:

“As we've gone through 2021, we've seen huge growth in vacancies from the employers we work with, whilst the number of candidates has remained broadly stable. This has led to this extraordinary situation where candidates per vacancy are now at an historic low.”

GetMyFirstJob interested candidates per vacancy (January 2020 to October 2021)



Data: GetMyFirstJob analysis

What is causing this situation?

In terms of what is causing the situation we've seen, there are a number of points to make. In the first instance, the huge jump in candidates per vacancy in Spring 2020 was driven by the effects of Lockdown. With businesses forced to shut down, not only was hiring put on ice, but employers also had to deal with the enormous practical issues involved in changing existing workplace patterns to comply with regulations and restrictions. This obviously required a lot of time and resources, which meant that hiring plans were inevitably shifted down the list of priorities.

At the same time, education providers were also having to deal with the complexities involved in keeping operations up and running – particularly the shift to online learning – and again this meant that time and resources for advertising, signing people up, and implementing apprenticeships were extremely scarce. All of which meant that the numbers of apprenticeships on offer initially went into free-fall and took until early 2021 to recover (see chart on page 7).

As for the very tight labour market we are now seeing, whereby there are few candidates per vacancy, this may be an indication that young people are taking alternative routes. For instance, the increase in initiatives like traineeships, boot camps, and SME incentives, are all feeding into the way in which young people are being talked to by colleges and training providers, as well as employers themselves. Another aspect of this could also be that the Lockdowns, along with high rental prices, have led to young people being more inclined to remain in their parent's home with less of an incentive or necessity for them to seek employment in the short-term, especially that which is low paid.

The overarching picture suggests that we may be seeing a fundamental change in the way in which apprenticeships are working, and in the decisions young people are making. On the one hand, there are now many more vacancies than we have seen in recent history, suggesting that employers are looking to apprenticeships to fill the workforce gaps they have. On the other hand, the fact that there are far fewer candidates per vacancy, even though the cohort is largely the same as previous years, suggests that young people are not responding and are going to need more incentives to draw them into applying for work.

Yet the story is more nuanced than this. Just as we looked at the number of vacancies per sector on page 5, by using the GetMyFirstJob data we can delve into the supply side to look at the number of candidates per sector, which you will find on the following page.

There is a similar story across most of these industries, whereby the number of candidates per vacancy increased massively during the first Lockdown, decreased during the summer and autumn of 2020, rose again during Lockdowns two and three, before declining during 2021 to well below early 2020 levels.

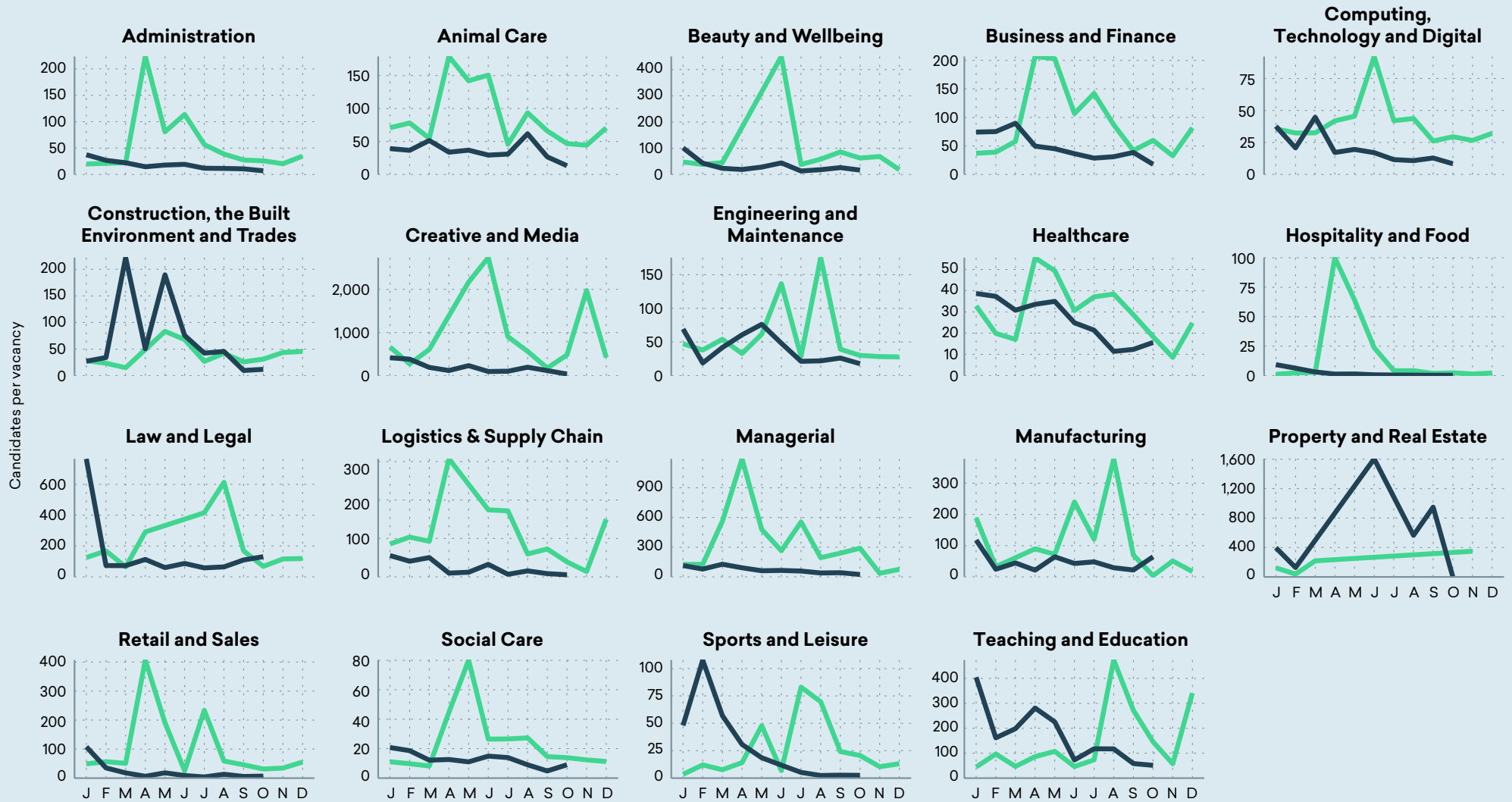
There are, however, a number of outliers. For example, *Health Care*, *Social Care*, and *Manufacturing*, where apprenticeships have always played an important part, have all seen a rise in candidates per vacancy in the last few months, which may suggest that they are returning to something like normality.

