



# UK Manufacturing Labelling & Packaging 2017

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Issues Impacting Skills Availability In 2017



## Highlights

- The Manufacturing Skills Gap – An Overview 2016/2017
- In-demand skills in manufacturing 2017
- 4 key issues which may present challenges to the UK manufacturing industry in 2017 and beyond in terms of availability of skills and which may add to the existing manufacturing skills gap;
  1. Brexit
  2. The Apprenticeship Levy
  3. The Immigration Skills Charge
  4. 4<sup>th</sup> Industrial Revolution/Robotics

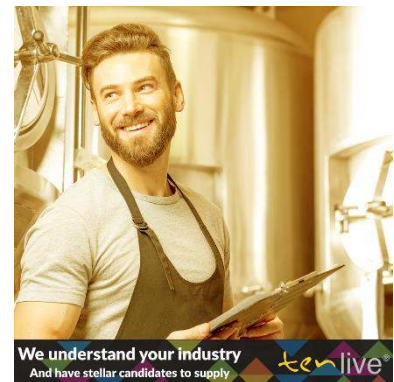
## Background - UK Manufacturing Labelling & Packaging – Sector Size & Jobs in 2016/2017

UK Manufacturing makes up a tenth of the UK economy had sales of £357.8bn in 2015 <sup>(1)</sup> and employed 2.7m people <sup>(2)</sup>.

Within UK Manufacturing, **the UK Labelling & Packaging Manufacturing Industry (with 9 core sectors -cosmetics, drinks, food, food service, industrial, luxury, personal care, pharmaceutical & medical, tobacco) contributed annual sales of £11-12bn and employed 85,000 people, 3% of UK manufacturing’s total workforce** <sup>(3)</sup>.

The global packaging market was estimated at £673bn in 2015, set to reach £800bn by 2020 and £882bn in 2024, with beauty, consumer electronics, pet food, household hygiene sectors to record the highest growth by 2019 <sup>(4)</sup>.

The UK manufacturing industry started 2017 on a 30-month high, with **jobs in the manufacturing industry up by 24% year-on-year** <sup>(5)</sup> and **over two thirds of UK manufacturing firms expecting their businesses to grow in 2017** <sup>(6)</sup>.



## The Manufacturing Skills Gap - An Overview 2016/2017

According to the REC (Recruitment and Employment Federation) the skills gap remains the biggest challenge for over 50% of all UK businesses in February 2017 <sup>(6a)</sup>. **The skills gap also remains a key challenge for manufacturing / label and packaging manufacturing companies;**

- British Manufacturing faces a skills gap with 170,000 vacancies needing to be filled between 2010 and 2020 <sup>(6b)</sup>
- **In the food and drink manufacturing industry over a third of employees are due to retire by 2024** <sup>(7)</sup>



## The Manufacturing Skills Gap - An Overview 2016/2017 contd.

In 2016 75% of British manufacturers said they have faced difficulties finding “the right people with the right skills” in the last three years, putting productivity growth at risk – the “**quality and quantity of candidates is lacking**” (8) and are “struggling to recruit skilled workers and keep pace with global technology



The proportion of vacancies considered hard-to-fill in manufacturing still remains high, at 35%. This has not improved since 2013 and has worsened since 2011 and in fact **the demand for skilled workers is expected to rise between 2016 and 2019**(9).

