



**Unite response to the House of Commons Business and Enterprise  
Committee Inquiry into the Aerospace Industry**

**This response is submitted by Unite Amicus Section. Unite is the UK's largest trade union with almost 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, automotive, aerospace, financial services, print, media, construction, transport and public services.**

**Executive summary**

- The UK Aerospace sector is one of the few manufacturing industries that are managing to sustain itself in the face of a global economic recession.
- Manufacturing is of vital importance to the UK economy, it creates a fifth of our national output, employs over four million people and produces over half of all exports.
- Unite believes it is vital that research funding and collaborative working between industry and research institutions is encouraged, supported and invested in by government.
- Unite believes that for the UK economy to rise out of the current economic downturn and be in a position to take advantage of the global economic recovery, it is imperative that world class industries like Aerospace are given substantial consideration when government is formulating manufacturing policy.
- Unite has very serious concerns regarding current education policy. There have been a number of significant policy changes over the past decade and, although there has been sustained financial investment by

government some of the decisions made around education policy have been at the least flawed and at worst disastrous.

- Unite would like to see government formulate education, skills and training policy that prioritises key areas and addresses major substantive issues.
- Unite agrees that the UK based Aerospace companies have benefited extensively from a positive and pro-active approach to manufacturing policy and financial investment. However, there are areas that need further consideration from government and this includes workforce training, R&D investment, promoting innovation and facilitating exports.
- Government policy must consider the supply chain in any decision making process. The small and medium sized enterprises (SMEs) in the supply chain are crucial to the Aerospace sector.
- Although the sector is weathering the current economic storm there have been problems in the sector, especially around export orders for engines, the slowing down of available credit, the fallout from the collapse of the banking sector and job losses and closures associated with the stigma that has been attached to items of ostentation such as business jets

## **1. Introduction**

1.1 The UK has the world's largest Aerospace industry outside of the USA. Turnover for the industry in 2008 reached more than £20 billion with a potential for exports of over £35 billion<sup>1</sup>. The sector employs a highly skilled workforce of over 160,000 with a further 200,000 workers reliant on the success of the sector<sup>2</sup>. The sector is also renowned for its commitment and success in recruiting and training apprentices – the highly skilled engineers and technicians of the future.

1.2 The UK Aerospace sector is one of few manufacturing industries that are managing to weather the storm of a global recession; a recession that has impacted severely in the USA and the UK alike and where some sectors such as Banking have had to be supported financially by the government and more crucially the UK tax payer.

1.3 Unite believes that the financial support given to other sectors of the UK economy have raised serious concerns in the Aerospace industry about the prospect of future investment funds from government being diverted away from Aerospace. There are also concerns about government cuts in public sector spending and whether this too will have an impact on investment in the Aerospace sector.

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<sup>1</sup> Society of British Aerospace Companies Ltd (SBAC) UK Aerospace survey 2009, page 2.

<sup>2</sup> *ibid*

1.4 It is vital that research funding and collaborative working between research institutions and industry are encouraged and supported by government. Unite believes that for the UK to come out of the current economic downturn and be in a position to take advantage of the global economic recovery it is vital that world class industries like Aerospace are given continued government support.

1.5 Unite has serious concerns regarding current government education policy, The latest debacle over the reduction in university places for UK students has created a zenith in the educational ambition of many young people in the UK. Unite believes there is a clear economic case to be made for extensive investment in the education of young people and the training and up-skilling of workers.

1.6 The importance of these tenets for manufacturing industry in the UK cannot be underestimated. In its manufacturing strategy government identified having a highly skilled workforce as one of the key dynamics that is instrumental in reshaping global manufacturing. A globally competitive and technologically advanced UK based manufacturing sector is entirely predicated on manufacturing companies having access to a highly skilled workforce.

## **2. Government policy**

2.1 It is clear that the Aerospace industry is coming to the end of a much needed and successful defence industrial strategy. Unite believes the strategy proved to be an exemplar of what can be done when everyone; companies, workers, trade unions and government departments work together for a common goal. However, with the UK armed forces involved in two serious conflicts the defence of the country and the quality and supply of defence equipment and defence spending has never been more important.

2.2 Unite therefore welcomes government's strategic plan for manufacturing in the UK. Manufacturing is of vital importance to the UK. It creates a fifth of our national output, employs four million people and produces over half of our exports<sup>3</sup>. The continued success of manufacturing in the UK is therefore crucial to our country's prosperity, now and in the future, added to this the UK is part of the world's largest single market.

2.3 The Aerospace sector in particular has welcomed the advanced manufacturing support package presented by Lord Mandelson. The package will see over £200 million being made available to assist businesses in the UK to innovate and expand, creating jobs and wealth, facilitating a shift out of the economic downturn towards a new sustained and invigorating period of financial investment, job security and economic prosperity.

2.4 Government policy has also meant that the Aerospace industry will benefit from £24 million worth of government investment into a variety of projects; including a study into the development of innovative new wing technology.

