

MARKET TRENDS REPORT **THE NEXT 5 YEARS**

How you can unlock talent attraction.



MARKET TRENDS

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UK MACRO ECONOMIC OUTLOOK

As the global economy was gradually overcoming the COVID-19 pandemic, with many parts of the world lifting restrictions, and several economies returning to their preCOVID size, another shock struck.

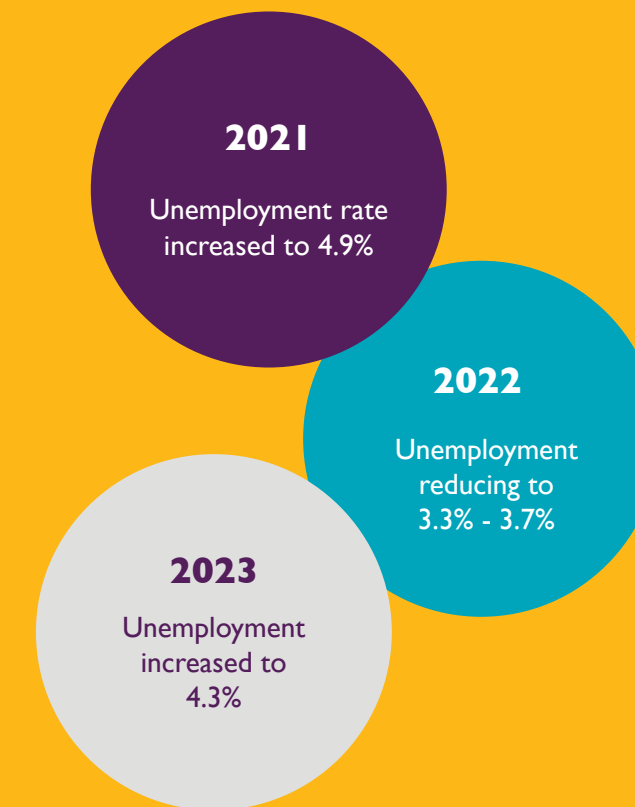
The ongoing conflict between the Russian government and Ukraine is also shaping up to be a prelude to a new era, one where businesses may need to navigate an altered globalisation map, and one where progress against global issues in areas such as health and climate change becomes harder to do. Even if the conflict between Russia and Ukraine itself remains localized, it has broad

implications for economies all across the world. While Russia and Ukraine together represent a relatively small part of the world economy, they account for a large share of global energy exports, as well as exports of a range of metals, food staples and agricultural inputs.

After a brief contraction at the end of 2021, the UK economy has accelerated following the easing of restrictions from the Omicron wave early in 2022. However, KPMG expect growth momentum to slow during the course of 2022, as the squeeze on consumer incomes, and the impact of higher energy and commodity prices caused by the conflict in Ukraine is felt in the UK. Overall growth for 2022 could reach 3.9%, before slowing to 1.1% in 2023.



The UK market is also starting to see the limits to which vacancies can be filled by those re-entering the labour market.



Given the high levels of demand for workers following COVID restrictions easing and the impact of Brexit taking greater effect, general forecasts indicate unemployment reducing by the end of 2022.

Given the slow down of growth, and the squeeze of higher inflation and interest rates, this may result in an increase in unemployment by end 2023. Increases in unemployment are likely to be focussed in sectors which are impacted by reduced discretionary consumer spending (e.g. retail, hospitality, travel, etc.); as such there is likely to be a continued skill shortages in Rullion's core markets.

With inflation remaining well above the Bank of England's target of 2% throughout the next two years, KPMG expect to see a gradual tightening of monetary policy over the course of 2022 and 2023.

As such, having seen three consecutive increases in interest rates in 2021, the expectation is that there will be a minimum of two further interest rate rises this year, although there could be more if inflation expectations increase significantly. Most analysts do not see inflation returning to the Bank of England target of 2% or under until the second half of 2024 at the earliest.

The demand for staff is currently very strong, with a record high vacancy rate reflecting the reopening of the economy, the fact that many foreign workers returned home during COVID-19, and potential skill shortages that have made it harder to match workers with jobs. Pay growth tends to move in tandem with the intensity with which employees switch jobs, as job switchers tend to experience higher rates of pay growth than those that stay. Job-to-job flows rose to their highest level on record in Q4 2021, a phenomenon dubbed the "Great Resignation".

In addition, the tight labour market will require employers to make greater efforts to retain staff. Given the current elevated level of inflation pay pressures will intensify as employees make additional requests of their employers, knowing that available talent to replace them is scarce.

