

Brexit: what it means for engineering recruitment

Business intelligence report
August 2016

A detailed architectural drawing in white lines on a dark blue background, featuring various geometric shapes, circles, and lines, suggesting a technical or engineering theme.

the ENGINEER

Introduction



On 23 June 2016 the UK voted to leave the European Union.

In the run-up to the referendum, many leaders and key stakeholders from across the UK's engineering and manufacturing sectors raised major concerns about the implications of Brexit: in particular how industry might be hit by the potential loss of tariff-free trade with the EU and/or restricted access to much-needed skilled EU workers.

In the wake of this momentous decision many of these concerns are now crystallising. And although the initial reaction from industry has been bullish, it's clear that Brexit, and uncertainty over what kind of deal the UK can do with

the EU, is undermining confidence in the sector.

Perhaps the most immediate impact has been on recruitment in the sector, with a number of firms reportedly reviewing their UK recruitment activity and imposing temporary recruitment and pay freezes.

In an effort to provide some clarity on exactly how industry's appetite for recruitment has been affected by the referendum, and to help agencies and consultancies adapt to the current climate, *The Engineer* surveyed the views of recruiters from across the industry.

The following report provides a valuable and detailed snapshot of how individuals responsible for recruiting engineers in the UK are reacting to Brexit.

Methodology

Centaur Media conducted a research project to explore the effect of Brexit on companies' recruitment policies across a number of different industry sectors.

Individuals responsible for recruitment shared their experiences on how Brexit had impacted their ability to recruit and how they expected it to affect their recruitment activity in the future.

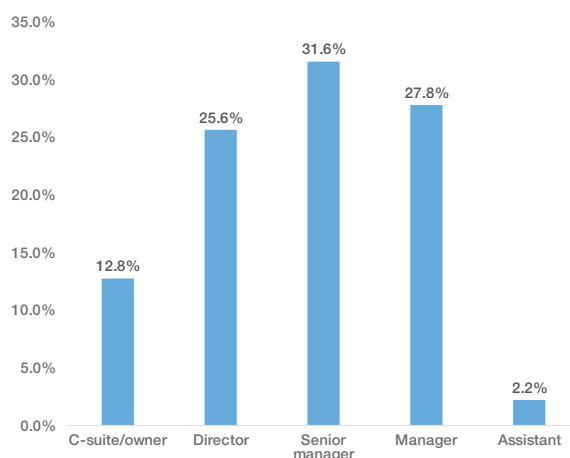
Three hundred and thirty-two individuals working in the engineering industry provided their views through a detailed online survey, which ran from 7–15 July 2016.

All respondents are in HR or senior management, work in engineering and have responsibility for recruitment as a part of their job role.

The sample group

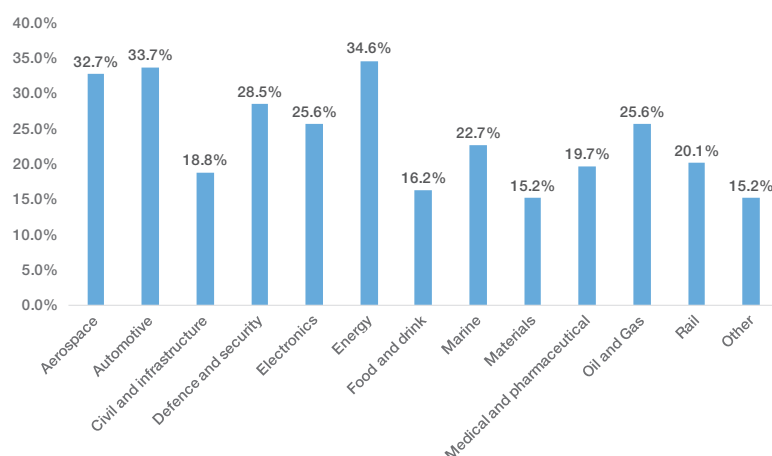
What is your level of seniority?

01



Does your job involve any of the following sectors?

02



The survey attracted a broad range of responses from senior-level recruiters across a broad range of sectors, locations and different-sized organisations.

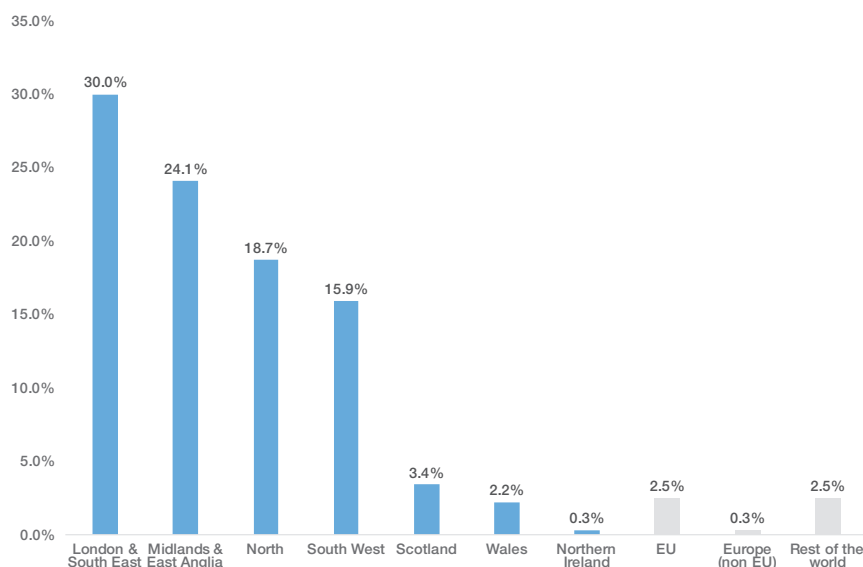
Among respondents, 66.2 per cent (219 individuals) describe themselves as heads of departments, while 31.6 per cent are senior managers, and 25.6 per cent directors.

There was a broad spread of response from across all of the key engineering sectors. More than a third of respondents report some involvement in the UK's highly successful aerospace and automotive sectors, but other industry sectors are also equally well represented. The least well-represented sector is materials, but even here 47 respondents (15.2 per cent of the sample) report some involvement.

The survey also attracted response from across the UK. The largest grouping of respondents (30 per cent) are based primarily in London & the South East, with the lowest representation from Scotland (3.4%), Wales (2.2 per cent) and Northern Ireland (0.3 per cent).

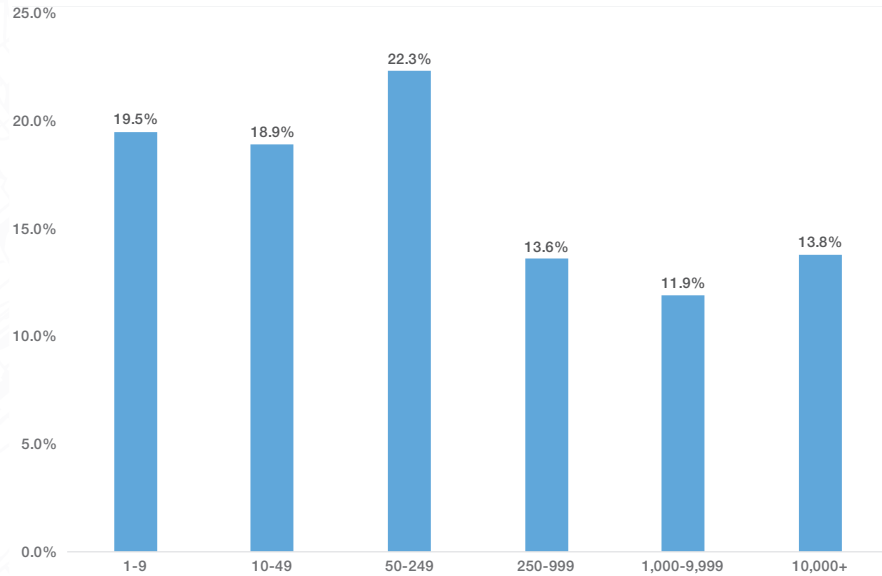
In which part of the UK (or overseas) are you primarily based for work?

03



How many employees in total does your company have?

04



There was also an even spread of responses from many different sizes of company. The largest single grouping (22.3 per cent) of the total sample comes from companies employing between 50 and 249 individuals (i.e. the industry's critical SME heartland) but much smaller organisations, as well as firms employing more than 10,000 people are also well represented.

How many people has your company recruited in the last 12 months?