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<sup>3</sup> UK Trade & Investment (UKTI) UK Aerospace Spanning the Globe, page 2.

Unite believes government must be aware of the importance of ensuring that the UK is seen as a centre of excellence for Power and Lift. It is crucial that Aerospace research and development, innovation, intellectual property and ultimately workers jobs remain in the UK.

2.5 Unite is acutely aware that government policy in relation to manufacturing is providing for a significant level of investment in the UK Aerospace sector, however there are a couple of areas of concern which Unite would like to see addressed. The most important of these is the issue of education, training and skills in relation to manufacturing. The second being improvements that are needed to ensure a cohesive and effective supply chain for the Defence and Civil Aerospace supply chain.

### **3. Education, training and skills.**

3.1 It is clear that the Aerospace sector is one where the employees are highly qualified and highly skilled. However, a number of key reports have indicated that a shortage of skilled employees may be hampering growth in manufacturing industry as well as limiting the potential for any changes in highly technical operational processes. Unite believes that procurement decisions by the MoD and ultimately government must take into account training, skills and ensuring the key skills in the sector are retained. Long gaps in the awarding of contracts can generate serious problems with skills retention and skills shortages.

3.2 Unite is keen to see that companies within the sector do not become complacent about training their existing workforce. It is vital for workers to continue their training and development while in work and it is the employer's responsibility to ensure that the workforce has this opportunity. Unite believes that if employers are not prepared to train their workers then there should be a statutory training levy implemented. Skills gaps can become a serious issue within manufacturing companies and as such could seriously affect productivity.

3.3 The present government has made it clear that they want to see a highly educated and highly skilled workforce for the future growth and prosperity of the UK economy. There are two key factors driving demand for skills within this sector.

- Replacement demand – where job opportunities are created by retirement, occupational mobility and where there are skills shortages within the sector.
- Structural change driven by international competition – the important role of skills in improving productivity relative to international competitors cannot be underestimated. Structural change within the sector, such as the huge changes in technology and the products required by the armed forces, are broadening the types of skills required within the sector.

3.4 Unite believes that ensuring strong workforce skills is a matter of shared responsibility between government, employers, unions and individuals. It is clearly documented that trade unions have played a pivotal role in encouraging workers and employers to participate fully in the learning agenda, this role can now be extended to include on the job training and skills development for all workers.

3.5 Unite has also expressed serious concern with current education policy in the UK. There have been a number of policy changes in education over the past 5 years that have had a serious detrimental impact on the production of science, technology and engineering apprentices and graduates. There must be an acknowledgement by government that the building blocks of an education system are the key to a thriving, innovative and technologically advanced manufacturing sector.

3.6 An example of this is Singapore, in the last Trends in International Mathematics and Science Study (TIMSS) survey of maths and science standards in 49 countries, Singapore came first for science and second for maths<sup>4</sup>. Since the scheme known as Singapore Maths was introduced in the 1990's, the nation has not only moved to the top of the survey but no longer has a bottom stream of low achievers.

3.7 Although the UK has improved its standing from 25<sup>th</sup> place in 1995 to seventh place in 2008<sup>5</sup>, there are still more than one-fifth of children who fail to pass the National Curriculum maths test. In 2008 only 78% of 11 year olds and 77% of 14 year olds reached the standard expected for their age<sup>6</sup>. Unite believes there must also be a strategic focus on the 835,000<sup>7</sup> 18 – 24 year olds who are not in education, employment or training. These young people are being left behind and so far none of the current government education or training policies has achieved a reduction in this total.

3.8 It is clear from these figures that, although the UK has a respectable position in the international TIMSS chart, it is the countries that are our direct manufacturing competitors who are creating educational policy that will ensure the educational opportunities are available to produce the highest number of highly skilled mathematicians, technicians and scientists.

3.9 Government must take evidence such as this seriously and implement education policy that recognises that industry in the UK is not only about the service and finance sectors. It is crucial that research and development, innovation and intellectual property remain in the UK. This will only happen if there is enough home grown talent to fill the ever growing skills shortages in manufacturing and that workers will be sufficiently educated to address the onward march of technological change.

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<sup>4</sup> TIMSS 2007 Distribution of Mathematics Achievement, page 34.

<sup>5</sup> Ibid, page 35.

<sup>6</sup> Department for Business, Innovation & Skills (BIS) - DCSF: National Curriculum Assessments statistics at [www.desf.gov.uk](http://www.desf.gov.uk)

<sup>7</sup> Institute of Directors – Policy Voice Research Survey.

3.10 Unite would like to see government formulate education, skills and training policy that prioritises certain areas and addresses major current issues. These include; improving basic standards of literacy and numeracy across all age groups in society. Increase the number of young people studying STEM subjects and achieving apprentice places in manufacturing and technology industries. Build stronger links between employers and educational establishments; schools, universities and further education colleges. Invest in improving vocational education and legitimise qualifications. Have a root and branch review of the current qualifications system. If qualifications have no value for the student or the employer what use are as a signifier of a highly educated and highly skilled workforce?