The inactivity rate – the share of the population not in work or actively looking for work – has risen since the end of 2019. In addition, the proportion of those who are not seeking employment but would still like to have a job is at its lowest level on record, having fallen particularly sharply for women. If growth is to be achieved by increases in employment (in addition to increases in productivity) the UK will need to see a greater increase in people re-entering the workplace, especially the retired workforce.

The over 65 age group is the fastest growing age group in the UK, and by 2039 25% of the UK population will be aged 65 and over.

Fundamentally, the UK, and the wider world, will need to adapt in order to thrive in an economic environment that will continue to be incredibly uncertain and volatile.

2022 – 2027

FUTURE TALENT TRENDS

The nature of work has undergone profound changes in the last few years — and the future of talent acquisition, engagement and deployment is sure to follow suit. Thanks to investments in digital transformation, a rise in non-permanent work, and the onset of a global pandemic, businesses today are becoming increasingly borderless, remote, and digitally driven.

Companies have found themselves facing entirely new talent needs, skills gaps, and business challenges compared with just a few years ago. Combine these changes in demand for talent, with an aging population, and the speed of change as a result of the COVID pandemic; companies are truly feeling the pain of the war for talent. According to Forbes, 77% of UK employers are struggling to fill positions — up from just 14% in 2010; with key talent shortages in knowledge intensive roles within technology, engineering, telecommunications, manufacturing and financial services. The scale of the demand for talent is evidenced by the record number of

vacancies in both the UK and the US in Q1 of 2022. In the UK, live vacancies peaked at 1.3 million, the highest number of vacancies at any one time in the previous 25 years had been 850,000. In the US live vacancies peaked at 10.1 million, compared to a previous record high of 3.4 million.

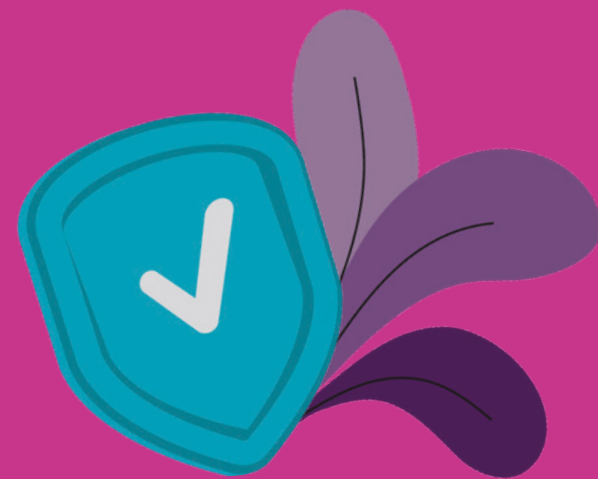
This unprecedented demand for talent, is taking place against a backdrop of a change in expectations from those seeking employment. According to a recent govt. survey, only 1 in 4 UK workers are happy to return to working in an office environment full time, 26% of workers want to work on a completely remote basis, with 48% happy to work on a hybrid basis. 54% of workers stated they would leave their current role if they were not offered some form of flexibility in regard to when and where they work.

Liz Fealy, EY Global People Advisory Services Deputy Leader, says, “Employees’ willingness to change jobs in the current economic environment is a game-changer. The Covid-19 pandemic has shown that flexibility can work for both employees and employers, and flexible working is the new currency for attracting and retaining top talent.”



77%

of UK employers are struggling to fill positions — up from just 14% in 2010



The following section is a summary of a range of research, from a variety of sources (including news articles, industry press, govt. data, investment in startup companies, high growth business reports and annual reports from publicly quoted recruitment companies). We have summarised what we believe the key trends in talent will be for the next 5 years and the opportunities these present. The focus is not simply on recruitment, but also wider trends within the talent market.



REMOTE WORKING “WORK FROM ANYWHERE”

In 2019 just over 12% of people worked remotely within the UK, this increased to nearly 60% of all British workers in the first half of 2021, following government guidance to work from home where possible, according to Finder.com.

The speed of change to remote working was dramatic, and will not simply be reversed as COVID regulations are relaxed, given the clear benefits to both employers and employees. Individuals and organisations have quickly adapted to the utilisation of new technologies for meetings, collaboration tools, communication and engagement channels. As new as “working from home” arrangements may be for individuals and organisations, even these will become dated over the next few years.

