



Quarterly Talent Snapshot

Technology | Q1 2023

Foreword

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- Spring Budget focuses on helping inactive people return to work
- The economy still faces significant structural challenges

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Foreword

Dr Gareth Owen, Morson Market Analyst

Across most sectors, there is an uncertain economic outlook due to geopolitical tensions, Brexit obstacles and the ongoing shadow of the pandemic that has led to rising interest rates, rising costs for businesses & consumers, talent shortages and supply chain challenges.

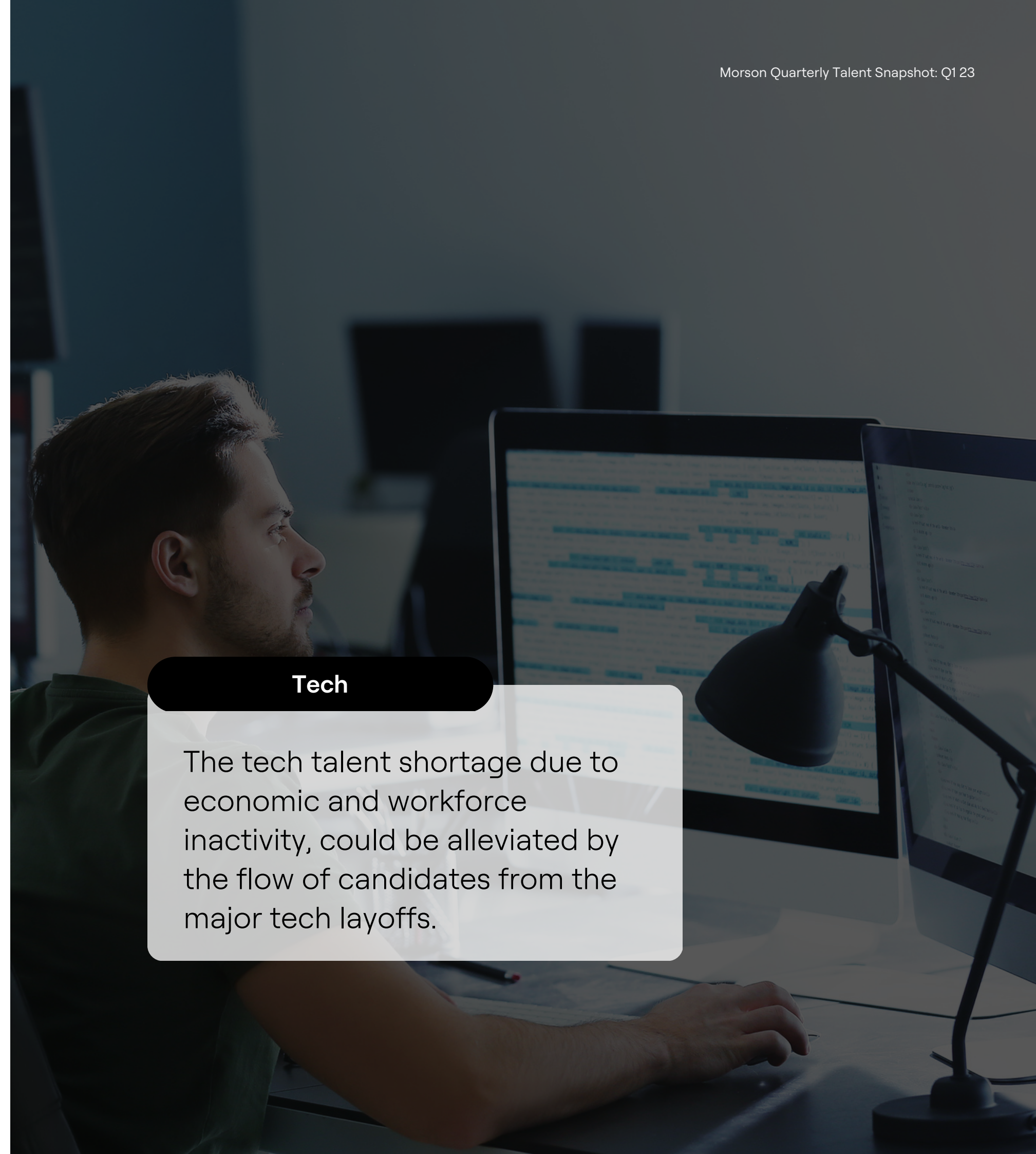
While a bleak economic outlook, cost of living crisis, and political turmoil have been grabbing the headlines around the world, fundamental changes have continued to take place, shaping the world of work in new ways, bringing new challenges and, critically, new solutions.

