



Autonomy

# A SHORTAGE OF VISION:

solving the labour  
market crisis by  
raising standards

November 2021

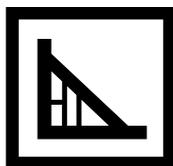
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Pensions & Investment Research Consultants Ltd (PIRC) is Europe's largest independent corporate governance and shareholder advisory firm. Since its creation by public sector pension funds in 1986, PIRC has pioneered good corporate governance and takes a robust view on environmental, labour rights and other social risks in companies.

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## **Table of contents**

Key findings

Labour shortages present a risk to UK businesses

What is driving the shortage?

How are companies responding?

What do workers want?

What should be done?

## Key findings

- 3 in 4 FTSE100 companies cited labour shortages or staff retention issues as a principal risk to their business in the last reporting period. These companies have a collective global workforce of over 4.5 million people.
- Labour shortages cost businesses greatly. Immediate impacts are an inability to deliver services and products, leading to a loss of clients and income.
- Three of the hardest hit sectors are: Logistics & Transport, Hospitality and Social Care.
- When surveyed, 41% of workers in these three key sectors report that they are considering leaving their job in the next 12 months.
- Of the reasons given for this dissatisfaction, low pay, poor mental health and long working hours scored highly.
- Company responses to date are falling short. These include short term changes to retain staff such as bonuses and minor pay uplifts; restructures and intensified workloads; recruitment via agencies; and lobbying for changed regulations to increase the supply of workers.
- In the sectors surveyed, the majority of people considering leaving their jobs report being offered no incentives to stay by their employers.
- Workers in these sectors also reported that a pay rise, shorter working hours for the same pay, and better in-work benefits such as holiday pay and pensions would keep them working in their current sector.
- Sector level negotiations are needed, involving workforces and their unions, business and government. Long term improvements to future-proof jobs should also follow, such as pay lifts with collective bargaining, decent in-work benefits and a work-life balance that suits the worker.

## Labour shortages present a risk to UK businesses

Our review of the annual reports of the 100 largest companies listed on the London Stock Exchange in terms of market capitalisation reveals that three-quarters have listed labour shortages or staff retention issues as principal risks to their business.<sup>1</sup> These are risks that can affect the business model, performance, future prospects or reputation of the company. Publicly listed companies are required to disclose their principal risks annually in accordance with the Corporate Governance Code regulated by the Financial Reporting Council (FRC).

What are companies worried about? In the immediate term, a shortage of workers to produce and deliver goods and services may result in contracts and customers being lost. Other costs associated with managing a high turnover of staff are recruitment and training costs, as well as increased outgoings to recruitment agencies capitalising on widespread shortages by inflating their fees.

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<sup>1</sup> We analysed the annual reports of the 100 largest companies listed on the London Stock Exchange in terms of market capitalisation. The research represents our best efforts to locate and record disclosures of company sentiment regarding risks to business in annual reports. In the eventuality that data has been missed, it is likely that other interested parties will have found it similarly difficult to locate. Disclosures, where they do exist in reports, have not been presented consistently.

## What is driving the shortage?

Three sectors among those experiencing the most acute shortages are Logistics and Transport, Hospitality and Social Care. For a number of companies, the problem stems from a shortage of workers in their supply chain services – predominantly in the transportation of goods – but also in the picking and packing of these goods in warehouses. Whilst Brexit and the pandemic are factors at play, their influence appears exaggerated: difficulties in attaining and retaining workers in certain jobs are, in fact, longstanding. In the UK's care sector for example, for the five years preceding the Brexit vote (2011-2016), the number of people needing elderly care was already outpacing the growth of the number of care workers.<sup>2</sup> Heavy Goods Vehicle (HGV) drivers are an ageing workforce which has struggled to attract younger people at a fast enough rate to replace the numbers of drivers lost through retirement over the last decade.<sup>3</sup>

Both Social Care and Hospitality are associated with wages well below the national average, making these sectors inevitably unattractive to jobseekers. Analysis by Skills for Care for the Living Wage Foundation revealed that in 2020, before the start of the pandemic, nearly 75% of independent sector care workers in England were paid less than the real Living Wage.<sup>4</sup> In Hospitality, 42% of workers in the accommodation and food industries are in the bottom 10% of earners.<sup>5</sup> Over 30% of jobs (including all those furloughed) in hospitality offer less than minimum wage.<sup>6</sup>

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2 OECD (2020) 'Who Cares? Attracting and Retaining Care Workers for the Elderly'. See Figure 1.2. 'In over three-quarters of OECD countries growth in LTC workers per 100 elderly people has stagnated or decreased.' 22 Jun 2020. Available at: <https://doi.org/10.1787/92c0ef68-en>

3 ONS (2021). 'HGV drivers by age and nationality'. ONS. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/13636hgvdriversbyageandnationality>

