

# Laboured Progress: Staffing Shortages in UK Industry

Employment in the United Kingdom is at its highest level for decades, but nevertheless, many labour-intensive UK industries are facing considerable staffing shortages.

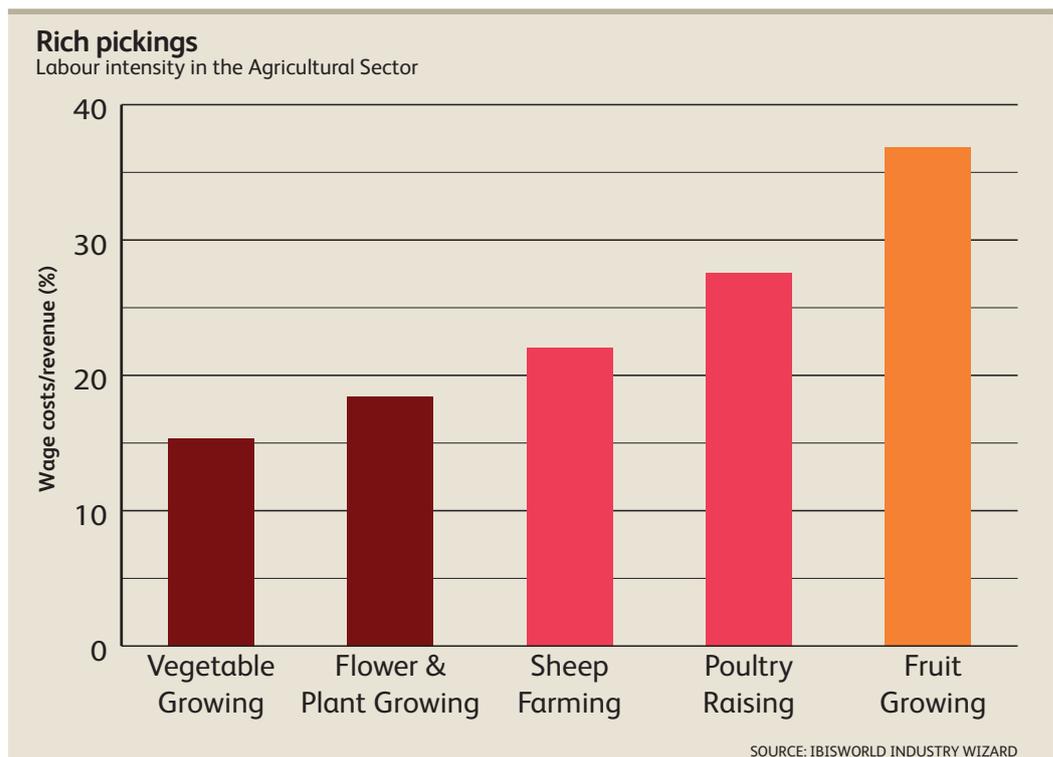
Skills shortages affect both wages and capacity, and can have knock-on impacts throughout supply chains

The possibility of exiting the European Union without a deal has only heightened concerns, as an abrupt end to free movement would lead to further reductions in the pool of EU workers, who account for a considerable share of the workforce across a range of sectors. In this report, IBISWorld assesses the issues facing five sectors currently under pressure from a skills shortage.

### Seasonal seeding

There have been anecdotal reports of fresh fruit and vegetables being left to rot on British farms due to a shortage of workers, leading to reduced revenue for the majority

of farmers over the past year. The agricultural sector has unravelled since the decision to leave the European Union due to its heavy reliance on EU migrant labour, as the pool of available workers has decreased. A reduction in take-home pay in euro terms and opportunities in other EU member states has discouraged many from making the trip to work during the British harvest season. Industry stakeholders successfully convinced the government to implement a two-year trial for a Seasonal Workers Pilot scheme, which will allow 2,500 non-EU workers into UK fruit and vegetable farms up to six months each year in 2019 and 2020.



