



MANUFACTURING barometer

SPECIAL FOCUS: STAFFING & RECRUITMENT

NATIONAL REPORT SUMMER 2019-20

APRIL, MAY AND JUNE 2019 - SURVEYED IN JULY 2019

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SIMON HOWES

**MD
SWMAS**

INTRODUCTION

Welcome to SWMAS Manufacturing Barometer Summer 2019-20 (Q1) report.

Now entering our 10th year, we continue to map opinions and performance trends of the sector as reported by MDs and other senior decision makers working in UK SME manufacturing businesses. There is no better source of strategic and performance insight into UK SME manufacturing businesses, 98% of a sector crucial to the success of the UK's economy.

This quarter the Manufacturing Barometer reveals a concerning and prolonged downward trend in performance. Although caused by Brexit uncertainty, manufacturers remain persistent in fulfilling their growth aspirations. In exploring their Staffing and Recruitment strategy in the Special Focus the Barometer reveals an introspective plan that manufacturers believe will leave them stronger once Brexit has been concluded.

The unique position of the Manufacturing Barometer means we can compare this latest snapshot of the UK SME manufacturing sector's performance with our longer-term data. We are working on the 10th Anniversary report in which we will share more insight into how the sector has performed over the last decade and since the 2009 downturn. If you are interested in getting involved in shaping the SWMAS Manufacturing Barometer 10 Year Anniversary report, do get in touch.

CORE TRENDS

Actual performance of manufacturing businesses in the last six months continues to underline the challenge Brexit and its associated uncertainty presents throughout the sector. Nearly a third of SME manufacturers experienced a reduction in sales and the same number experienced a loss in profits. Over a fifth of manufacturers reduced investment in machinery or premises, and over a fifth registered their active reduction in staff numbers.

Looking ahead to what the next six months holds shows gritty determination as half of the UK's SME manufacturers continue to anticipate an increase in sales, and the number forecasting recruitment of new staff recovers somewhat to 41% after last quarter's plummet.

Draw a trend line through the reported findings across sales, profits, investment and recruitment, and there is no doubt the swing in performance continues to move downward. It is therefore unsurprising that one in five Barometer respondents reference the need for certainty and nearly 15% define their immediate aspiration as 'survival'.

However, in unpacking the Staffing & Recruitment Special Focus data, we can show that manufacturing business leaders overall are far from accepting doom and gloom. They are switching their attention to the factors in their control and to driving the productivity of their existing people and processes.

SPECIAL FOCUS: STAFFING & RECRUITMENT

This Special Focus divulges reasons behind findings last quarter that showed intentions to recruit were at a 10-year low.

Just 4% of UK SME manufacturers report that it is easier now compared to this time last year to recruit skilled and motivated people. This is compared with 54% who say they are finding it more difficult. Local talent shortage is a key reason behind the difficulty so many have in recruiting staff, as is the attitude and salary expectations of the candidates themselves – recorded as the top three external factors impacting on manufacturers ability to recruit skilled and motivated staff.

DRIVING PRODUCTIVITY THROUGH PEOPLE, PRODUCTS AND PROCESSES

We looked more closely at how manufacturers plan to address the challenge of recruitment and found an emphasis on the proactive steps they are taking in three core areas vital in driving productivity: People, Products and Processes.

One key factor to emerge is the desire to develop new products – a likely catalyst for new sales, potentially in new markets.

Significantly, our manufacturers are putting their weight of effort on improving existing processes and developing existing people.

Manufacturers reflect this in the staffing strategies they are likely to employ in the next 12 months. Nearly 70% of UK SME manufacturers want to concentrate on developing their existing workforce. Training, staff retention practices, leadership development, coaching, and apprenticeships for current staff collectively outweigh strategies to bring new people into the business.

CONCLUSION

While performance of the UK's SME manufacturing sector, largely due to Brexit uncertainty, continues to follow a downward trend, manufacturing leaders remain pragmatic. They are improving and fine tuning the inner workings of their business, focusing specifically on driving productivity through existing people and processes. They are considering, too, that new product offerings could well be the key to sales growth amongst new audiences in a post-Brexit world.

Manufacturers, particularly SMEs, need recognition and support from the government that will help them to continue to adapt and to drive productivity through their people, their products and their processes. This will ensure they are leaner, stronger, more competitive and ready to surge ahead once Brexit is finally out of the way.

For more information and support contact the SWMAS team at info@swmas.co.uk or phone 01278 767 010.

Read on for more about the Manufacturing Barometer results...



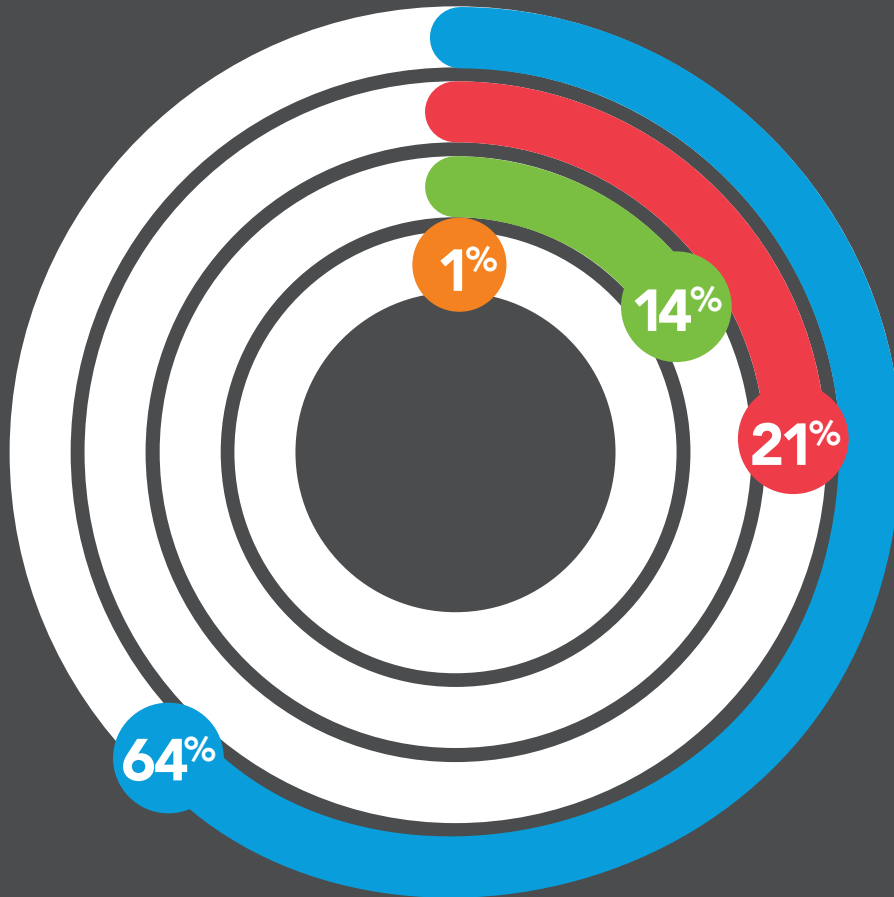


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SURVEY DEMOGRAPHICS



85%

OF RESPONDENTS ARE:

> **MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS**

Individuals with the highest level of strategic responsibility within their business



BUSINESS ASPIRATIONS

Survive and grow

We are still paying for machinery we have invested in and once those debts are cleared we will invest further with new equipment. I am looking to equip the business with skilled members of staff...to assist and as a succession plan for our aging workforce.

