

## **We Need To Deal Imaginatively With the Post-Brexit Labour Shortage**

**Vicky Pryce**

The economy was stagnant in February . But at least we are at last back to pre-pandemic levels of output. And with the UK seemingly so far having avoided a technical recession, the good news is that the IMF have upgraded their expectations for the UK for 2023 . They now expect a smaller fall of just 0.3% for the year as a whole and return to positive growth in the years after.

But that growth is likely to remain below earlier averages, constrained partly by a shortage of labour which is keeping UK inflation above many of our competitors. So this is the policy conundrum- how to ensure the supply of people in the labour force remains strong to allow for that growth to get back to previous long term averages but without it fuelling a wage/price spiral.

The problem , in many sectors of the economy, has been made worse by Brexit with net EU migration now close to zero . True, migration from elsewhere has grown but this has been boosted by special and temporary reasons such as an influx of people on special permits from Ukraine and Hong Kong . But despite their arrival , vacancies, though slowing down in recent months, remain at historic highs at over 1m .

There are other factors at play of course. One is the increased inactivity since Covid with many people seemingly exiting the labour force permanently, mostly due to long term sickness. Others have decided to take early retirement in larger numbers than before. The Chancellor therefore focussed a large part of the March 2023 budget on getting the over 50s and also those with disabilities and women back to work by offering special incentives including greater help with childcare costs. But as the Institute for Fiscal Studies has noted, the impact will be minimal in the short term and the extra childcare support itself, though welcome, won't come in for a while<sup>[i]</sup>. In the meantime labour shortages and costs to businesses will remain -and so incidentally will the gender pay gap which if anything is widening again if judged by the number of firms which have started reporting their latest figures as they are required to do annually<sup>[ii]</sup>. And inflation and interest rates will stay higher than they need be – and for longer.

What better time then that to be more imaginative in search for solutions. This is the argument made by Lord Hastings , currently head of SOAS , part of University of London , in a recent piece for the FT<sup>[iii]</sup>. There is a large underutilized army of people with criminal convictions(1 in 6 adults in the UK), many of them long 'spent', in other words in theory not required to be declared when applying for jobs. Yet most still find it difficult to get quality jobs after prison. Two thirds of firms recently surveyed say they won't consider such people when hiring.

Of course am writing this as the Met commissioner is trying to clamp down on police officers who are still in the force despite having committed serious criminal offences. And the political battle for which party can claim to be toughest on law and order is intensifying as elections approach. But most people with convictions pose no threat to society. The vast majority of women who have served a custodial sentence were jailed for short periods and often for petty crimes.

The evidence shows that many firms who do employ ex-offenders have in general positive experiences. The number of employers with an open HR policy towards hiring ex-offenders is rising. Not only does this group of people relieve the pressures that businesses face , but the overall impact on society is arguably positive. Re-offending rates drop significantly with employment as does overall crime, both otherwise costing tens of billions to the economy annually .

There is no denying that the UK economy is struggling to get back to normality at present. SMEs in particular are struggling and the ability to find skilled staff- or even enough staff to train- has been adding to all the other pressures. Perhaps paradoxically one of the few benefits of leaving the EU may be that it is finally forcing us to think more innovatively about managing our labour force to better respond to the post Brexit environment.

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<sup>[i]</sup> <https://ifs.org.uk/news/childcare-reforms-create-new-branch-welfare-state-also-huge-risks-market>

<sup>[ii]</sup> <https://www.thetimes.co.uk/article/gender-pay-gap-widens-at-biggest-investment-banks-tz0nw9l2q>

<sup>[iii]</sup> <https://www.ft.com/content/b6c5a237-b8f2-4b83-8ba4-4600e0255025>