The trends I've identified in this report, drawn from a rich database of Morson candidate data, expert conversations and insight from global sources, highlight key micro and macro socio-economic factors affecting the current state of the workplace and what it means for the labour market of tomorrow.

Many of these trends will persist beyond the near-term fluctuations in the business cycle, so the goal of this report is to support employers as they navigate a turbulent talent landscape.

Tech

The tech talent shortage due to economic and workforce inactivity, could be alleviated by the flow of candidates from the major tech layoffs.



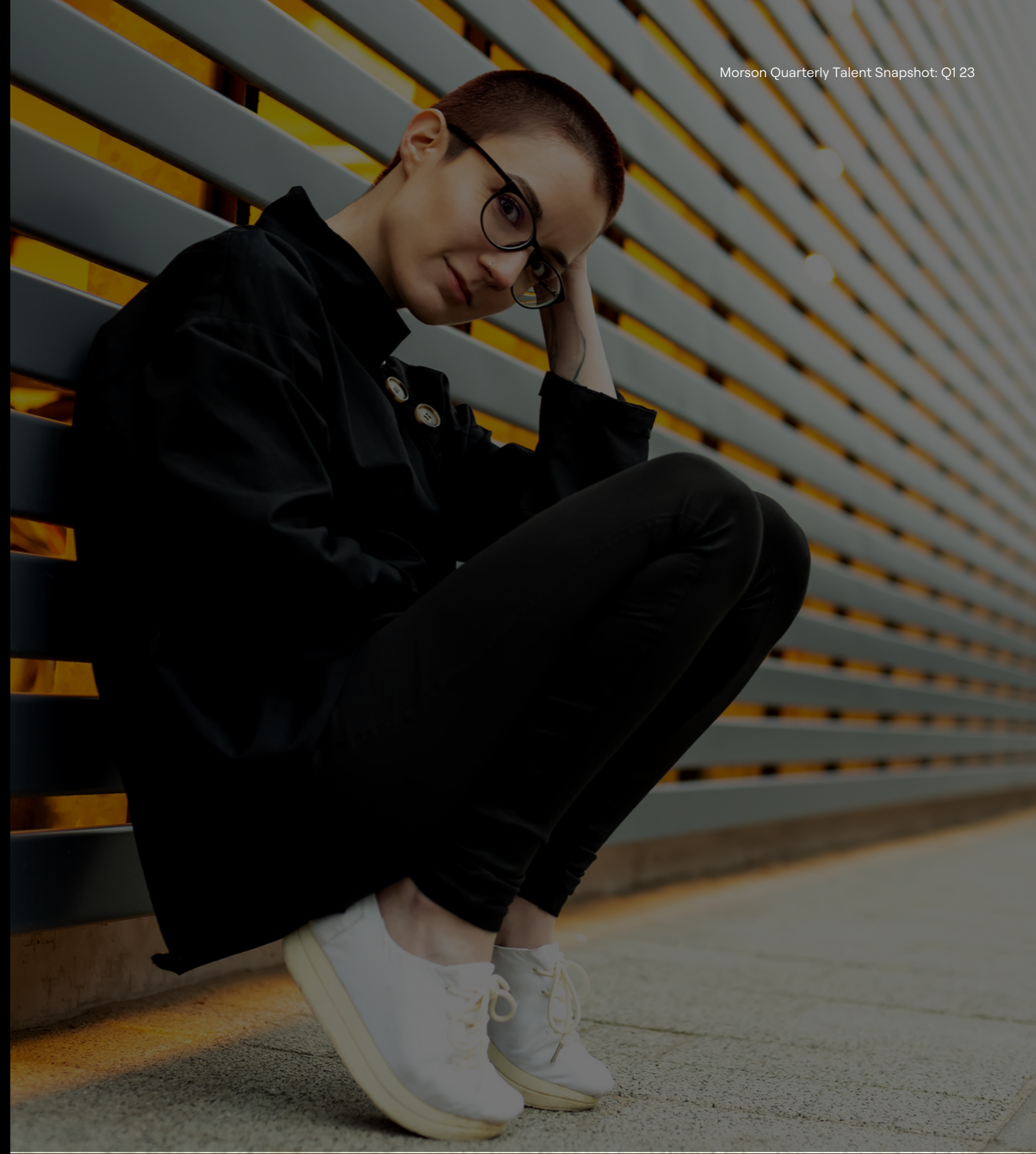
#1 Industry snapshot

A frenzy of shortages, skills gaps & lay-off's

Over the last 6 months, many tech companies have announced large-scale redundancies, often because of over-optimistic and rapid hiring during the pandemic and a drop in earnings.

The tech talent shortage due to economic and workforce inactivity could be alleviated by the flow of candidates from the major tech layoffs.

In a sign of political short-sightedness, after a decade transforming UK tech, Tech Nation (a growth platform for tech companies and leaders) has ceased trading due to the government ending their contract. Some of their activity will be transferred to Barclays but their involvement in the Global Talent Visa programme has not found a new home casting doubt on the future of those applying in the digital technology field.



Sector skills analysis

The tech talent landscape is volatile and conflicting. Over 150,000 employees were laid off by tech companies in 2022. These major layoffs have shaken the tech industry, but smaller companies may benefit from the massive shift in the talent pool.

