

# Five smart responses to Brexit tightening the labour market

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It may still be five months away, but none of us need reminding of how Brexit has already had a significant impact on consumer facing businesses. And among all its effects – from food price rises to the impact it will have on our supply chains – none have been felt as keenly as staffing.

I'm sure most of us can quote at least one real life example of how difficult recruiting has become, particularly outside London. One restaurant operator opening a new outlet in the home counties told me that he was having to bus workers in from out of town and provide free accommodation just to get it open. I know of retail businesses who are investing in case management to help the hard to employ become job-ready to help fill vacancies.

This is not purely the Brexit effect of course. The UK has had a tight labour market for some years and structural issues around encouraging young British people into the sector of course play a large part. However, it's undoubtedly the case that Brexit is discouraging some Europeans to stay in the UK, and more significantly, discouraging other EU nationals from coming. The currency depreciation alone means a pound does not go as far as it used to in Paris, Budapest or Warsaw. And I'm afraid I don't see a change in the political picture that is going to radically reverse this situation.

We hope for clarity from the Government's Immigration White Paper but on this one, politics will always trump economics. Those commentators who start from the premise that the final settlement will be based on what is economically in the best interests of both sides are looking at this through the wrong end of the telescope. It's like a married couple who have agreed to divorce then asking whether they should actually stay in the same house because it's more cost effective.

My analysis focuses on what is politically possible. And that leads me to two broad conclusions: either we'll have a transition followed by some sort of deal, or a no-deal Brexit and significant disruption. I don't think we will conclusively be able to say which track we are on until January or February next year.

Already we have seen the steepest annual decline in the number of EU nationals working in the UK – down 86,000 in the year to June to 2.28 million – and in the vacuum of certainty we are likely to see more Europeans either vote with their feet or continued to be 'scared off'. Already UK unemployment is at its lowest level since the 1970s and below the point considered 'sustainable' by the Bank of England.

The effect on worker availability in sectors such as retail, hospitality or food production is obvious and the potential knock on for wages is clear. Though wage inflation has been largely held in check across the broader economy thus far, it's an open question as to how long employers can resist this upward pressure. It's certainly the case that any good staff recently made redundant in casual dining for example will have few problems finding attractive alternative offers!

Faced with this picture, here are my '5Ps' to reduce your exposure to a labour shortage:

## 1. Productivity



Of course, requiring less labour per pound of revenue reduces your exposure to an increase in the price. This may sound like economics 101 but let me reassure. I am not talking about robots pouring pints. But we know from a rollout by one company that ordering via apps for example can lead to 27% more covers for the same number of staff. There is evidence that laying out choices via the app increases upselling too.

## 2. Participation

Just as when the oil price goes up, companies drill in more difficult locations, so too must employers look beyond their traditional recruiting grounds. How could you change working patterns to tap into otherwise overlooked sources of potential? Ex-offenders, parents of school aged children, or the recently retired may be great sources of loyal and flexible labour if you can make the work-pattern ... work.



## 3. Pricing

Changing pricing to encourage customers to pay extra for labour intensive aspects of the service may reduce demand, or increase the capacity to increase pay. For example, offer a free drink at the bar instead of having your room cleaned every day.



## 4. Package

As in reward package – what can you offer to win the competition for talent? And I think it's important to look beyond straightforward cash per hour. Consider other benefits that are worth more to your staff than money but cost you less. For example, one national retailer offers staff interest-free loans for their deposit on a rental property. For people struggling to find thousands of pounds up-front, the value offered of a home to call their own far exceeds the modest cost.



## 5. Purpose

This is less tangible but consider the relationship your staff have to you as an employer. What do you offer beyond the Ts and Cs to earn loyalty? What is it that means they will stick with you, rather than jump ship to a competitor who might offer a little more pay per hour? Perhaps it is the camaraderie of the working environment, the leadership qualities they see in your managers, the ethics, the quality of the product or the smiles from satisfied customers. What can you do to improve your 'stickiness'? We know, from a 2013 study by the Harvard Business Review that meeting any one of four basic needs: physical renewal, emotional value, mental focus and purpose led to a 63% greater likelihood to stay at a company<sup>1</sup>.



**So while much of Brexit represents an often confusing and usually uncontrollable rough ride for the next six months, we are not passengers on a rollercoaster. There are strategies we can employ to improve our prospects. Consider the 5 Ps and take actions today that improve your Brexit resilience.**

1. <https://hbr.org/2014/06/the-power-of-meeting-your-employees-needs>

## Contacts



**Mark Essex**  
**Director, Public Policy**  
**KPMG in the UK**  
**T:** +44 (0)207 694 8219  
**E:** mark.essex@kpmg.co.uk



**Will Hawkley**  
**Global Head of Leisure and Hospitality**  
**KPMG in the UK**  
**T:** +44 (0)207 694 4879  
**E:** will.hawkley@kpmg.co.uk

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