



IoD BUSINESS PAPER

Innovating for Talent

Ideas for attracting and retaining staff in a tight labour market

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Contents

Introduction 3

Attracting and retaining older workers 4

Recruiting from your local community 8

Working in partnership with the education system to access talent 11

**Improving progression and retention through in-house training
and succession planning 14**

Using flexible working to improve your employee value proposition 16

Looking overseas 20

Reflections for policymakers 22

Further resources 24

Introduction

The UK is facing acute skills shortages which are likely to persist for some time¹. These growing skills and workforce shortages mean that businesses are competing for a shrinking pool of talent.

While these skills shortages have been exacerbated by the COVID-19 pandemic, they are being driven by a number of factors, including over-50s dropping out of the labour market, changing patterns of inward migration to the UK post-Brexit, increasing long-term sickness, and an ageing population².

Given that these factors are for the most part long-term, structural trends, employers will need to adjust their recruitment and retention practices to a new reality of entrenched skills shortages for the foreseeable future.

This paper examines some of the innovative ways that employers are responding to skills shortages, with a view to highlighting lessons and key takeaways for businesses of all sizes interested in how to attract and retain talent in a competitive labour market.

Methodology

In a survey of 941 IoD members in January 2023, we asked respondents for expressions of interest in the topic of innovative approaches to tackling skills shortages. We obtained 146 positive responses, contacted all who replied with a request for further details, and filtered the responses according to their potential to uncover innovative business practice in responding to skills shortages.

We then conducted 31 interviews with business leaders and subject experts in the field of staff recruitment and retention in February and March 2023, and through that process identified 11 case studies of innovative examples of how businesses have tackled skills shortages.

In the sections that follow we group the insights and examples of best practice obtained from these interviews by theme.

¹The UK faces serious challenges around both skills and labour shortages. This paper's use of the phrase, 'skills shortages' encompasses employers' difficulties in accessing sufficient labour as well as specific skills.

²Parliament. House of Commons (2022). Where have all the workers gone? (HL 2022-2023 115). London: House of Lords.

Attracting and retaining older workers

A third of the UK's workforce is now aged 50 or over, a proportion only set to increase as the population continues to age³.

There has been a significant growth in economic inactivity among the 50+ age group since the onset of the COVID-19 pandemic; ONS data shows that in the period November 2022 to January 2023 there were over 300,000 more economically inactive adults aged 50 to 64 years than in the same period three years earlier^{4,5}. This exodus represents a significant loss of expertise and experience that employers could otherwise be accessing.

How can businesses attract and retain older workers?

The older workforce is already a reality. Employers need to act now to attract and retain older workers to avoid lagging behind competitors. The good news is that a few simple changes can help employers to make the most of the opportunities of an older workforce.

36%

of 50-69 year-olds feel disadvantaged by their age in the recruitment process.

The Centre for Better Ageing has identified five simple actions that employers can take to improve the way they recruit, support, and retain older workers⁶:

1 Be flexible about flexible working

ONS research found that, of over 50s who left employment since the start of the pandemic, among those who would consider returning to work, the most important factor when choosing a paid job was flexible working hours (32%)⁷.

Build different kinds of flexibility, formal and informal, into your employee offer, and equip managers to manage flexibility. Support employees to know their options when it comes to working flexibly, including existing employees and individuals going through the application process.

2 Hire age positively

36% of 50-69 year-olds feel disadvantaged by their age in the recruitment process, and over a quarter have or have considered concealing their age on an application form⁸.

Conduct age-positive recruitment campaigns, minimise age bias in recruitment processes, and develop returner or re-entry programmes.

³ Office for National Statistics (ONS), released 18 April 2023, ONS website, dataset, A05 SA: Employment, unemployment and economic inactivity by age group (seasonally adjusted)

⁴ Office for National Statistics (ONS), released 21 April 2020, ONS website, dataset, A05 SA: Employment, unemployment and economic inactivity by age group (seasonally adjusted)

⁵ Office for National Statistics (ONS), released 18 April 2023, ONS website, dataset, A05 SA: Employment, unemployment and economic inactivity by age group (seasonally adjusted)

⁶ Centre for Ageing Better. (2018) Becoming an age-friendly employer. London: Centre for Ageing Better.

⁷ Office for National Statistics (ONS), released 27 September 2022, ONS website, statistical article, Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic: wave 2

⁸ Centre for Ageing Better, Demos, and NIESR. 2021. Too much experience: Older workers' perceptions of ageism in the recruitment process. London: Centre for Ageing Better.

3

Ensure everyone has the health support they need

Age-related health conditions are a leading cause of early withdrawal from the labour market. For example, research has found that one in ten women aged 45-55 who worked during the menopause have left a job due to their symptoms⁹.

Create an open and supportive culture around managing health at work, facilitate access to occupational health services where possible and ensure full, equal, and early access to support. Ensure that you have a workplace policy on menopause and equip line managers to support employees going through the menopause, and make sure support is sustained over time for workers with health conditions.