A skills shortage caused by ever-changing digital needs

There's no doubt that the digital skills gap in the UK is pronounced. Since Covid rapidly accelerated digital adoption demand for emerging technologies has increased ahead of the skills required to deliver them.

Employers struggle to fill digital vacancies as only one in 10 workers possess the skills



UK businesses have vacancies for workers with digital skills



Find it challenging to hire the digital workers they need



Attribute this to a shortage of qualified applicants

Lack of skilled tech workers threatens global economy

Shifting technology demands heightened levels of expertise in cloud computing, cybersecurity, coding, and data science – requirements not easily met during a global IT skills shortage. This lack of skilled labour represents a barrier to the adoption of advanced software architectures and poses a danger to the economy by threatening to stall the implementation of tech innovation.

Three in four UK tech workers are dissatisfied with their roles

Widespread discontent among UK tech workers has been reported with just 11 per cent of surveyed talent being willing to stay put in their current position.

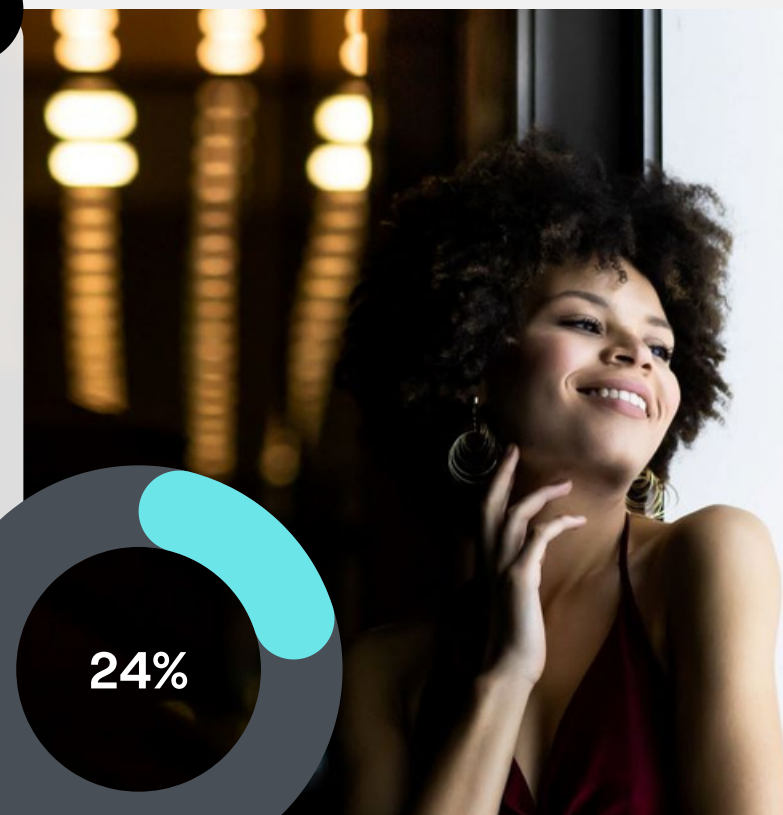
There was also found to be a disparity between what most UK employers are positioning as benefits and perks to attract and retain talent, and what employees actually want – salary (34 per cent), lack of learning and development (32 per cent) and not feeling valued (32 per cent) were the most frequently cited concerns among participants.