We would like to export to EU. However, cost of translations and literature is expensive and time consuming... We need to bring our new ideas to market readiness.

NORTH WEST

Short to medium term to introduce a culture of continuous improvement driven by using lean manufacturing techniques. Longer term to develop new products and to seek new market for business expansion.

To make enough profit to allow me to be paid regularly.

NORTH EAST

Presently we are consolidating recent growth and spending time going through the company to maximise efficiencies and increase profits. Until the wider economic environment is more settled and the future of the trading relationship between the UK and other countries is certain, it is impossible to make any further plans for growth via exports.

We were hoping to update our machinery... but we are putting it on hold until we feel more secure. Some joinery companies in our region have gone into administration and we feel we need our money in the bank in case of any eventuality.

We are looking to automate due to employee issues.

We will continue with lean manufacturing efficiencies and process efficiencies to maintain profitability. Continue to invest with internal process control to attract new business with flexible improved services. Invest in being more environmental overall business.

YORKSHIRE & HUMBER

Continue to pursue operational growth through workforce development, redevelopment of offices/workshop facilities and investment in automation technology.

Short - rationalisation and niche market focus. Medium - accelerate new product introductions, more cost competitive via value engineering introductions. Long - introduction of more eco products.

We have aspirations to increase turnover by 50% over the next three years through the re-investment in plant and machinery, and investment in relevant personnel. Within this plan we have seen a short-term decrease in turnover due to the external political-economic uncertainty within the UK. However, we believe that re-investing within this period will allow us to be more competitive and produce better returns.

EAST MIDLANDS

Short: increase productivity and profit.
Medium: increase turnover.
Long: re-locate to larger premises, grow profits and turnover plus staff.

To double our turnover within 4 to 5 years, enabled by new innovative products.

EAST OF ENGLAND

BUSINESS ASPIRATIONS

“

We have the potential to grow with the enquiries being sent but obtaining staff is always an issue and so much growth relies on this. We will be investing in a new sliding head machine within the next 6 months. Ideally we will gain 2 extra staff members.

Survival (always), steady growth, improve productivity, reduce stresses, increase profit.

After an unpredictable 2018, 2019 is looking positive and we are aiming to increase from ~£1.5m to ~£2m turnover over the next 2 years. We want to increase capacity through machinery rather than people so that we have more flexibility.

To become a stronger / leaner business able to withstand political and economic uncertainties.

We have invested in new product design and we are seeing good organic growth from existing business. Generally we are optimistic about the future.

SOUTH WEST

“

Overcome obstacles put in our way by BREXIT. Develop revenue from the R&D projects that we have invested in. Continue to improve the facilities to allow us to attract new business and achieve ISO13485.

Working on growing customer base and improving in-house inefficiencies to improve profitability. Doubling company's capacity in next 1 - 3 years.

Due to the uncertainty in the UK market, we are concentrating on expanding our sales to China.

SOUTH EAST

“

Survive Brexit.

Short term - to survive Brexit without loss of any major customer.
Medium term - organic growth.

LONDON

“

To continue with current improvements and investing in people, systems, and automation to secure medium to long future of the business.

We have an ambitious growth trajectory. Brexit and general lack of confidence in the market is having a very negative impact.

Having completed our move to a facility 4 times the size of the last one, we intend to sustain our growth combined with productivity and profit improvements.

WEST MIDLANDS

“

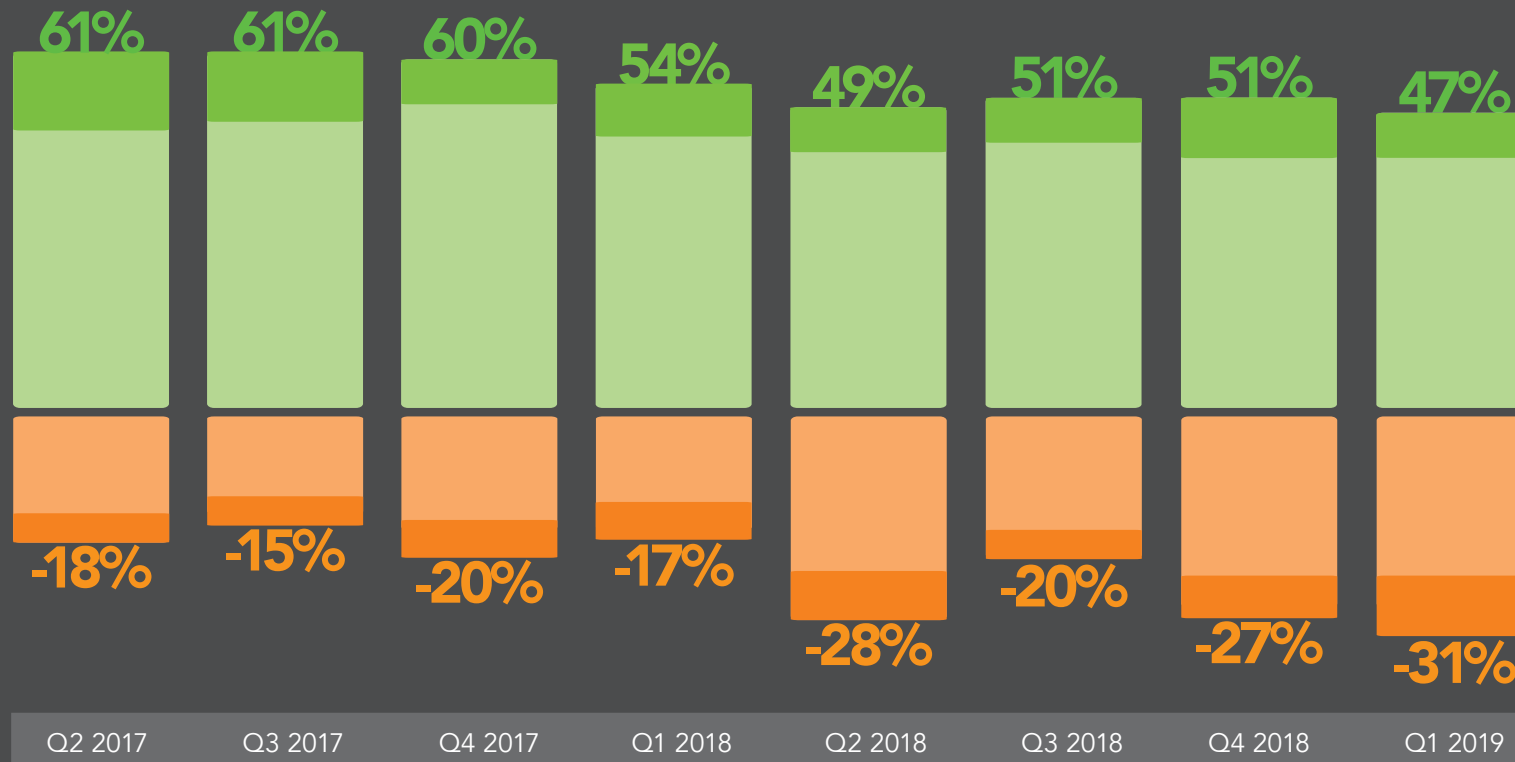
As an innovative company our main aspiration is to continue grow sales outside of the UK's water industry... and outside of the EU as [the EU] is an over-saturated market place with protectionist policies.