⁹Bazeley, A., Marren, C. and Shephard, A. (2022). Menopause and the Workplace. London: Fawcett Society.

4 Encourage career development at all ages

Ensure that development, training, and progression are available equally to all ages, provide career guidance at mid-life and beyond, including retirement plans, and help people to take stock and plan holistically for their future.

Employers can use a 'mid-life MOT' process to help older employees assess their current personal, employment, and wellbeing needs and help them plan their financial futures, increasing the chances of retaining their skills and expertise.

A mid-life MOT helps people think about three core themes:

- **Job: training and skills** – How do people see their job developing and changing? Do people need to change the way they work to help them stay in work for longer? Are there options to think about current skills and how people might best build additional skills, or perhaps retrain to support their own career ambitions and meet the needs of the business?
- **Health: health and wellbeing** – What can people do to remain fit and healthy as they get older? What support can employers offer to help people balance their health needs with work? What support is important to the many older workers who have caring responsibilities?
- **Money: financial planning for retirement** – How can people best be supported to think about life after work and make plans for their future? Are pensions and savings on track to give people the sort of future they want? What changes might happen before retirement which could impact current and future finances?

The government announced in the 2023 Spring Budget that they will expand their mid-life MOT initiative, through an improved digital mid-life MOT tool and an expansion of in-person mid-life MOTs through Jobcentres. However, the reach of the programme remains relatively small, meaning that employers would still benefit from offering the process to older employees.



5 Create an age-positive culture

Monitor and share workforce data by age, equip line managers with the knowledge and skills to manage age-friendly practices, and encourage interaction and networking among staff of all ages.

You can signal your commitment to creating an age-inclusive workplace by signing up to the Centre for Ageing Better's [Employer Pledge](#).

Case study

Embracing five generations in the workplace

Phoenix Group is the UK's largest long-term savings and retirement business, with over 7,500 employees, around £3bn in assets, and more than 12 million customers in the UK. That scale and responsibility drives its purpose to support 'a life of possibilities' for the communities it serves.

As the UK labour market struggles to find the talent it needs and in recognition of the experience and value of over-50 workers often being overlooked, Phoenix Group has instigated policies to develop and celebrate a multi-generational workforce where all generations can thrive.

Building an age-inclusive workplace

Phoenix developed a holistic strategy that looked at the end-to-end employee lifecycle, using the '3 R's' of Recruit, Retain, and Re/train to conceptualise how to best support the employment of older workers.

The first step involved examining the imagery and language used in recruitment material. They found that the imagery used was diverse in many respects but did not feature older faces. They also found examples of language in their job advertisements which was subconsciously coded for youth, such as 'energetic' or 'innovative'; although there is no evidence of older workers being less likely to possess these characteristics, the language could be read as searching for a young person. They therefore updated imagery to include older faces and rewrote job advertisements in an age-neutral way, using phrases such as 'committed' or 'good at problem solving'.

The second step was to offer flexible working for all employees from day one, in order to adapt to

the changing world of work and the importance of flexible working to parents, carers and older workers in particular. For Phoenix, the business case for offering flexible working was simple – without flexible work they would miss out on, and lose, talent.

The third component of Phoenix's strategy was to introduce workplace policies to address issues which older workers are more likely to face. Phoenix began offering up to ten days of paid carer's leave, in recognition of research from Carers UK that found that more than 600 people leave the workforce each day because of caring responsibilities¹⁰; paid carer's leave can alleviate that talent drain, improve employee advocacy, and reduce absenteeism. Phoenix also reviewed the support it provides to employees going through the menopause and implemented a support package that includes training, colleague ambassadors, wellbeing support, and access to a menopause medical specialist.

The final step in Phoenix's strategy was to ensure that training and career opportunities are equally offered and promoted to all employees, to challenge the assumption that as people get older their ambition or desire to learn new things diminishes.

The next step in Phoenix's journey to look at developing an age-inclusive workforce will be to introduce a 'talent bench' to enable retired and other former employees to stay in touch with Phoenix such that they can choose to return for full, part-time, or flexible contracts.



The over-50s we employ are an important part of our talent pool; ensuring we optimise strategies to recruit, retain, and re/train them is a win:win for us all."

Andy Briggs, Group CEO, Phoenix, and Government Business Champion for Older Workers

¹⁰ Carers UK. (2019 February 05). Research: More than 600 people quit work to look after older and disabled relatives every day [Press release]. <https://www.carersuk.org/press-releases/research-more-than-600-people-quit-work-to-look-after-older-and-disabled-relatives-every-day/#:~:text=New%20research%20by%20Carers%20UK,than%20600%20people%20a%20day>

Recruiting from your local community

In a tight labour market, employers cannot afford to overlook the breadth of talent available. Businesses can benefit from thinking innovatively about how they can attract and retain talent that may have previously been overlooked.

Case study

Recruiting from your customer base

Karbon Homes is a housing association and affordable homes developer in the north of England, with close to 950 employees.