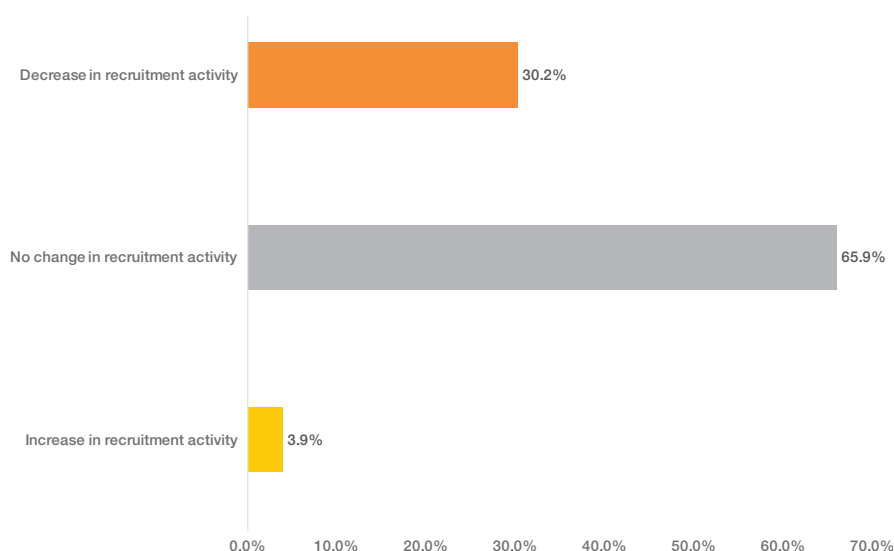
05

No. employees in company	Ave no. employees company has recruited in past 12 months	Employees company has recruited in past 12 months – breakdown													
		None	1-2	3-4	5-9	10-19	20-29	30-49	50-99	100-199	200-299	300-399	400-499	500-999	1000+
1-9	1.5	57.6%	33.9%	6.8%	1.7%										
10-49	3.1	12.1%	31.0%	34.5%	17.2%	5.2%									
50-249	11.0	1.6%	3.1%	15.6%	31.3%	31.3%	9.4%	4.7%	1.6%	1.6%					
250-999	37.7	0.0%	0.0%	2.6%	0.0%	21.1%	21.1%	21.1%	23.7%	7.9%	2.6%				
1,000-9,999	121.8	0.0%	0.0%	0.0%	6.1%	3.0%	9.1%	9.1%	15.2%	24.2%	27.3%	0.0%	0.0%	6.1%	
10,000+	349.8	2.6%	2.6%	0.0%	0.0%	5.3%	2.6%	13.2%	13.2%	7.9%	2.6%	13.2%	13.2%	2.6%	21.1%

How will Brexit affect recruitment activity?

How do you think Brexit will affect your recruitment activity?

06



Just under a third of all respondents (92 in total) say that they think Brexit will lead to a decrease in recruitment activity. 65.9 per cent feel that it will have no impact, and 3.9 per cent think that it will lead to an increase.

This expectation is fairly consistent across companies of all size. Although, interestingly, the sharpest expected decreases are seen at the opposite ends of the recruitment spectrum, in companies employing between 10–49 employees and firms employing more than and over 10,000.

The lowest predicted decrease in recruitment activity is seen in firms employing 250–999 people, while the highest percentage expecting Brexit to lead to an increase (6.7 per cent) is found in the smallest companies.

The attitudes are also fairly balanced across the different sectors with the notable exceptions of rail – where 45 per cent of respondents expect to see a reduction in recruitment activity, and civil – where 37 per cent expect to see a decline.

This negative outlook is possibly the result of Brexit-induced uncertainty over the future of large infrastructure projects such as HS2, Crossrail 2, and the UK nuclear new-build programme.

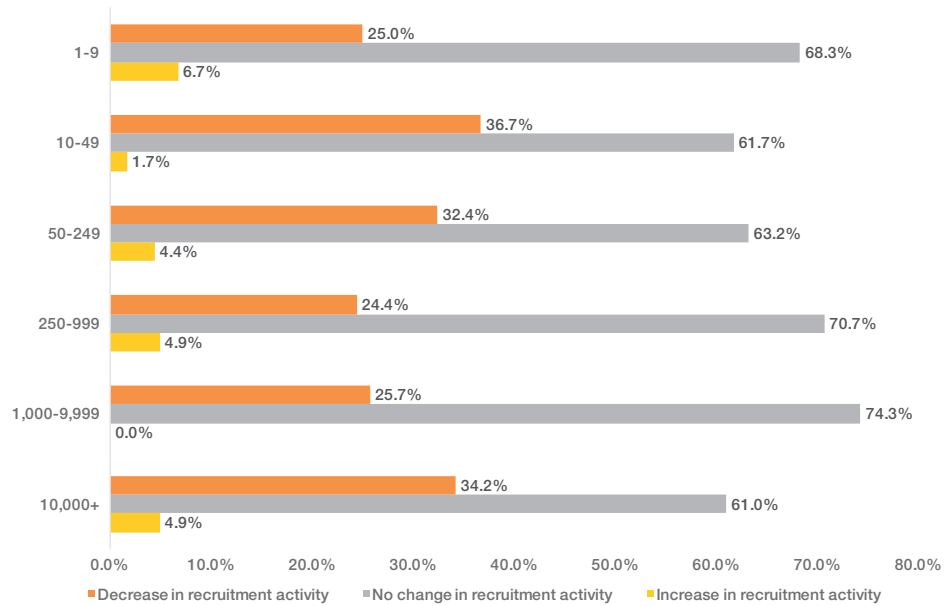
In the UK's aerospace and automotive sectors, just over 29 per cent of respondents expect to see a decrease. Interestingly though, these sectors also have the highest proportion of recruiters expecting to see an increase in activity (just over 6 per cent for each sector.)

The energy sector appears to be the least perturbed by recent events, with 72.3 per cent of respondents involved in the sector not expecting any change in recruitment activity.

In terms of location, the sharpest impact is expected by recruiters in the North (30.4 per cent). Based on the sample group, the South West is expected to be the least affected region with 24 per cent of respondents expecting a decrease and 74 per cent expecting no change at all.

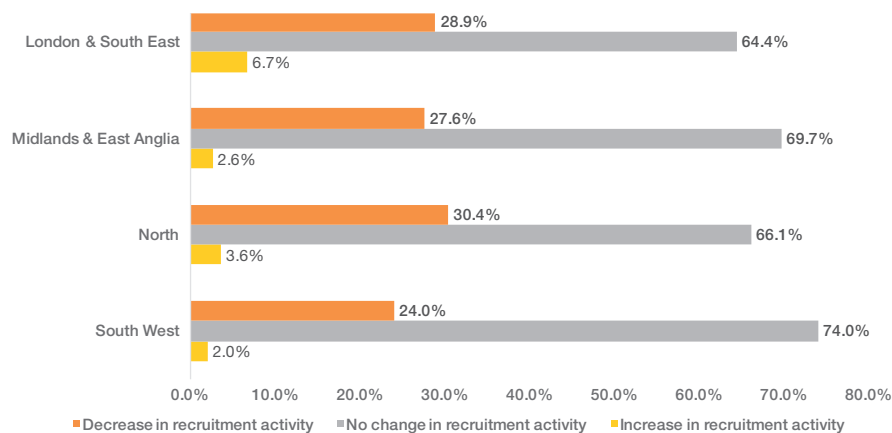
How do you think Brexit will affect your recruitment activity? (by number of employees)