WALES

CORE TRENDS

NATIONAL PAST SALES

How has your sales turnover changed within the past 6 months?



Much Reduced

Reduced

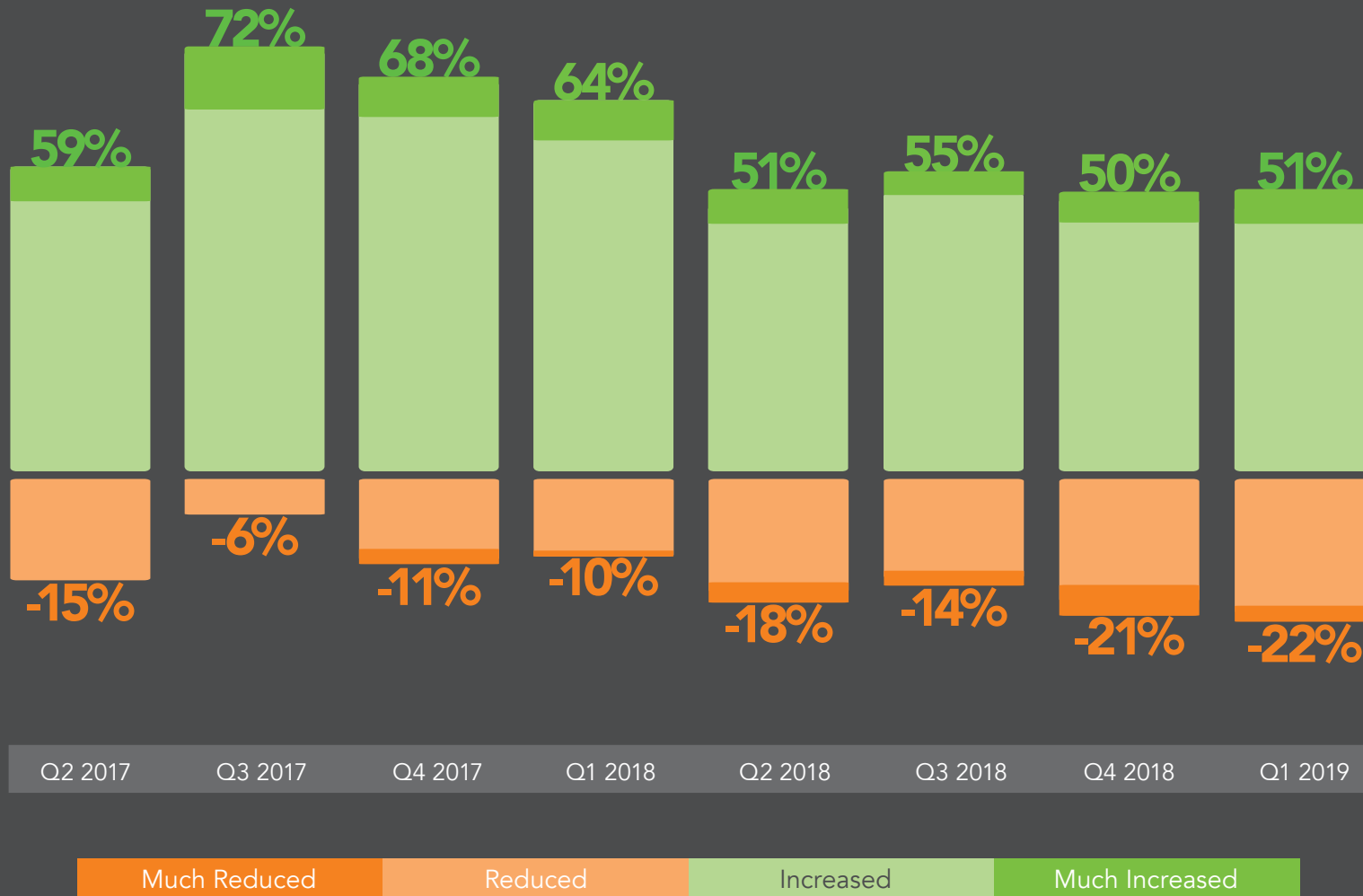
Increased

Much Increased

CORE TRENDS

NATIONAL FUTURE SALES

