



Preparing the UK for the future of work

September 2022



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“Despite a difficult economic backdrop, the UK tech sector continues to show a strong desire to create jobs and expand its workforce. Leveraging the strength of UK tech will be critical in responding to some of the biggest challenges facing the country today, but we need to act now to address the digital skills shortage and prepare the UK for the future of work.

These recommendations set out how we can position the UK for success in the digital economy of the future, by supporting more people from all backgrounds into well-paid digital careers, ensuring access to international tech talent, embracing flexible work and driving standards for high quality flexible jobs.”

Preparing the UK for the future of work

The tech sector is the UK's modern economic success story, with the sector's contribution to the UK economy growing by 26.5% between 2010 and 2019. The most recent estimates show that UK tech now employs 1.7 million people, adding over £150bn to the economy every year. Further government's estimates show that, if our sector is well supported, we could add another £41.5bn by 2025, creating 678,000 more jobs. As the UK economy seeks to recover from the impact of the pandemic, and grapples with additional challenges around rising energy prices and spiralling inflation, leveraging this strong digital and tech sector will be key to driving growth across the wider economy.

The pandemic accelerated digital adoption in businesses across all sectors, with a huge increase in demand for tech products and services driving tech sector vacancies to approximately 870,000 between January 2022 and May 2022, around 14% of all job opportunities in the UK. The findings of techUK's recent Digital Economy Monitor surveyⁱ show that this desire for digital transformation has become embedded, underscoring the importance of digital skills and technology to the future of the UK economy. However, UK businesses are not able to recruit the digital skills they need, with 30% of techUK members highlighting better training and skills support and 21% raising better access to overseas talent as key to ensuring the sector can grow and prosper. The role of diversity initiatives have also been widely recognised in building high-performing and productive teams and 38% of IT decision-makers report that this will be a focus over the next 12 months. techUK is keen to see government take tangible steps to support people from all backgrounds into digital careers, enabling businesses to invest and access the talent they need.

ⁱ techUK's Digital Economy Monitor is a regular survey of techUK members to measure and track operational changes and perceptions on business outlook and prospects for the UK economy among the tech sector. The most recent results of this survey were published in March 2022.



At the same time an increased desire for flexibility amongst workers has been reflected in the rise of hybrid working models and the sustained growth of the gig economy. Over 75% of UK bosses intend to adopt remote or hybrid working in the long-term and flexible working options are now just as important as traditional benefits for UK workers, whilst the gig economy workforce has trebled over the last 5 years with 15% of adults finding work through online platforms at least once a week. techUK believes that taking advantage of this flexible working revolution and driving industry standards around such work will have benefits for all but require concerted action from government.

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1. Review and reform Apprenticeship Levy to broaden routes and provide guidance on pathways into digital jobs
2. Embrace flexible work by providing guidance for the public and private sector and establishing the right to request flexible work on day one
3. Take action to drive standards across the gig economy and create a Single Enforcement Body to provide clarity on gig work
4. Introduce a Digital Skills & Productivity Tax Credit to support businesses to invest in training and adopt productivity-enhancing technology
5. Enable businesses to access and attract high quality international talent by reducing costs of the immigration system and streamline the Shortage Occupation List.

1. Review and reform Apprenticeship Levy to broaden routes and provide guidance on pathways into digital jobs

Tech businesses across the UK are unable to find the digital skills they need to grow their business and create new innovative products and services. Ensuring that people of all backgrounds have the opportunity to find their career in technology can help fill these vacancies and get more people into digitally skilled roles that [pay on average £62,500](#) a year.

Despite Engineering and Manufacturing Technologies and ICT apprenticeships remaining in the top six sector areas of apprenticeship starts in England, [the rate of apprenticeship starts has fallen year-on-year](#) and it is time to institute a full review of the Apprenticeship Levy to ensure it is working for all businesses. Employers should be encouraged to invest in skills by increasing the percentage of unspent funds from levy-payers that can be transferred to smaller companies in their ecosystem and supply chain, increasing the lifetime of apprenticeship levy funds from two to five years, and raising the transferable funds rate from 25% to 80%.

techUK's [Fast Forward for Digital Jobs report](#) has insights from tech businesses and the wider industry exploring how we can work together to signpost the opportunity of digital jobs to more people and work to ensure that these opportunities are open to people of diverse backgrounds. The report makes further recommendations to support learners, employers, and deliver the change we need at scale.

2. Embrace flexible work by providing guidance for the public and private sector and establishing the right to request flexible work on day one

The pandemic accelerated trends towards more flexible forms of work, including hybrid work, across the economy. Businesses of all shapes and sizes have adopted technology that facilitates flexibility around where and when employees conduct their work. Flexible working [can open up the workplace to 1.3 million people](#), including those in rural areas or with disabilities, and enable more people to access tech sector jobs. In turn, [businesses are able to recruit the skills they need](#) from wider talent pools, enhancing [business performance](#) and [productivity](#).