Construction, *the Built Environment and Trades*, *Property and Real Estate*, and *Sports and Leisure* are also very interesting. Whereas most other sectors saw a continual decline in candidates per vacancy throughout 2021, these sectors all saw a huge increase in the early part of the year, only to be followed by a steep fall, with *Property and Real Estate* falling to almost zero by October. In the case of *Construction*, *the Built Environment and Trades*, the reason for the surge in candidate interest in the first part of this year may well be because it was one of the sectors which opened up quickest in 2020, and therefore saw one of the fastest rebounds from the disruption.

Employers in different sectors will therefore need to employ different strategies to solve their part of the labour market puzzle, with those that are seeing especially low numbers of candidates per vacancy perhaps needing to rethink their business model in order to incentivise and attract more people to work for them. At the same time, education and training providers clearly have a big role to play in helping employers fill the gaps they have, particularly through apprenticeships.

GetMyFirstJob interested candidates per vacancy by sector (January 2020 to October 2021)

2020 2021



Data: GetMyFirstJob analysis

Summary

- The last 18-months or so has clearly been a tumultuous time in the labour market, with many indicators, such as unemployment and vacancies, all painting a very bleak picture during 2020.
- The turnaround has been almost as dramatic as the collapse, with those same indicators showing a huge increase in demand, particularly since the third Lockdown, with vacancies at a record high.
- At the same time as demand was falling, the number of candidates per vacancy went sky high, driven by a freeze on hiring as employers shut down or had to devote resources to complying with Covid regulations.
- When demand picked up to historic levels in 2021, it was not accompanied by a similar rise in supply as we might have expected given the number of jobless and the end of the furlough scheme.
- The data shown in this report suggests that the number of candidates per vacancy is now at historic lows, which chimes with the anecdotal evidence we hear of employers really struggling to find workers.
- The pattern described above for both the demand and supply sides is not confined to some sectors, but is seen right across the board, albeit with some nuances.
- The low level of candidates per vacancy being seen by employers means that they may well have to review their business models to incorporate new ways of attracting and incentivising new workers.
- At the same time, education providers clearly have a crucial role to play in filling the gaps that employers are trying to tackle, with apprenticeships in particular being key.





Emsi Burning Glass is the world's leading authority on job skills, workforce talent, and labour market dynamics.

With engineers and data specialists collecting and analysing data from thousands of job boards, company websites, online resumes, employee profiles, and traditional government sources, the company produces the most comprehensive and up-to-date picture of the labour market available. Organisations across the globe use Emsi Burning Glass market research, analytical software, and data expertise to better understand their own workforce and identify skilled and diverse talent for future growth.

Headquartered in Boston, Massachusetts, and Moscow, Idaho, Emsi Burning Glass is active in more than 30 countries and has offices in the United Kingdom, Italy, New Zealand, and India.

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GetMyFirstJob is a social enterprise established in 2010 to help companies access the talent they need, when they need it.

The company's mission is to help employers access and employ the talent of tomorrow by using innovative technology to inform young people about their options and create effective and efficient routes into training and employment. Through GetMyFirstJob, candidates find out about roles that really interest them so are more engaged, whilst organisations are able to recruit people that have a genuine interest in their work, not simply people who were told to apply to a job on a website.

In a busy month, GetMyFirstJob helps over 30,000 candidates to access the right opportunity for them, with over 2.25 million people having used the site since it was set up to find out more about this approach.

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