4 Living Wage (2020). 'Three quarters of care workers in England were paid less than the real living wage on the eve of the pandemic'. Living Wage. Available at: <https://www.livingwage.org.uk/news/news-three-quarters-care-workers-england-were-paid-less-real-living-wage-eve-pandemic>

5 ONS (2020). 'Low and high pay in the UK 2020'. ONS. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowandhighpayuk/2020>

6 ONS (2020). 'Jobs paid below minimum wage by category'. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/jobspaidbelowminimumwagebycategory>

The average pay for a HGV driver in the UK is around £30,000, a little above the average national salary.<sup>7</sup> However, in Germany, for instance, it stands at around €40,000 (£34,000).<sup>8</sup> The work is highly demanding and often involves working beyond regulated hours, with gruelling schedules that often preclude rest breaks. Workers in the sector have complained that they receive inadequate stops for rest breaks.<sup>9</sup> Mounting shortages lead to a vicious cycle, in which an additional burden falls on those still working in the sector, making their jobs harder, increasing their working hours, and further compounding the conditions for poor job retention.

While hours are long and challenging in Logistics and Transport, they are often volatile in Social Care and Hospitality. Both sectors have a higher proportion of zero-hour contracts than any other sector, with around 20% of all staff on this type of contract.<sup>10</sup> These contracts are associated with low and uncertain pay as well as uncertain hours. A study by UCL found that those on zero-hour contracts are also more likely to experience poor mental health than those on more secure types of employment contract.<sup>11</sup>

Research by the Mental Health Charity Mind revealed that 22% of truck drivers experience poor mental health in a given year and 30% of self-reported work-related illness is due to stress, depression and anxiety.<sup>12</sup>

Rather than waiting to see how these sectors will emerge from this staffing crisis, employers, policymakers, workforces and their trade union representatives could use this as an opportunity to reshape work in a number of key sectors for the better. However, in the absence of this type of structured social dialogue, the response from companies so far has been piecemeal.

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7 Jobted (2021). 'Truck driver salary UK'. Jobted. Available at: <https://uk.jobted.com/salary/truck-driver>

8 CNBC (2021). 'After causing chaos in the UK, truck driver shortages could soon hit the rest of Europe'. CNBC. Available at: <https://www.cnbc.com/2021/10/04/truck-driver-hgv-shortage-in-uk-could-soon-hit-the-rest-of-europe.html>

9 BBC (2020). 'Why is there a shortage of lorry drivers?' BBC. Available at: <https://www.bbc.co.uk/news/uk-england-northamptonshire-57587253>

10 ONS (2021). 'Emp 17: People in employment on zero-hour contracts' ONS. Available at: '<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/emp17peopleinemploymentonzerohourscontracts>

11 UCL (2017). 'Being on a zero-hour contract is bad for your health'. UCL. Available at: <https://www.ucl.ac.uk/news/2017/jul/being-zero-hours-contract-bad-your-health>

12 HGVT (2018). 'How often do you check the health of your HGV drivers?' HGVT. Available at: <https://www.hgvt.co.uk/hgv-training-news/how-often-do-you-check-mental-health-of-your-hgv-drivers/>

## How are companies responding?

Due to the labour shortages, workforce planning is becoming a priority discussion point in board meetings across the economy. However, the results of these strategy sessions are varied. Drawing on a review of the annual reports carried out by PIRC, and surrounding documentation of a sample of companies who listed labour shortages as a principal risk, we found a range of mitigation measures being taken.

Whilst improving job quality by increasing pay and benefits may seem like the most obvious response, most companies appear to be exhausting other, temporary alternatives first - such as short term retention bonuses and targeted recruitment drives. However, if unsuccessful, these sticking plasters will turn out to be a false economy, as companies are forced to grapple with continued shortages.

Outside of improving job quality permanently, the responses fall into 3 broad types, detailed on the next page.

### **Targeted, short-term incentives**

- Retention bonuses (transport and logistics, hospitality)
- Regionally specific wage increases in impacted areas (transport and logistics, hospitality)

### **Increasing flexibility/insecurity/contingency of workforce**

- Modifying contracts to enable frictionless redeployment of staff between sites and services (hospitality)
- Increasing portion of workforce hired via agency and self-employed contracts (transport and logistics, food manufacturing)
- Outsourcing more functions to third party providers (transport and logistics)

### **Growing the labour pool or substituting workforces**

- Increasing reach and efficiency of recruitment processes (all)
- Targeted recruitment of specific groups e.g. ex-army personnel and school leavers (transport and logistics, food manufacturing)
- Lobbying for EU visa passports to enable migrant workers to fill specific occupations (social care, food manufacturing)
- Lobbying for use of prison labour (food manufacturing)
- Lobbying for use of volunteer, unpaid workforce (social care)
- Accelerating automation (transport and logistics, food manufacturing)

