



POWERING THE POWERHOUSE

Engaging and Empowering the UK's new generation of blue-collar workers

A study from Quinyx, the workforce management expert

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RESEARCH METHODOLOGY

Current and forward-look blue-collar workforce economic analysis

Economic analysis was conducted by Development Economics on behalf of Quinyx.

Development Economics analysed ONS data sets, including the Labour Force Survey and the Annual Survey of Hours and Earnings, to create a snapshot of blue-collar workers in the UK today. For the purposes of this research, the 'blue-collar workforce' – that is, workers in manual and elementary service roles – refers to workers in two ONS occupation groups: SOC8 (process plant and machinery operatives) and SOC9 (elementary occupations).

The ONS data sets capture the period between 2013 and 2018.

Data sets were used alongside an employer survey (more detail below) to create a forward-look analysis of the expected growth and economic output of blue-collar workers in the UK up to 2024 under two scenarios:

- ▶ the current trajectory (accounting for Brexit)
- ▶ the trajectory if employers in the UK took steps to improve the recruitment and retention of blue-collar workers under an orderly Brexit

Employer research

Employer research was conducted by Censuswide on behalf of Quinyx. A survey of 1,008 business leaders/decision-makers in UK businesses that employ blue-collar workers (workers in manual and elementary service roles) was conducted in January 2019. The survey explored the issues and trends affecting the employment and recruitment of blue-collar workers in the UK.



FOREWORD

FROM ERIK FJELLBORG, CEO AND FOUNDER – QUINYX

It's no exaggeration to say that the blue-collar and service industry workforce is the beating heart of the economy – the manual and service workers powering industries, keeping food on the shelves, transporting goods and keeping our hospitals running.

Yet UK businesses are facing a perfect storm that threatens to restrict access to this vital segment of the workforce and put the brakes on economic growth and productivity.

While the demand for these workers in the UK continues to grow, dissatisfaction and low levels of engagement mean that many employers struggle to recruit and retain them. And, the impact of exiting the EU will exacerbate this by shrinking the pool of talent available.

Meanwhile, the nature of the workers who are powering the UK economy is changing rapidly. The rise of the service sector means that 'traditional' blue-collar roles are just one element of this increasingly diverse workforce. And as new technologies emerge, certain manual tasks are becoming automated, meaning employers must find ways to recruit and equip workers with a new 21st century skillset.

We don't claim to have the silver bullet for firms facing this looming crisis.

But we do know – from first-hand experience – that there are some effective levers for employers to improve worker satisfaction, increase productivity and reduce churn.

In the face of Brexit-induced staff shortages, it has never been more important for employers in the UK to do all they can to attract, engage and retain this key part of the workforce – by offering greater flexibility, better upskilling opportunities, and developing more attractive and formalised career paths.

Not only will this help to insulate UK businesses against the Brexit effect by maintaining output, but more importantly, it has the potential to enhance the productivity and happiness of the workers who are the driving force of the UK economy.



THE LIFEBLOOD OF THE ECONOMY

These workers keep the UK working.

They fall into two main categories.

Process, plant and machine operatives (ONS category: SOC8) – including occupations such as transport or construction operatives



Elementary occupations (ONS category: SOC9) – including elementary trade, agriculture, admin, or service occupations

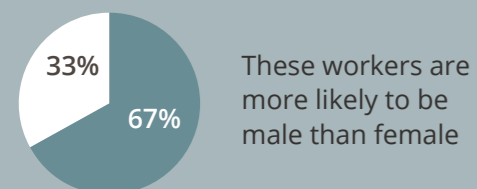


They are also a growing segment of the UK workforce. Our analysis of official labour statistics found that as of the second quarter of 2018, there were just over 5.5 million blue-collar workers in the UK. This was an increase of just under half a million workers (452,000) compared to the same period in 2013.



So, who makes up this important segment of the current and future UK workforce?

Common trends include:



32% work shift patterns compared to 18% of the whole workforce

18% have a degree or equivalent compared to 35% nationally

40% hold a trade-related, vocational or alternative qualification

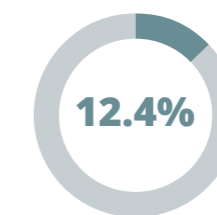


Other trends include:

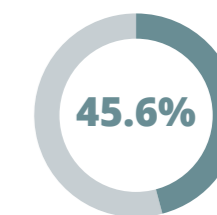
Elementary occupation workers are more likely to work part-time than process, plant and machine operatives and the rest of the working population as a whole.