With an ageing workforce, reduced supply of young people, increasing competition from other sectors, the inability to both encourage more women into the sector and to make the industry attractive as a career of choice, **Britain’s** manufacturers are “struggling to recruit skilled workers and keep pace with global technology”. (10)

### The Top 3 Reasons for Recruitment Difficulties by Manufacturing Companies 2015-2016 (11)

1. Lack of technical skills
2. Insufficient number of applicants
3. Lack of relevant experience

### In-Demand Skills By Manufacturing Companies 2016-2019

1. Almost 60% of manufacturers need **more production-related technical skills** and more than 50% need more staff with **IT skills** (12)
2. **Managers** - increased demand for skills focused on leadership, management and line management skills in line with organisational restructuring and improving productivity. Nearly 60% of manufacturers stated the priority for growth is people management and leadership. Production & Process Professionals including Production & Process Engineers, Mechanical Engineers, Electrical Engineers, Welding Trades
3. **Multi-trade skills** (e.g. mechanic who is also an electrician)
4. **PLC** (Programmable Logic Controller) and **Robotic Skills**
5. Warehouse operations and logistics
6. **Sales & Marketing**
7. **Apprentices**



Engineering, technician and sales positions are seen as being the greatest challenge to fill (13).



## Issue 1 Impacting Skills Availability In Manufacturing - Brexit

UK manufacturers rely heavily on workers from within Europe to fill a variety of roles via the Free Movement of People.

- In 2016 9% of UK manufacturers recruited non-EEA employees (15)
- In 2016 10% of all workers in UK manufacturing were EU foreign-born Nationals (14)
- In 2015 the industry with the highest share of foreign-born workers in its workforce was food products manufacturing, where about 41% of the workforce was foreign-born (15)

The manufacturing industry is already “expected to face a challenging year as energy and material costs remain high” and according to CBI **the biggest challenges that manufacturers will face in a post-Brexit world includes labour skills and movement world**”. (15a)



### Brexit And The Labelling & Packaging Industry

For the packaging industry, one of the biggest Brexit issues is “access to workers from the EU” (14); Dick Searle, CEO of the Packaging Federation said: “Retaining this EU workforce will be crucial .... without them much of the UK’s industry would grind to a halt... the big issue is on flexibility of labour. It’s not just a question of getting people. The idea that the definition of a skilled worker is someone with a degree is nonsense. Multi-national companies also need to shift people around (15b). The FPA’s Martin Kersh also went on to say; “In setting [employee] quotas and work permit criteria will the government insist on a very high education level? If so, manufacturing, warehousing and distribution will be even more short of labour, while some companies will find it difficult to trade, what with staff returning home and quotas preventing their replacement.” (15c)

### UK Government Plans To Fill The Post-Brexit Skills Gap

In the recent March 2017 UK Budget the Chancellor acknowledged that the biggest challenge facing many businesses and the UK economy is” the threat of skills shortages after the UK leaves the EU” and announced plans to help counter the lack of EU workers;

Students who opt for a technical education in order to develop specific workplace skills will be offered maintenance loans for the first time, under a new £500m-a-year plan to equip the British workforce for life after Brexit. The Chancellor says he wants to “elevate technical education to the same status as an academic route through university, in what he will claim is “the most ambitious post-16 education reform since the introduction of A-levels 70 years ago”. The amount of training for those on technical courses will be increased by more than 50% to more than 900 hours a year by 2019-20 and include the completion of a high-quality industry work placement (15d/e),



## Issue 2 Impacting Skills Availability In Manufacturing - The Apprenticeship Levy

On the 6th April 2017 the UK government will roll out The Apprenticeship Levy, a 0.5% tax on all employers which have an ‘annual pay bill’ of over £3m (although they will also receive a £15,000 Levy allowance). Companies with an annual pay bill below £3m will not pay the Levy



- **25% of UK manufacturers think the Levy will increase the quality of apprenticeships**
- **25% also think it could attract more young people into apprenticeships** (16).
- 26% say the Levy will increase the responsiveness of providers to deliver relevant training
- **30%** say they will be better able to buy the training their business really needs (17)
- 80% of manufacturers say they are planning to recruit a manufacturing and engineering apprentice in the next 12 months and 45% are planning to recruit an apprentice outside of manufacturing and engineering. (18)

### Impact of the Apprenticeship Levy Scheme on Food & Drink Manufacturing

In food & drink manufacturing companies can currently obtain funding of 50% or more for apprenticeships, although many companies have not taken advantage of these opportunities, but with the new Levy scheme the FDF says ;