07



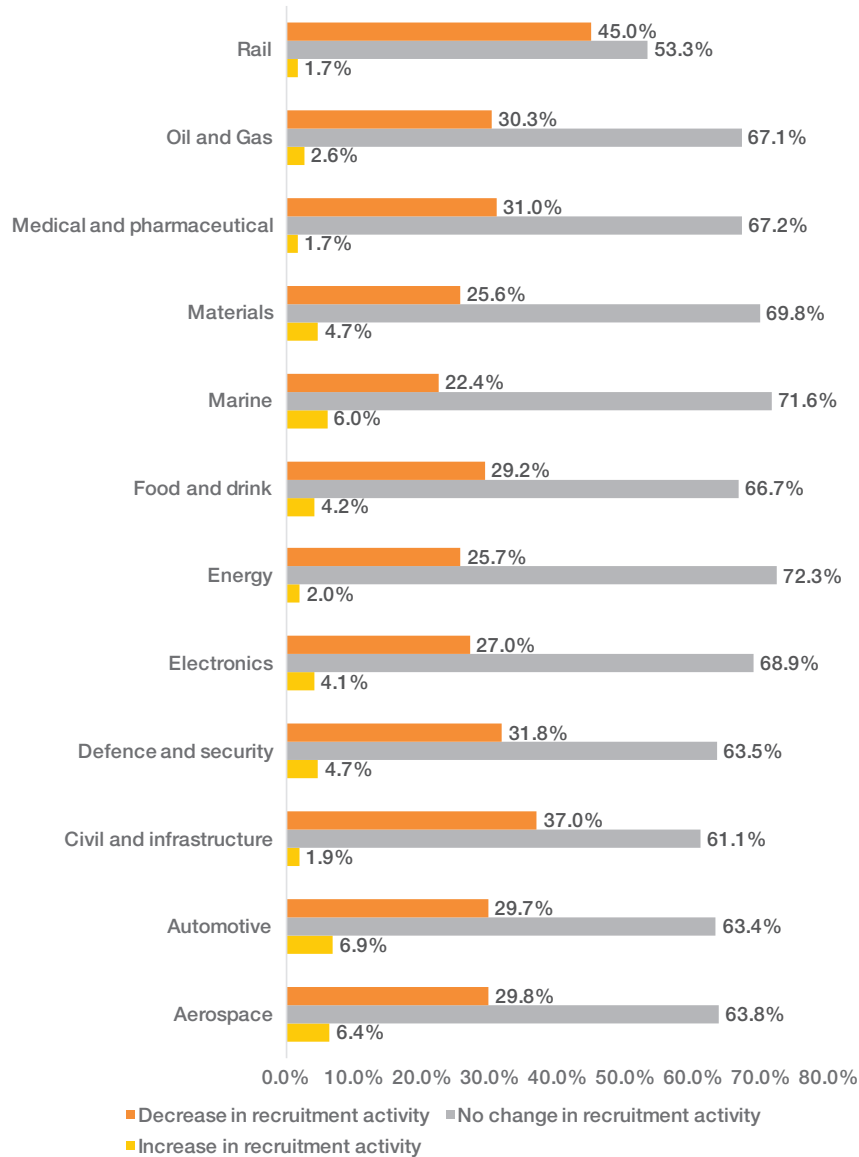
How do you think Brexit will affect your recruitment activity? (by location)

08



How do you think Brexit will affect your recruitment activity? (by sector)

09



How will recruitment activity change over time?

On average, respondents said that they expect the biggest reduction in recruitment activity (19 per cent on pre-Brexit levels) to be felt in the immediate term.

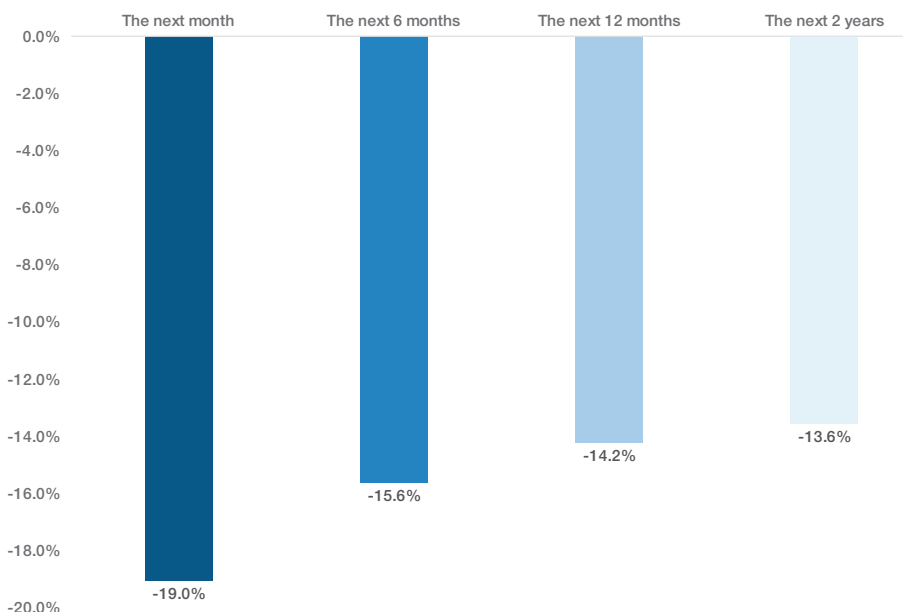
Looking further ahead, industry does expect to see a modest recovery, although on the whole there's no widespread expectation that recruitment activity will return to pre-Brexit levels within the next two years.

When we break these results down by company size

there are some significant variations. Recruiters from organisations employing between 10–49 people seem to have the bleakest outlook, with an expectation that recruitment levels will drop by 26.2 per cent in the immediate terms and struggle to rise above a 19 per cent reduction on pre-Brexit levels within the next two months.

Meanwhile, respondents from larger organisations expect to see a modest recovery followed by a longer-term decline. One possible explanation of this could be an expectation that as the UK moves closer to formally leaving the EU, it will become more difficult to recruit key workers from outside of the UK.

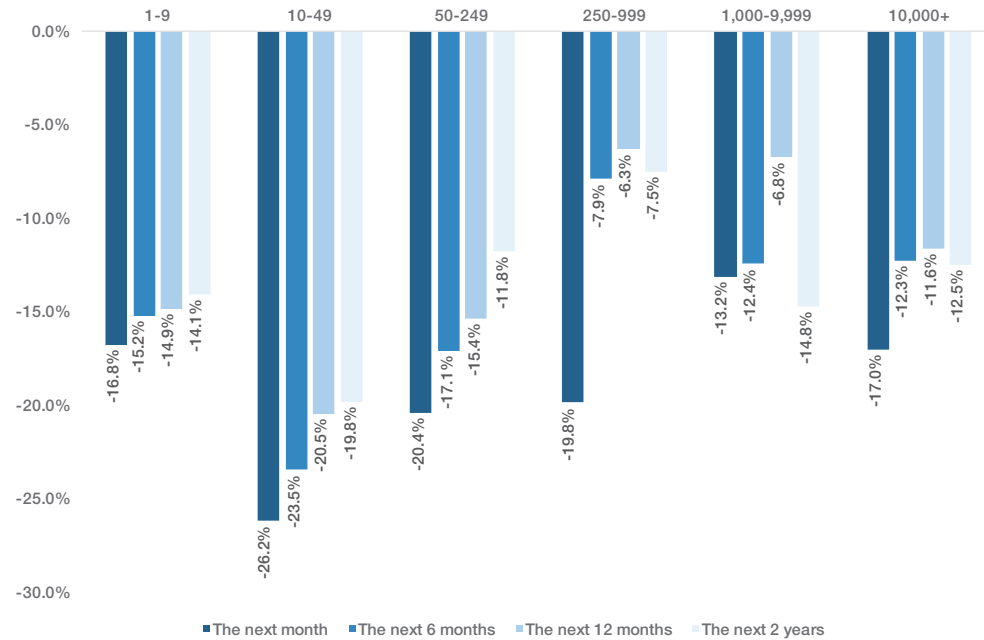
Compared to pre-Brexit levels, by what proportion do you expect your recruitment activity to increase or decrease in each of the below time frames? (all respondents)