In response to recruitment challenges and in line with its vision to help its own residents to lead successful, independent lives, Karbon developed New Start, an innovative work placement programme with training and personal development at its heart.

The programme targets an underserved 25-64 years old demographic, targeting those who are either wanting to get into work or looking for a change in career direction.

New Start offers paid, five-month, 30-hour a week placement opportunities for residents living in a Karbon household. Designed to help build skills and experience, the

programme facilitates placements with a range of employers in the region, as well as placements with Karbon itself in areas of the organisation experiencing labour shortages.

In order to access individuals disengaged from the labour market, Karbon set out to approach recruitment in an agile way. After doing research with their target audience to understand the factors holding them back from applying to jobs, they made the application process less formal and more like 'speed dating'.

The first phase of the programme saw 72 residents commencing a work placement across 23 local employers. On completion, 24 residents went on to secure permanent roles with their placement employers and a further seven used the experience to secure roles with other companies.

“

After being made redundant and a period of sickness, I really struggled to find a job.

New Start has given me a chance and securing a permanent job at the end of my placement has been the biggest help ever. It's brought me out of my shell and has had a big impact on my life.”

Paul, New Start participant who joined the programme after being unemployed since 1988



Employing ex-offenders

The UK prisoner population currently stands at over 80,000¹¹, and only 17% of prison leavers secure a job within a year of release¹².

Businesses who already employ ex-offenders consistently report they have high levels of retention, reliability, and performance.

Employers interested in hiring ex-offenders can either get involved via specialist partners and social enterprises active in different parts of the country, or approach the [New Futures Network \(NFN\)](#).

The NFN is a specialist part of the prison service that brokers partnerships between prisons and employers. They will help you to identify the best option for your organisation and put you in touch with similar businesses who are already working with the prison service. You can register your interest on the NFN website.

17%

of prison leavers secure a job within a year of release.

Case study

Tackling labour shortages by supporting ex-offenders into employment

Clipper Logistics¹³ is a retail logistics company based in Leeds, with 10,000 employees and 55 sites across the UK and continental Europe.

The logistics sector has long faced a shortage of talent within the industry, a trend exacerbated by the UK's departure from the EU. This labour shortage encouraged Clipper to launch the Fresh Start programme in 2017 to offer individuals from marginalised groups, including ex-offenders, employment opportunities.

Clipper partnered with Tempus Novo, a Yorkshire-based social enterprise which specialises in the rehabilitation and re-employment of ex-offenders. Tempus Novo risk assess potential employees before they interview candidates with Clipper and provide ongoing support and mentorship to ex-offenders for a minimum of 12 months after release.

From an initial trial placement of a couple of ex-offenders on their Leeds site, which quickly generated highly positive feedback

¹¹ <https://www.gov.uk/government/publications/prison-population-figures-2022>

¹² HM Prison and Probation Service. (No date). Employing prisoners and ex-offenders: See what's on the inside. HM Prison and Probation Service: London.

¹³ Clipper Logistics has since been acquired by GXO Logistics, who continue to recruit via Tempus Novo

from operational leaders, Clipper has gone on to hire over 300 ex-offenders.

As part of the programme, Clipper partnered with a Category D prison — which typically holds prisoners nearing the end of their sentences — in Yorkshire to become a sponsored employer for a prison rehabilitation programme, known as ‘Release on Temporary Licence’, which both ensures these individuals are ready for their reintroduction into society once they are released and provides them with an opportunity for ongoing full-time employment on release.

Retention among the ex-offender cohort has been excellent, at around 80% over 4.5 years, with a number of the cohort being promoted to more senior levels. Feedback from other members of staff has been unanimously positive and the programme has formed a key component of Clipper’s ESG reporting.

Following the success of their work with Tempus Novo, Clipper reached out to other partners working with minority groups such as individuals with mental health issues, disabled people, long-term unemployed individuals, and retirees.

“

My advice would be to take the leap of faith, and have a partner who is experienced in managing ex-offenders; that safety net has afforded us the confidence to keep doing what we’re doing.”

Richard Cowlshaw, former Chief People Officer, Clipper Logistics

Getting support for recruiting from your local community

Jobcentres can help your business to access jobseekers through their network of local Employer Advisers, who can help you to fill your vacancies using the most suitable recruitment solution. Your assigned Employer Advisor can work with you to design a bespoke package to meet your recruitment needs, which might include local Jobsfairs, work trials, sector-based work academy programmes, and work experience for young people.

You can get in touch with your local Jobcentre Plus via:

- Sending a direct message to your Jobcentre Plus on Twitter
- Contacting Employer services via an online form
- By telephone: 0800 169 0178. The agent you speak to will take your details and arrange for a local Employer Advisor to call you back within 48 hours.

If you are a large employer spanning across regions and would like information across multiple locations, email employer.advice@dwp.gov.uk to be connected with a member of the National Employer and Partnership Team.

Working in partnership with the education system to access talent

The UK has long suffered from skills shortages, and as the labour force shrinks the challenge of ensuring that workers have the skills that the economy needs is more important than ever.