Gen Z's 'tech shame'

72% of IT leaders think the next generation of workers will be the answer to the UK's digital skills gap; but, only 24% of those aged 16 to 24 feel their age is an advantage in landing a tech role.

Just 32% of Gen Z adults feel equipped to learn workplace digital skills. A study found that 20% of Gen Z feel 'tech shame' when experiencing a digital issue, vs. 4% of workers 40+

24%



Upskill & reskill to tackle digital skills crisis

Technology industry leaders have called for greater collaboration and education between businesses and the government to tackle the UK's chronic digital skills crisis.

Making investments in employees' skills is beneficial for all in the long run as upskilling learners with digital skills negates the high cost of recruiting skilled individuals.

> **Morson's 'Pathfinders Academy', works with employers to retrain existing employees, those who have left the sector or retired, and people from more diverse talent pools, through digital engineering boot camps.**

What AI talent in the UK really, really want

AI professionals in the UK are prioritising flexibility (37%), progression (32%), and remuneration (32%) when looking for new employment opportunities, thereby taking a long-term view of their careers.

AI talent is rejecting cookie-cutter progression programmes with 62% saying they want flexible, self-defined career pathways – while 60% said they want sufficient, high-quality training/learning and development opportunities.

#2 Labour market trends

A challenging market: is upskilling the solution?

Permanent job vacancies in the UK fell by 19% between January and February while contract roles dropped by 14%. These figures reflect hiring difficulties across the highly skilled labour market, with employers struggling to fill open vacancies and reigning in new hiring as a result.

57% of employers have hard-to-fill vacancies, and 29% anticipate significant problems in filling hard-to-fill vacancies over the next six months.

Existing hard-to-fill vacancies are most common in:

- Primary and utilities (82%)
- Healthcare (78%)
- Education (77%)

What can be done?

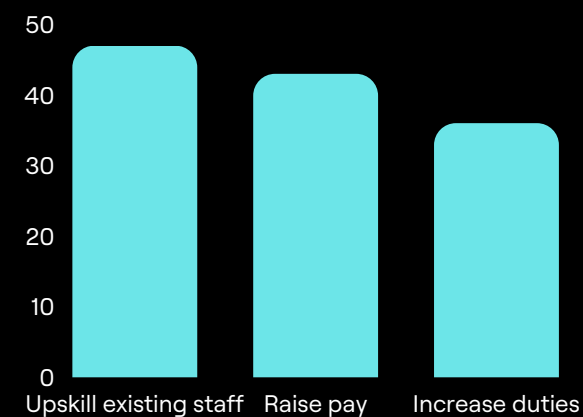
The top response to addressing hard-to-fill vacancies has been to upskill existing staff:

- **Upskill existing staff (47%)**
- **Raising pay (43%)**
- **Increasing the duties of existing staff (36%)**

Of those employers who have or plan to raise pay in response to hard-to-fill vacancies, 57% plan to achieve this by raising prices rather than lowering profits and absorbing costs (47%).

40%

of employers with hard-to-fill vacancies had the major challenge of applicants for advertised roles lacking the technical skills required.