**“this is an opportunity for food & drink companies to take on at any age, to take people who are not at the highest skills level and train them up.....for business to have more control ....they are more likely to get value for money, because they can go to a provider and say ..”I want engineering, but it to be top-quality. Also, historically, for example food & drink companies could put apprentices on a generic engineering course and would have to cover food-specific modules in-house. Now, food engineering is a standard in its own right** (19)”

Major food & drink brands such as Yeo Valley and Weetabix which have traditionally run (production) engineering-related apprenticeships to meet skills shortages are now looking to the new Apprenticeship Levy scheme to introduce apprenticeships in areas such as IT, technical, food science and commercial.

- In March 2017 Kellogg’s announced it is launching 5-year apprenticeships in manufacturing and distribution (20)
- Food manufacturer Bakkavor is planning to take on 40 apprentices in manufacturing, engineering, development and HR, (21)

**In 2018 a transferability mechanism is also to be introduced where (food & drink) companies will be able to make 10% of the levy fund available for to their suppliers (e.g. labelling & packaging manufacturers).**



### Issue 3 Impacting Skills Availability In Manufacturing - The Immigration Skills Charge

One of the methods proposed by the government to address the skills gap is the **Immigration Skills Charge**.

From April 2017 Employers wishing to sponsor non-EEA workers in the UK will have to pay a new annual fee of £364 for small or charitable employers or £1,000 for large employers for each skilled worker recruited from outside the EU under a Tier 2 visa. The government says it is designed to cut down on the number of businesses taking on migrant workers and incentivise training for British staff to fill those jobs. The aim of the charge will be to increase revenue by an estimated £250 million for training opportunities, including apprenticeships. If this proves to be an accurate forecast then the changes introduced may help the UK manufacturing industry in the longer term and help create a more highly skilled domestic workforce. (22).



### Issue 4 Impacting Skills Availability In Manufacturing – 4<sup>th</sup> Industrial Revolution/Robotics

Manufacturing is undergoing a transformation to the fourth industrial revolution. This transformation will see greater integration of physical production with digital technologies to boost levels of productivity.

The Fourth Industrial Revolution builds on the Digital Revolution, representing new ways in which technology becomes embedded within societies and even the human body. The Fourth Industrial Revolution is marked by emerging technology breakthroughs in a number of fields, including **robotics, artificial intelligence, nanotechnology, biotechnology, The Internet of Things, 3D printing and autonomous vehicles**.



Robotics and artificial intelligence could affect almost a third of UK jobs by the 2030s. Jobs in manufacturing and retail were among the most at risk from the new technologies - “more manual, routine jobs” which “can effectively be programmed” were the most at risk. **46% of jobs in manufacturing could be affected by robotics and artificial intelligence.**

However, it is predicted that the nature of some occupations would change rather than disappear and automation could create more wealth and additional jobs elsewhere in the economy. (23)



## About Ten Live Group – Manufacturing Recruitment

Ten Live is an award-winning multi-sector recruitment agency

24/7, quality ISO 9001:2015 accredited, fast-turnaround recruitment

Specialist recruiters in Technical (**manufacturing** oil & gas, engineering,), IT, Professional / Executive, Accountancy / Finance, Rail, Logistics, Industrial, Sales and Marketing, Office, HR / Education / Training. Healthcare, Food and Drink sector

100% excellence in customer service

One of the most highly-experienced, skilled and well-respected manufacturing recruitment and support teams (payroll and finance) in the country.

Our manufacturing team can source candidates for any role in manufacturing, whether highly-specialised, in-demand, skilled or unskilled using leading-edge industry recruitment practices and technology - they will go beyond the norm to get the right people for your manufacturing business

100% excellence in external Legal & Compliance, Client Services & Processes in 2016/2017 external audits



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