The best way to ensure that the education that takes place meets the UK's skills needs is through employer involvement and investment in training.

The government has a range of training and employment schemes available for employers who are considering hiring new employees, offering work experience, or upskilling existing staff¹⁴.

Offer a T Level placement

T levels are new two-year courses available in England, taken after GCSEs and equivalent in size to 3 A Levels. T Levels train young people in vocational skills and are designed to help students into skilled employment, higher study, or apprenticeships.

A key component of T Levels is a requirement for every student to complete an in-depth industry placement that lasts at least 45 days.

T Levels have been rolled out in phases since 2020. By September 2024, over 20 different courses will be available, from Health to Digital Business Services and Onsite Construction.

Offering a T Level placement can give you early access to the brightest young people entering the labour market and the opportunity to develop your workforce of the future.

If you are interested in offering a T Level placement, you can search for providers near you or invite providers to contact you via the [gov.uk](https://find-employer-schemes.education.gov.uk/) website.

Case study

Host a T Level placement

Rowan Consulting is a business management consultancy in Somerset.

As part of Rowan Consulting's continuing engagement with schools and colleges in their area — which has included providing support with applications, interview practice, and workshops on the world of work — they hosted a Digital T Level student from 2021 to 2022.

The student worked with Rowan Consulting for a day and half per week for just under a year, with some time spent working in the office and some time working remotely. During that time, they designed and developed the infrastructure for a new booking system for workshops and oversaw the launch and implementation of the system. This was a task with considerable business benefit but one that had remained on the 'to do' list for some time due to human resource constraints.

By investing time upfront in developing the job description and tasks for the role, the mentoring element of the T Level placement became a check-in exercise rather than a process requiring significant ongoing time investment.

Following this successful placement, Rowan Consulting plans to host another industry placement in future, and potentially engage their former student on a contract basis when they are home from university.

¹⁴ You can find an overview of these schemes at <https://find-employer-schemes.education.gov.uk/>

“

Hosting a T Level student within your business is a great way to build a talent pipeline for your business. For anyone considering hosting a T level student, my advice would be to prep up on what you want the project or outcomes to be, then sit down with the individuals and agree milestones and outcomes, check in weekly, and provide support where needed.

As business owners, we have an obligation to support up and coming talent to be business ready and savvy, and what better way than directly from within the workplace?”

Karen Watkins, Founder, Rowan Consulting

Offer an apprenticeship

Apprenticeships are paid employment for over 16s, combining work and study in a job. Apprenticeships can be a great way to develop skills specific to your business' needs.

Apprenticeships are available at a range of qualification levels, from Level 2 (equivalent to GCSE/Scottish National) through to Level 7 (equivalent to Master's degree). Full-time apprentices need to receive a minimum average of 6 hours per week of 'off-the-job' training delivered by a training provider.

In terms of costs, apprentices must be paid the National Minimum Wage for apprentices in their first year, and either the same rate afterwards for under 19s or the National Minimum Wage for their age. In England, SMEs typically need to fund 5% of the apprentice's training and assessment costs; large companies can use Apprenticeship Levy funds for this purpose. Levy-paying employers can also opt to transfer a portion of their Levy funds (up to 25% of their previous financial year's Levy funds) to any other business to cover their apprenticeship training and assessment costs.





Case study

Using apprenticeships to build a talent pipeline

Khipu Networks is a cybersecurity specialist company based in Fleet, with 135 employees.

Sourcing the right skills in the technology sector has been particularly challenging in recent years.

In response to these skills shortages, Khipu launched an apprenticeship programme in 2012. The programme spans departments, including technical, finance, sales, and operations. They built a strong relationship with their local college, which provides the academic training and support with mentoring and evaluating students.

By investing in mentoring, training, and HR processes to build a supportive ecosystem for apprentices, Khipu has achieved a high retention rate. Over the past ten years, Khipu has taken on 35 apprentices, of whom 25 remain with the company.

By taking on apprentices straight out of school, Khipu has accessed young talent both ready and willing to learn and brimming with fresh ideas and perspectives that have positively shaped the business.

“

We have found the apprenticeship scheme to be positive in terms of increasing talent, diversifying our workforce, and improving company culture. Working alongside an experienced apprenticeship provider has been a key element in the success of this programme.”

Andrew Brimson, CEO, Khipu Networks

Improving progression and retention through in-house training and succession planning

Developing and retaining existing staff is a key component of any strategy to deal with skills shortages.

Investing in in-house training and succession planning to improve retention reduces the costs involved with external recruitment, increases the resilience of an organisation through developing loyal staff with key skills and competencies who are able to move horizontally as well as vertically in the organisation, and reduces human capital risks by identifying key dependencies early.

Case study

Using talent and succession planning to recruit from within

Wessex Advanced Switching Products (WASP) is a specialist electronics and engineering company based on the south coast of the UK.