## Case studies

The British Meat Processors Association (BMPA) has been quoted saying that its members were "leaving no stone unturned" to fill the labour shortage, including lobbying for prison labour and approaching local schools.<sup>13</sup> The business group has been open about its concerns that Amazon warehouses are a key competitor in its recruitment search, suggesting the large out-of-town facilities offer the same wages for less intensive work.<sup>14</sup> Pork and chicken producer Cranswick, a member of BMPA, suggests both improved employment terms and more automation are required to mitigate its shortage.<sup>15</sup>

Logistics giant XPO and UK-based spin off arm GXO has embarked on a recruitment campaign targeting ex-army personnel to address its HGV driver shortage.<sup>16</sup> The employer, with a long record of allegations of poor working conditions,<sup>17</sup> is also offering targeted bonuses. Earlier this year an officer representing drivers for Unite the Union described the limited impact of these:

"XPO tried offering a £1.75 per hour subsistence allowance to drivers but that caused tension with warehouse staff where they also have shortages [...] It is a mess; they are missing deliveries and must be losing business over it."<sup>18</sup>

In its warehousing operations the company is unapologetically looking to accelerate automation to plug the labour gap, using directly employed and temporary workers alongside new "collaborative robots".<sup>19</sup>

13 BMPA (2021). 'Meat Industry Workforce'. BMPA. Available at: <https://britishmeatindustry.org/industry/workforce/> & EADT. 'Prisoners and pupils could be drafted in to work as supply chain crisis worsens. EADT. Available at: (<https://www.eadt.co.uk/news/business/pupils-and-prisoners-suffolk-meat-industry-8266042>

14 BMPA (2021). 'Meat Industry Workforce'. BMPA. Available at: <https://britishmeatindustry.org/industry/workforce>

15 Cranswick plc (2020). 'Annual Report: Principle risks and uncertainties' Cranswick plc. Available at: <https://cranswick.plc.uk/sites/default/files/Risks%202020.pdf>

16 Stock Titan (2021). 'XPO Logistics Supports Veterans with Hiring our Heroes Partnership'. StockTitan. Available at: <https://www.stocktitan.net/news/GXO/xpo-logistics-supports-veterans-with-hiring-our-heroes-ryocuglIned8.html> and Military.com (2021) 'GXO changing the game in logistics'. Military.com. Available at: <https://www.military.com/veteran-employers/gxo>

17 ITF (2020) XPO Delivering Injustice. Available at: <https://www.itfglobal.org/en/reports-publications/xpo-delivering-injustice>

18 PIRC Ltd. (2021). 'Labour Shortages' in WORK issue 8, July 2021. P4.

19 XPO Logistics (2020). 'Sustainability Report'. Available at [https://xpodotcom.azureedge.net/xpo/files/s18/XPO\\_Logistics\\_2020\\_Sustainability\\_Report\\_Employee\\_Safety\\_14-17.pdf](https://xpodotcom.azureedge.net/xpo/files/s18/XPO_Logistics_2020_Sustainability_Report_Employee_Safety_14-17.pdf); See also British Frozen Food Federation (2020) 'XPO Logistics Global Operations Managing Holiday Demand With Expanded Capacity, Automation And Recruitment'. Available at: <https://bfff.co.uk/xpo-logistics-global-operations-managing-holiday-demand-with-expanded-capacity-automation-and-recruitment/>

There has been widespread media coverage of hospitality companies struggling to reopen due to challenges in rebuilding their workforce following widespread redundancies.<sup>20</sup> To mitigate these risks, companies have taken differing approaches. Intercontinental Hotel Group, owner of Holiday Inn, set up an online alumni network and 'job centre' for redundant workers in an attempt to create its own surplus labour pool from which to re-recruit from.<sup>21</sup> Whitbread plc, owner of the Premier Inn chain, alternatively sought to retain and reconfigure its existing workforce to manage shortages in particular functions. This meant restructuring to allow 'greater flexibility' among the workforce.<sup>22</sup>

In practice, the change means workers can be redeployed between different roles, for example from reception to room cleaning as demand requires. According to a workforce representative from Unite the union, the change could worsen the retention problem because, despite a recent pay uplift, people feel overworked.

Private care home companies experiencing a long term labour shortage amplified by the pandemic, have focussed on sourcing surplus labour for homes - including lobbying for the EU visa scheme to be extended to care assistants. The Chair of the Independent Care Group (ICG) took this a step further and urged the Government to set up an emergency volunteer task force of retired nurses, doctors and carers who would help the sector cope, on an unpaid basis, with the recruitment crisis in the coming months.<sup>23</sup>

Taking a different approach Ashtead Group plc, an industrial equipment rental company acknowledged that ensuring its workforce feel secure in their role is an important factor in retaining them. They sought to "remove any fear of furlough or lay-off" during the pandemic through providing additional paid time off

20 BBC (2021). 'Restaurants struggle to find staff ahead of reopening'. BBC. Available at: <https://www.bbc.co.uk/news/business-56919575>

