

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Employment in Hampshire County Council Committee
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Title:	Brexit - Workforce Implications and considerations
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1. Conclusion

1.1 When Britain leaves the European Union the impact it will have on Britain is not yet known. However, research conducted by the CIPD (“Preparing for Brexit Through Workforce Planning” March 2018) identified some views that employers held on how Brexit could, potentially, impact them. This research found that:

- Some employers viewed Brexit as a business opportunity due to expected reduction in regulations or benefits derived from the lower international value of the pound;
- Some organisations are worried about a reduced business demand but not the impact Brexit will have on the workforce;
- There are businesses that expect Brexit effects to vary by occupational group and by location - for instance, those with a heavier contingent of non-UK national staff, especially in the overheated labour market in the south-east of England, are worrying about the impact of Brexit there, but less so about their ability to recruit and retain in other parts of the country;
- Employers in sectors like health and social care are already struggling with insufficient availability of specific skills, and they anticipate Brexit to exacerbate these problems;
- Some organisations see advantages in hiring less, being more attentive to internal development and in some cases widening recruitment channels. This could have cost savings (certainly where turnover is high) and also business benefits by creating a common culture through emphasis on internal development.

1.2 This paper is not intended to cover all of the above but outlines the key issues which are currently known that relate to Brexit and the implications on Workforce Planning and Development in Hampshire County Council – specifically the employment issues relating to directly employed staff and not the wider commissioned services. At this point in time there are many

variables which are not yet known such as the future impact on the economy and what government policies will be on migration and employment. These will impact on the actions that will need to be taken by employers and the strategies that will need to be in place. At present it is critical that there is flexibility with employment, HR and Workforce Development strategies as the picture emerges. It is advised that the risks, opportunities and implications are assessed on a regular basis and key developments in policy which implicate the Council will be identified as and when they occur.

2. Key Points for Information

It will be critical to continue to 'horizon scan' as government policy and the impact on the economy post Brexit unfolds in order to be aware of ongoing implications for Hampshire County Council.

Good employment practices, from attraction, recruitment, retention, engagement and development of employees will continue and HR will continue to be agile and able to respond and flex these practices as necessary and in good time.

3. Summary

The purpose of this paper is to identify known and potential key issues relating to the implications Brexit may have on the Hampshire County Council workforce. The paper will also identify some initial considerations for tapping into the potential opportunities and for mitigating the potential risks identified.

The purpose of the paper is to inform and no decisions or action are required at this stage.

4. Impact on the general market

- 4.1 The full impact of Brexit on the labour market will take time to emerge and will not become clear until the negotiations develop. Current commentary points towards a number of transitional arrangements being established with the European Union, including arrangements to protect the current non UK EU workers within the UK labour force. Should this be the case then initial labour market impacts post Brexit may alter over time.
- 4.2 A number of articles ("Brexit Impact on Workforce Trends" – CIPD 2018; "Brexit – the Implications for Health and Social Care" – Kingsfund 2017; "Brexit and the UK Workforce" – Accenture 2016) and initial labour-market trends, point towards a current future net-migration loss of non UK EU nationals. Following the announcement of Brexit the ONS reported that migration levels dropped by 106,000 within one year (August 2017), with over 80% of the losses being made up by non UK EU citizens. Undoubtedly changes of this nature will result in significant shifts within the future make up of the available UK labour market both in terms of size and talent demographics.
- 4.3 Economic growth within the UK has remained relatively strong since the announcement of Brexit, continuing to drive demand for labour against a

back-drop of reducing labour supply. This is reflective within current UK employment rates which are at their highest for 42 years (CIPD 2018). The reduction in the number of non-UK EU nationals in employment in the UK is potentially a significant factor within this. Should this trend continue, or if the gap continues to grow as a result of the Brexit process, it could be suggested that organisations and UK sectors must increase investment in building skill capacity into longer-term talent pipelines for the future. This may need to include the retraining of the existing labour-force into talent markets where labour supply is currently supported by non UK EU workers.

- 4.4 There has been some debate at a national level about whether ‘tier 2’ immigration criteria would apply to EU immigrants to the UK following Brexit. “Tier 2” visa eligibility currently exists for skilled workers who immigrate to the UK and includes dependency on sponsorship for a role, an ‘appropriate’ salary, defined savings and a good knowledge of English. While there is no known appetite by government to apply this criteria at present, if it were to be applied it is likely that the vast majority of current EU workers would not be eligible to work in the UK.