In response to a more challenging recruitment environment in recent years, several years ago WASP set a strategic target to fill 50% of available roles internally, with the aim of reducing recruitment costs by improving retention.

The first component of the strategy to achieve this target centred around providing staff with cross-training opportunities. WASP instituted a scheme whereby employees can submit requests to train in a different department, with options to do so via day release or block release.

At the same time, the management team began systematic talent and succession planning. A key part of this strategy was each management team member identifying talent within their teams and sharing awareness of this talent between departments. Development plans were put in place for talent identified through this process, including opportunities for management and experience in other departments.

The management team also identified potential human resourcing risks, where positions were more likely to become vacant, matching those positions with internal talent and preparing staff to fill gaps potentially coming down the line. Alerting staff to areas where there may be future opportunities helped to engage them in the development process.

This work has led to 60% of positions being filled internally, both within and between departments. Transitions have also been smoother as a result of staff having received some of the learning and development needed for new roles prior to moving into new positions.



Initially there was a concern in the team whether we could keep motivated staff until opportunities opened but the engagement and staff attrition actually improved through the process.”

Simon Lee, Managing Director, WASP

Setting up a training school

Government skills programmes may not offer the specific skills development needed to meet your organisation’s skills needs. Internal, formalised training programmes can help businesses to train staff according to their particular skills needs.

Case study

Setting up an on-site training school

Sonardyne is an engineering company headquartered in Yateley with 326 employees, specialising in underwater innovations for energy, defence, and science.

Notwithstanding strong retention rates, a combination of a growing order book and a challenging labour market has meant that Sonardyne has struggled to recruit across the business but particularly in technical, STEM-based roles.

In response to these recruitment difficulties, Sonardyne has recently established an internal training school for individuals who have not previously worked in manufacturing or wanted to return after a career break. They partnered with a local recruitment firm, which was able to identify eight candidates for an assessment day at Sonardyne, during which candidates were assessed for key skills such as dexterity, attention to detail, and attitude. After the assessment day, three candidates were offered a place at the training school.

The three trainees undertook an eight-week 'introduction to manufacturing' course, including a range of skills such as soldering, wiring, and assembly. The trainees are now steadily moving to manufacturing products under supervision.

“

It's not enough to be innovative in designing and making products, we have to get innovative around people, how we attract and then develop our team, delivering a great place to work.”

**Graham Brown, Managing Director,
Sonardyne**



Using flexible working to improve your employee value proposition

The prominence of flexible working has increased drastically since the COVID-19 pandemic.

With IoD research finding that over three quarters of business leaders plan to offer a hybrid or fully flexible approach to remote working going forward¹⁵, and the UK government set to introduce the legal right to request flexible working as a day one employment right in 2023, trends towards more flexible working patterns are only set to increase.

Being ahead of the curve on flexible working can be a key tool in recruitment and retention in a tight labour market. Flexible working takes many forms; remote working has received the most attention in recent years, but effective flexible work options can also include part-time, compressed hours, job shares, and flexihours.

Offering — and importantly, advertising — jobs as flexible can significantly increase their appeal, particularly among groups like parents and older workers. Research has found that: 9 in 10 unemployed parents would be likely to apply for a role that listed flexible options in the job advert; 55% of working parents would likely consider leaving their job if they found another one that offered more flexible options; and for all UK parents, flexibility (66%) is second only to pay (73%) in terms of priorities when looking for a new job¹⁶.

How can employers leverage flexible working to attract and retain staff?

Encourage hiring managers to think about job design, and how flexible working could work in the role, before beginning the recruitment process. Consider the different forms of flexible working that you could offer; remote working is not suitable for every role, but offering other

flexible options can widen the pool of candidates who would consider applying.

Many employers are in practice open to offering formal or informal flexible working opportunities, but relatively few make this clear during the application process. Highlight your openness to flexible working throughout the recruitment process, for example by clearly referencing your willingness to discuss flexible working options in job advertisements.

Flexible working is also a key retention tool, particularly when employees' personal circumstances change, so make sure to communicate flexible working opportunities to existing staff as well as new ones.

Ensure that development and progression opportunities are equally available to all staff, regardless of their working patterns. Staff who work flexibly — particularly those who work part-time — are more likely to be wary of seeking progression for fear that they will lose access to flexible working arrangements.

Case study

Investing in remote working

Treework Environmental Practice is an arboricultural consultancy with 16 employees across the south of England. With skills development in the sector not keeping pace with demand for their services, Treework has invested in a range of recruitment and retention strategies.

¹⁵ Policy Voice survey, October 2022. Working Families. 2022. Poll: Over half of UK working parents would consider leaving their job if they found another with better flexibility.

¹⁶ Available at: <https://workingfamilies.org.uk/news/poll-over-half-of-uk-working-parents-would-consider-leaving-their-job-if-they-found-another-with-better-flexibility/> (Accessed: 23 March 2023).

A key element of these strategies has been investing in flexible working, which has been in place across the company since 2010 and is highlighted during recruitment as a benefit. They offer financial support to ensure that staff can work comfortably from home, for example by providing office furniture and making tax-free payments to help employees cover their reasonable additional expenses incurred.

