## National Sector Information - UK

The U.K. has both civil and military aerospace industry and an important space sector. Current employment numbers are:

109,000 direct employees and 120,000 indirect jobs (ie in the supply chain).

By value this is 50% civilian aerospace and 50% military aerospace.

## OEMs

Rolls-Royce
Airbus
BAE Systems
Bombardier
Agusta Westland
MBDA

## Important Suppliers

GKN
Selex ES
Thales
GE
UTAS
Raytheon
Spirit Aerosystems
Eaton Aerospace
Martin Baker
Marshalls
Honeywell
Safran

## Locations

The industry is present in every region of the U.K. but the most concentrated employee numbers are in the south west, north west, East Midlands and Scotland.

75% of the revenues of the industry are from export sales. On the civil side, much of this is attributable to sales of Airbus aircraft and Rolls-Royce engines. Also important are Bombardier, with wings for the new C Series produced in Belfast, and Agusta Westland in the rotary market. In the military field, exports are dominated by Hawk aircraft, but significant orders have been won for Typhoon. BAE Systems are building rear empennage structures for all F-35 aircraft worldwide.

The U.K. Supply chain supports those OEMs above and are also significant suppliers for Boeing, Lockheed Martin, Northrop Grumman and other USA companies.

## Top 5 companies by employment numbers:

BAE Systems 34,800 employees
Rolls-Royce - 24,000 employees
Airbus - 15,000 employees
Bombardier - 6000 employees
GKN - 3000 employees

## Economic indicators

In 2013, the government listed 634 enterprises as being in the aerospace industry, and total turnover was £24.7 billion in that year.

There are outstanding orders for 12,000 aircraft and 21,000 engines, with a combined value of between £135bn to £155bn.

The U.K. Space Industry employs 34,300 people and generates GVA of £4.8 billion.

## Development of employment

The civil aerospace business has been growing in recent years, but even so there has been restructuring, with redundancies announced at Rolls-Royce and Bombardier. Despite this, there is strong recruitment of apprentices, with an estimated 3,300 people currently being trained, and graduates. Many of the large companies operate with a core workforce of permanent workers, but supplement this with a "complementary workforce" of temporary or agency workers. Often this is at around 10% of the level of permanent workers.

On the military side, reduced defence spending and fierce competition have led to tens of thousands of job losses over the last decade. Future job losses are forecast due to the slowdown of Typhoon production and no plans for a next generation of manned fighter aircraft.

## Structural changes in the Sector

The U.K. has a good position on wing systems and engines, with related technologies such as landing gear and control surfaces playing a strong supporting role. In addition, in the military field, we have the ability to design, manufacture and support fighter aircraft. The U.K. also designs and builds complex weapons and satellites for defence and civil applications.

Most companies in the aerospace industry are dealing with an ageing workforce, with an average age of engineers currently at 54. The U.K. has a particularly bad demographic problem due to the downturn in manufacturing that occurred in the 1980's and early 1990's when apprenticeships were abandoned across the economy. This has led to a generational gap across manufacturing and there is a noticeable lack of 35-50 year old workers in the industry. This has led to arguments that the skills gap in the UK leads to offshoring of work.

The U.K. Government is introducing an Apprenticeship Levy which will tax big firms to pay for apprenticeship schemes, but the details are far from clear at the moment. There is a lack of a national framework for qualifications for apprentices which will only get worse as the government fragments and devolves responsibility to employers.

## Economic situation of suppliers and OEMs

In recent years the government has backed an Aerospace Growth Partnership (AGP), pledging £1.6bn of public money, matched by the industry, for research and development activities. There is an ongoing debate about the support OEMs should now give to supply chain companies in the UK as a result. The AGP has funded an Aerospace Technology Institute that is carrying out R&D for the industry. However, this is currently dominated by projects for the OEMs.

There is a work stream of the AGP aimed at supply chain development, where big companies send experts into the supplier to examine their work practices, production methods and management capabilities. The aim is to improve quality, efficiency and price to make the UK supply chain more competitive. Meanwhile, we have uncovered behaviour where the big companies are forcing their suppliers to offshore work in order to win contracts. Unite has exposed and challenged this behaviour.

## Opportunities, challenges and future trends

The current fragmentation in vocational qualifications may be addressed by the introduction of an Apprenticeship Levy and a national Apprenticeship Institute. However, it is not clear how this will work in the devolved administrations of Scotland, Wales and Northern Ireland and there is a great degree of uncertainty.

The biggest challenge currently facing the UK industry is the possibility of Brexit. The EU Referendum takes place on 23rd June this year and whilst the Remain camp is slightly ahead, around 25% of voters say they still have not decided how to vote. The uncertainty has already affected the value of the Pound and many aerospace industry leaders have warned of negative consequences if the UK votes to leave.

In civil aerospace there are opportunities given the predicted growth in worldwide air travel and the current order books. However, the lack of any new aircraft design from either Airbus or Boeing is a threat to development of new technologies and may slow innovation.

On the military side, there is a clear foreseeable decline in production as Typhoon comes to an end. Even if export orders are won, the impact of offset work means UK jobs will be lost. Unite is launching a campaign for a European collaboration for a sixth generation manned fighter aircraft to protect the skilled workforce and guarantee future jobs.

## Europeanisation / internationalisation of the value chain

There is clear evidence that the demands of international customers for work packages in return for ordering aircraft is resulting in the offshoring of the value chain. OEMs have conceded assembly lines in some countries, and are forcing their suppliers to send work to low cost economies, partly on the grounds of cost, and partly to satisfy the demand for aerospace work.

The Aerospace Growth Partnership has developed a national strategy to upskill the supply chain and make it more competitive and the government is putting pressure on the OEMs to show more loyalty to their suppliers. The AGP has consulted the automotive industry, where supply chain work was offshored, but is now being returned to the UK as control of the value chain was lost. There is a danger the a aerospace industry will make the same mistake.

## Trade unions

Unite is the major union in aerospace and the industry is well organised, with good union density and strong workplace representation. We have developed an organising model to try and improve our organisation in the supply chain as we are currently best organised in the OEMs and Tier 1 suppliers. Our organisation weakens further down the supply chain.

Unite has a seat on the Board of the Aerospace Growth Partnership and we regularly meet government ministers, MPs and MEPs to raise the concerns and aspirations of the workforce.

Most of the big companies have active European Works Councils and many have UK Councils for information and consultation.