Over the next 5 years it is highly likely that work from home will evolve into ‘work from anywhere’. Traditionally work from home policies afforded an individual the opportunity to work from home on certain days of the week, with still some expectation that the individual would come into the office. As a result this still placed a certain requirement for those being hired to be within a certain proximity to office locations.

However, since the pandemic involved individuals working remotely for prolonged periods of time, geographical location has become much less of an issue for many roles. Given that the skills shortages which currently exist within the UK (and many western countries) are only forecast to become more acute, the introduction of remote working allows for a dispersed, globalised workforce and as such the talent pool has no borders.

The move towards a “globalised workforce” presents scope to access new talent pools, to address skill shortages in your sector. In order to take advantage of “work from anywhere” you will need to address a number of factors, namely:

1

NEW TECH REQUIRED

Increases in remote working will require new tech which manages time tracking and work management. In addition, it is likely that remote working will require contractors to be engaged on a deliverables based contract as opposed to simply payment for hours worked.

2

CONSIDER PARTNER ORGANISATIONS

Consider partner organisations to enable recruitment, contractual engagement and payment outside of the UK.

3

INVEST IN TOOLS

As work is conducted more remotely, you will need to invest in tools (e.g. Peakon, Office-Vibe, etc.) that allow you to measure the levels of engagement, as this will be a key factor in retaining workers and achieving high levels of productivity.

4

SOFT SKILLS BECOME MORE IMPORTANT

With remote working certain soft skills become more important to maintain quality and ensure that teams remain efficient / aligned. As such, assessing candidates for skills like communication, accountability, motivation, teamwork, flexibility, and collaboration will be more important than ever. This will mean that you need to invest in technology which can accurately assess these skills, or ensure you have a trained workforce that can do so.

New startups are already receiving significant investment to enable a truly global workforce. London based Hofy (hofy.com) was founded in 2020, to facilitate remote working by allowing employers to easily rent, manage, and recover hardware for their remote working teams in a matter of seconds.

The platform not only covers hardware ranging from laptops to chairs but also offers global coverage, allowing companies to truly take advantage of remote working to take their hiring to a new level. In October 2021 Hofy received \$15.2 million of investment to facilitate growth.

In July 2021, Remote, an HR tech platform and provider of global employer of record services and international contractor management, raised a \$150 million in investment. Since 2020, Remote’s customer base has grown by 700%, and it has increased their number of employees from 50 to 220 employees working remotely in 45 countries.

The starting point on your journey to a more globalised contractor workforce is to understand the roles that are eligible for a “work from anywhere” basis, and any restrictions they would impose (time zones, security clearance, etc.) and the level of UK talent shortages in your sector.

EFFECTIVE WORKFORCE PLANNING WILL BE ESSENTIAL

Over the next 5 years, more than at any other time, the ability of organisations to build a range of scenario based, strategic workforce plans will be a major factor in their ability to achieve their goals.

Even during less volatile times, where skill demands were more easily understood within organisations, and talent shortages were less pronounced, the majority of organisations have been poor at building workforce plans beyond the short term. Traditional, disconnected methods of workforce planning where departments produce a wish list for hiring based on known workload, finance review the headcount and cost per hire, and HR / Resourcing try to develop and hiring plans based on poorly communicated / limited information; are even less fit for purpose than they have previously been.

Disconnected workforce planning is characterised by siloed decision-making, misaligned goals and priorities, and ultimately bad hires that don't suit the needs of the company's growth and future plans.

This is true especially now that the role of HR, Resourcing and Strategic Recruitment Partners (MSP and RPO) is experiencing a transformation. Even before the pandemic became a daily challenge for all those involved in talent, *Deloitte* coined the term "exponential HR" to describe a broader and more comprehensive scope of influence for HR that extends to a company's complete ecosystem. This term also describes a shift in HR's perspective, widening its focus on employees and the organization to workforce planning and even the nature of work itself. In this more dynamic and strategic scenario, HR makes use of analytics and market trends, and assesses its skill set and technology needs, as the company scales and plans for the future.



Integrated workforce planning equips organisations with the ability to plan their workforce in direct alignment with all other business plans—corporate strategy, financials, operations, departmental budgets, and forecasts.

This creates a comprehensive and dynamic workforce plan completely aligned with strategic corporate goals. And ultimately, it helps HR teams transition from tactical headcount planning to more strategic workforce planning that puts the right people in the right place at the right time.