21 InterContinental Hotels Group plc (2020). 'Chief Executive Officers Review' in Strategic Report 2020, p7. Available at: <https://www.ihgplc.com/-/media/5E483A4293DE4226B9AAFA055D32E7F5.ashx>; See also InterContinental Hotels Group plc (2020). 'Full Year Results to 31 December 2020', p2. Available at: <https://www.ihgplc.com/-/media/2-ihg-plc-sea--23-feb-2021.pdf>

22 Whitbread (2021). 'Annual Report 2020/21' p8. Available at [https://cdn.whitbread.co.uk/media/2021/05/05141427/23076\\_Whitbread\\_AR2020\\_web.pdf](https://cdn.whitbread.co.uk/media/2021/05/05141427/23076_Whitbread_AR2020_web.pdf)

23 ICG (2021). 'Government must act as social care starts to break'. ICG. Available at: <https://independentcaregroup.co.uk/government-must-act-as-social-care-starts-to-break/>

for COVID-19 related reasons, discretionary bonuses and a 2% pay rise for certain skilled roles.<sup>24</sup> They have since brought forward a 6% pay rise for skilled roles in their North American operations to address the labour pressures encountered.

Another example that bucks the trend is that of niu Loom hotel in Manchester. Matt Shiells-Jones, the hotel manager noted in a recent interview that the UK hospitality sector's main problem is its culture, pay and zero-hours contracts, which are "absolutely endemic in the industry", he says.<sup>25</sup> niu Loom hotel pays no less than £9 an hour and only offers guaranteed hours contracts. He says he has never known a chef only working a 40-hour week and understands why there is a shortage when "you're asking them to do 60-70 hours a week in a boiling hot, stressful environment". Perhaps most perceptively, he identifies the current period as one in which "hospitality has to reset itself, to restructure itself as an industry people want to work in," he says.<sup>26</sup>

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24 Ashtead Group (2021). 'Strategic Review' in Full Annual Report 2021, Ashtead Group, p8. Available at: [https://www.ashtead-group.com/files/downloads/reports/Ashtead\\_Group\\_plc\\_Annual\\_Report\\_and\\_Accounts\\_2021.pdf](https://www.ashtead-group.com/files/downloads/reports/Ashtead_Group_plc_Annual_Report_and_Accounts_2021.pdf)

25 BBC (2021). 'Is there a solution to the hospitality crisis?'. BBC. Available at: <https://www.bbc.co.uk/news/business-57817775>

26 Ibid.

## What do workers want?

With so many companies experiencing labour shortages, there is a race to attract and retain workforces. Workers have an opportunity to demand more from their job. This could represent a boost in bargaining power for workers, as their commodity (labour) is now scarce and their buyers (employers) will have to compete in order to secure it. It is now a seller's market.

But what is it that those workers want? What would make them stick in a job, or return to a sector they had otherwise written off?