This is most likely a result of a greater proportion of female workers in this category – who are more likely to work part-time to support family commitments.

Part-time workers



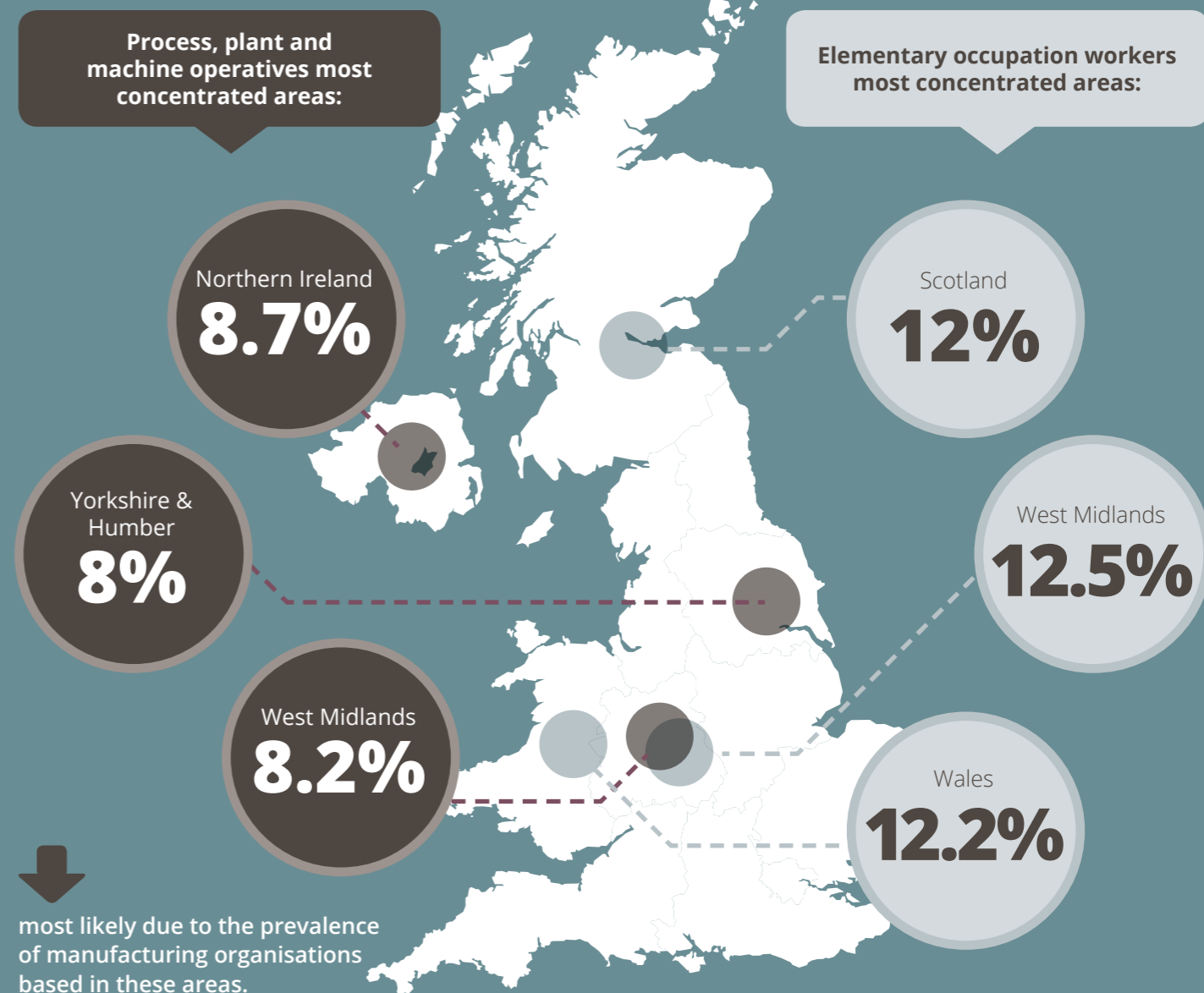
Process, plant and machine operatives



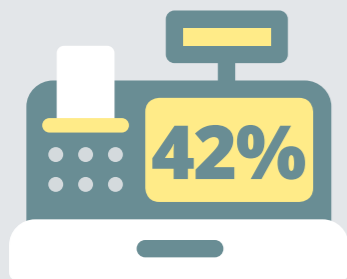
Elementary occupation workers

REGIONAL BREAKDOWN

The below figures highlight the concentration of process, plant and machine operatives, and elementary occupations in each area. Process, plant and machine operatives are concentrated in Northern Ireland, the West Midlands and Yorkshire & Humber regions – most likely due to the prevalence of manufacturing organisations based in these areas.