MSP / RPO partners will need to support HR in workforce planning scenarios which can range from modelling immediate needs to understanding the long-term implications of hiring, outsourcing, development, remote workers, and more. With a modern workforce planning environment, you can develop scenarios for:

1

RESKILLING AND UPSKILLING COSTS

As digital transformation and market conditions change the roles of existing workers, decision-makers will need to model the full implications of reskilling, upskilling or hiring to address skill gaps.

2

REMOTE WORKFORCE PRODUCTIVITY

Measuring how productivity may be impacted by remote work may lead to new metrics and benchmarks.

3

EMPLOYEE RETENTION

Determining the financial and operational pros and cons of various retention and development efforts will become increasingly critical as the rise of remote work gives employees more options than ever.

4

RECRUIT, SOW OR CONTINGENT

Organisations must map the cost-benefit analysis of either hiring permanent / FTC employees, outsourcing the work to a third party, or engaging contingent resource (or, most likely, a combination thereof) the skills needed to meet current and future work challenges.

The ability to produce a range of scenario based, strategic workforce plans will become even more critical to the achievement of business goals as talent shortages become more acute.

CONTINUED EMPHASIS ON DIVERSITY GREATER INTERVENTION WITH ED&I

In recent years there has been continued focus and investment within organisation in order to address inequality and under representation, bring greater diversity to the workforce and create truly inclusive cultures / workplaces.

Technology solutions (e.g. Textio) have been introduced to enable companies to write more inclusive job adverts / content; and AI tools used during the recruitment process to remove bias at the screening and selection. However, some commentators believe that severe talent shortages and remote working, may mean that ED&I outcomes will worsen in a hybrid world without intervention. Fears exist that as skills shortages become more acute (some forecasts in the US estimate that

2 million jobs will be unfilled by 2030) diversity will play a lesser role in the recruitment process. Gartner analysis has identified that employees who work remotely or on a hybrid schedule perform at equal levels compared to employees who work in the office.

However, managers believe that people who work from the office are higher performing and more likely to be promoted than people who work from home. This misguided belief is reinforced by high-profile senior executives making public statements that hybrid and remote employees underperform.

Given this, managers are more likely to promote and give bigger raises to their employees who come into the office compared to those who don't — even though there is no sustained difference in performance between the two groups.

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...Market estimates as to global spending on ED&I in 2022 will be \$9.3 billion, and this will rise to \$15.4 billion by 2026...



Data also shows that in a hybrid world, women and ethnic minority groups prefer to work from home compared to white men. Given that, without intervention, gender wage gaps will widen and the degree of diversity within leadership benches will weaken. Without greater focus to ED&I, underrepresented talent could be excluded from critical conversations, career opportunities and other networks that drive career growth.

Market estimates as to global spending on ED&I in 2022 will be \$9.3 billion, and this will rise to \$15.4 billion by 2026. In order to continually evolve your core offering to the market, you will need to invest in your ED&I capability. You will need to address any lack of data that could be hampering your ability to inform and support your ED&I strategy — this includes capturing diversity data from candidates at all stages of the recruitment process.

You could also select partner organisations who can advise and inform you regarding key aspects of your ED&I strategy.

WELLNESS WILL BECOME A KEY EMPLOYEE METRIC

For years, companies have experimented with different metrics, such as employee satisfaction or engagement, to understand their employees. In the next 5 years, organisations will add in new measures that assess their mental, physical, and financial health.

Many companies expanded the wellness support they provided to their employees in the wake of the pandemic. A Gartner 2020 survey of 52 HR executives found that:



These programs work for those that take advantage of them. Gartner analysis shows that employees who utilize these benefits report 23% higher levels of mental health, 17% higher levels of physical health, and are 23% more likely to say they sleep well at night. These improvements in personal outcomes translate to higher levels of performance and retention.

However, there has been limited uptake of these programs by employees. Across the last 12 months, KPMG data shows that less than 40% of employees have taken advantage of any well-being offering provided by their employer.

Over the next 5 years, organisations will adopt new employee well-being measures that capture the financial health, mental health, and physical health of their employees to more accurately predict employee performance and retention.

You will need to establish how you embed these metrics internally, before deploying interventions / metrics to support wellness within your workforce.

Flexibility around how, where, and when people work is no longer a differentiator, it's now a given expectation for the majority of work seekers.

Employees expect flexibility within their job as much as they expect a pension, market level salary / day rate, or holidays. Employers that don't offer flexibility will see increased turnover as employees move to roles that offer a value proposition that better aligns with their expectation.

These factors will lead to sustained, higher turnover rates compared to any historical norms. As employee turnover rates increase, and average tenure of employment drops, organisations will be more willing to consider contingent labour as a larger proportion of their workforce. You will need find ways to retain contingent workers for longer, and with higher levels of satisfaction than your competitors.