5 Current context: national workforce

- 5.1 In order to identify the potential opportunities and risks for Hampshire County Council resulting from Brexit it is important to first understand the context of the current workforce nationally. When analysing current ONS data to understand current UK workforce demographics (considered in the context of key talent sectors within the Council), sectors most highly supported by non UK EU workers are typically found within Food Services, Information Technology and Health/Social Work.
- 5.2 According to a survey conducted as part of the CIPD Policy Report “Facing the Future: Tackling post-Brexit labour and skills shortages” – (June 2017), difficulties filling semi-skilled or unskilled vacancies with local applicants is the most popular reason for recruiting EU nationals. Some employers were aware that if they were to improve their job offer they might attract a wider pool of applicants. The same survey found that employers were starting to recognise that they may have to target under-represented groups in the UK labour market such as older workers, women returners and ex-offenders to offset the prospect of labour or skills shortages.
- 5.3 From a national perspective, data retrieved from a variety of sources including the CIPD, Institute of Employment Studies, the National Audit Office, Department of Health and Social Care and The Kingsfund has identified the following:
- Non UK EU care workers make up 7% of the workforce nationally but with regional differences – up to 11% in the south east.
 - Nationally, nursing proportionately relies on most non UK EU workers – 16% nationally and up to 26% in the south east (these figures include NHS nurses).

- The number of nurses joining the NMC register for the first time from the EU (excluding the UK) has dropped steeply since July 2016. The number of such nurses leaving the register has increased since October 2016 with this number now exceeding the number joining the register.
- 90% of care workers are among the lowest 25% of earners which contributes to the reasons for them being roles which are difficult to recruit to.

5.4 With economic commentary pointing towards potential future rises in unemployment levels in certain sectors across the UK, the challenge for employers, including the Council, may be to consider how they retrain a smaller, more agile workforce into talent sectors that are currently more greatly supported by non UK EU workers.

5.5 Whilst a number of recruitment provisions can be established in order to support changes within the make and size of the available talent market it is noted within a recent CIPD article; “Brexit impact on workforce trends”, that many employers are now significantly investing into “building their workforces through training and development of their existing employees as opposed to “buying” through recruitment of external employees. This is in addition to exploring training and development schemes for new talent to enter the workforce to support long-term talent pipelines in key sectors.

6 Current context: Hampshire County Council workforce

6.1 There are circa 12,500 employees in Hampshire County Council, plus a further 25,000+ in schools, which includes non UK employees from the EU – however, the exact number of non UK EU employees is not recorded on the HR System, SAP, so is difficult to quantify. However, some work has been undertaken based on individuals’ ‘right to work’ data as this is taken from official documentation such as passports, birth certificates and VISA details. Based on this information the demographics of non UK EU nationals as employees is as follows:

	Total non UK EU Employees	Total Employees
HCC - excluding Schools	322	12763
HCC - Schools	346	25112

In addition to the above, some initial scoping work was completed on this in Adult Health and Social Care in February 2018 which found that, within this area of the Council, 81% of the workforce has British nationality, 8% of the workforce is from within the EU and 12% of the workforce is from outside the EU. This indicates a higher reliance on non EU workers than EU workers. While across the rest of Hampshire County Council non UK EU employees occupy a wide range of roles, local intelligence suggests that there are a higher proportion in some of the roles which the Council find most difficult to

recruit to, such as care assistants, catering assistants, nurses, social workers and specialist/skilled IT roles.