Making remote working successful has also required a shift from traditional management styles; management is based on goals and project outcomes, with an emphasis on trust and avoiding micromanagement. Staff are empowered to work flexible hours, so long as they remain effective in their role.

Treework recognises the negative impact that fully remote working can have on team cohesion and so invests in bringing all staff together to meet on a regular basis.

Remote working has enabled Treework to recruit the best people for the job without being limited by geography and has been a key factor in their strong retention rates.

“

Successful remote working requires investment, compassion, and flexibility. It is essential to set everyone up to succeed and everyone has different needs at different times.

Having good systems for connecting people and sharing information is essential, as is bringing people together monthly for learning events. Systems for monitoring productivity are important but it is equally essential to understand the narrative behind the figures.

Ultimately, well-resourced remote working provides an environment in which dedicated professionals flourish.”

**Luke Fay, Managing Director,
Treework Environmental Practice**



Case study
Empowering employees
to work flexibly

Hana Group is a food company which produces food daily in retail environments and has a separate wholesale distribution arm, with around 700 employees in the UK.

Recruitment and retention of staff is Hana Group's number one challenge, particularly at more junior levels of the company. Following direct engagement with staff through a series of listening groups to understand what changes would help to bolster recruitment and retention and to test ideas, Hana Group instigated an improved flexible work offering.

Since the nature of the company's work means that most staff cannot work remotely, Hana looked to other forms of flexibility such as part-time and shift work.

Hana introduced early morning and later morning shifts, allowing staff to, for instance, get home in time for lunch or drop children off at school before coming to work. They also introduced an app called Plan Day, which displays employees' working hours and allows staff to swap shifts without requiring permission from their line manager.

Both of these changes have been very positively received by employees. Clear and open communication with staff has been key to success, particularly in emphasising that changes to working patterns were not compulsory for staff happy with their existing working patterns.

“

My advice would be to go and talk to your staff and find out what's important to them, and bounce ideas off them first.”

**Jason Danciger, Managing Director,
Hana Group**



Case study

**Implementing a four-day week
to improve staff retention**

CMG Technologies is a manufacturing company based in Suffolk, with 35 employees. As the only company in the UK specialising in metal injection moulding, retention of skilled staff is crucial to the company's continued success.

In 2015, CMG introduced a four-day week as a tool to improve staff wellbeing and retention. They began a consultation period with staff, with communication emphasising that:

- No staff would be negatively financially impacted by the change;
- The proposed move was a positive one and not a reflection on company finances or order books;
- If the move had negative impacts, for example on company productivity or lead times, the change may not be permanent.

Transparency around these key points generated overwhelming employee buy-in to the change, as well as a focus on making it a success.

Staff on full-time contracts retained their existing levels of pay, while staff working on a part-time basis received a proportional increase in hourly salaries. The factory is open seven days a week, so collaboration between all parts of the business to design shift patterns which ensure coverage throughout the week has been key to making the four-day week a success.

Providing staff with flexibility to adapt to the change in the way which suited their personal circumstances best was key to maximising the positive effects of the change. Staff contracts were updated to reflect a reduction in full-time hours from 40 to 35, but employees were free to choose whether to work shorter days or four slightly longer days. Parents of young children, for instance, often found four-day weeks helpful in reducing their reliance on expensive childcare, while parents of school-aged children often found that working five shorter days enabled them to fit their work around the school day.

Management found that reduced hours led to increased staff motivation and productivity during hours worked, such that lead times shortened as teams optimised manufacturing processes.

In addition to extremely strong staff retention, the four-day week is a key driver of consistently high numbers of applications for vacancies. CMG has also found that the policy has led to them often being able to recruit based on word of mouth, as staff proactively recommend jobs to friends and family.



Ensure that your staff are involved in the decision making, and see the change more as a reduction of weekly hours than a strict four-day week – flexibility is key.”

**Rachel Garrett, Managing Director,
CMG Technologies**

Looking overseas

In cases where employers are unable to source the skills they need to grow through local recruitment or training programmes, it may be beneficial to explore options to engage overseas talent.

Immigration

Although businesses can no longer draw on the flow of EU migrants to fill the same type of vacancies as before Brexit, there are still ways to use the immigration system to fill skills gaps.

The most common route by which employers hire foreign nationals to work in the UK is the Skilled Worker route. Hiring someone via this route involves a number of steps and costs, including applying for a sponsor licence, issuing workers with a certificate of sponsorship, paying the Immigration Skills Surcharge, as well as costs levied on the applicant (such as the visa application fee and the Immigration Health Surcharge) which many employers choose to cover. While some of the fees involved are lower for SMEs and charities, the costs and bureaucracy involved may still prove prohibitive, particularly if the worker in question wants to bring dependents with them on the visa.