Unfortunately for many organisations, increasing flexibility will not slow turnover in today's tight labour market; in fact, turnover will increase, for two reasons:

- 1

First, there will be weaker forces keeping employees in seats. Employees that work hybrid or remotely have fewer friends at work and thus weaker social and emotional connections with their co-workers. These weaker connections make it easier for employees to quit their job by reducing the social pressure that can encourage employees to stay longer.
- 2

Second, there will be stronger forces enticing employees away as the pool of potential employers increases. With hybrid and remote work as the norm, the geographic radius of the organisations that someone can work for also expands.



“THE GREAT
RESIGNATION”
BECOMES
“THE
SUSTAINED
RESIGNATION”

GROWTH IN “ON DEMAND” SERVICES

The “on-demand” economy is replacing traditional business models far faster than anticipated, and without doubt the “Uberization” of the economy will continue to grow, at pace, and incorporate the provision of a wider range of goods and services.

PWC forecast that the global value of “on-demand” services order directly via apps will be worth £335 billion by 2025. Recruitment has not been immune from this, and there will be growth in both “on-demand” recruitment services for clients, and also “on-demand” work finding / scheduling solutions for workers during the next 5 years.

For many organisations, the speed at which recruitment “on-demand” providers can deploy a solution for their business is critical when selecting a supplier. To enable this, your providers need to have good visibility over their probable sales pipeline in order to ensure sufficient resource availability to deliver. This resource does not only apply to recruiters it also applies to digital marketing resource to rapidly design and deploy marketing campaigns focussed on passive candidates. Probably the most rapid area of growth over the next 5 years will be in regard to enabling workers to work “on demand”.

Typical contingent recruitment models involved suppliers / clients specifying the number of hours they wanted the worker to work, the duration of the assignment, location of work.

Upworks established a platform where clients could post jobs (typically short term, task based roles) that workers / freelancers could choose to bid for, which provided workers with more control over how and when they worked. This approach has now newer entrants to the market, such as Sona, Bark, myPA and Rota, where registered workers have an app and they can choose who they want to work for, when they want to work (shifts, days, etc.) and when they want to take time away from work. These apps are predominantly aimed at sectors like hospitality, driving, health care and retail – however, it is inevitable that they will become more common place in other industry sectors.

This approach of giving more power to the worker could be a key factor in encouraging those who are economically inactive (retired, carers, those with illness and disability) back into the work place. If you could target these workers, and allow them to dictate when, how long, etc they want to work, you can then assess how these previously unavailable skills can be deployed when you are desperate for talent.

“On Demand” recruitment services have grown dramatically over the last 5 years, and this is likely to continue. New entrants to the market such as Resource Bank, Recruiter On Demand, People Scout, Join Talent and E-Sift are reporting double digit year on year growth. In addition, all the major recruitment organisations now offer “on-demand” solutions to deal with spikes in demand or specific recruitment campaigns.



METRICS WILL BECOME MORE STRATEGIC THAN TACTICAL

The metrics used to measure the effectiveness of recruitment and recruitment providers have changed little in the last 20 years.

Tactical metrics—like time to hire, candidates per hire, or offer acceptance rate—track the immediate actions of the recruitment process. That’s a good starting point, but, according to the LinkedIn “Future of Recruiting Report” the future of recruiting will revolve around strategic metrics. The role of strategic recruitment is changing, shaping your business’s talent strategy will be just as important as executing it. To do that well, you need to track the metrics that really matter.

According to LinkedIn the two most impactful metrics of the future are both strategic, results-based measures. Quality of hire and sourcing channel effectiveness—a measure of which sources produce quality hires—both account for business impact.

When using strategic recruitment partners, they should be doing more to determine the quality of hire, using hard metrics in performance evaluations of contingent workers (and perm placements), measuring levels of worker engagement at defined stages within the assignment, on time delivery of outcomes for those on outcome-based contracts, and levels of retention during and assignment or in a perm role.

UPSKILLING & TRAINING

Digital transformation is a key priority of many businesses in the UK, however, digital skills (Dev Ops, Cyber Security, Cloud Computing, Software Development, RPA, Big Data & Analytics, etc.) whilst in high demand are also where the most acute skills shortages are.