RECENT SHIFTS IN WORKFORCE TRENDS FOR MANUAL AND ELEMENTARY SERVICE ROLES



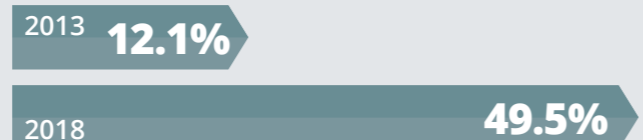
Flexible working arrangements

the increase in elementary occupation workers working flexibly (30% increase in plant and machine operatives)

Zero-hours contracts

This is, in part, explained by the increase in **zero-hours contracts** among blue-collar workers – which are proportionally higher among these groups than for the rest of the UK workforce.

Percentage of workers on zero-hours contracts



Logistics

Numbers of manual workers in transport & storage businesses, for whom economic growth has resulted in the need for more workers to move products from one part of the country to the other, have increased by 13%, or 114,400 jobs between 2013 and 2018.



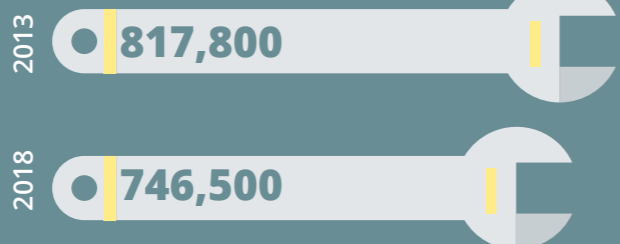
Retail

Wider sector trends are also likely to account for an increase in the number of these workers in the wholesale & retail distribution sector between 2013 and 2018. This is a sector that has seen a growth in demand for distribution hubs as consumers move away from bricks-and-mortar retail in favour of online shopping as jobs have increased by 13%, or 216,400 jobs between 2013 and 2018.



Manufacturing

Some sectors have experienced a decline in numbers of these workers over the past five years. Process, plant and machine operative employment in the manufacturing sector declined by 9%, or 71,300 jobs between 2013 and 2018.



A WORKFORCE WITH CHALLENGES

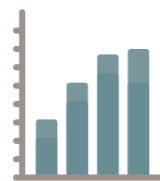
HALF

of UK employers with a blue-collar workforce struggle to recruit and retain these workers (49%)



9%

The dip in business growth that staff shortages can cause



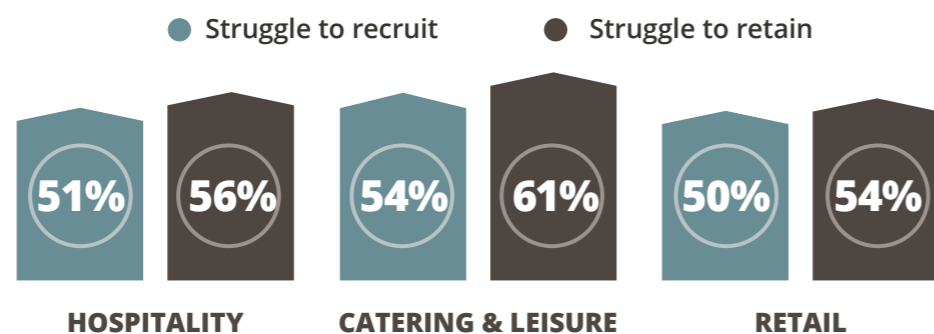
10%

The dip in productivity that staff shortages can cause



Despite their continued importance to UK Plc, employers report challenges when it comes to both recruiting and retaining this vital segment of their workforce.

Recruitment and retention issues were found to be more acute in industries such as hospitality, catering & leisure and retail.