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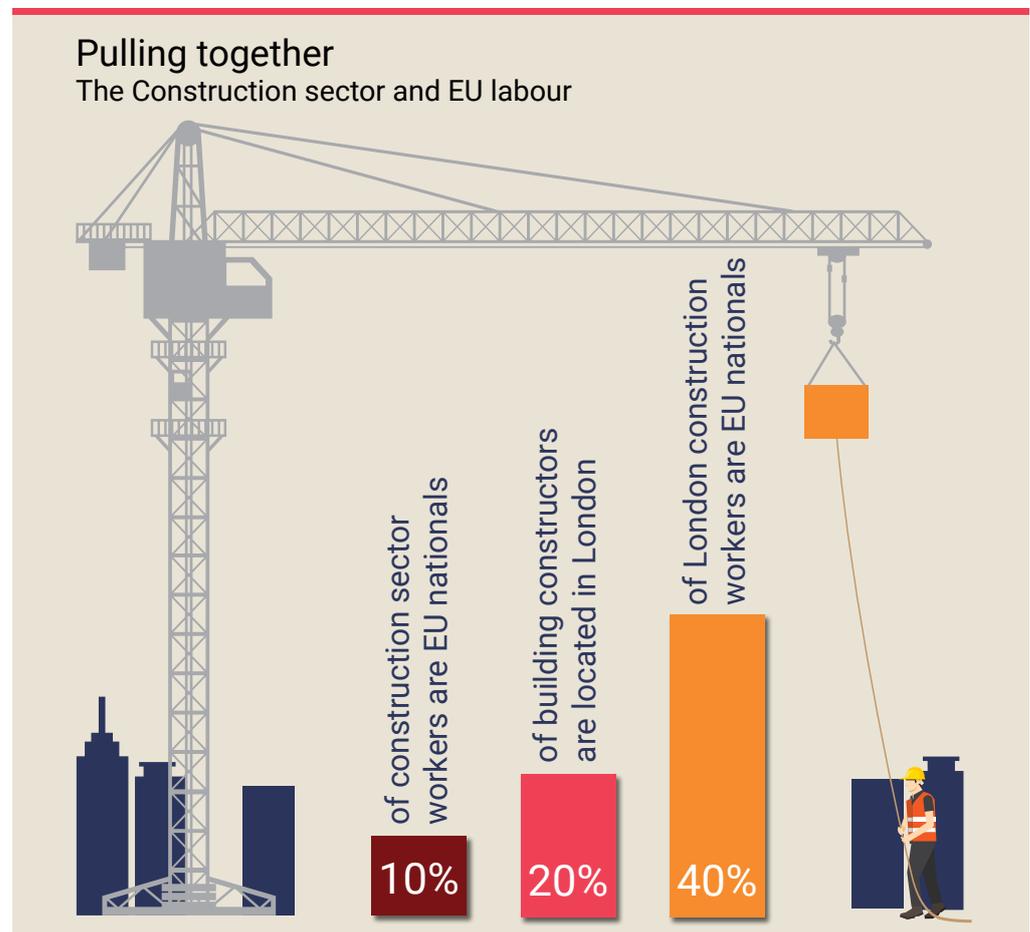
Although estimates are difficult to determine, the National Farmers' Union expects its members to require 95,000 seasonal workers per year by 2021, while the British Growers Association estimates that 75,000 people are required annually to maintain the required level of output as the population expands. The number of workers allowed during this two-year trial period falls far short of these estimates. Over the long term, new trading arrangements are likely to depress prices and plough down profit margins for subsidy-reliant farmers. As a result, a significant number of farmers will be unable to raise wages to attract British workers.

In downstream markets, a similar downhill trend in the number of food processing workers has been exacerbated by Brexit. For example, PD Hook Hatcheries which operates in the Poultry Raising industry (IBISWorld report A01.470) reported labour shortages in over 60 roles

during 2018, despite increasing wages during the year. Industries that exhibit a low level of capital intensity have seen a short-term fall in output which has weighed on revenue across all product segments. Government consultation on plans to introduce an immigrant salary threshold has ruffled a few feathers in an industry with an average wage of just over £14,000, according to IBISWorld estimates.