11

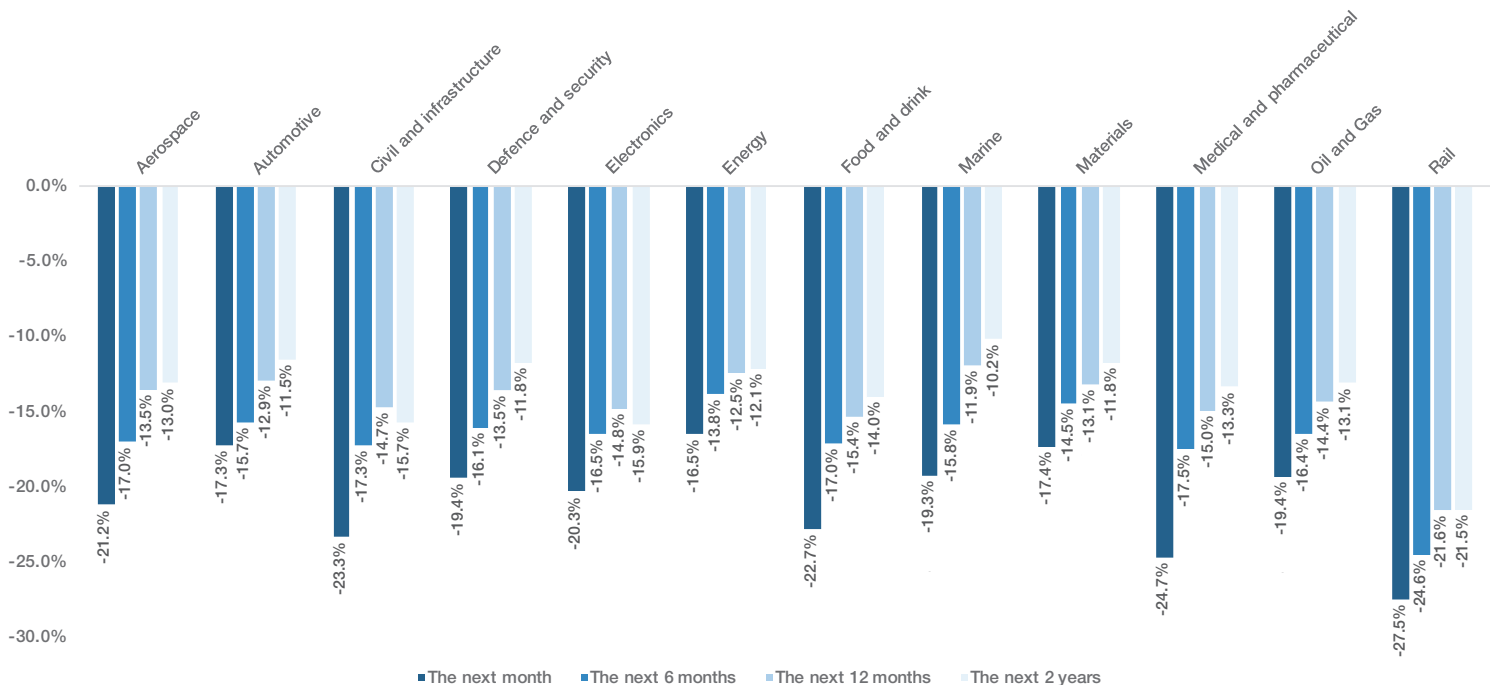
Compared to pre-Brexit levels, by what proportion do you expect your recruitment activity to increase or decrease in each of the below time frames? (by number of employees)

There are also relatively minor variations by sector. Again, respondents from rail have the most negative outlook (with an expectation that recruitment levels will drop by around a quarter over the course of the next six months).



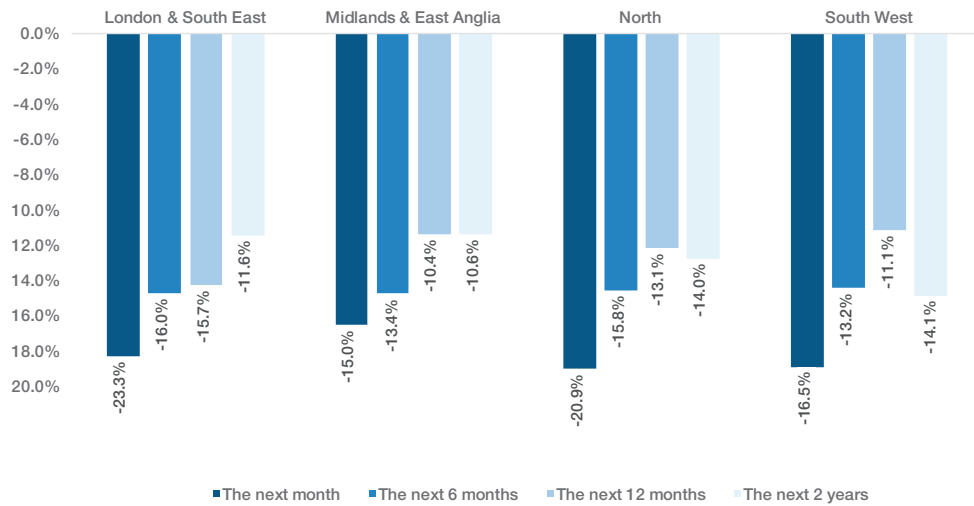
12

Compared to pre-Brexit levels, by what proportion do you expect your recruitment activity to increase or decrease in each of the below time frames? (by industry sector)



Compared to pre-Brexit levels, by what proportion do you expect your recruitment activity to increase or decrease in each of the below time frames? (net result – by location)

13



In terms of a regional breakdown, the steepest immediate declines are expected in London & the South East and the North of the UK. However, while London & the South East is expected to show the most consistent longer-term recovery, the other regions also show an expectation that modest recovery will be followed by a longer-term decline.

Article 50 and freedom of movement

Despite growing European political pressure to end uncertainty by triggering Article 50 (the means by which the UK begins the two-year process of leaving the EU) 32 per cent of respondents (94 individuals) expect this move to lead to a further decrease in recruitment activity. This revised expectation might suggest that organisations are hopeful that this process will be delayed or deferred in some way.

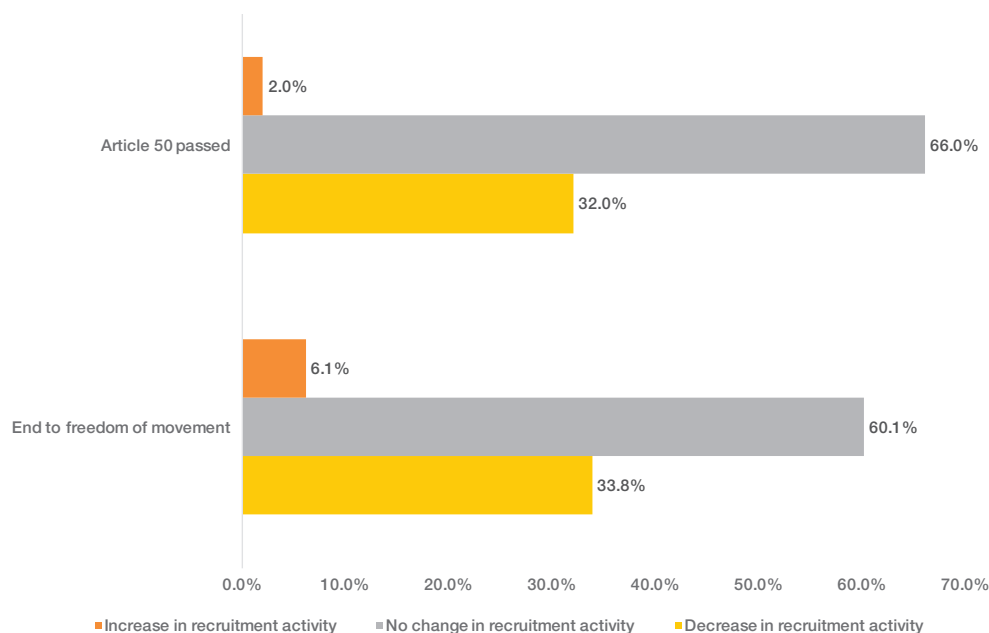
An end to freedom of movement within the EU is seen as even more damaging, with 33.8 per cent of respondents (99 individuals) expecting that to lead to a decrease in activity.

With industry currently heavily reliant on skilled workers from across the EU this is an unsurprising figure. Interestingly however, 6.1 per cent (a total of 18 respondents) believe that an end to freedom of movement would boost recruitment activity.

Verbatim comments gathered from respondents suggest that this could be because of a perception that Brexit will increase the candidate pool, and enable greater access to skilled workers from beyond the EU.

How do you think a) Article 50 being triggered and b) an end to freedom of movement within the EU will affect your recruitment activity? (all respondents)

14



Has Brexit triggered an engineering recruitment freeze?

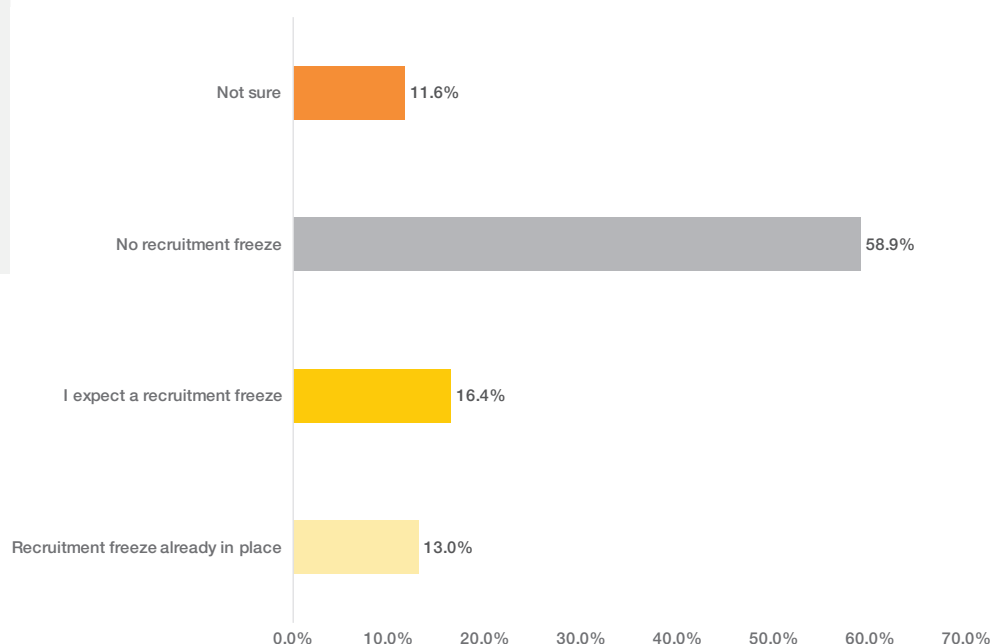


Across the board, 16.4 per cent of those responding (48 individuals) expect to see a recruitment freeze in their company, while 13 per cent report that a freeze is already in place.