As a result, talent providers seek to address these skills shortages on behalf of their clients by providing training and development opportunities to upskill new talent and / or developing existing talent. In broad terms, talent providers are enabling upskilling via 3 models:

TRAIN AND MANAGE DURING DEPLOYMENT

Typically this model focusses on working with recent graduates and providing them with further training in digital skills / project management skills. Following training individuals are then deployed on assignment with clients (typically with a minimum assignment period of 12 months) during which time they are managed, coached and mentored by a more experienced employee from the supplier's organisation.

TRAINING PROVISION AS A SERVICE

Certain talent providers have built or acquired their own training capability. This allows the organisation to train and upskill to contingent workers and perm candidates to increase recruitment revenues, but also allows training to be provided as an additional revenue source to develop clients existing workers.

TRAINING PARTNERSHIPS

Perhaps the most common model is to work with training partners to provide upskilling opportunities in order to increase client talent pools.

The talent shortage (particularly for digital skills) is only going to become more acute over the next 5 years. As such, you or your provider will need to develop an upskilling offering. You will need to identify specific, focussed training programmes (ideally of no more than 12 weeks) to upskill candidates, in order that they can be deployed (either on a permanent basis or a longer-term assignment). You can also identify training partners with the capability to run / design the training programmes.

THE IMPORTANCE OF DIGITAL MARKETING

In a candidate short market which is extremely short on talent, traditional methods of recruiting (job boards, etc.) will become less and less effective.

Candidates who have the skills the market demands will constantly be approached by recruiters (agency and in-house), and they will have little need to search job adverts and apply for these roles.

In order to engage and attract, in demand candidates, your ability to grow and maintain well curated talent pools will be largely dependant on your ability to create and share high quality content across a range of digital platforms. However, this will become more challenging, a side effect of the advent of the smartphone is their impact on our attention spans. It is harder to hold attention in a time of digital oversaturation and overstimulation.

A recent study from the Technical University of Denmark our attention span (when using digital technology) has dropped to 6.9 seconds from 15 seconds in 2000. When looking at hashtag trends globally, researchers found hashtags in 2013 stayed in the top 50 for on average 17.5 hours, this had decreased to 9.3 hours on average by 2020.

Therefore, in order to ensure you can attract and engage the talent you need, you will need to have a strong digital marketing team, working closely with your operation.

In addition to building a high-quality digital marketing team (focussed almost exclusively on talent attraction and engagement) you will also need to equip resourcing teams with the skills and tools necessary to deploy and maintain a high digital presence.



THE CONTINUED RISE OF SMART AUTOMATION

In 2019 PWC undertook a survey to ascertain how automation will impact jobs, the survey covered 200,00 roles in 29 countries to explore the economic benefits and potential challenges posed by automation.

PWC predict there will be three waves of smart automation in the jobs market:

WAVE 1 (EARLY 2020'S) - ALGORITHMIC

During the first wave, we should expect relatively low displacement of existing jobs, perhaps only around 3% by the early 2020s.

WAVE 2 (LATE 2020'S) - AUGMENTATION

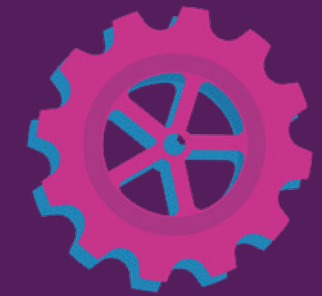
During the second wave the pace at which jobs can be automated will accelerate. By the end of the 2020's, up to 18% of jobs will have been displaced through automation as these technologies mature and are rolled out across the economy in increasingly autonomous form.

WAVE 3 (MID 2030'S) - AUTONOMY

By the mid-2030s, up to 30% of jobs could be automatable, with slightly more men being affected in the long run as autonomous vehicles and other machines replace many manual tasks where their share of employment is higher. During the first and second waves, however, women could be at greater risk of automation due to their higher representation in clerical and other administrative functions.

The changing face of technology does represent a significant opportunity. Firstly, the United Kingdom (specifically London) remains a top start-up hub and the best tech ecosystem in Europe. The UK has a particularly large number of high-growth SaaS businesses (3,417), as well as those operating in fintech (1,163) and artificial intelligence (1,299). In the UK start-ups have access to leading venture capital funds, alongside some of the most active angel investors in the world. Tech entrepreneurs in the UK also benefit from an excellent network of accelerator programmes and grant schemes aimed at small businesses.

Secondly, there is a rapidly growing range of smart automation tools available, which can play a significant role in candidate sourcing, candidate assessment, candidate selection, interview scheduling, and onboarding. These tools can add real value by increasing your productivity, enabling you to focus on interactions with candidates that add real value. In addition, investment in such tools should give you competitive advantage by increasing diversity, improving the quality of hire, reducing the time to hire, and improving the candidate experience.



