

# Written evidence from Ennis & Co Group (SFF0014)

## Introduction

The Ennis & Co Group is trusted by many of the world's leading automotive and mobility brands to appoint their senior leaders and deliver intelligence-based talent strategies.

We carry out executive search assignments and research projects across the globe in R&D, supply chain, manufacturing, distribution, retail and vehicle use organisations that are helping to shape the future of the sector by delivering the key decision-makers and innovators of tomorrow.

The insight from our industry engagement and senior leadership fora during the last 15 years has been used by both Boards worldwide, as well as the Skills Working Group and the Diversity and Inclusion Working Group of the Automotive Council to inform industry policy and provide practical solutions to key issues.

Skills gaps remain the biggest operational challenge facing the industry and in 2022 we brought together 44 senior executives and directors, including CEOs, Vice Presidents and Presidents to explore a clear route out of the shortages being experienced across the sector.

We published *The Skills Evolution Roadmap 2025*<sup>1</sup> to provide a unique understanding of the challenges and approaches being taken to address skills gaps across the entire spectrum of the automotive and mobility industry. Several global organisations are now using it as the foundation to evolve their skills strategies and it has been presented during industry meetings with government, including the Chancellor of the Exchequer.

Since publication we re-engaged with the organisations who took part in the original research and identified the single largest barrier to progress in addressing skills gaps was gaining the attention of the organisation at board level, since the gaps were not quantified in fiscal terms.

This led us to develop the next stage of our research, where we developed a model to quantify the opportunity for organisations to gain commercial benefit by investing in skills development, as well as the risk of not investing.

*The Cost of Your Skills Gap*<sup>2</sup> published in Autumn 2023 reveals a potential uplift of three per cent in turnover for organisations who upskill their staff, and a potential downside of a four per cent dip in turnover for those organisations which don't.

Ennis & Co Group welcomes the opportunity to submit written evidence to the House of Lords Industry and Regulators Committee and would welcome the opportunity to expand on this in person.

This submission provides a response from Ennis & Co Group using evidence gathered through our work to the relevant questions, from the perspective of the automotive and mobility industry.

*In summary, Ennis & Co believes that the future skills challenges for the industry require specific actions to be taken:*

- *Skills must become a strategic priority, owned by everyone around the boardroom table.*
- *Skills gaps must be quantified with targets and commercial measures, tracked and acted upon.*
- *Organisations need to focus on skills, not job titles, when developing resourcing plans with flexibility to enable transfer and upskilling in a fast-moving environment.*
- *The Diversity and Inclusion agenda provides an opportunity to access the widest possible talent market and should be enshrined in any skills strategy.*

## **Background**

In 2020, the skills gap in the automotive industry worldwide was estimated to have cost £57 billion in lost revenue due to a global shortage of 1.1 million skilled workers. This is forecast to double by 2025 to 2.3 million skilled workers missing from the sector at a cost of £96 billion, and double again by 2030 to 4.3 million people, costing the automotive sector £207 billion.<sup>1</sup>

The speed of product development is accelerating as electrification closes in on Internal Combustion Engines (ICE). China is the crucible of production, challenging US, EU and UK companies. Distribution is a prize to be won in the battle between brand and retailer, enabled by the internet and mobile technology. The customer is better informed and has a loud voice, and companies are competing to attract the skills needed to deliver their business plans.

The need for new skills is both a challenge and an opportunity as the sector adapts to transforming technologies and the legislative requirements of the net zero agenda. It is understandable for leaders to focus on negatives, such as the cost of upskilling their workforce,

employee attrition or the difficulty and expense of hiring talent in a tight skills market.

But, as we have demonstrated and quantified, there are strong financial benefits to making the right skills investment at the right time. Given the challenges of the talent market, with automotive businesses competing with other sectors for the same 'hot' skills, upskilling and recruitment need to be at the very heart of business strategy and owned at board level.

**1. What kinds of skills do you think will be needed for the future of the UK economy? Is the UK's skills and training system capable of equipping increasing numbers of people with these skills?**

The *Skills Evolution Roadmap 2025*<sup>1</sup> and *The Cost of Your Skills Gap*<sup>2</sup> based on interviews with 44 senior executives from across the sector and vehicle lifecycle from R&D, supply chain, OEMs, distribution and vehicle use organisations revealed some common areas of shortage.