More than half of our total sample group say that they don't expect to see a recruitment freeze. However, companies from all sectors, locations and of all sizes are affected to some degree.

Do you expect the Brexit vote to lead to a recruitment freeze in your company? (all respondents)

15



More than 20 per cent of respondents from all sizes of company either expect a recruitment freeze or are already experiencing one

Respondents from companies employing between 10 and 49 people, expect to be hardest hit, with 18.6 per cent of respondents expecting a recruitment freeze, and 18.6 per cent confirming that such a freeze is already in place. Organisations employing 250–999 people currently appear to have the lowest level of recruitment freeze, with only 5.3 per cent of respondents saying that a freeze is in place.

Meanwhile, almost a quarter of respondents from each sector indicate that a freeze is either already in place or expected. And again, respondents from the rail sector are least optimistic – with 27.1 per cent expecting a recruitment freeze.

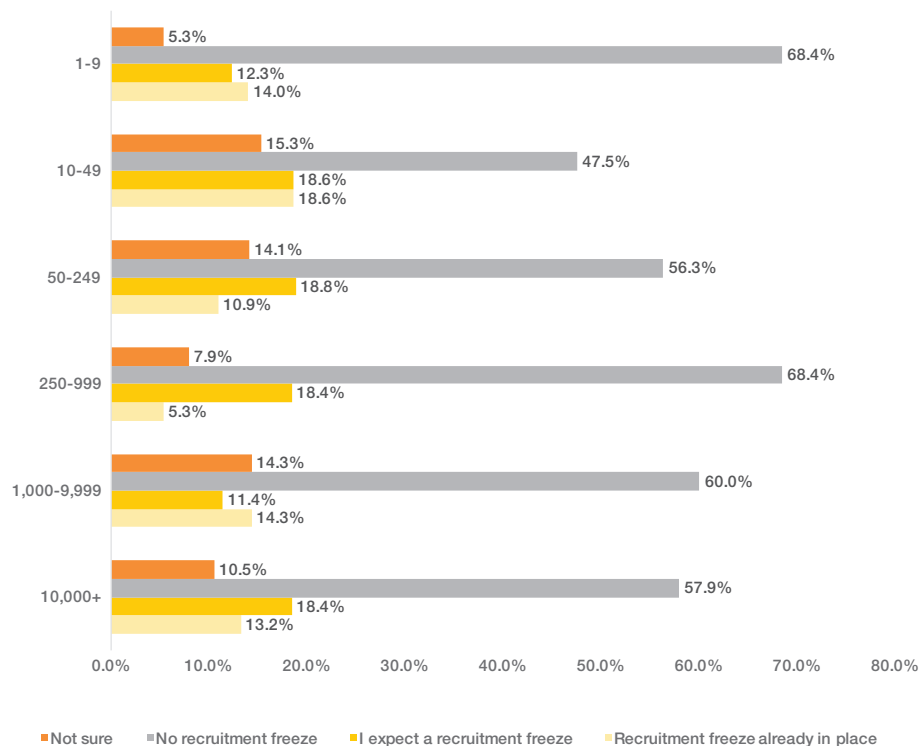
The lowest percentage of existing recruitment freezes is found in the materials sector (9.5 per cent). This is closely followed by the electronics sector, where 65.7 per cent of respondents do not expect to see a recruitment freeze. The energy sector also performs relatively positively, with 12.9 per cent of respondents expecting a recruitment freeze to come into affect.

Across the regions, respondents from the South West are the most optimistic, with 64.6 per cent saying that they don't expect a recruitment freeze, while respondents from Midlands and East Anglia have the greatest expectation of a recruitment freeze (18.6 per cent)

Respondents from companies with a recruitment freeze already in place expect that freeze to last for – on average – 10 months. However a quarter of this group say that they expect it to last for between one and two years, while a quarter say they have no idea how long it will last.

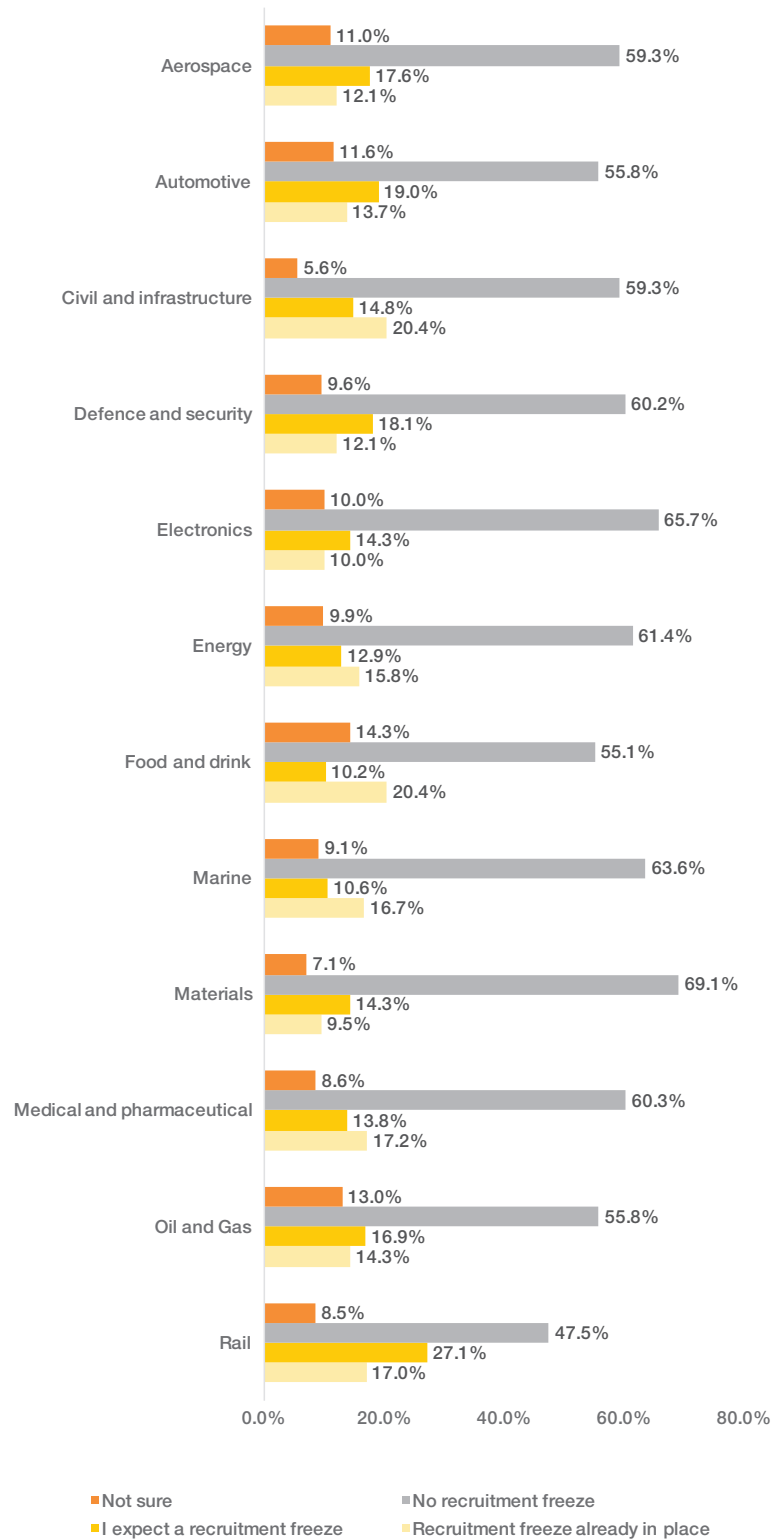
Do you expect the Brexit vote to lead to a recruitment freeze in your company? (by number of employees)