To realise the benefits of flexible working across the UK economy, the government should provide guidance for businesses outlining how they can adopt flexible working practices and best practices and make the [right to request flexible work available to all employees on day one](#). With most UK businesses intending to adopt flexible working practices in the long term, embracing flexible and hybrid working across the public sector will be key to ensuring it can keep pace on productivity and compete with the private sector for the best talent. And as more people conduct their work locally, the UK should seize the opportunity to consider how an increase in flexible working can be leveraged to support the growth of local economies and Levelling Up agenda.

3. Take action to drive standards across the gig economy and create a Single Enforcement Body to provide clarity on gig work

Gig economy work is powering innovation across sectors, including courier, transport, and delivery services, as well as areas such as software development and technology. Individuals are increasingly looking to gig work as a flexible alternative to traditional employment that enables them to work if, when and for however long they want. 72% of all gig workers are happy with the flexibility they have over work, compared to 65% of the general workforce, and a significant majority would be unwilling to sacrifice flexibility or earnings for more generous benefits. However, despite the rise in people finding employment in the gig economy, the UK is yet to provide gig economy employers with the clarity and policy certainty they need to grow and provide benefits and protections to their workers.

It is therefore essential that the UK acts now to address this uncertainty to support individuals and businesses and drive industry standards across the gig economy. techUK welcomes recently published guidance from BEIS on how employment status and definitions work in practice to help businesses and individuals understand their rights and obligations. The government should also seek to create a Single Enforcement Body tasked with ensuring consistent obligations for gig economy firms to deliver a fair and competitive market that protects flexibility for individuals and businesses, provides protections for all gig economy workers, and enables platforms to offer protections in a way which reflects the way those in the gig economy work in practice.

Moreover, as gig work is defined by flexibility around whether, when and for how long to work, raising standards in the gig economy will also require government to review its metrics around pay and hours worked to ensure it has a sustainable way of evaluating good wages and work in the context of the gig economy.

4. Introduce a Digital Skills & Productivity Tax Credit to support businesses to invest in training and adopt productivity-enhancing technology

As the adoption of new technologies in businesses across the economy continues at pace, 9 out of 10 jobs in the future will require digital skills. But even now, demand for digital skills is rapidly outpacing supply in the UK. 77% of SME leaders say a lack of necessary skills is stopping them from applying productivity-enhancing technologies, whilst such businesses also face additional obstacles around the affordability of training and new technologies and accessing training specific to their needs. Supporting businesses to invest in training their workforce and adopt new technologies will be crucial in closing the digital skills gap and unlocking the productivity gains of digital transformation.

Government should therefore seek to introduce a Digital Skills & Productivity Tax Credit. The Digital Skills & Productivity Tax Credit can be designed in a similar way to the R&D Tax Credit, which has been shown to bring important social and economic benefits beyond the businesses that claim it, by offering an incentive deductible against retraining programmes and digital adoption investment.

Providing additional incentives and support for SMEs to meet their desire for tech adoption has a huge payoff. [Economic modelling shows that further £232 billion GVA per year could be unlocked](#) through effective action by government to encourage digital adoption, illustrating the central role that technology can play in boosting the growth of the UK economy.

5. Enable businesses to access and attract high quality international talent by reducing the costs of the immigration system and streamline the Shortage Occupation List

The success of the UK tech sector is inextricably tied to the ability of businesses to recruit talent from abroad, with a [higher rate of international employees](#) (13%) than most other sectors. In the context of a global shortage of digital skills, ensuring the UK remains a competitive and attractive place for international talent is critical to ensuring the growth of the tech sector and the UK economy as a whole.

At present, the cost of the new points-based immigration system is compounding the struggles of UK businesses to recruit the digital skills they need, particularly higher-level technical digital skills. Access to international talent is acutely important for key emerging technology sectors that will be central to the UK economy in the future, such as AI, [Quantum](#) and [semiconductors](#). Yet visa fees in the UK are significantly more expensive than in competing countries in the EU and beyond, which risks deterring global talent from seeking employment in the UK and encouraging them to look to neighbouring European countries instead.

Whilst UK Visas and Immigration (UKVI) seeks to make provisions for ongoing shortages in the labour market to make sponsorship applications simpler and quicker for jobs on the Shortage Occupation List, this is often not the case in practice as the list is not exhaustive nor updated frequently. Government should therefore seek to sustainably reform the Shortage Occupation List to ensure it is fit for practice. UKVI and the Home Office should work with the Department for Education's Future Skills Unit on how labour market data can be better effectively shared and used across government departments.

In July 2022, techUK responded to the BEIS Select Committee inquiry 'Post pandemic-growth: UK labour markets'. The Committee posed questions around whether the UK has enough workers with the right skills in the right places to do the jobs required in our economy, as well migration changes, the impact of technology, and employment status and modern working practices. [Read our response here.](#)

About techUK

techUK is a membership organisation that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve. We collaborate across business, Government and stakeholders to fulfil the potential of technology to deliver a stronger society and more sustainable future. By providing expertise and insight, we support our members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.



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