



THE ADECCO GROUP

Labour Market Outlook: Manufacturing and production viewpoint

Based on research from the Labour Market Outlook,
Spring 2017, produced in partnership with the CIPD



Manufacturing and production viewpoint

Manufacturing is one sector of the UK that has visibly improved since the EU referendum was announced. The sector is still demonstrating more positive inclinations than the economy on average.

Nearly half (46%) of manufacturing and production firms believe their organisation's financial situation has improved in the last 12 months and an even higher number (49%) believe it will get better in the coming year. These figures are both far higher than the UK average.

Recruitment intentions

This confidence does appear to be translating into greater intention to hire where the sector demonstrates a net employment score (+38) nearly twice the country average (+20). More than half of firms in the sector (53%) expect their workforce to increase in the next three months, compared to only 15% that expect it to decrease.

Manufacturing and production companies were at the same time less likely to be hiring and making redundancies in the next three months. Initially this seems at odds with the larger net employment balance but is likely to be linked to the slightly smaller size of firms in the sector; 55% are classed as small or medium organisations compared to just 41% for the overall sample.

This probably feeds into the fact that companies in the sector currently have, on average, five vacancies, half the UK average.

An example of optimism in the sector is that half of current vacancies are currently being described as newly created (as opposed to replacement ones), this compares to just 15% of roles across the UK that are newly created.

Recruitment challenges and skills acquisition

Manufacturing and production is regularly discussed as an area which struggles to recruit owing to a lack of engineering talent; unfortunately this survey does not corroborate that viewpoint. Although half of current vacancies are viewed as 'hard-to-fill' this is the same level as the UK average. That said, a lack of skills as a reason for not filling these roles is more prevalent for this sector than the UK on average.

Organisations in the sector also demonstrated less interest in improving their existing skill sets. The survey shows that 60% have a specific training budget, significantly lower than 73% across the UK on average.

Manufacturers are more likely to use a recruitment agent in order to acquire skills but despite the supposed skills gap there is still a third who do not. Additionally, less than half offer apprenticeships, in a sector they are traditionally well suited to, especially given that the government has recently provided funding for training through the Apprenticeship Levy.

What will the overall effect of your recruitment policies be in the next three months?

Increase total staff level

53%

Decrease total staff levels

15%

+38%

Net employment balance



Outlook for pay growth

Employers in this sector expect pay awards to be 2% in the coming year, this is higher than the UK average (1%) but in line with the average for the private sector (2%).

In fact, more than two-thirds of respondents suggested that they were expecting a pay award of 2% or more, with one in ten suggesting above 4%. Despite the apparent optimism within the sector it was not improved profitability that was driving this growth but more inflationary pressures (both current and expected) along with making up for the sluggish growth of recent years.

The 'Brexit' effect

Manufacturing and production firms do not demonstrate any higher employment rates for non-UK nationals than the rest of the UK. Just over half (55%) employ EU nationals with 80% of their workforce still being made up of workers from the UK.

Again, it might be supposed that the skills gap is a reason why employers are targeting EU nationals but the two biggest reasons for employing them was better work ethics and an inability to attract UK nationals to fill low-skill roles. Nearly one in four did mention better technical knowledge but not specifically qualifications.

The result of the EU referendum has not affected the industry's desire to recruit EU nationals; 77% report no change during the last 12 months.

Read the full Labour Market Outlook, Spring 2017 report and find out how the research was conducted [here](#)

Why does your organisation employ EU nationals? (Manufacturing and production)



Better work ethic/motivation



Difficulty attracting UK-born applicants to fill unskilled or semi-skilled jobs



Better practical knowledge