16



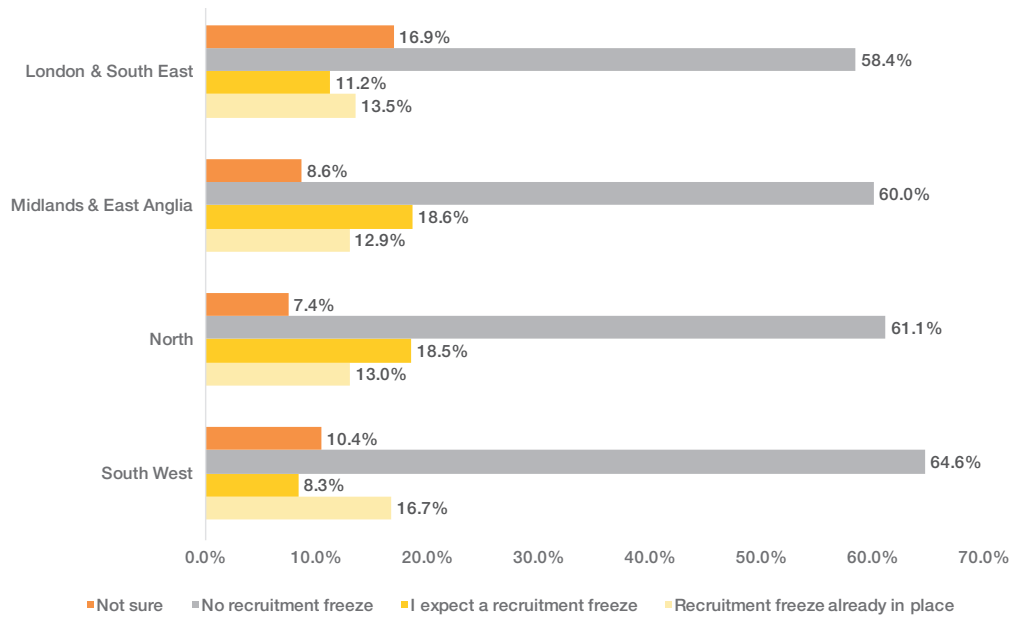
Do you expect the Brexit vote to lead to a recruitment freeze in your company?
 (by industry sector)

17



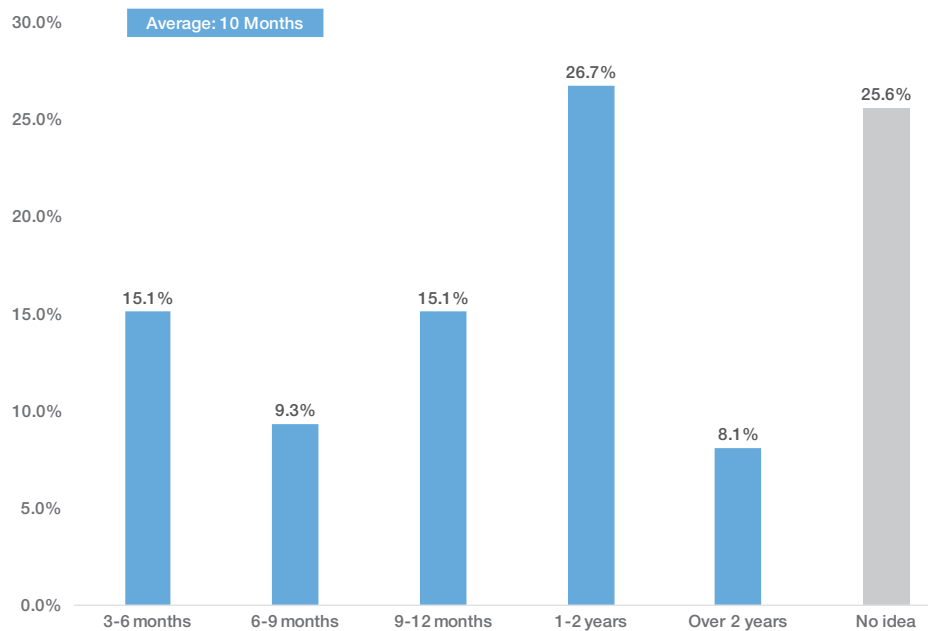
Do you expect the Brexit vote to lead to a recruitment freeze in your company? (by location)

18



If your company already has a recruitment freeze in place, or you are expecting one, how long do you expect this recruitment freeze to last? (all respondents)

19

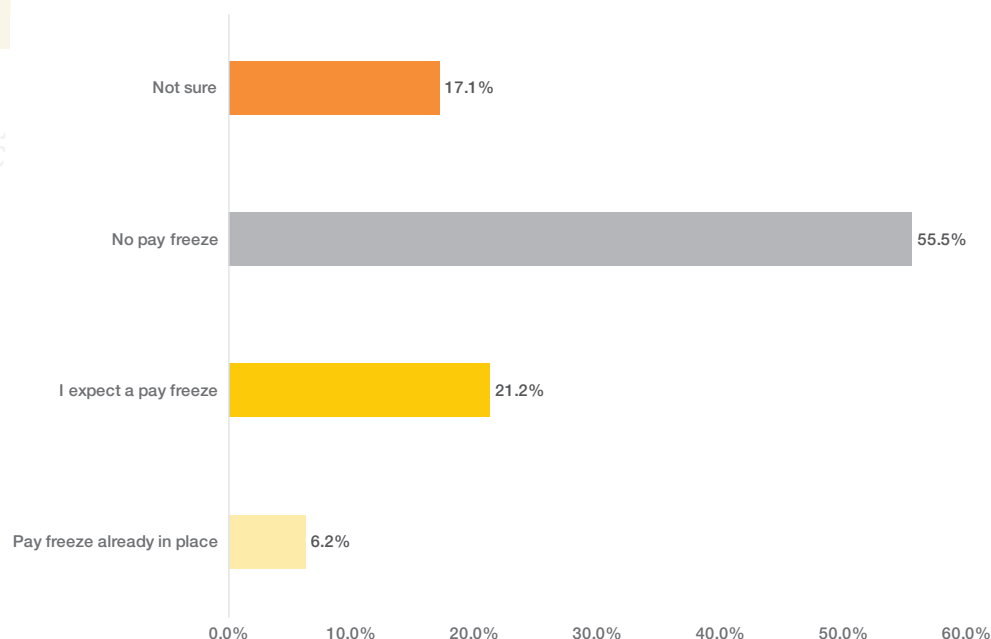


Has Brexit triggered an engineering pay freeze?

Of the total sample size, 21.2 per cent (62 respondents) told us that they expect to see a pay freeze come into effect as a result of the Brexit vote, while 6.2 per cent of respondents say that a freeze is already in place. More than half of those surveyed say that there is no expectation of a pay freeze.