Employers told us that skills shortages, resulting from poor retention and recruitment of manual and elementary service workers, result in an average drop in business growth of 9%. This figure is even higher in healthcare (10%), hospitality (10%) and logistics (10%) businesses.



Employers also estimate that these skills shortages result in a



dip in productivity.

And, this is set to worsen significantly with Brexit.

In our survey, business leaders predicted that they will lose

18%

of this segment of their workforce as a result of Brexit

22%

of employers say they expect to lose

31%

or more

Particularly vulnerable are:



Healthcare

Logistics



49%

of employers also said that they expect Brexit to have a negative impact on the future recruitment of blue-collar workers – with 15% expecting it to be severe.

HOW CAN EMPLOYERS OFFSET BREXIT?

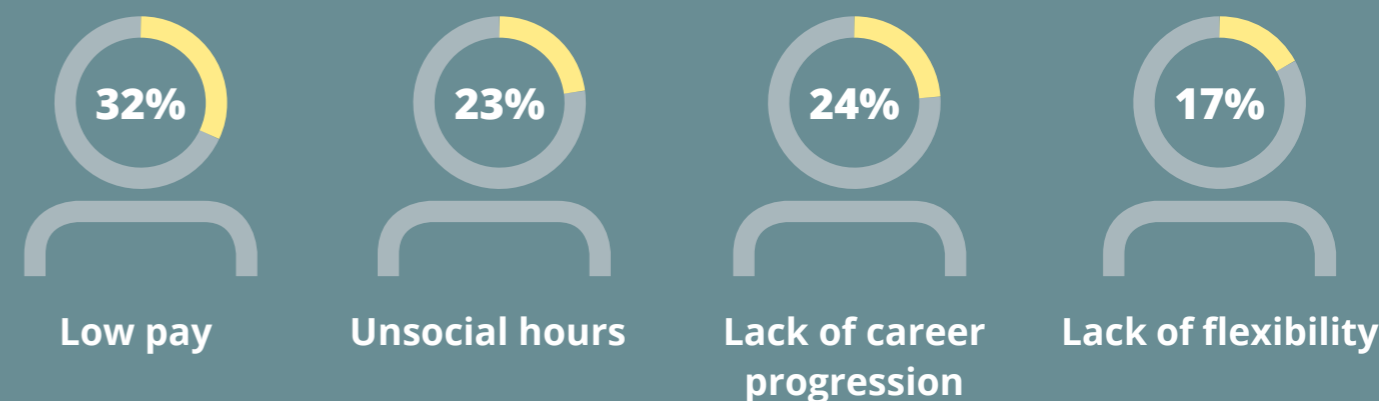
In reality, employers have little control over Brexit.

But there are some levers at their disposal to help them to attract and retain manual and elementary service occupations in a more restricted labour market.

To explore these levers, we asked employers about the biggest grievances among these workers and the main reasons why they quit their jobs.

There is a long way to go, but our research suggests that there is appetite from employers to make meaningful changes within their businesses and become more attractive for people who fuel business each and every day.

Reasons why Blue-Collar Workers left companies



1 INCREASED PAY

We know that increasing pay can be difficult for businesses working to tight margins, but it is within their power to positively influence some of these other factors.



2 FLEXIBILITY

Using technology to offer greater flexibility or help staff navigate unsocial hours can be easy-to-implement and cost-effective. And, taking some simple steps to support workers as they work their way up the career ladder can also help employers manage their talent pipeline for other segments of their workforce.



21%

of workers in manual and elementary roles currently work under flexible conditions



86%

of employers recognise the importance of flexibility for retaining these workers



79%

of workers don't have this option



28%

with over a quarter (28%) recognising that it is very important

FLEX-IT VERSUS BREXIT

We wanted to put our theory to the test and explore the tangible business benefits UK employers could access if they tackle some of the reasons behind the grievances and resignations among workers in manual and elementary service roles.

We began by calculating the expected growth and economic output of UK workers in manual and elementary service roles up to 2024 following the current trajectory, i.e., if employers do not take steps to improve the retention and recruitment of this segment of their workforce*.

We then reworked this scenario to show what could happen if a greater proportion of UK employers took steps to address barriers to the recruitment, retention and productivity of workers in manual and elementary service roles – for example by introducing or extending options for flexible working or developing easier to navigate career progression paths.