The Graduate Route Visa

In 2021 the UK government introduced the Graduate Route visa for international students. This visa allows international students finishing their studies in the UK to live in and work in the UK for two years (for those with a Bachelor's or Master's degree) or three years (for those with a PhD) without employer sponsorship.

The Graduate Route Visa avoids much of the bureaucracy and costs of the Skilled Worker route.

How can employers attract former international students?

- Make your openness to hiring former international students clear in your job advertisements and application process. International students are often unsure how to answer the generic 'do you have the right to work in the UK?' question.
- Consider paying the fees incurred by the former international student in obtaining the visa. At present, the visa itself costs £715 and the Immigration Health Surcharge is £624 for each year of the visa.

Subsidiaries and overseas remote working

Where the UK labour market, training options, and immigration system do not meet employers' labour needs, UK companies may benefit from looking overseas in other ways — such as through establishing subsidiaries and employing staff remotely from other countries — to support growth.

Case study

Looking beyond the horizon to tackle labour shortages

retailsolutions UK & Nordics is a software and business consulting organisation, with 70 employees across the UK and Sweden.

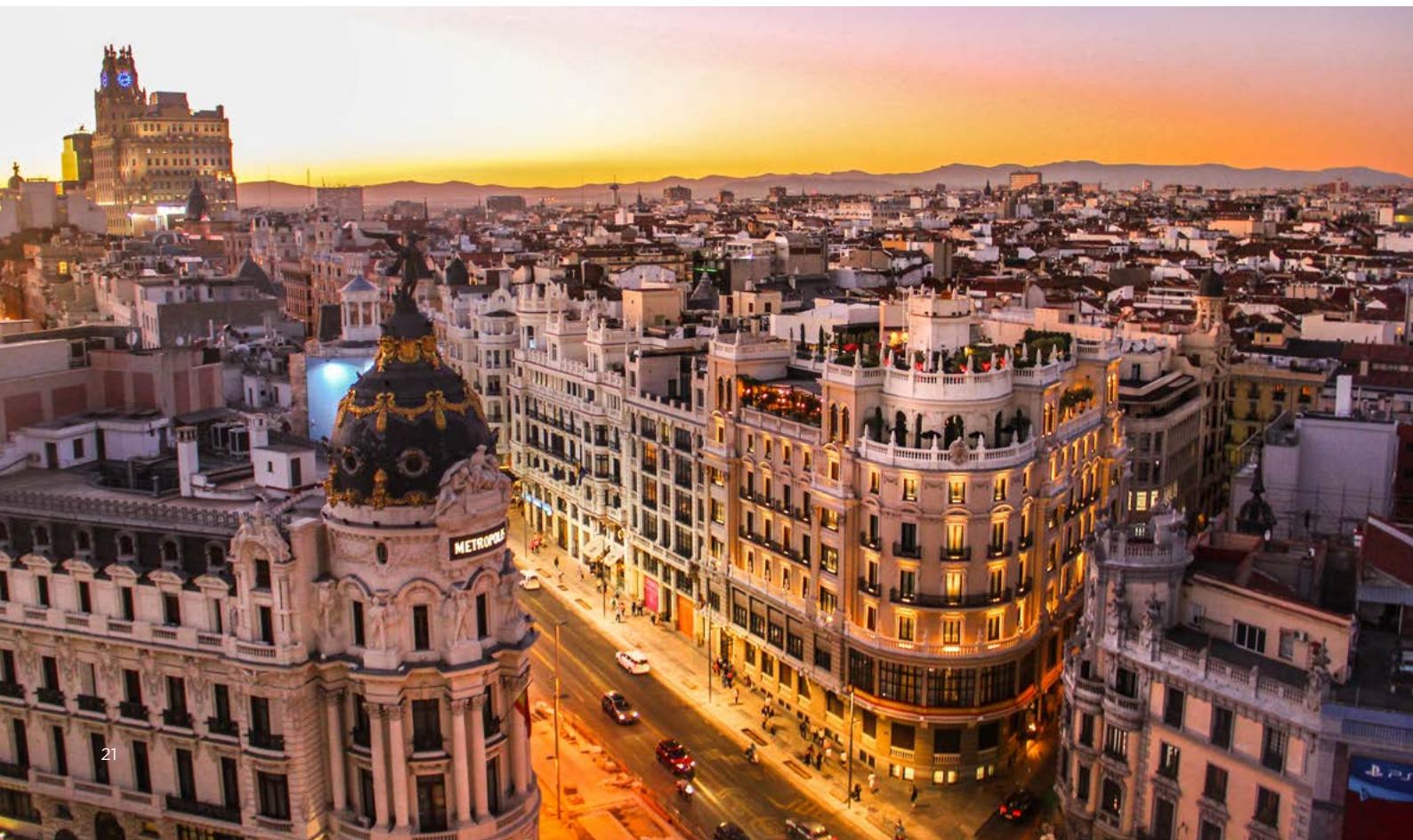
In light of company growth and longstanding skills shortages in their field, retailsolutions UK & Nordics previously sponsored foreign talent via the UK immigration system. However, the embedding of remote working during the pandemic — and the company's decision to employ all staff fully remotely on flexible hours — has meant that consultants being physically present in the UK is no longer necessary, opening up other avenues for growing their non-UK workforce.