30%

of jobs could be
automated by
mid-2030s



In the short term, the impact of automation may be low for workers of all education levels, but in the long run estimates show that those with lower education levels could be much more vulnerable to being displaced by machines. Businesses need to help people adjust to these new technologies through retraining and career changes. A culture of adaptability and lifelong learning will be crucial for spreading the benefits of AI and robotics widely through society, particularly with an ageing population where we need people to be able to work for longer.

As such, smart automation will not simply make the work of humans redundant, however, it will mean that soft skills such as creativity, building relationships, developing people, leading change, inspiring others, thinking critically, and communicating clearly are valued even more highly than they are today.



SECTOR INSIGHTS

UTILITIES – ENERGY

The gas and electricity revenues in the UK in 2020 were £56.5 billion, and these revenues are forecast to increase by approximately 40% to almost £80 billion in 2022. The sector currently employs approx. 700,000 people (directly and indirectly) in the UK.

This market represents a significant opportunity for growth over both the short and medium term. The sector needs to completely transform to meet the expectations of net zero, changes in energy utilization, and a move towards greater control / self-reliance on energy production.

The most significant transformation in the energy sector will take place with regard to the production of electricity. Not only has the UK government made a firm commitment to moving to renewable electricity production, this needs to be done against a backdrop of the increased demand for electricity which will mean that the UK will need to more than double its electricity production capacity by 2050 from 310 Twh to 652 Twh. In addition to the 8 new nuclear reactors announced in the recent Govt. Energy Plan, there will be investment in on-shore wind farms, hydrogen, solar and heat pumps.



In addition to investment in the means of electricity production, there will also need to be significant investment in the infrastructure. The electricity grid will need to become more of a “digital grid” to cope with the provision of power from a range of micro grids, and more complex bi-directional flows involved with new technologies, and monitor the supply and demand more effectively.

The increase in the number of electric vehicles (EV) will also mean the charging infrastructure needs to significantly increase. In 2020 there were 424,000 EV's registered in the UK, and 21,000 public chargers

had been installed. However, by 2030 it is forecast that there will be 10 million EV's on the UK roads, and therefore the charging infrastructure needs to significantly increase, especially in regards to rapid chargers which currently only account for 18% of all public chargers.

According to the National Grid, to support decarbonization and further electrification (whilst replacing an aging workforce) 400,000 roles will need to be filled in the UK by 2050, of which 260,000 will be new roles.

SECTOR INSIGHTS

UTILITIES – WATER

The UK water market consists of 25 companies (13 full water service companies and 12 water only companies). According to the ONS, there are 230,000 people employed in water supply, sewerage, waste and remediation in the UK in Q4 2021, this is an increase of 36,000 from Q4 2015.

All water companies (at a residential customer level) essentially act as monopolies within their supply area. Some elements of competition have been introduced in the supply of water, however, this has had limited success. The industry is heavily regulated with the 13 full service water companies having to work to strict Asset Management Programmes (currently AMP 7 which runs from 2020 – 2025) and Price Reviews which set the prices for a 5 year period for each supplier (next review will be PR24 in 2024 with prices set coming into effect in 2025).

The major challenges currently for the water industry are:

Current forecasts indicate that there will be a skill shortage of 27,000 in the UK water sector by the end of the decade, the sector urgently needs to attract and retain new talent to take it forward.

Data analytics, artificial intelligence and digital development are examples of where parts of the sector lack experience. Yet they are areas which are critical to addressing water's challenges to become more efficient and reduce carbon emissions.

The task now for water companies and the supply chain, according to the CEO of British Water, is to ramp up promotion of the industry to potential employees from different backgrounds and create a wider talent pool. 19 of the UK's water companies have collaborated to produce the “UK 2050 Water Innovation Strategy” which defines the key outcomes for 2050, and the road map to achieve these, across 7 key themes – one of those key themes is to “Enable diverse and future ready people within the sector”.

The short term aims of the strategy are: The sector has a shared understanding of where future skills gaps could emerge and sector wide plans and recruitment / training programmes to address any gaps identified.

1

NET ZERO CARBON EMISSIONS

Achieving net zero carbon emissions from the water companies operations and those of their supply chains by 2050

2

SKILLS SHORTAGES

Addressing the skills shortages which have arisen partly as a result of an aging workforce, but primarily as a result of the changing skill sets that are needed in the water industry



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SECTOR INSIGHTS

RAIL

The UK Rail sector generated £53.5 billion of revenue in 2019, and employed c. 370,000 people in the rail system and the direct rail supply sector.