We found that by reducing workforce churn, attracting more workers and creating a happier and more productive workforce, by 2024 UK businesses could expect to benefit from a greater number of manual and elementary service workers contributing to their business growth, and therefore realise greater economic output.

By taking steps to address recruitment and retention issues for workers in manual and elementary service roles, UK employers could generate an additional

£7.6 billion

in economic output a year by 2024



Scenario one: current trajectory, with no changes from employers

By 2024

372,000

additional manual and elementary service roles will be generated by the UK economy

40%

of these jobs will be process plant and machine operatives

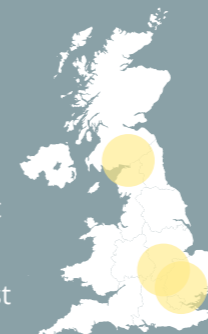
60%

will be elementary occupation workers

68,000
(18%) jobs created in London

52,000
(14%) in the South East

37,000
(10%) in the North West



The largest shares of economic output will come from:

- ▶ London
- ▶ The South East
- ▶ The North West

The biggest growth will come from:

Transport & storage



Construction



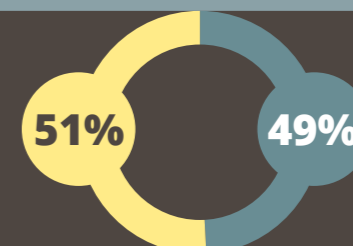
Retail



£32bn

This growth will result in an increase in annual GVA of just over £32 billion per annum

51% of this growth will be attributable to the process, plant and machine operative workforce



49% of this growth will be attributable to elementary occupation workforce

Scenario two: adjusted trajectory, with improvements to the recruitment and retention of blue-collar workers

403,000

additional manual and elementary service occupation jobs will be generated by the UK economy by 2024

This is 31,000

more jobs than under scenario one

£39.6bn

This growth will result in an increase in annual GVA of £39.6 billion per annum

£7.6bn

in additional output than scenario one



* We based our calculations on the current scale and patterns of blue-collar employment in the UK, the latest data on numbers of jobs in the UK, estimates of the potential future number of jobs in the UK and calculations relating to the average value of output per worker.

We also accounted for an orderly Brexit, whereby a Withdrawal Agreement is agreed between the EU and the UK, and new trade agreements between the UK and the EU are agreed within 2-3 years. Under this scenario it is also assumed that new trade agreements between the UK and other major trading partners are also established before 2024.

It should be noted that even under this scenario a 'dip' in employment and GVA for the UK is expected to occur in the first part of the 2018-2024 period. However, by the early 2020s the UK is forecast to return to a growth trajectory.



RECOMMENDATIONS

Kitchen workers, cleaners, lorry drivers and warehouse workers are all an important part of the UK workforce as a whole – and will continue to be in the future.

With Brexit on the horizon, employers of these workers in the UK should – and can – take steps to protect themselves from staff shortages and retention issues in the future, and build a happier, more productive workforce.

So, what can employers do to look after their pipeline of these workers for the years to come?

1

CREATE AND COMMUNICATE CAREER OPPORTUNITIES

When asked to identify one of the largest obstacles to engaging with workers in manual and elementary service roles

Nearly half of employers said these workers viewed their work as a job, rather than a career

47%

According to business leaders, almost a quarter quit their job because of a lack of progression

24%

But these very workers are a brilliant asset for employers looking to find ways to future-proof their talent pipelines across their organisation. Their experience and understanding of the day-to-day operations of a company can be invaluable when given the support and opportunity to move up the ranks.

To realise this benefit, employers need to invest more in this segment of their workforce – giving them the training and upskilling opportunities required to improve career progression. It is also important that employers communicate what's on offer – ensuring that workers understand what's theirs for the taking.

2

LEAN ON TECHNOLOGY

Manual and elementary workforces can often be large and disparate, meaning that traditional methods of staff engagement – face-to-face team meetings, training sessions or socials – can be difficult to execute.

The good news is that our employer survey uncovered some smart uses of technology that can make up the miles when it comes to engaging and retaining these workers. Some options include using online training modules to help staff upskill from afar or using apps/online platforms to communicate faster and more effectively.