How companies are addressing hard to fill roles

[Read the full article](#)

Raconteur

Will dedicated upskilling and reskilling programmes help the UK's workforce keep pace?

Morson contributed to this Raconteur article to share how Morson Training's dedicated upskilling and reskilling programmes, with a unique focus on tech, are helping the UK's engineering workforce to keep pace.

Major transportation projects such as Crossrail, HS2 and the Stonehenge Tunnel are set to rely on a transition of engineering skills. For example, the rail industry has an ageing workforce, with more than 28% of the current workforce over 50 years old. This means the focus has so far been on securing the talent pipeline, with apprenticeships forming an essential route for young people to start a career in the sector.

However, work is also ongoing to help existing workers embrace digitisation as a path to safer, more efficient and more sustainable working. Specialist engineering and technical recruitment firm Morson Group supports clients with this skills challenge through its training delivery arm, which has been heavily involved in HS2 and other major rail projects, often upskilling contractors in the use of technologies that didn't exist when they began their careers.

"HS2 is a game-changer because of the massive investment in tech, which is advancing at such a pace that how it will look over the lifecycle of the project is unknown," says group training director Matthew Leavis. "We need to incentivise people to adopt new ways of working and become champions of tech."

Through its 'Pathfinders Academy', the company works with employers to retrain existing employees, those who have left the sector or retired, and people from more diverse talent pools, through digital engineering boot camps. By the end of April, the Morson training division will have trained 175 new entrants and upskilled 50 existing workers in the North West, with plans to roll out this model nationally.

Morson also runs 'train the trainer' boot camps, upskilling those in training roles to help them overcome resistance to digitisation and to use tech such as VR and digital twins as part of the training methodology.

This upskilling component is likely to be particularly important, as it should help free up entry-level roles for people coming into the sector. What's more, ongoing training opportunities should make transport more appealing for people at all stages of their careers.

In most sectors, we're seeing clients adopting a more cautious approach to staff hires due to ongoing economic uncertainty.

At the same time, billings for temporary workers continued to expand, albeit modestly.

Overall vacancies continued to increase during February, with the rate of growth the best recorded for four months.

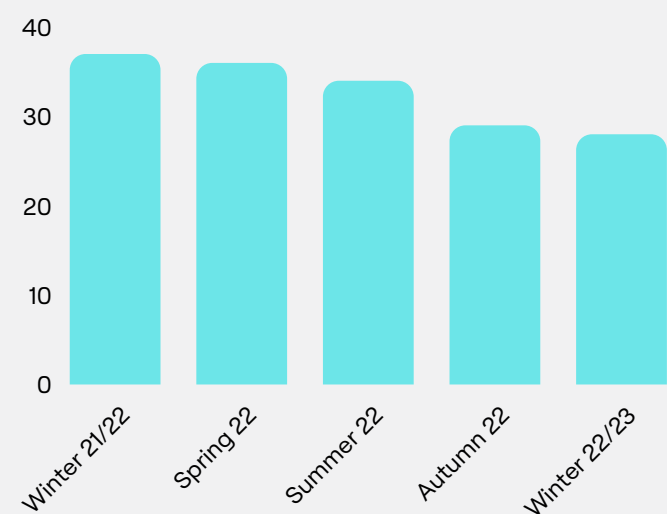
However, permanent staff appointments across the UK fell for the fifth straight, and at a slightly quicker pace than that seen in January.



Net employment balance remains positive

The net employment balance – which measures the difference between employers expecting to increase staff levels and those expecting to decrease staff levels in the next three months – remained positive at +28.

This continues to exceed pre-pandemic levels, pointing to strong employment intentions.



CIPD Labour Market Outlook

Mass redundancies lead to the softest fall in candidate supply since March 2021

The downturn in candidate availability continued to ease midway through the first quarter. Overall staff supply fell at a mild rate that was the slowest seen for nearly two years, which was underpinned by softer falls in both permanent and temp candidate numbers.