The table shows the skills which are missing across each stage of the lifecycle

| <b>R&amp;D</b>                               | <b>Manufacturing</b>                         | <b>Distribution</b>                          | <b>Retail</b>                                | <b>Service &amp; Repair</b>                  |
|--|--|--|--|--|
| Artificial Intelligence                      | Artificial Intelligence                      | Artificial Intelligence                      |  |  |
|  | Customer Experience / CRM                    | Customer Experience / CRM                    | Customer Experience / CRM                    |  |
| Cybersecurity                                | Cybersecurity                                | Cybersecurity                                | Cybersecurity                                | Cybersecurity                                |
| Data Scientists, Analysts and Visualisers    | Data Scientists, Analysts and Visualisers    | Data Scientists, Analysts and Visualisers    | Data Scientists, Analysts and Visualisers    | Data Scientists, Analysts and Visualisers    |
| Digital Skills (Software developers, Coders) | Digital Skills (Software developers, Coders) | Digital Skills (Software developers, Coders) | Digital Skills (Software developers, Coders) | Digital Skills (Software developers, Coders) |
|  | E-Commerce                                   | E-Commerce                                   | E-Commerce                                   |  |
| Engineers (Design, Electrical / Electronic,  | Engineers (Design, Electrical / Electronic,  |  |  |  |

|                          |   |                      |                           |  |
|--------------------------|---|----------------------|---------------------------|--|
| Chemical,<br>Software)   | Chemical,<br>Software)                                  |                      |                           |  |
| IT / Tech<br>Specialists | IT / Tech<br>Specialists                                |                      | IT / Tech<br>Specialists  |  |
|                          | Sales &<br>Marketing                                    | Sales &<br>Marketing | Sales &<br>Marketing      | Sales &<br>Marketing                         |
|                          | Technicians –<br>Production,<br>Operational<br>Assembly |                      | Technicians<br>– Workshop | Technicians<br>– Workshop<br>and<br>Bodyshop |

Advanced digital skills are needed to drive digital transformation as new vehicles become more 'intelligent'.

The growing importance of the online customer journey has exposed gaps in digital expertise and e-commerce in terms of optimising the online experience and understanding what customers are thinking on their journey. It has also highlighted the need for technical know-how in the way customer data is captured and utilised for planning and marketing purposes, including the effective use of CRM systems.

Talent shortages have led to intense competition for electrical, electronic, chemical, mechanical and software engineers, leading to spiralling wage inflation and increased headhunting activity. One business reported 70 vacancies, principally in technical areas such as design engineering.

Such is the pace of acceleration towards electrification, there are concerns that the industry is storing up problems for the future by not addressing the skills that will be required in the next few years. One OEM leader pinpointed the need for training courses to deliver the required specialists in electrical software, vehicle cybersecurity, EV battery safety and high and low-voltage system design. Such skills will be essential to ensure EVs meet safety standards going forward but are likely to be in scarce supply.

The transition to electrification requires a thorough technical understanding of EVs, but also soft skills such as empathy and the ability to communicate effectively to address the lifestyle changes that come along with the purchase of an EV.

Emerging technologies including hydrogen fuel cell propulsion are so new that the relevant technical skills simply do not exist in the market.

There is a huge global shortage of data scientists and analysts, with automotive companies facing fierce competition from other sectors. Despite the high levels of brand recognition among OEMs, an automotive manufacturer is not the first place that data scientists or analysts would

think of joining. The demand is set to grow as advances in vehicle connectivity bring huge increases in the volume of accessible data.

**2. Is it clear to everyone involved in the skills system what the respective roles of the Government, employers, individuals and institutions are within that system?**

Ennis & Co Group has no evidence to offer on this question

**3. What is the appropriate level of government intervention in the development of skills policies? How can government best add value in this area?**

Ennis & Co Group has no evidence to offer on this question

**4. Are current Government policies on skills, particularly apprenticeships and training, sufficiently clear? Have policies and the institutional set-up been sufficiently consistent over time? If not, what changes or reforms would you recommend?**

Ennis & Co Group has no evidence to offer on this question

**5. Are the right institutions in place to ensure an effective skills system for the future? Should co-ordinating institutions be national, regional or sectoral, or a mixture of each?**

It is virtually impossible to have 'one skills system' to meet the needs of a diverse workforce ranging in age from 16 to 70+. Using the responses from our research, we identified three distinct career stages, each requiring different types of engagement and resources to support skills development.