### Which of the following best represents you?

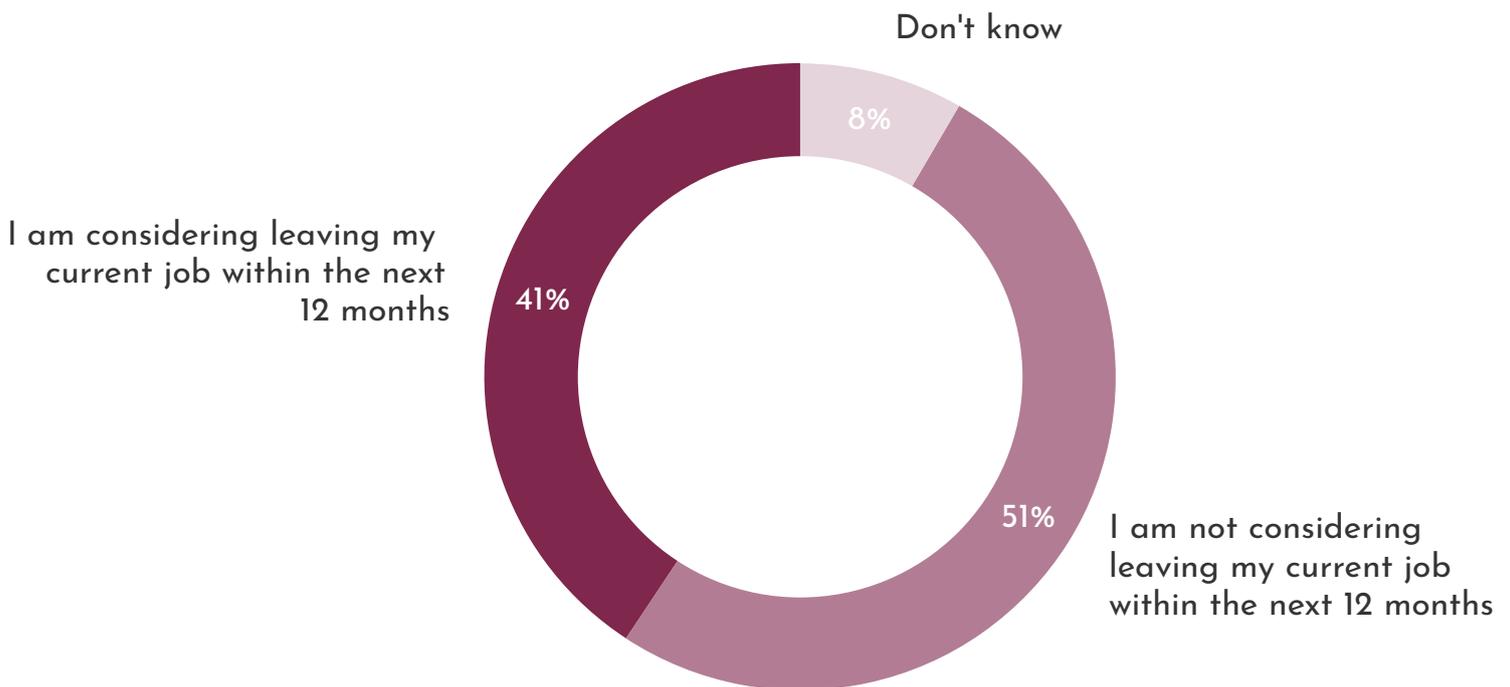


Figure 1: Workers from three key sectors were asked whether they were considering leaving their job in the next 12 months. Sample size: 1049

The results of our survey, which sampled 1000 workers in Hospitality, Social Care and Logistics and Transport, showed that 41% of respondents are considering leaving their jobs (See Figure 1).

**Which of the following are the reasons for considering leaving your current job? Please select the top 3 reasons.**

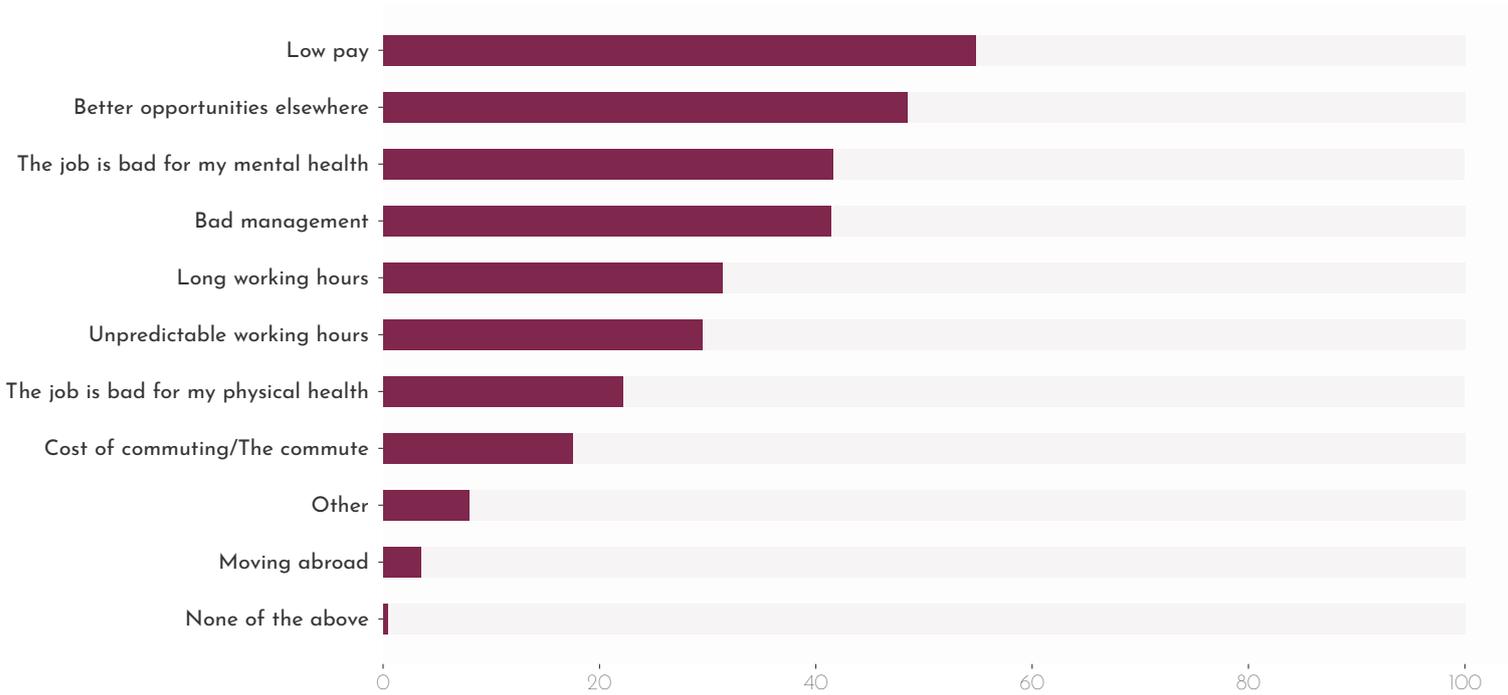


Figure 2: Workers in three key sectors were asked which incentives they or their colleagues had been offered by employers to stay in their jobs. Sample size: 1012.