#### **4. Research and development**

4.1 One of the key areas for consideration in the sector is the importance of research and development. With government's commitment to a 'green' agenda and demand for more efficient and quieter aircraft there needs to be a step change in research and development investment to ensure the UK sustains its position in leading the world in Aerospace R&D. However, current evidence shows there has been a decline in R&D investment in the UK, this has fallen by around 24% from £2.4 billion in 2007, to £1.8 billion in 2009<sup>8</sup>.

4.2 Unite believes that investment in research and development helps to sustain high-value jobs and increases the competitiveness of UK companies. However, manufacturing companies that find more beneficial environments overseas are more likely to move their R&D to other countries, with the consequent jobs being created outside of the UK and the almost certain loss of intellectual property means those jobs will never come back to the UK.

4.3 Unite believes it is vital that government recognises that investment in R&D ensures that the future of the Aerospace sector will be in the UK. Unite believes that government should work with unions, workers and companies to provide a real opportunity to create a coherent and holistic policy that supports a through life regime for all the elements that create a truly great UK based industrial sector.

#### **5. Impact of recession on Aerospace**

5.1 Although the aerospace sector has enjoyed significant investment and support from the UK government it has not been immune from the impact of the global recession, and this global perspective has been the key feature. The aerospace companies based in the UK are predominantly global companies and as such the onset of such a severe global economic downturn has created problems for companies in the UK. For example Rolls Royce is an exemplar UK based company yet some export orders for engines from overseas buyers have been cancelled or suspended.

5.2 There has been a significant slow down of available credit to buy aeroplanes on lease. The fall of the banking sector has had a significant

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<sup>8</sup> Society for British Aerospace Companies (SBAC) UK Aerospace Company Survey 2009, page 6.

effect on the civil aerospace sector and there are concerns about the impact on the production of the single aisle aeroplanes and the orders for the A380.

5.3 One example of where the sector has been significantly affected is business jets. Since the banking crisis there has been a stigma created across the world in the use of business jets, as it is seen as ostentatious in the present economic crisis. As a consequence the market in business jets has collapsed with the loss of 20,000 jobs.

5.4 In the UK Bombardier also became a victim of the downturn with the loss of 1300 jobs. As such, Unite would expect to see government financially supporting any need for short – term working contingency plans. This is vital in ensuring that those workers with the skills needed for manufacturing and in particular the Aerospace sector will still be in the workplace once the economic recovery happens.

5.5 Although the short-term outlook is for a decline in output, the long term outlook for the sector remains positive, with industry forecasts predicting a requirement for 30,000 new fixed wing aircraft worth \$2.6 trillion up to 2026 and 30,000 rotorcraft worth around \$300 billion up to 2027<sup>9</sup>

**This submission should be read in conjunction with the Unite submission for the Motor Sport sector.**

#### **Unite recommendations**

- Unite believes the time is ripe for government to lay out its long term view of the sector, similar to that of the previous defence industrial strategy, this is to ensure that the UK remains a market where investors want to invest, exports will continue to rise and jobs will be created.
- Government must acknowledge that a UK based Aerospace and defence sector is vital in prioritising the needs of the UK armed forces and to avoid any supplier country from acting against the UK by withholding equipment.
- Any further reductions in defence spending as part of a strategic review could undermine UK security, have an adverse impact on the UK economy and create significant problems with the retention of skills in the sector.
- Unite believes that government should increase investment in the Aerospace sector by around £2 billion per year; this would go some way to reducing the current disparity between the UK's military commitments and government expenditure.

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<sup>9</sup> Society for British Aerospace Companies (SBAC) - UK Aerospace Survey 2009, page 2.

- Government must acknowledge that at a time of real economic challenge, the Aerospace sector makes a significant economic contribution to the UK economy and remains one of the key capabilities for UK manufacturing.
- Unite believes that education policy in the UK needs to be reviewed and there must be a clear commitment from government to raise and invest in opportunities for all people in education or training in the UK.
- The UK has the worst record for R&D investment in Europe, government must ensure that investment in R&D increases and provide mechanisms which assist UK based companies to increase their investment in R&D and innovation.
- Government must recognise that although the sector is dynamic and vital there is still room for improvement. Further reform of the procurement process would assist with greater efficiency and reduce costs.
- There needs to be an acceptance and a commitment by government that through life capability for the whole life of equipment provides better value for money than conventional equipment procurement.
- Unite believes there needs to be a greater acknowledgement of the role that SMEs play within the sector especially in relation to the lack of government investment in entrepreneurial research and development in the sector.

**Bernie Hamilton**

Unite National officer

Aerospace and Shipbuilding & Repair sectors

**Janet Golds**

Unite Research officer

0207-611-2536

[Janet.golds@unitetheunion.org](mailto:Janet.golds@unitetheunion.org)

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Clerk of the House of Commons Business and Enterprise committee

[becom@parliament.uk](mailto:becom@parliament.uk)

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