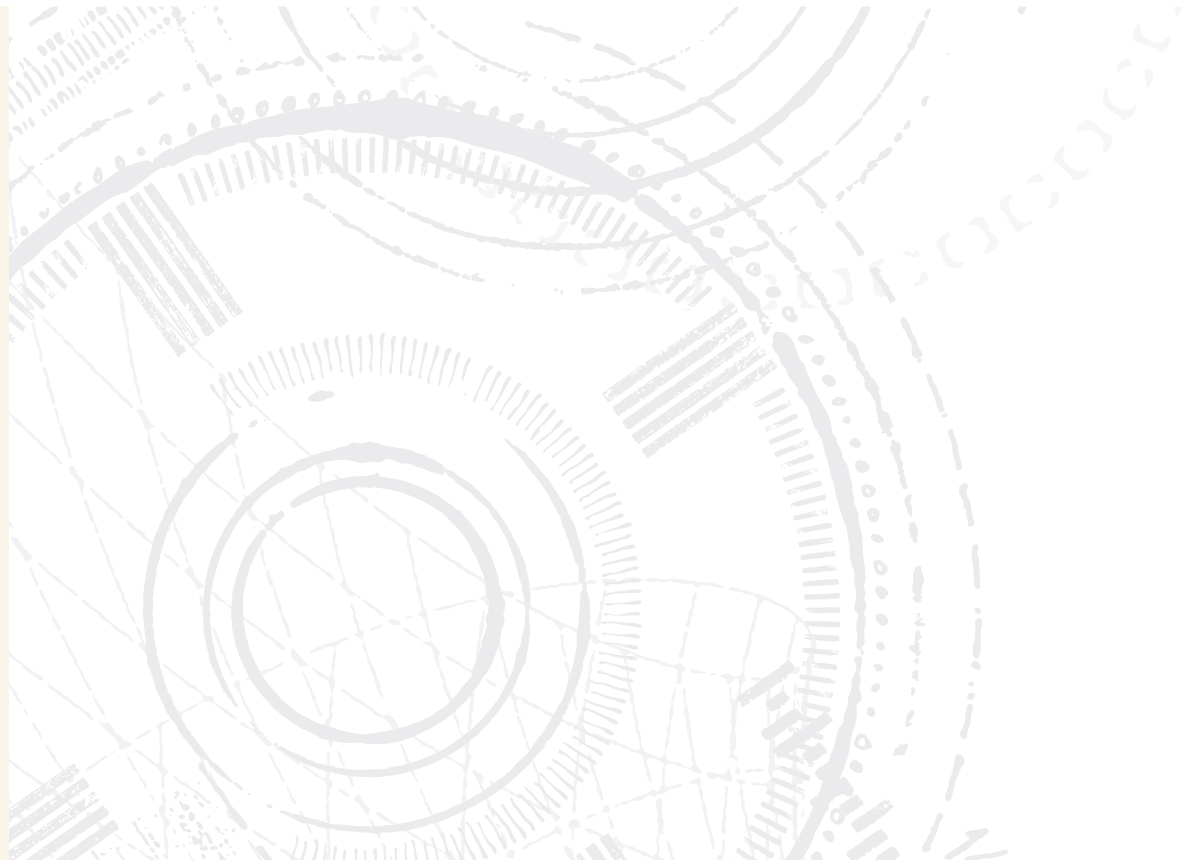
Do you expect the Brexit vote to lead to a pay freeze in your company?
(all respondents)

20



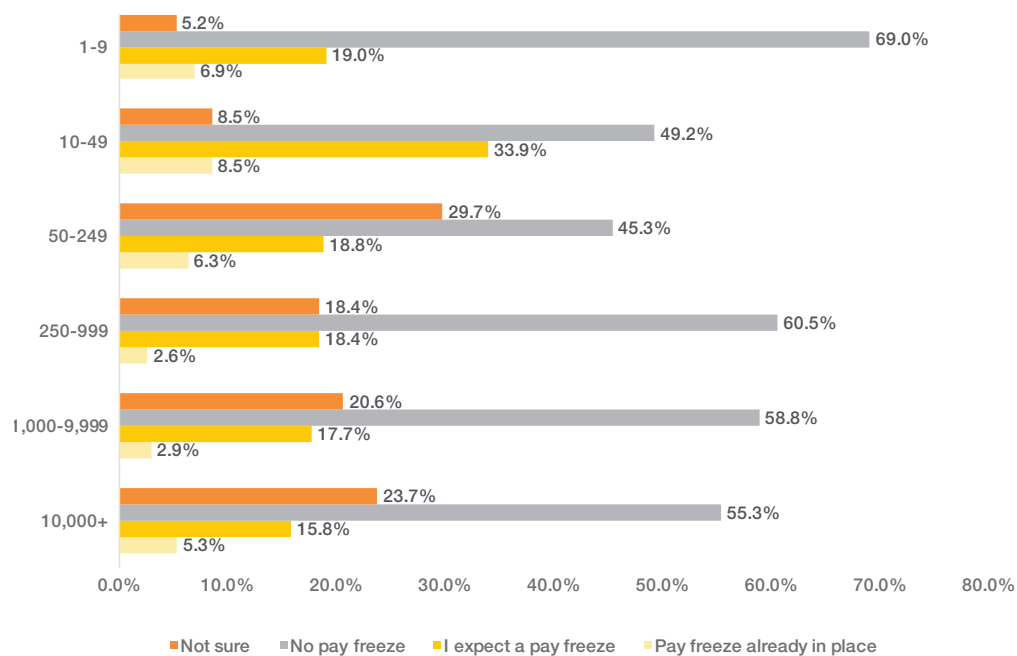
Once again it is respondents from those companies employing between 10–49 people who expect to be most affected, with a third of respondents from this group saying they expect a pay freeze to be introduced.

Perhaps unsurprisingly, the largest organisations appear most likely to be able to weather the storm, with 15.8 per cent of respondents from the 10,000 employees or more group expecting a pay freeze. However, across companies of all sizes there is great uncertainty, and an average of 17.1 per cent simply don't know.



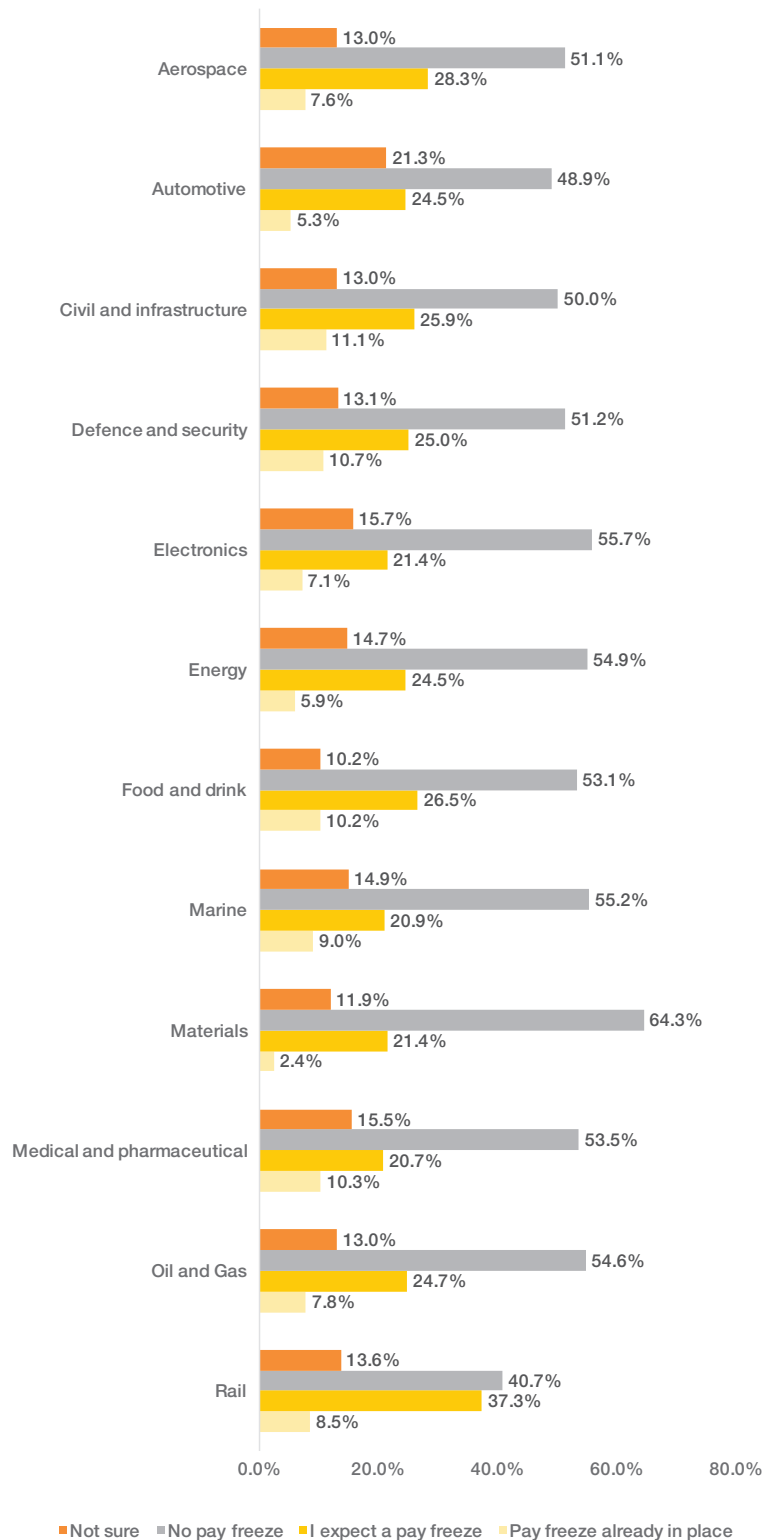
Do you expect the Brexit vote to lead to a pay freeze in your company? (by number of employees)

21



Do you expect the Brexit vote to lead to a pay freeze in your company? (by industry sector)

Across the sectors, expectations of a pay freeze are reasonably equally spread. Once again, the rail sector has the most pessimistic outlook, with more than a third of respondents from this sector expecting a pay freeze. In contrast, 64.3 per cent of respondents from the materials sector say they don't expect a pay freeze.