**Has your employer offered any of the following incentives to you and/or your colleagues to stay? Please select all that apply**

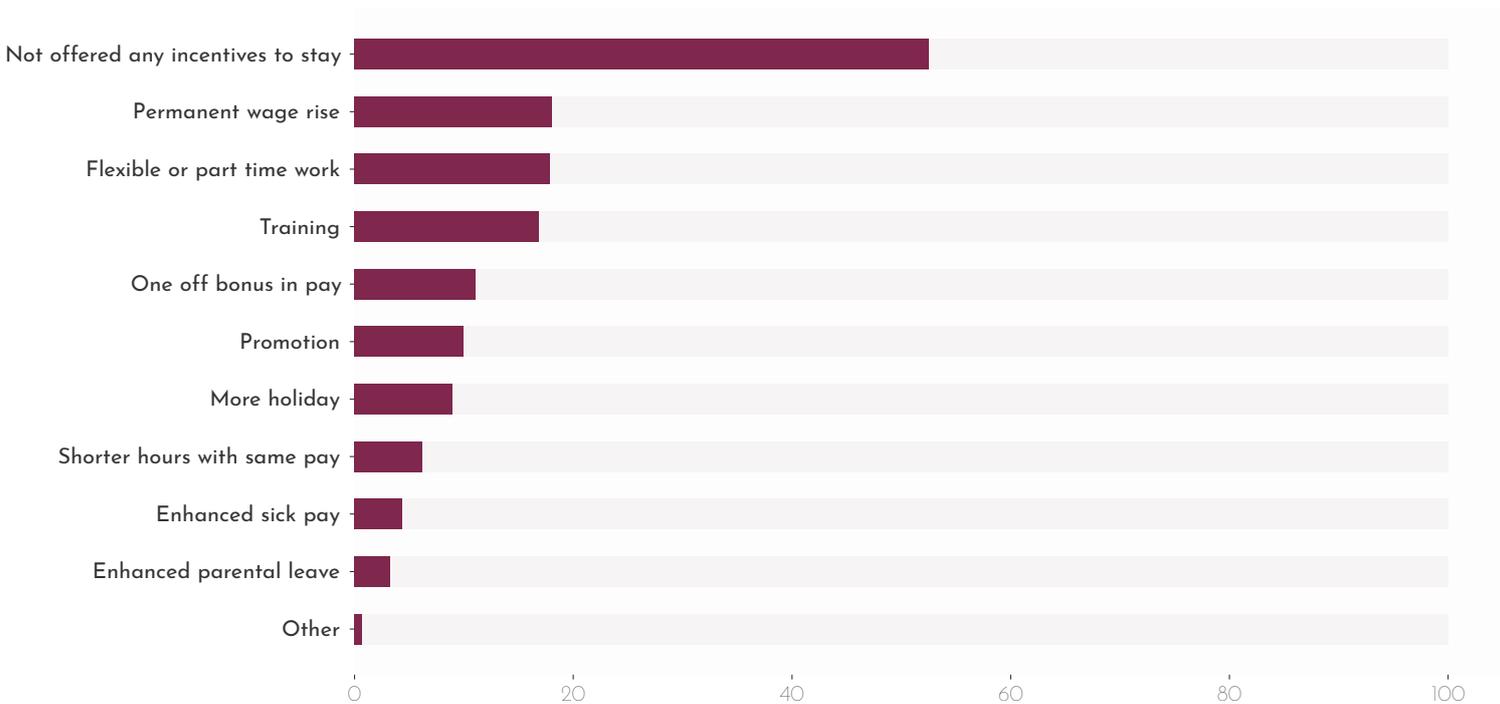


Figure 3: Workers in three key sectors were asked which of the following reasons describe why they are considering leaving their current jobs. Sample size: 1012.

The majority of those considering leaving their jobs have been offered no incentives to stay by their employers (Figure 2). Those that have been offered an incentive tended to be offered a 'permanent wage rise' or the option of 'flexible or part-time work'.

The majority are considering leaving their jobs due to poor working conditions in their sectors. As Figure 3 shows, 55% of respondents stated 'low pay' as a reason for considering leaving their job. 31% and 30% of respondents stated 'long working hours' and 'unpredictable working hours' respectively. 42% of respondents stated that 'the job is bad for my mental health'. Likely for all of these reasons, 48% believe there are 'better opportunities elsewhere'. These results corroborate the data analysed in section two, which revealed the poor conditions in the three sectors.