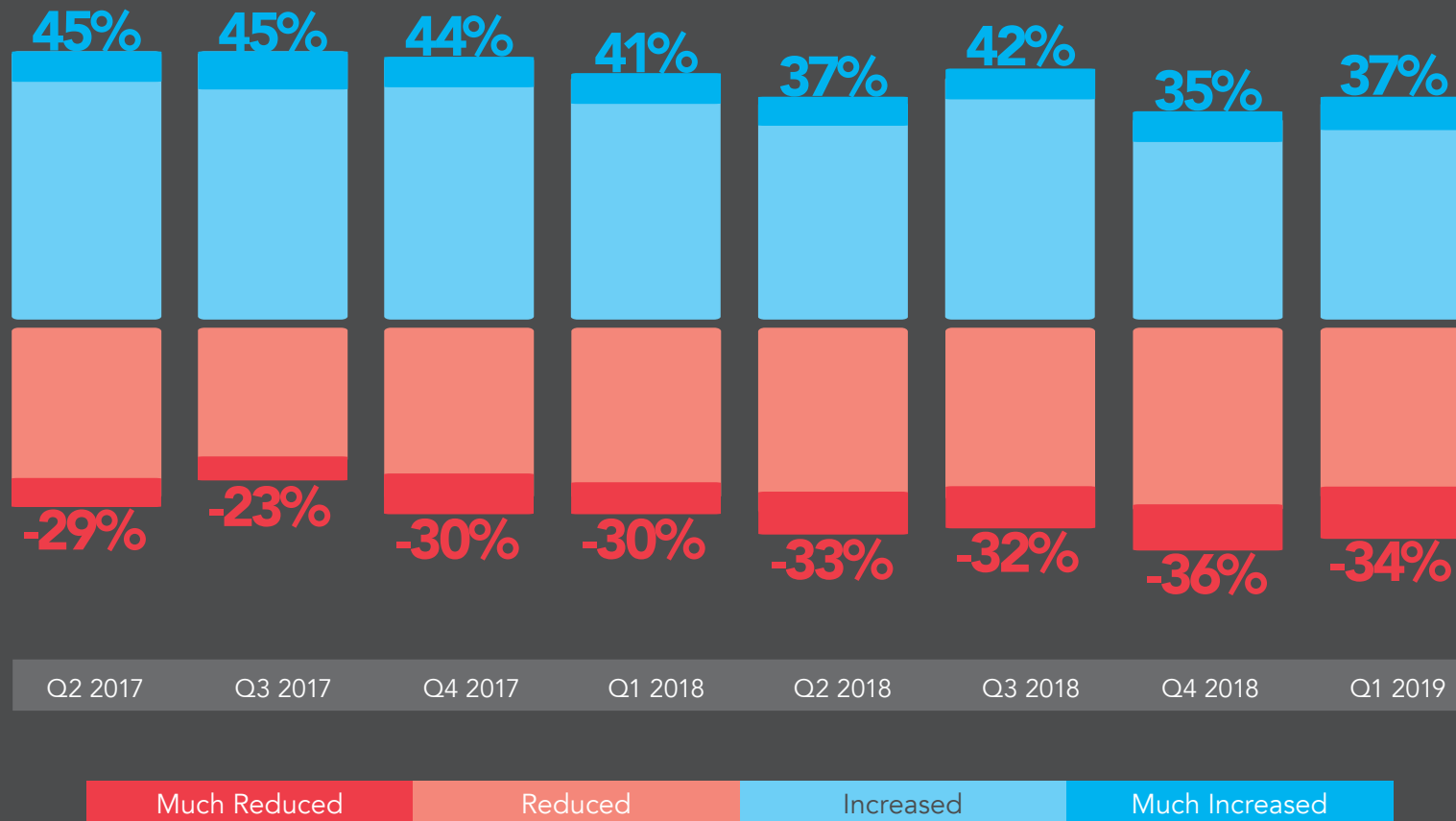
How do you expect your sales turnover to change over the next 6 months?



CORE TRENDS

NATIONAL PAST PROFITS

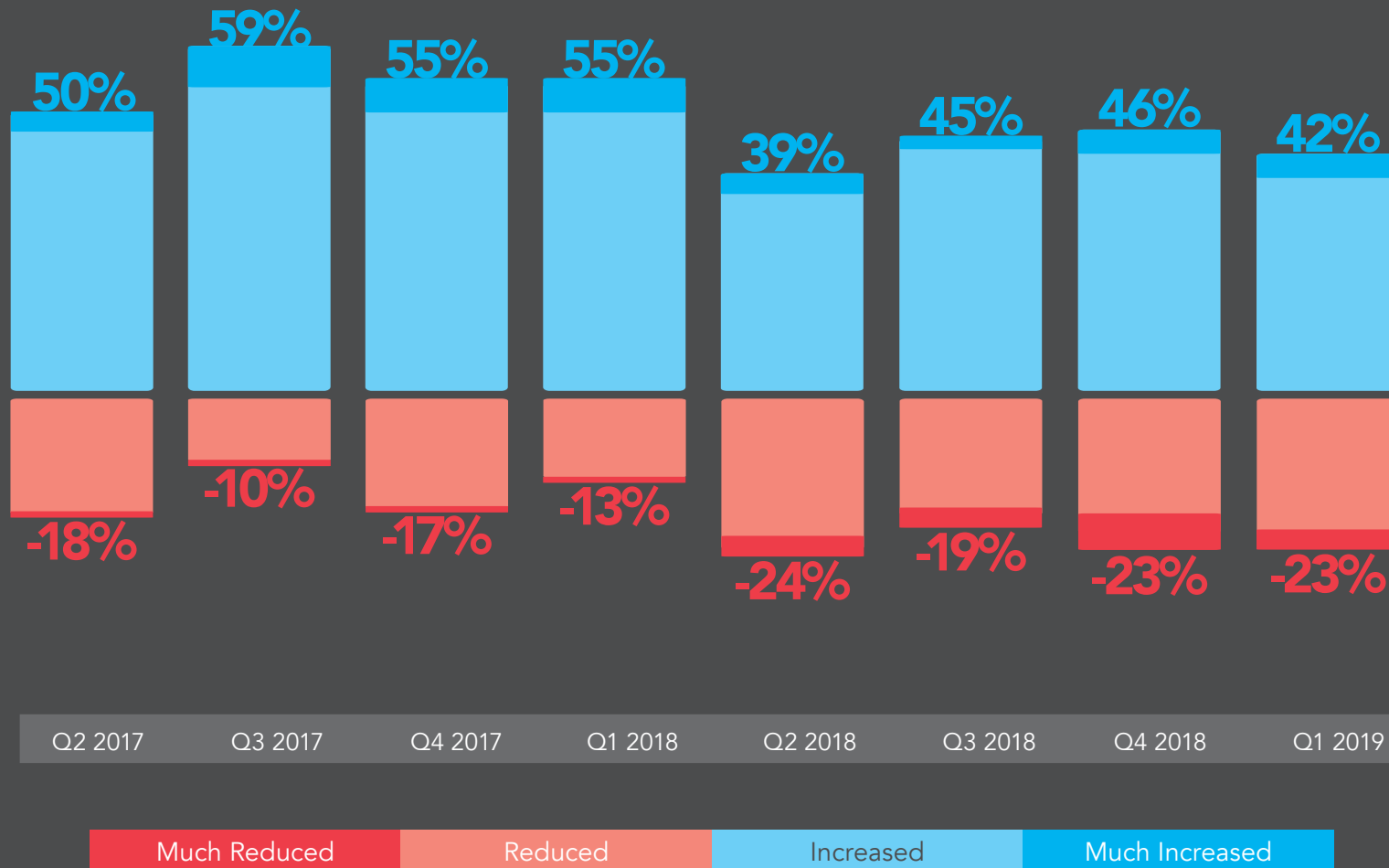
How has your profit changed within the past 6 months?