Whilst revenues have been impacted significantly by the pandemic in 2020 (e.g. passenger fares were £1.8 bn in 2020/21, down £8.6bn on 19/20), revenues are recovering slowly and the Government has committed significant funding to a range of rail infrastructure projects including HS2.

Significant change to the UK rail industry was announced in late 2021. The railways will be brought under a new public body, Great British Railways (GBR). GBR will run and plan the network, own the infrastructure, and collect most fare revenue. It will procure passenger services and set most fares / timetables. GBR will contract private partners to operate trains to the timetable it sets. Freight is already a largely private sector market and will remain so. 10 outcomes have been established for this new approach to rail including: cleaner / greener railways and a skilled / innovative workforce.

Network Rail will cease to exist and will become part of the GBR. The GBR is likely to stay within the AMS Public Sector Resourcing framework (although this has not been confirmed) and as such the widened scope of the GBR may provide additional opportunities to expand our working relationship with AMS.



In addition, our two largest rail clients – Alstom and Siemens – have a healthy pipeline of work over the next five years.

In addition to the ongoing activities associated with train maintenance and overhaul, the following additional projects have been secured: Hitachi Rail / Alstom JV has been awarded the contract to build the HS2 bullet trains in Derby, Crewe and County Durham. Trains will be entirely designed and assembled in the UK. The contract is for the provision of 54 trains and is worth £2.4 billion. The first train is expected to roll off the production line in 2027.

Siemens are currently building a new rolling stock factory in Goole to produce train sets for the London Underground Piccadilly Line, with further orders for the Bakerloo Line, Central Line, Waterloo Line and City Line.

SECTOR INSIGHTS

NUCLEAR

According to the Nuclear Industry Association there are over 61,000 people employed across the UK civil nuclear supply chain covering a wide variety of expertise including power station operators, new build vendors and developers, those engaged in decommissioning, waste management, and the nuclear fuel cycle.

Over 10% of these workers (6,300) are on site on the construction of Hinkley Point C. Over the last 5 years the number of people employed in the sector has grown by over 10%. The challenges faced by the sector in regard to talent are similar to others; the workforce with experience of working in nuclear is aging, there is a drive to create greater diversity in the workforce, skill sets required are changing as new technologies are introduced, the sector faces demand from other sectors for the talent needed to construct new reactors.

A new government body – Great British Nuclear – will be set up to oversee the delivery of the new nuclear plants. It is highly probable that a large scale new reactor will be given the formal planning permission at Sizewell C later this year, with the plan to then provide consent for an additional 7 new, smaller, modular reactors which should take less time to construct.

Currently 21% of the UK's electricity is provided by 15 nuclear reactors, across 8 sites in the UK. However, with half of the UK's current nuclear capacity due to be decommissioned by 2025, the Government recently announced in the Energy White Paper, plans to build up to 8 new nuclear reactors by 2030.

It is also looking likely that Sizewell B will be given an extension of 20 years to its operating life. This will require investment of £500m - £700m to upgrade the plant to enable the extension to the operating life. 7 advanced gas cool reactors are due to cease generation by 2028.

EDF Energy has reached an agreement with BIS to defuel each of the stations, ownership of the stations will transfer to the NDA for Magnox to complete the rest of the decommissioning. The defueling will present an opportunity for us as EDF will want the defueling to be completed on time and on budget, as it has the ability to earn £100 million if the project goes well, or incur a penalty of £100 million if the project does not run to plan.

All of the above listed projects represent a significant opportunity for growth for Rullion, given our dominant position as a supplier of talent to the sector.



HOW YOU CAN UNLOCK TALENT

How can you unlock talent attraction in these sectors?



Consider using a talent and workforce solutions partner to support your attraction strategies

Align more closely with bigger networks in your industry to increase your reach

Understand your current workforce plans and build strategies to attract talent.

Investigate the possibility of upskilling workforce (i.e., electricians) and consider outsourcing this with a provider that can cover the costs

Create opportunities for those retiring from full time employment to “work when they want” on a contract basis

Consider a digital campaign to attract talent to the sector that would not have previously been engaged

Diversity is clearly a key area of focus, you need to develop a plan for how you will attract, hire and retain a more diverse workforce.



UNLOCK
YOUR POTENTIAL

Any questions?
Contact us

www.rullion.co.uk