- 6.2 In the Hampshire County Council response to a Migration Advisory Committee (MAC) 'Call for Evidence' survey in August 2017 it was stated that the types of jobs migrant workers perform varies but EU and non-EU workers are primarily recruited into shortage occupations. For Hampshire County Council, its strategic partners and schools in Hampshire (regardless of governance status) shortage occupations are: Teachers – particularly in secondary schools in Maths, Science, Modern Foreign Languages and Business Studies; Nurses and Care Assistants; Engineers; Low skilled workers such as cleaners, catering, waste operators, domestics and laundry staff. Therefore, these are the roles that the Council will keep a watching brief on to monitor whether they are impacted by fewer EU workers available to fill them in future.
- 6.3 As of May 2018, 25.1% of the current Council workforce are aged over 55 which is indicative of the aging population nationally. On the one hand, potential retirement of employees in this age group over the forthcoming years could create turnover and future vacancies. However, increasingly people are remaining in work beyond the age of 70 which, in turn, can frustrate the younger generations. There is an opportunity with this age group as there is an increasing trend for people to seek a second or third career in this age bracket and/or post-retirement. If the available labour market does change following Brexit the older workforce are a potential market to target for hard to fill roles. Additionally, the Council would be wise to actively seek to attract the older workforce where a second career in later life is desirable.
- 6.4 In addition to the above, the Hampshire County Council Recruitment and Retention Steering Group for Schools identified that:
- there is a net loss of teachers nationally in the secondary sector: 2017-18 showed a decrease of 30% compared to previous years.
 - non qualified posts in schools, such as cleaners, have a high proportion of non UK EU workers occupying the roles
- 6.5 The Cabinet paper: "Adults, Health and Care – Vision & Strategy" (April 2018) stated that there is a challenge to recruit and retain a skilled workforce in the face of competition from other parts of the economy and from general availability of labour – the latter, partly a consequence of Brexit and also the wider impacts of a generally buoyant economy. In this paper it was estimated that the workforce in Hampshire, approximately 35,500 social care workers, is made up of approximately 3,000 (8%) European nationals and 4,300 (12%) Non European Economic Area nationals. It was also estimated that the overall workforce needs to increase by as much as (an unrealistic) 20% over the next five years due to the increase in the number of older people, higher demand for mental health services and increasing numbers of younger adults with learning and physical disabilities. This creates a potential risk to Adults Health and Care's duty of care if they are unable to fulfil critical roles to provide the services required.

6.6 With respect to EU funding for employment and posts in Hampshire County Council, there should be little impact after Britain leaves the EU. Whilst some income is received from an EU funding stream for two year to offset some salary costs for a SELP post it is not considered that this post is directly funded by EU monies.

7. Impact on HR Policies

7.1 Current HR policies in the Council reflect and comply with EU employment legislation and regulations. It will be important for HR to continue to monitor any changes, or potential changes, to legislation both during and after the UK leaves the EU. At the present time there has been no national debate about how, or if, this will impact on UK employment legislation. This will be monitored closely to ensure that HR policies are considered and amended as appropriate.

8. Resourcing and Workforce Development

8.1 The UK's decision to leave the EU will undoubtedly have an impact on the recruitment industry. A recent Resourcing and Talent Pipelining survey (conducted by the CIPD) indicated the recruitment industry is already beginning to see shifts within candidate behaviours following the UK's decision to leave the European Union. The report notes that more caution being exercised by candidates, thus impacting the mobility and availability of talent within the available labour force. This is both in terms of existing workers seeking new employment within UK markets, as well as new workers joining the UK markets.

8.2 In the longer term, future economic and political decisions connected to Brexit (immigration policy, trade deals, transitional arrangements etc.) will ultimately govern the size and make up of the available labour market. At this point specific resourcing impacts can be understood in greater detail. However, when considering earlier analysis around the labour market and key talent sector impacts, talent shortages are likely to increase within UK markets.

8.3 In order to counteract some of the current challenges seen within the market, as well as some of the perceived future changes concerning talent availability/mobility, work will continue to ensure that the best employment practices are deployed in order to:

- Attract the best talent from a wide range of potential labour markets
- Recruit quality employees who have transferable skills and experience and can undertake further development to fulfil roles
- Develop employees through a combination of 'building' skills and capabilities with existing employees and 'buying' talent and specialist skills and experience with new employees.
- Engage and retain existing employees through good working practices, engagement and valuing our staff

9 Conclusion

9.1 The overall conclusion is that there is no immediate significant action or concern regarding the implications that Brexit will have on Hampshire County Council Workforce beyond the work which is already in progress. However, as much is still unknown at this stage it will be important to continue to monitor the potential impacts of Brexit and be flexible and agile in how we respond and react to this. A lot is still unknown about how Brexit will impact the economy, policies, legislation and demographics and until this unfolds it would not be appropriate to take significant actions locally.

There are EU nationals currently employed within the Council and where these people occupy hard to fill roles this will continue to be monitored as part of the workforce recruitment and retention strategies. HR will continue to monitor the workforce demographics and horizon in terms of changes to legislation and the economy.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1 Equality Duty

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2 Equalities Impact Assessment:

1.3 No impact

2 Impact on Crime and Disorder:

2.1 Not applicable.

3 Climate Change:

3.1 Not applicable.