CORE TRENDS

NATIONAL FUTURE PROFITS

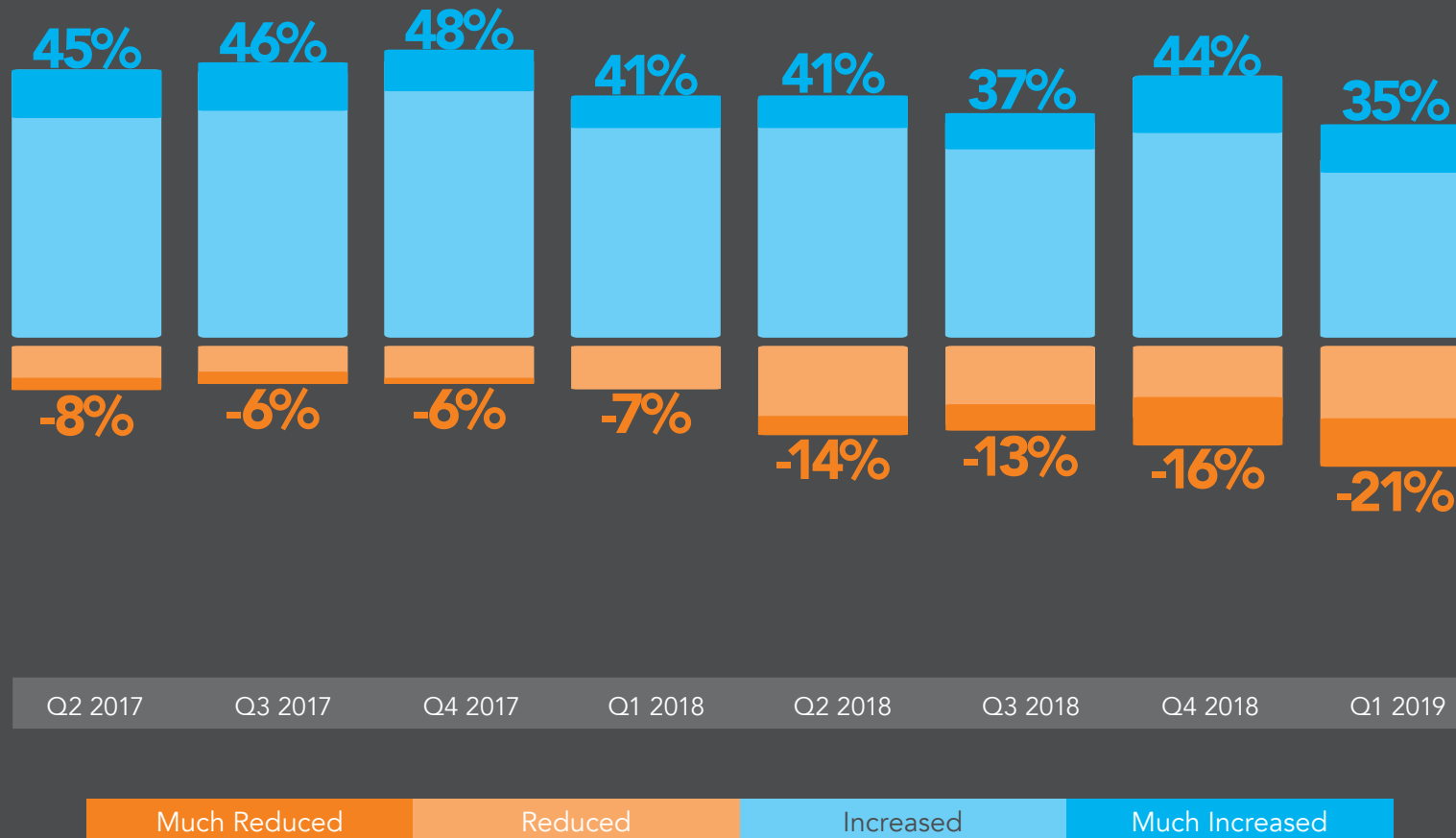
How do you expect your profit to change over the next 6 months?



CORE TRENDS

NATIONAL PAST CAPITAL INVESTMENT

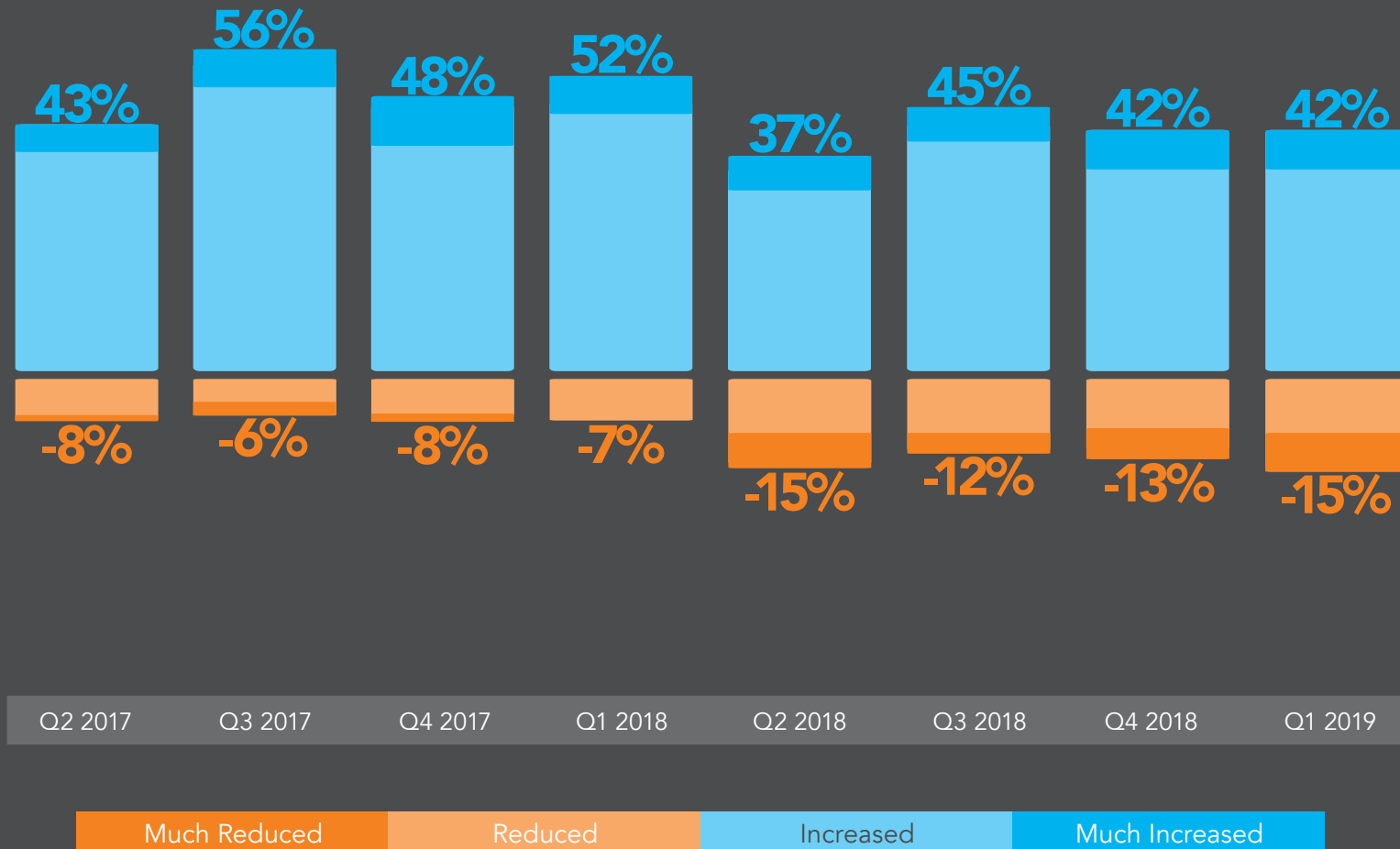
How has your investment in new machinery/premises changed in the past 6 months?