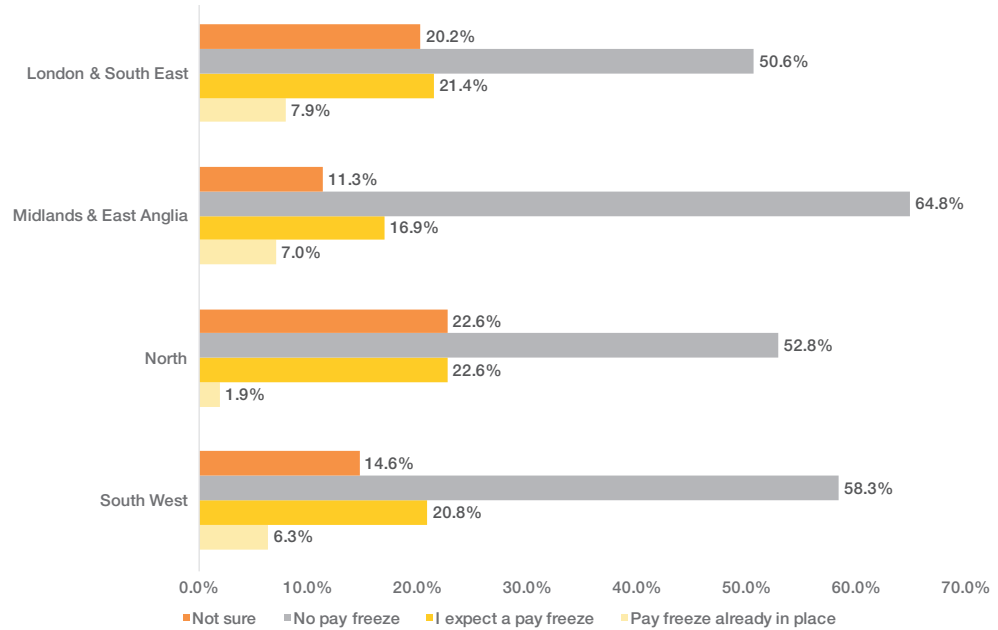


In terms of location, there's little significant variation in attitude from region to region. Levels of uncertainty are slightly higher in London & the South East and the North, while the North has the lowest proportion of respondents reporting that a pay freeze is already in place (1.9 %)

Respondents from companies with a pay freeze already in place expect it to last for – on average – 11 months. Almost a third of this group (26 respondents) say that they expect it to last for between one and two years, while a quarter say they have no idea how long it will last.

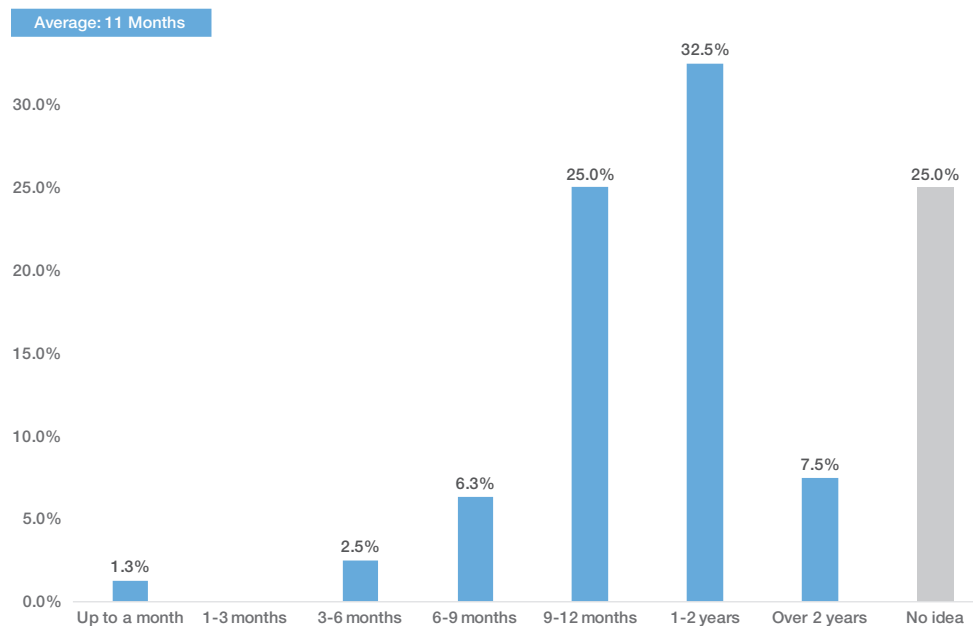
Do you expect the Brexit vote to lead to a pay freeze in your company? (by location)

23



If your company already has a pay freeze in place, or you are expecting one, how long do you expect it to last? (all respondents)

24



What are the other engineering recruitment implications of Brexit?



Respondents were also asked a series of additional questions on how they felt Brexit would affect a range of other factors such as training budgets, promotions, and graduate schemes.

From a recruitment perspective, perhaps the most notable findings in this section included an expectation among 34 per cent of respondents that use of temporary staff will increase.

It's also notable, though perhaps not surprising, that 39.1 per cent of respondents felt that Brexit would lead to a reduction in EU recruitment.

To what extent do you think the following will be either more or less likely following the Brexit vote?

25

	Much less likely	Slightly less likely	No change	Slightly more likely	Much more likely	Don't know
Reduction in promotions	3.2%	5.0%	64.9%	12.9%	10.8%	3.2%
Reduction in pay rises	2.9%	6.8%	47.5%	21.2%	16.5%	5.0%
Reduction in training budgets	3.2%	5.4%	57.0%	17.6%	13.6%	3.2%
Reduction in recruitment advertising budgets	2.5%	4.7%	58.8%	14.0%	13.6%	6.5%
Reduction in graduate recruitment schemes	1.4%	7.1%	59.3%	11.4%	12.5%	8.2%
Reduction in employee benefits (pension benefits, company car etc)	1.8%	5.4%	62.2%	15.8%	10.1%	4.7%
Recruiting staff from other sectors	5.7%	7.2%	59.5%	14.3%	7.9%	5.4%
Recruiting temporary/freelance staff instead of permanent	5.0%	7.2%	48.4%	21.1%	12.9%	5.4%
Reduction in domestic recruitment (i.e. people based in the UK)	6.8%	15.1%	57.0%	9.0%	10.0%	2.2%
Reduction in EU recruitment (i.e. people based in the EU)	5.8%	7.2%	42.8%	17.0%	22.1%	5.1%
Reduction in international recruitment (i.e. people based outside the UK and the EU)	4.7%	10.9%	55.4%	12.0%	10.9%	6.2%

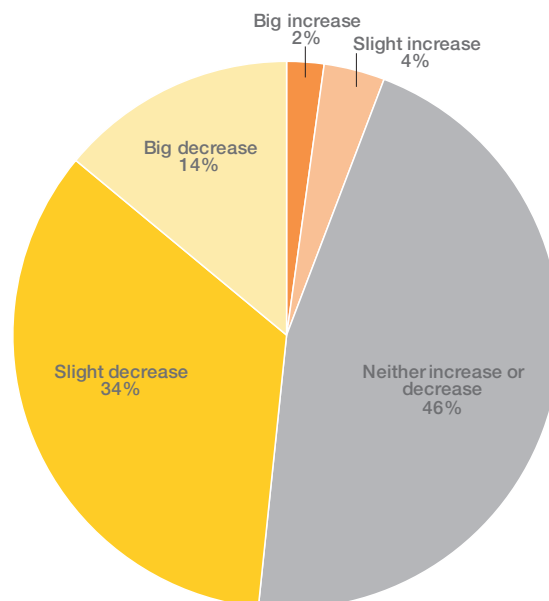
Will Brexit increase or decrease the candidate pool?

Asked what impact they felt Brexit would have on the candidate pool, respondents were roughly split between expectation of a decrease (48.4 per cent) and a belief that nothing much will change (45.9 per cent). Just 5.8 per cent of respondents (16 individuals) felt that Brexit would increase the candidate pool.

Among this group, verbatim comments suggest that there is an expectation that Brexit will be followed by initiatives aimed at making it easier to recruit engineers from outside the EU. Those expecting to see a decrease in available talent cite negative post-Brexit perceptions of the UK, and an anticipated reduction of free movement as the major factors.

Do you think that Brexit will increase or decrease the candidate pool?

26



■ Big increase ■ Slight increase ■ Neither increase or decrease ■ Slight decrease ■ Big decrease