In the current economic climate, workers are increasingly reluctant to seek out new roles in the current while ongoing skill shortages also continue to weigh on staff availability. However, in some industries, notably tech, worker supply has improved due to recent redundancies by global tech firms.

Rates of starting pay continue to rise sharply

The rising cost of living and difficulties attracting and securing suitably skilled staff drove further increases in starting pay for both permanent and temporary roles in Q1. Permanent starters' salaries continued to rise at a quicker pace than temp pay.

Pay increases struggling to keep up with inflation

The median expected basic pay increase has risen from 4% to 5%, the highest since the time series started in 2012. Expected pay awards in the private sector remain at a median of 5%; however, public sector pay award expectations are at just 2%. Both are struggling to keep up with inflation.

#3 Equity, diversity & inclusion

Glacial progress on equal pay, menopause & neurodiversity

Disappointing equal pay data

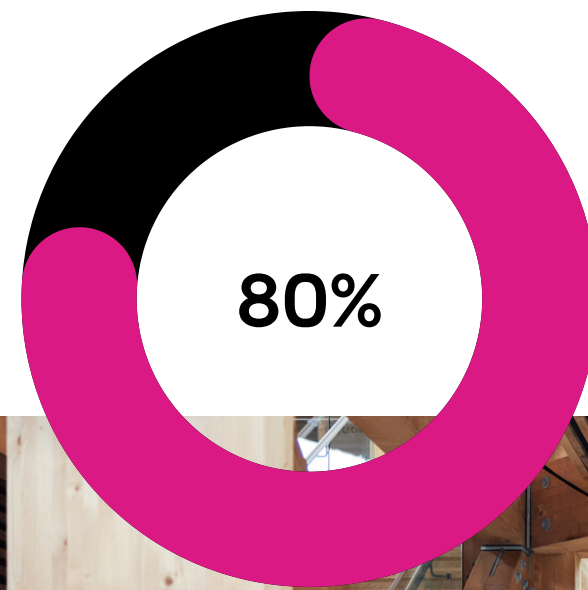
Despite efforts to narrow the divide the Financial Times reported that nearly 80% of UK employers pay men more than women on average in their organisation – a percentage that has worsened since the start of mandatory gender pay gap reporting six years ago.

The average difference between men’s and women’s median hourly pay, expressed as a percentage of men’s pay – was 12.2% in 2022-23, compared with 11.9% in 2017-18.

Education, finance and construction are the sectors with the biggest gaps – all over 22%.

The key actions for progress:

- Removing bias from the selection process
- Menopause and period-supportive workplace cultures
- Equal parenting and affordable childcare - [see #4](#)



Women being let down by “glacial” Government progress on menopause

The Government response to the Women and Equalities Committee report on menopause and the workplace is a “missed opportunity to protect vast numbers of talented and experienced women from leaving the workforce.”

The Government’s response rejects five of the Committee’s recommendations, including the recommendation to consult on making menopause a protected characteristic and pilot a specific menopause leave policy.

> [Read the report](#)

75% of HR professionals have not had specific neurodiversity training in the past 12 months

Data also suggests a third of neurodivergent workers felt they couldn’t disclose to their employer.

As neurodiverse employees may not always feel confident in disclosing their neurodivergent condition like ADHD to their employer, it is important for HR to make neurodiversity, disability or reasonable adjustments policies to ensure support is as accessible and centralised as possible.

> [Consider culture add, not culture fit: how to re-think recruitment to support neurodivergence](#)

morson.com

Narrow talent pools preventing businesses from improving tech diversity

Businesses are struggling to improve the diversity of their tech teams at entry level due to a continuing prioritisation of candidates’ academic prestige over their potential.

For some of the UK’s largest companies, competition for graduate and other entry-level roles can be extremely fierce. Many are extremely selective about the applicants they accept and consequently hire a disproportionate number of candidates with prestige bias.

#3 Equity, diversity & inclusion in focus

STEM ambitions must be matched by a commitment to diversity and inclusion, say MPs

MPs highlight acute underrepresentation of people from Black Caribbean backgrounds, and others, across all STEM subjects throughout education and work.