CORE TRENDS

NATIONAL FUTURE CAPITAL INVESTMENT

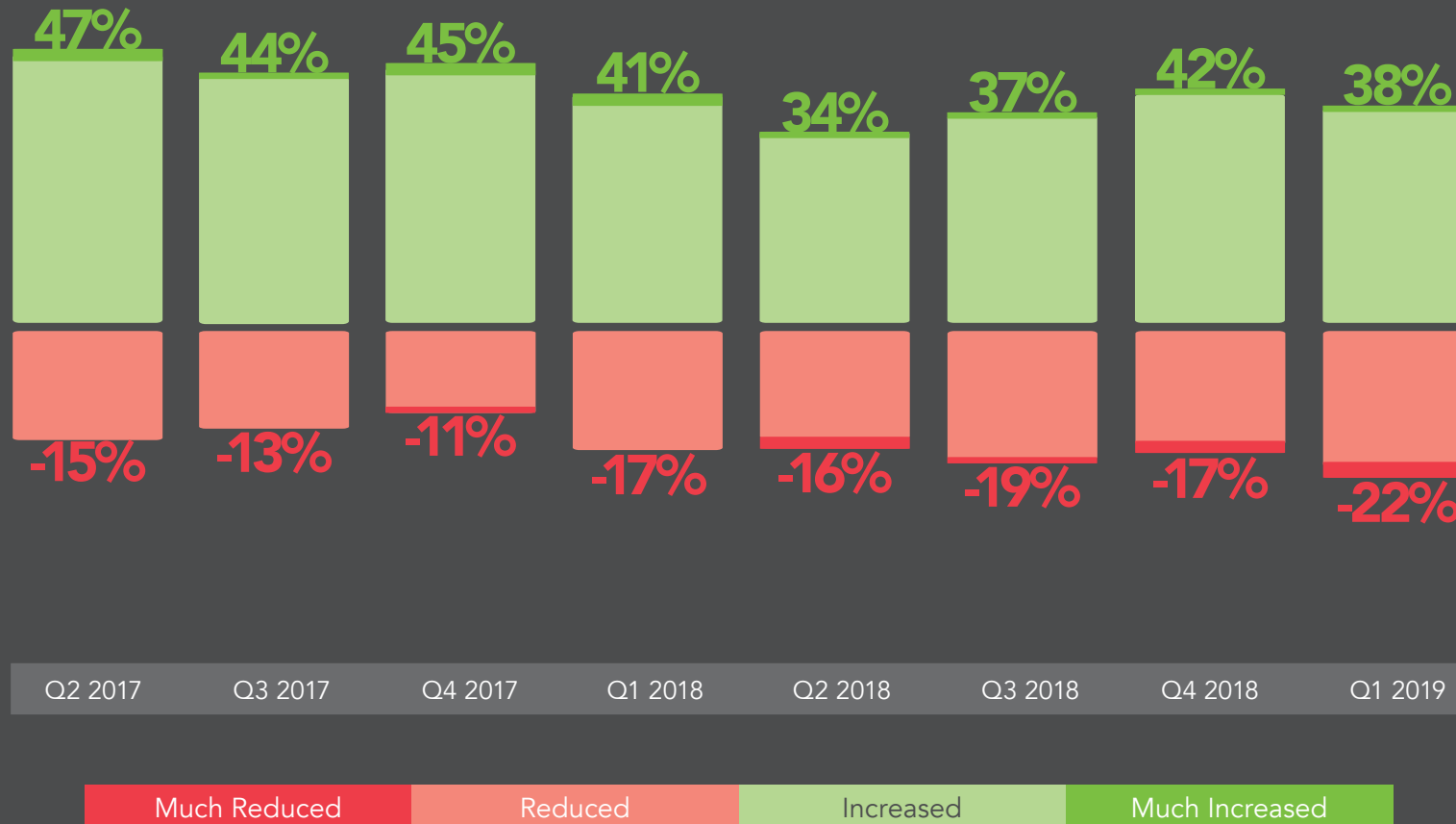
How will your investment in new machinery/premises change in the next 6 months?