Best uses of technology

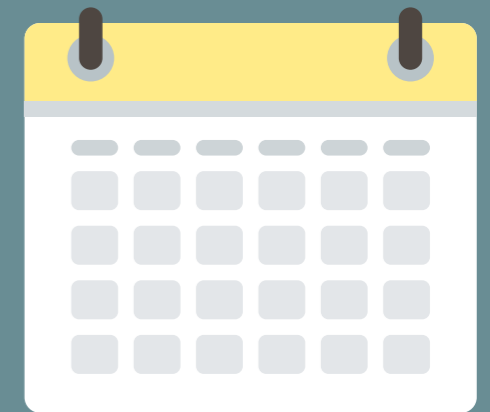
- ▶ Online training modules to help staff upskill
- ▶ Apps to communicate faster and more effectively

3

BE FLEXIBLE...

Flexibility remains key to attracting, engaging and retaining workers. Although flexible working has become more prevalent across all segments of the workforce in recent years, more can always be done.

For workers in manual and elementary service roles in particular, offering more flexibility when it comes to swapping shift work or greater visibility of staffing schedules can make a huge difference to job satisfaction.



4

...ABOUT FLEXIBILITY

As we've seen, no workforce is a homogenous group – but one made up of workers with all types of experience and backgrounds. This means that flexibility will mean different things for different groups – something that employers should take note of.

A one-size-fits-all strategy for flexibility won't work. Instead, employers should find ways to give their workers a voice and a choice, delivering the type of flexibility that would work best for them. It is only by starting a conversation with their employees that employers can find this out.



WHAT WOULD THE IMPACT OF A DISORDERLY BREXIT BE FOR THE UK'S BLUE-COLLAR WORKFORCE?

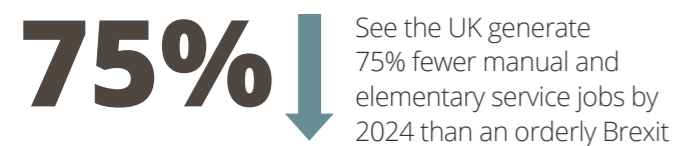
Quinyx research has found that a 'disorderly Brexit' will have a significantly more negative impact on the UK's workers in manual and elementary service roles and the businesses that employ them than an orderly departure from the EU.

This means the manual and service workers who are powering industries, keeping food on the shelves,

transporting goods and keeping our hospitals running are all at greater risk if the UK leaves the EU without an agreement, or the departure is delayed.

We compared the expected growth and economic output of this segment of the workforce under both an orderly and disorderly Brexit scenario.

We calculated that a disorderly Brexit would:



Jobs

Disorderly Brexit

93,000

Orderly Brexit

371,000

Economic output

Disorderly Brexit

£9.7bn

Orderly Brexit

£22bn

These reductions would primarily come as a result of restricted access to these workers through uncertainty around, or a lack of, immigration policies.

Sectors most at risk:

▶ IT & TELECOMS



▶ LOGISTICS



▶ HEALTHCARE



Areas most effected by reductions in workers caused by Brexit

We also expect businesses in regions such as London, the East of England and the South East to be constrained to a greater degree than others in the event of a disorderly Brexit.



East of England

London

South East

"The impact that a disorderly Brexit will have on the vitally important blue-collar workforce and the businesses that employ them is concerning. Access to these workers is crucial for ensuring the UK's economic wellbeing – and employers need to make plans to avoid staff shortages in the future.

A first step is looking at ways that employers can bridge the gap between worker supply and demand. Given the degree of uncertainty on the horizon, seeking ways to attract and retain domestic workers should be a primary focus."

Mansoor Malik
Managing Director UK
& International at Quinyx



OUR DEFINITION OF A 'DISORDERLY BREXIT':

A scenario where either the UK leaves the EU without an agreement, or the UK's departure from the EU is delayed while fresh attempts are made to arrive at an agreement.

Under this scenario it is not assumed that:

- ▶ A Withdrawal Agreement is agreed between the EU and the UK
- ▶ Replacement trade agreements between the UK and the EU are agreed within 2-3 years
- ▶ New trade agreements between the UK and other major trading partners are not fully in place by 2024

Under this scenario it is assumed that:

- ▶ It will take longer for the UK to establish new immigration policies, such as those that would allow for immigration of skilled and unskilled workers that are needed to meet the needs of UK employers
- ▶ This is predicted to lead to a shortage of manual and elementary service workers in the UK which will in turn have a negative impact on the growth and economic output of businesses

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