There were some differences across the three sectors. For instance, in social care and hospitality, 58% and 55% of respondents respectively stated 'low pay', while only 50% mentioned low pay in transportation. 48% in social care stated that 'the job is bad for my mental health', while only 34% mentioned this factor in transportation. However, in transportation 36% stated 'long hours' and only 29% in hospitality. In hospitality 28% stated that the 'job is bad for my physical health', while only 19% in social care mentioned this as a factor.

Which of the following, if any, are the things you look for in a 'good job'? Please select the top 3.

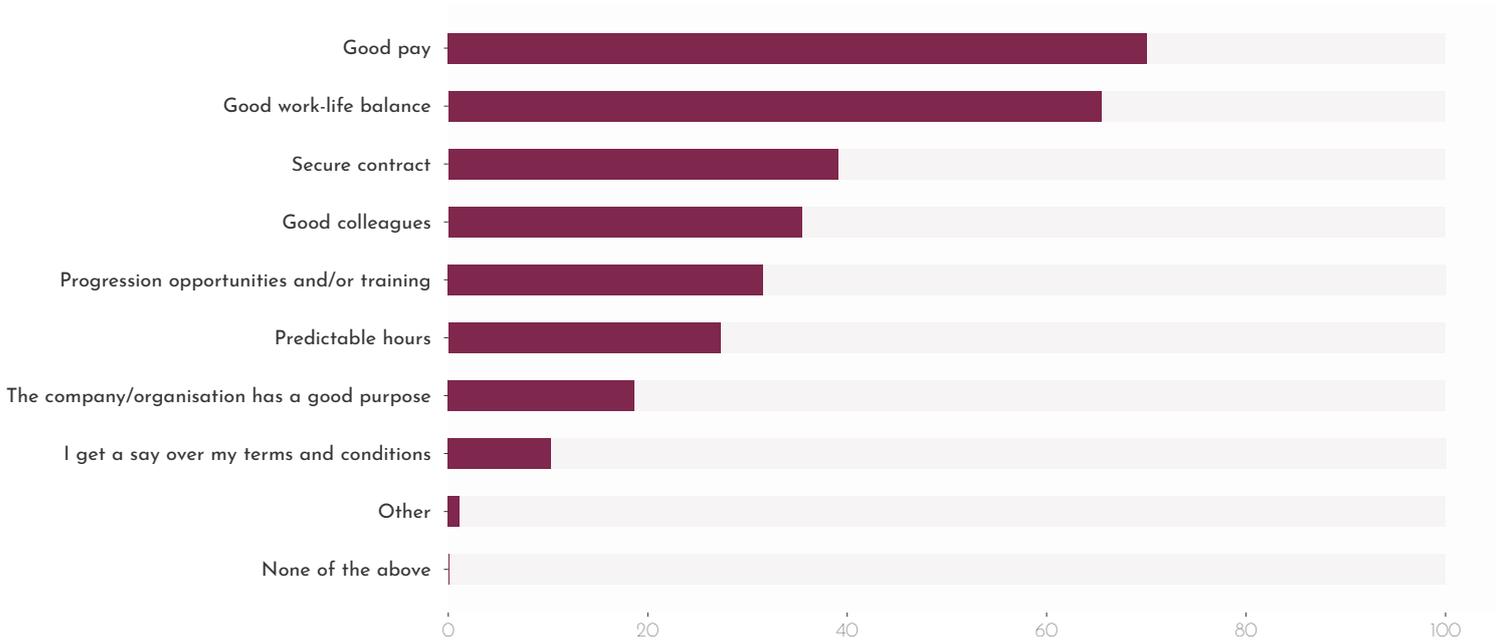


Figure 4: Workers in three key sectors were asked which of the following factors do they look for in a "good job". Sample size: 1049

As we can see in Figure 4, the respondents were asked to select the three most important things they look for in a 'good job. 70% chose 'good pay' and 66% 'good work-life balance'. These two things were almost twice as important as other qualities. 'Secure contract' and 'predictable hours' were also regarded as important.

Which of the following incentives would keep you working in this sector long term? Please select all that apply.