CORE TRENDS

NATIONAL PAST EMPLOYMENT

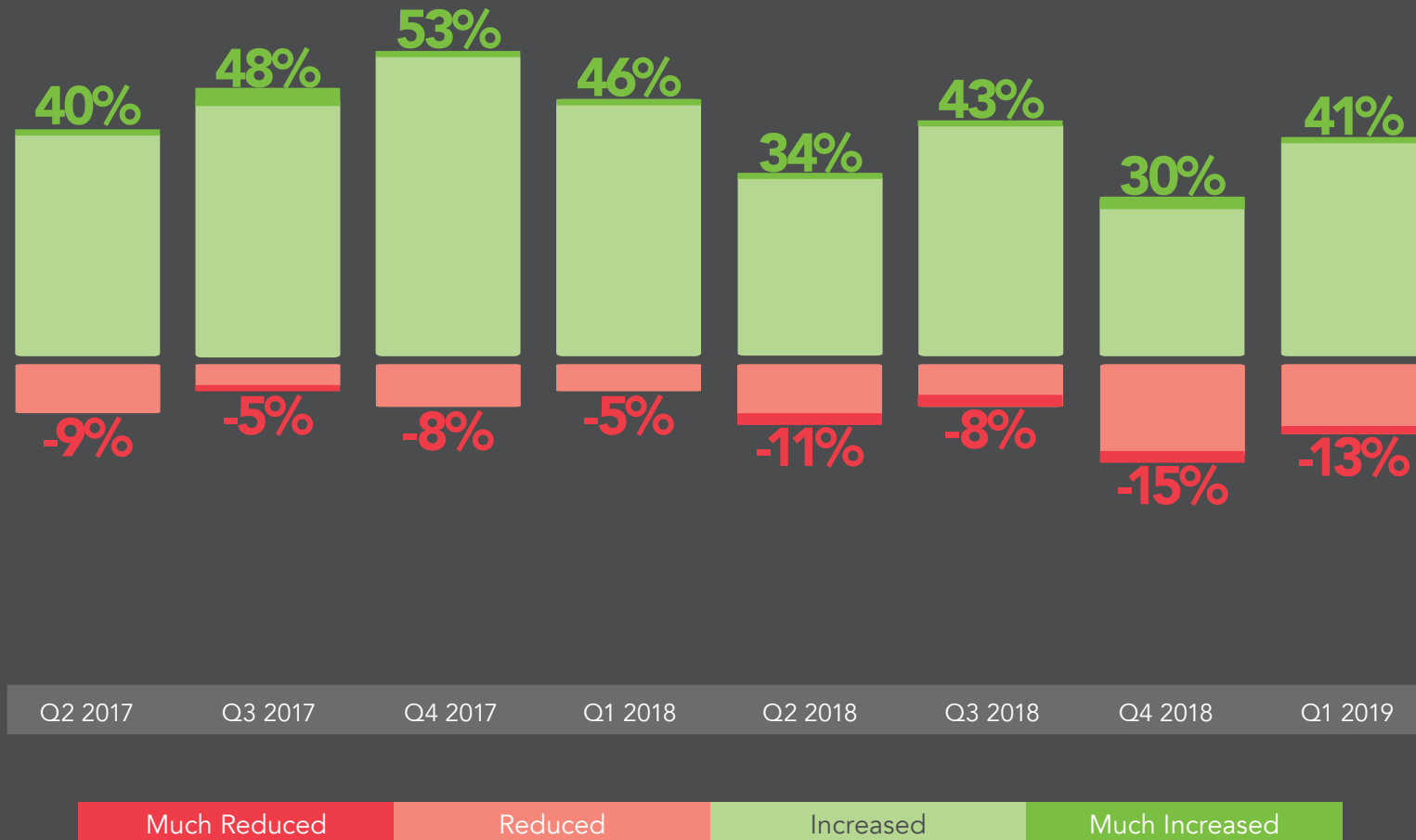
How have staff numbers in your company changed in the past 6 months?



CORE TRENDS

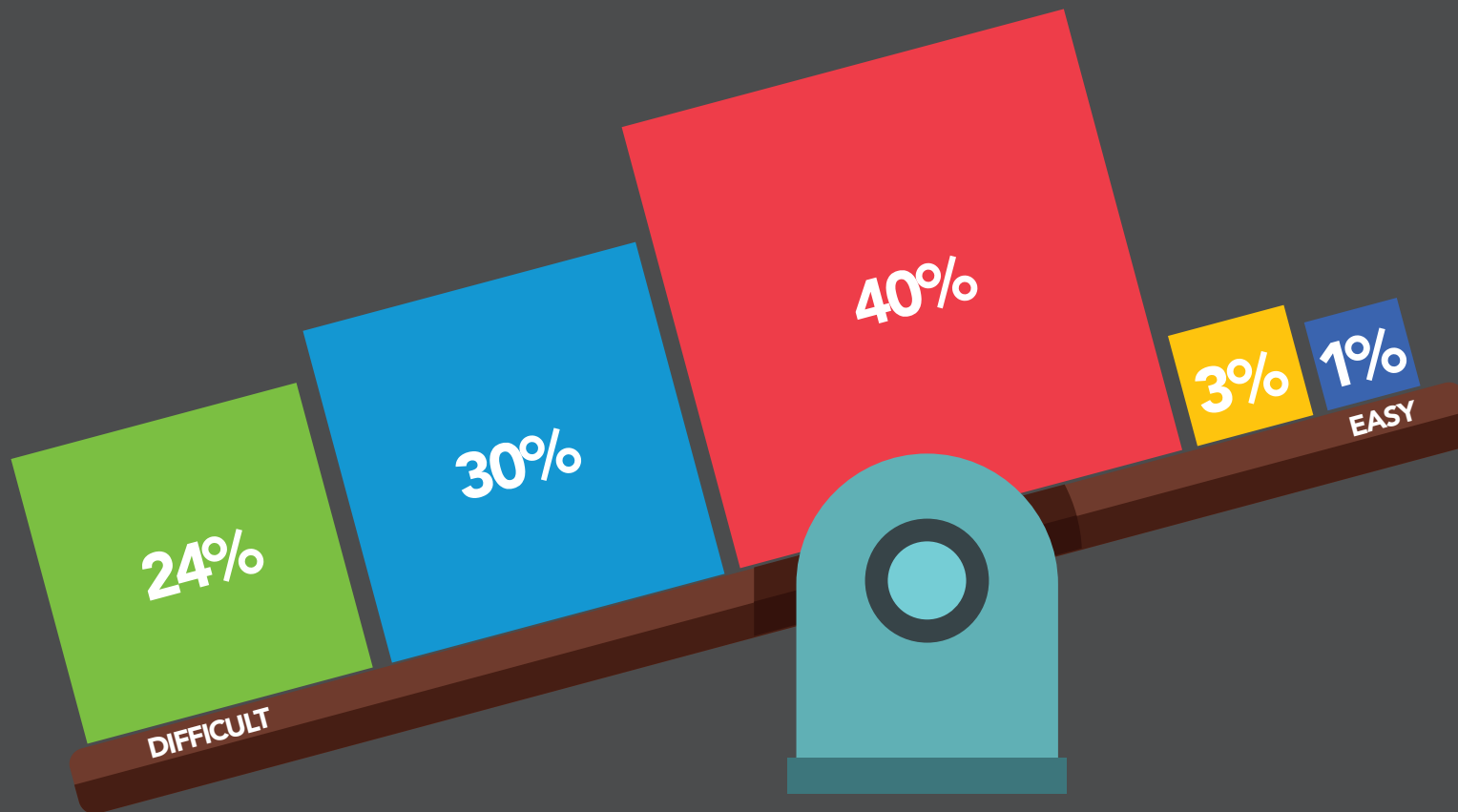
NATIONAL FUTURE EMPLOYMENT

How do you expect staff numbers in your company to change in the next 6 months?



SPECIAL FOCUS STAFFING & RECRUITMENT

Please indicate the extent to which you are able to satisfy your staffing requirements when compared to the same time last year.



- It is much more difficult to find skilled and motivated people
- It is somewhat difficult to find skilled and motivated people
- No significant change
- It is somewhat easier to find skilled and motivated people
- It is much easier to find skilled and motivated people

SPECIAL FOCUS

STAFFING & RECRUITMENT

What factors impact on your ability to recruit skilled and motivated staff?