Low uptake of physics and computer science in girls at school as well as persistent issues with women's career progression in STEM also stand out. MPs say it is "sadly notable" that many of the conclusions from a predecessor Committee's 2014 report on women in science could still apply today.

The Morson STEM Foundation

Closing the STEM skills gap, inclusion first

Morson Group has established several initiatives under the umbrella of the Morson STEM Foundation to increase the visibility, and viability, of STEM career pathways and encourage participation from underrepresented communities.

From creating the innovative Morson Maker Space that teaches students real-world technical skills, to mentoring programmes, university scholarships and primary school engagement and education, Morson Group is spearheading life-changing projects that make a difference.

[Read the full article](#)



#4 Politics & economy

Progress for returners

The Spring Budget 2023 focused on helping inactive people return to work by implementing the Chancellor's strategy to deliver long-term sustainable growth, focusing on four key priorities: Employment, Education, Enterprise and Everywhere. We summarise the key points pertinent to employers:

Reducing childcare costs to support working parents

This could be a "turning point" for working parents, who are key to building more diverse, equitable and inclusive workplaces. What's crucial now is to ensure supply increases to meet the new demand so this commitment does not fall flat.

Keep the highly skilled in work by lowering pensions tax

This reform reduces the temptation to retire early with this move and will have a positive impact on certain employee benefits. This will also save employers significant administration costs.

Apprenticeships for those over 50

The returnerships "refine" existing skills programmes to make them more accessible to older workers. Employers must recognise that the wants and needs of over 50s may vary from younger workers, and put measures in place to directly meet their expectations. Flexible working and certain benefits such as private health schemes may be appealing to them.

More support for occupational health to keep people in work

This plan will tackle health issues keeping people out of work – with a particular focus on mental health, musculoskeletal conditions and cardiovascular disease. Employers want to do the right thing by their staff and having government-backed occupational health support is a positive step.

'Universal support' scheme to help disabled into work

A new voluntary employment scheme for disabled people and those with health conditions. Employers can implement common adjustments that will benefit a majority, as well as utilise positive action tools to proactively appeal to this population.



Economic outlook headlines

The escalation of geopolitical tensions together with rising energy prices, interest rates and inflation are expected to continue contributing to an unsettled economic climate and market conditions.

Cost-of-living crisis

The cost-of-living crisis continues to make an impact. Reduced demand from households and businesses for goods and services coupled with rising costs of materials, energy, and staff costs mean that challenges are still to come for individuals and organisations alike.

Inflation

Inflation has begun to fall, but remains above the Bank of England 2% target. Annual pay growth is expected to flatten out at c.7% in the near term.

Economic structural challenges

- Persistent supply-side challenges continue to weigh on future growth prospects
- Business investment has stagnated since 2016
- Labour market participation, having risen since 2010, has fallen dramatically in the wake of the pandemic, especially among older workers
- Productivity has grown at less than half its pre-financial crisis rate since 2010

Concluding thoughts

Dr Gareth Owen, Morson Market Analyst

The UK economy narrowly avoided a recession in 2022 but this will be of little comfort to people suffering from a continuing cost of living crisis and the country remains at risk of a recession in 2023 according to the OBR and The Treasury, despite a slight improvement noted by the chancellor in his spring budget.

There has been a succession of disappointing news on diversity, most notably a rise in the average gender pay gap over the last 5 years. The UK Government has not offered a beacon of support on gender equality either, rejecting five of the recommendations from the Women and Equalities Committee report on menopause. Progress has also stalled on the representation of people from Black Caribbean backgrounds and women in STEM, according to MP's, though the Parker Review announced new targets on the ethnic diversity of the management team at FTSE 350 companies.

The UK Labour Market is on shaky ground as employers continue to struggle with filling open vacancies, particularly for permanent roles but there is optimism about growing employee numbers. Candidate attraction issues and the cost of living crisis are feeding through into strong growth in rates of starting pay for both permanent and temporary roles.



Sources:

Morson proprietary data
ASPCo
REC Labour Market Tracker
Raconteur.com
Office for National Statistics
CIPD Labour Market Outlook
REC Report on Jobs