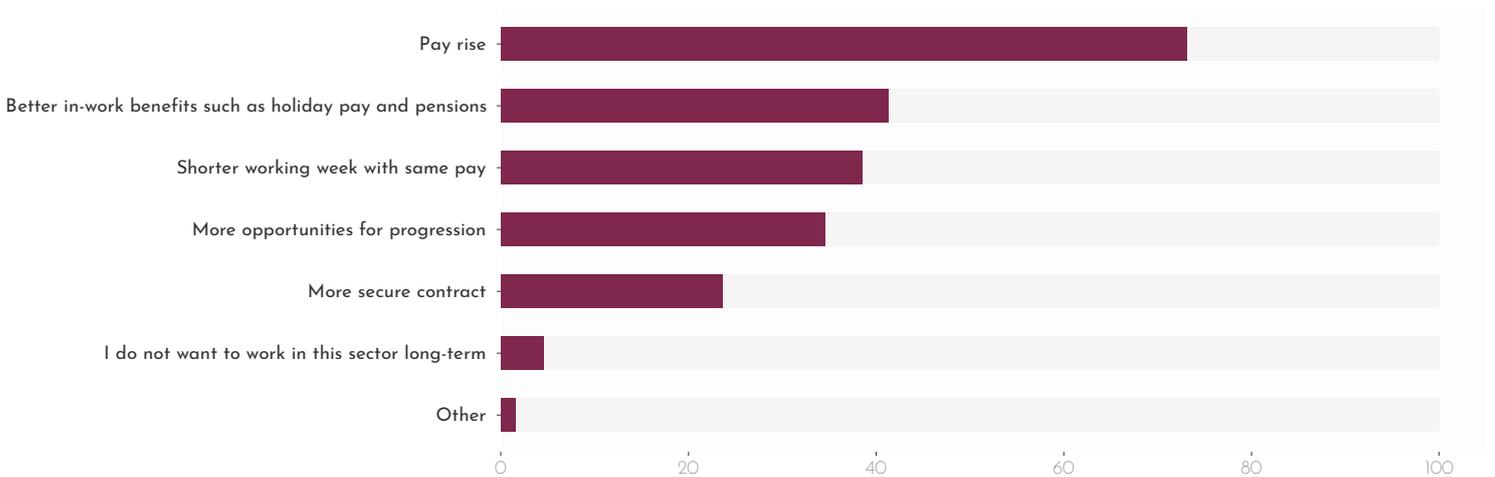


Figure 5: Workers in three key sectors were asked which of the following incentives would keep them working in these sectors long-term. Sample size: 1049

When asked which incentives would keep them in these sectors over the long-term, respondents stated a 'pay rise' (73%), 'better in work benefits' (41%) and a 'shorter working week with same pay' (39%) (See Figure 5).

Again, there were some notable differences in terms of responses across sectors, which we can assume are due to differences in working conditions. 40% in social care stated they would like 'more opportunities for progression', while only 30% in hospitality mentioned this as an incentive. 42% in transportation mentioned a 'shorter working week with same pay' while only 36% in social care mentioned it.

## What should be done?

Rather than piecemeal and temporary response packages from companies we should be seizing this opportunity for a national dialogue on what good work looks like, involving workers and their unions, employers and government. The pandemic has pushed work-life balance up the 'good work' agenda. Phenomena like the 'great resignation' demonstrate that people feel empowered to reassess the value of work, both in terms of how much and the kind of work they do.

The damage done by decades of job quality degradation cannot be reversed overnight, but according to the workers surveyed, there are some obvious changes companies can make to get ahead: wage uplifts, reduction in working hours, improved security and enabling workforces to have more say over their terms and conditions at work.

### Suggested actions

Significant wage rises should be considered in all sectors which are experiencing labour shortages. This should be achieved by raising pay through rebalancing finances; for example, limiting executive pay with a view to lift wages and/or improve conditions in the bottom pay quartile. To ensure these wage lifts keep pace with inflation, collective bargaining via trade unions should be established where not present, including at firm and sector levels. See Autonomy's [interactive tool](#) on how capping executive salaries could pay for uplifts in low paid sectors.

In hospitality and social care, zero- and tiny-hour contracts should be largely phased out, used only when workers have explicitly asked to be on such contracts, or in instances where workers truly are 'part-time'. This may include a minimum number of hours per month, below which such flexible arrangements can be introduced. This new offer would see some of the previous workforce return (now on better terms) and attract new hires to the sector.

Employers should offer 'employee' status to all workers. Bogus 'self-employment' - i.e., the gig economy and a reliance on agencies - should be phased out of these

sectors. This would mean that the workforces in these sectors have full access to workers' rights, including sick and holiday pay, which are necessary for workers to maintain good mental health.

Companies should consider offering workers shorter hours with no reduction in pay. Reduced hours could form a part of new job contracts for those entering the sector. Such reductions are likely to attract and retain staff, improve their health and enjoyment of the job, and help to redistribute available work more equitably. The process should be staggered over a number of years: as more workers enter the sectors and hours can be distributed more widely further such reductions can be made.

Worker councils, involving trade unions where they are present, should be set up in companies in sectors with the worst shortages. Board representation for workers should also be established. These measures would involve workers in the governance of a company, enabling them to play a meaningful role in decisions over how to attract and retain workforces.

Employers should be required to disclose more data about their workforce. In the UK whilst gender pay gap and CEO pay ratio reporting are mandatory, disclosures tend to be limited to direct employees rather than the workforce as a whole, meaning that contracted and agency workers remain hidden. Furthermore, information required to scrutinise a company's workforce practices holistically - such as data on workforce composition, employment models, employee turnover and health outcomes, are not mandatory and as such are rarely disclosed. In absence of regulation requiring these disclosures, we recommend companies participate in the voluntary Workforce Disclosure Initiative.

# Survation.

All polling carried out by Survation for  
Autonomy and PIRC



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