As a result, retailsolutions UK and Nordics has established a Spanish subsidiary in order to access talent in Spain and is exploring options to establish another subsidiary in a country with a strong labour market. They are also able to employ individuals as contractors in countries where they do not have subsidiaries, since IR35 rules do not apply to non-UK residents.

“

The pandemic, skills shortages in the UK as a direct result of leaving the EU, as well as the current economic challenges, require that business leaders adapt their practices and business models. Traditional practices need to be challenged and creative outside-the-box thinking is required to turn challenges into opportunities. We are lucky in the UK that we are not faced with language barriers and can therefore tap into the labour markets in neighbouring countries as well as countries within similar time zones relatively easily.”

Michael Niestroy, Managing Partner,
retailsolutions UK & Nordics



Reflections for policymakers

During the course of the interviews with business leaders conducted as part of this research, a number of interviewees reflected on ways in which government policy could assist in addressing skills and labour shortages in the UK. This section brings together these views with other IoD work in this area to summarise our policy recommendations¹⁷.

Incentivising employer investment in training

Addressing chronic and systemic skills shortages in the UK will require a significant increase in business and government investment in training. The IoD recommends that, in order to achieve this, government should create a fully independent Shortage Occupations Agency with a statutory remit to systematically advise on current and future skills shortages areas for the UK economy.

Government should then use the tax system to incentivise business training to address skills requirements identified by this Shortage Occupations Agency, for example by allowing expensing at over 100% for training in these areas only. Furthermore, sole traders should be allowed to deduct for tax purposes the costs of reskilling into areas that are entirely new for their business, if these are identified as priorities by the Shortage Occupations Agency.

The Apprenticeship Levy also requires reform in order to fulfil its original purpose of increasing business investment in skills. The Levy payers we interviewed expressed frustration that inflexibility in the Levy system was such that they could not use all — or in some cases, any — of their Levy funding to meet their skills needs. Increasing flexibility in how Levy funds can be drawn upon, whilst retaining 95% funding of SME apprenticeship training costs, has the potential to increase business investment in training.

Employment support

The importance of high-quality employment support for unemployed and economically inactive individuals is clear, and the government's recent commitment to expand tailored Work Coach support to help claimants of Employment and Support Allowance and the health component of Universal Credit to find suitable work is welcome¹⁸. However, the linking of Jobcentre Plus support with receipt of benefits was highlighted in our research as a barrier to supporting all unemployed and economically inactive individuals into work. Access to employment support should therefore be based on individuals' needs in relation to the labour market, rather than by benefit eligibility.

¹⁷ Ussher, K. and Hall-Chen, A. (2022). How To Increase Business Investment: IoD response to the Treasury workstream on 'People, Capital and Ideas'. London: Institute of Directors.

¹⁸ HM Treasury (2023). Spring Budget 2023. London: HM Treasury. (HC 1183)

Childcare

The government's recent announcement of expanded free childcare provision for children below the age of three and an uplift in funding for childcare providers will go some way to ensuring that all parents are able to participate in the labour market.

However, the childcare landscape needs long-term reform to ensure that it is sustainable and supports parents to work. Government should appoint a 'childcare czar' to drive the agenda forward across government departments and undertake a broad-ranging review of the cost and availability of childcare in the UK.

Immigration

For employers who cannot access the skills they need in the UK, having an immigration system that enables them to access skills in short supply is crucial to the UK's economic success. At present, the bureaucracy and cost involved in utilising the immigration system are prohibitive for many SMEs, thus limiting their ability to access talent.

The government's decision to commission the Migration Advisory Committee to review the Shortage Occupation List in 2023 is welcome, but the gap between the conclusion of the previous review in September 2020 and the current review compromised the ability of the immigration system to adapt to changing labour market conditions in the meantime. Government should therefore commit to commissioning a review of the Shortage Occupation List at set intervals.



Further resources

[Recruiting International Graduates: a Guide for Employers](#)

[Managing menopause at work: Guide for people managers](#)

[Good Recruitment for Older Workers \(GROW\): A guide for employers](#)

[Flexible Working for Over 50s: A toolkit for employers](#)

[The mid-life MOT: getting started](#)

[Becoming an age-friendly employer](#)

[Mid-life support: insights for employers](#)

[Employer guide to apprenticeships](#)

[T Level Industry Placements Employer Guide](#)

[Hybrid Working: Practical Guidance](#)

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum, from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies. The IoD was granted a Royal Charter in 1906, instructing it to “represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.” The Charter also tasks the Institute with promoting “for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors”, which the IoD seeks to achieve through its training courses and publications on corporate governance.

The IoD is an accredited Good Business Charter organisation.

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With particular thanks to the IoD members who shared their stories of innovation with us, and to the subject matter experts who gave freely of their time to inform the recommendations made in this paper.

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