26%

Talent shortages locally



16%

Attitudes and approach of candidates do not fit our business



13%

Salary expectations of candidates do not fit our business

9%

Recruiting the right people is too expensive

8%

Unable to compete with larger organisations in the area

8%

Recruitment agencies are ineffective

8%

Other

7%

Adverse perception of what it's like to work in engineering or manufacturing (affects talent pipeline)

3%

Customers have lost confidence

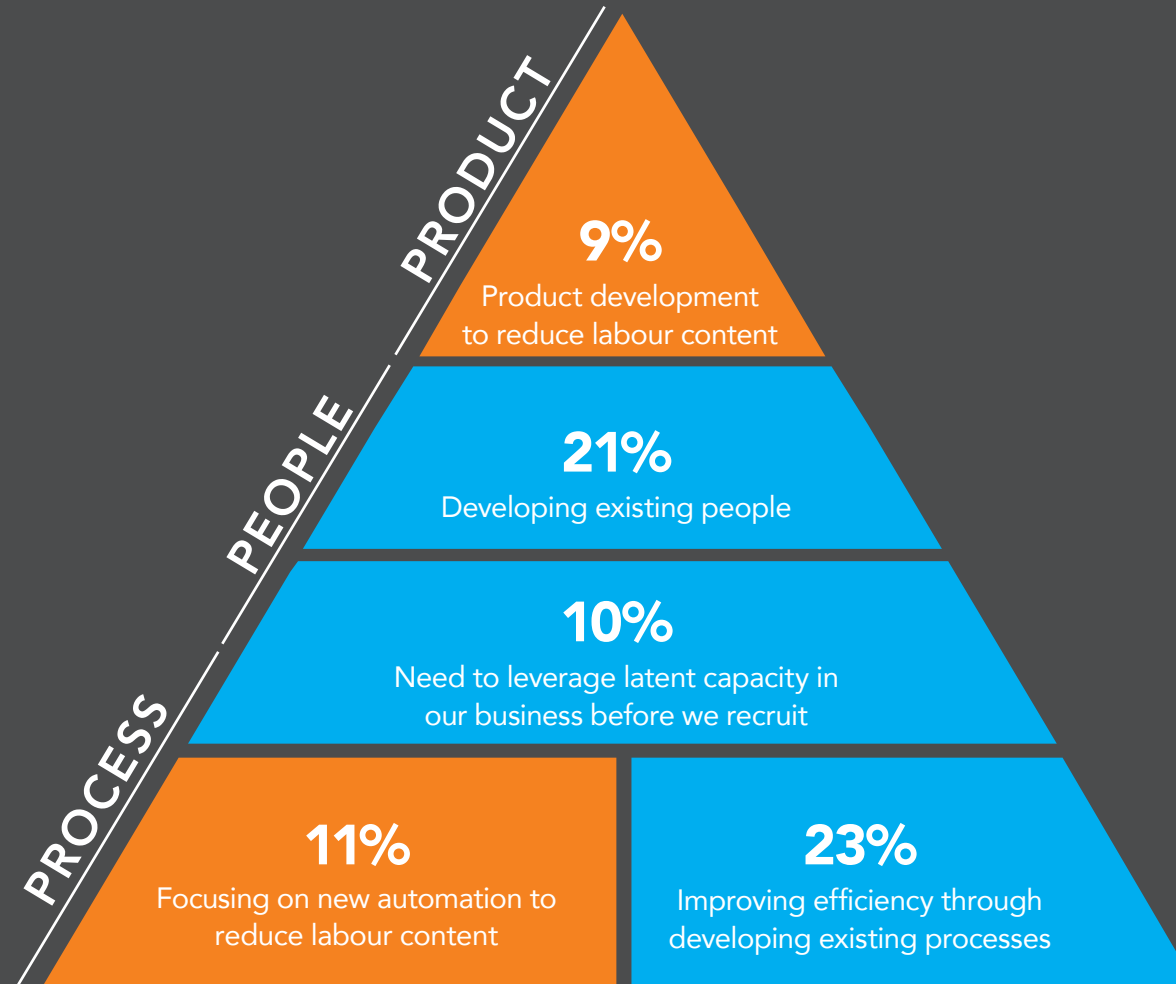
2%

People unwilling to relocate to work with us

SPECIAL FOCUS

STAFFING & RECRUITMENT

What businesses are planning to do.



■ New
■ Existing

OTHER CONSIDERATIONS

8% Recruiting the right people is too expensive

7% Our business confidence levels are low

2% Customers have lost confidence

2% It's business as normal

SPECIAL FOCUS

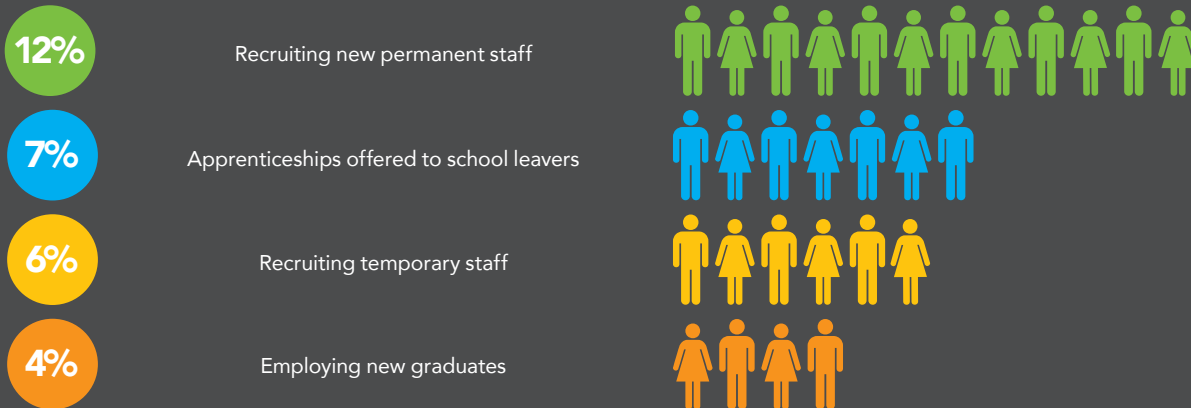
STAFFING & RECRUITMENT

What staffing strategies are you likely to employ in the next 12 months?

EXISTING STAFF



NEW STAFF



3% responded 'Other'

ABOUT THE MANUFACTURING BAROMETER



The Manufacturing Barometer is a quarterly survey that has been mapping trends and experiences of UK SME manufacturing businesses for 10 years. It is the largest survey of its kind, talks directly to senior decision makers in the sector, and has informed government industrial strategy and the national debate on manufacturing.

Run by SWMAS, part of the Exelin Group, since 2009 in the South West of England and more recently partnering with Economic Growth Solutions (part of Oxford Innovation), the Manufacturing Barometer records trends in employment, turnover and investment. Each quarter, a 'special focus' explores an issue in greater depth. In the past this has included issues such as productivity, overseas production and energy efficiency.

Companies are able to use this quarterly Manufacturing Barometer to compare themselves against other firms within their sector or region.

The SWMAS team is expert in productivity and growth. If you would like your company to benefit from a business review or support in identifying opportunities, or if you would like more information on this report, do get in touch.

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