### Construction crumbles

Recruitment opportunities for firms in both commercial and residential building construction (see IBISWorld reports F41.201 and F41.202) are expected to be limited after 29 March. As the sector struggles with weak investment due to caution over the state of the economy, a reduction in the pool of workers directly employed by building contractors will create costly project delays. According to the ONS, EU citizens make up approximately 10% of



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the construction sector's workforce, ranging from high- to low-skilled workers. London holds just over 20% of establishments in the residential and commercial building construction industries, with non-UK nationals accounting for 40% of the workforce in the region. In spite of a domestic skills shortage, the presence of foreign nationals in UK construction formed the building blocks for the sector's growth. Construction firms must prepare for short-term recruitment difficulties, because workers from the European Economic Area seeking to work in the sector must apply for European Temporary Leave to Remain, which will allow them to live and work in Britain for a period of three years. These applications may require a salary threshold as a result of recommendations from the Migration Advisory Committee which is likely to exclude many potential applicants. However, some EU nationals currently

living in the United Kingdom will be eligible to remain after Brexit under the EU Settlement Scheme which could provide some relief for construction firms

### Fretting freight

The president of the Freight Transport Association (FTA), Leigh Pomlett estimates that an end to free movement will cause a shortage of over 50,000 heavy goods vehicle drivers, which will affect the transport sector and holds wider ramifications for UK firms' supply chains. According to the Road Haulage Association, the industry is currently facing a shortage of 45,000 drivers. Prior to the decision to leave the European Union, the Freight Road Transport industry (IBISWorld report H49.410) failed to entice younger drivers to obtain the required qualifications and work unsociable and lengthy hours driving across borders. Heavy goods vehicle drivers are

### Driven away

45,000

2.8%

50,000

### Freight staffing shortages

Current shortage in number of HGV drivers

Growth in Freight Road Transport industry wages between 2016-17 and 2018-19

Estimated shortage in number of HGV drivers an end to free movement could create

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typically fairly old, which prompted FTA campaigns in schools and colleges aimed at encouraging more young people to consider a career in logistics. Since the EU referendum, a significant number of EU citizens that were working in the industry have returned home or sought employment in other EU countries where their rights are more certain. Similar to other industries, a sizeable reduction in earnings in euro terms as a result of the weakness of the pound has discouraged many from filling British vacancies. In addition to the direct impact of labour shortages on freight industries, additional delays resulting on this would add to the worries of UK manufacturers that rely on Just-in-Time processes.

## Manufactured mayhem

The manufacturing sector has already faced significant upheaval, with many firms implementing temporary shutdowns and undertaking stockpiling activity, eating into margins. In addition, the sector must contend with inevitable labour shortages. In several manufacturing industries, a generation of workers that possess a narrow skill set are retiring, while the failure to attract a younger generation is compounding a workforce shortage. As overall investment in the automotive sector stalls, expenditure on workforce training is also expected to come to a standstill. According to the Society of Motor Manufacturers and Traders, investment in training fell to £588.6 million in 2018, down from £1.1 billion in the previous year. Uncertainty surrounding Britain's exit deal with the European Union has caused multinational companies to remain cautious when investing in UK plants and developing supply chains. The Motor Vehicle Manufacturing industry's (IBISWorld report

C29.100) success after the financial crisis was aided by a strong economy, access to the single market and a strong supply of skilled labour. Recently revised forecasts by the Bank of England show that economic growth is expected to slow. This, in conjunction with the UK's departure from the single market will weaken the competitiveness of UK car manufacturers in a highly globalised operating environment.

**“Investment in training fell to £588.6 million in 2018, down from £1.1 billion in the previous year.”**

## Selective services

The hospitality sector employs a significant number of young adults from several EU countries. An overall decrease in net migration from EU countries has caused the number of applicants for each vacancy to fall since 2017. As a result, the proportion of firms reporting difficulties when recruiting staff has risen sharply. This is because the UK hospitality sector is heavily reliant on EU nationals, which account for 12.3% of workers, according to the ONS's Labour Force Survey. Previously, a high number of applicants meant some businesses selectively employed people under 25 years old because they are paid a lower minimum wage. However, a tight labour market due to record-low unemployment, which reduced the number of applicants for each role, has forced these businesses to offer higher wages and additional benefits.

## IBISWorld sectors covered in this report

A	Agriculture, Forestry and Fishing
C	Manufacturing
F	Construction
H	Transportation and Storage
I	Accommodation and Food Service Activities

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Benchmark your performance against the competition  
Make speedy market-ready, profit-maximising decisions

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