### **Career Exploration**

With respect to those early in their careers, businesses do target recruitment of apprentices, forming relationships with local schools and sponsoring relevant college courses. For graduate-level jobs, companies partner with universities to sponsor candidates on degree apprenticeships or provide career paths for traditional graduates. There is significant engagement activity taking place to create talent pipelines through these schemes. The challenge is the competition for talent in a sellers' market, automotive organisations need to engage effectively to attract young people who may otherwise go to different sectors. Journey Makers from Arval<sup>3</sup> is a great example of a company successfully using a narrative to create an inspiring employee brand.

### **Established Career**

Mid-career covers the majority (by number) of existing and potential employees – the people who are considering whether to stay with their current organisation because they see personal development and opportunities to grow in a progressive culture or who can move relatively easily to another organisation. This group represents the key battleground for retaining and recruiting staff, so this is where investment in training and development and partnerships with external organisations could be vital. Programmes such as the National Electrification Skills Framework and Forum<sup>4</sup> is an example of a collaborative alliance of academic and industry partners created to address this.

### **Career Choice**

While some areas of diversity are being actively pursued, including gender and, to some extent, race and disability, the potential of engaging with more mature workers is regularly overlooked. People at this stage of their careers can often choose whether to work or not but offer the advantages of experience, maturity and commitment, particularly in an environment that embraces part-time and flexible working. The cost of living crisis may persuade some older employees to postpone retirement plans, and these employees could play a significant role in plugging skills gaps to help meet business objectives. This group should certainly be considered when engaging with institutions for training or upskilling.

Although some OEMs, Tier 1 suppliers and retailers are forging partnerships with universities to access skills and influence course design, businesses have highlighted the need for academic institutions to better align themselves with the needs of evolving technologies in power electronics, batteries, AI and software. There are concerns that universities are moving too slowly to deliver the skills the industry requires. Business leaders say a mindset of agility and entrepreneurialism is required both in the education system and government.

There is a widely held view amongst the industry leaders with whom we spoke that the industry could sell itself better to potential apprentices and make talent pools more aware that being a modern-day technician (for example) is about software skills, technology and electronics rather than simply getting your hands dirty. Institutions such as representative bodies have the opportunity to create positive messages to explain that technicians can enjoy an interesting, progressive and well rewarded career. An example would be the Automotive Career Guide<sup>5</sup>, produced by the SMMT Charitable Trust Fund, with 74 pages of articles and insight into careers across the sector.

***6. Concerns have been raised over the operation of the Apprenticeship Levy, particularly in relation to the decline in young people taking on apprenticeships. Is there a case for***

***reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices?***

Ennis & Co Group has no evidence to offer on this question

**7. What should the role of business be in encouraging the development of skills in the UK? Should business be a consumer, funder, trainer or co-designer of skills provision?**

Skills must become a strategic priority, owned by everyone around the boardroom table, and skills gaps must be quantified with targets and commercial measures, tracked and acted upon. As a key area of business risk, there needs to be analysis, strategy, planning, delivery and reporting of skills gaps.

Since business needs the skills, business must be the driver of skills development in the UK. They can adopt all four of the roles suggested, as a consumer of the product of education, as the funder of apprenticeship and graduate schemes, as the trainer to upskill and reskill their colleagues and as co-designer with educational establishments to evolve the training to fit the market and business needs.

Recognising that it is cheaper to nurture talent internally rather than competing for external hires, larger organisations have invested, or are planning to invest, in internal academies. The Arnold Clark Innovation Centre<sup>6</sup> provides education for both staff and customers on new technology and electrification. CENEX Future Learning<sup>7</sup> is a portal with online course including videos, quizzes, low emission vehicles, vehicle-to-grid technology, based on 15 years of market transformation.

In a period of technological transformation, employee engagement is key to understanding the aspirations of people in the middle part of their careers – their level of job satisfaction and appetite for upskilling and reskilling.

***8. In a more mobile, flexible labour market, what incentives do employers have to provide training for their employees? Why do you think that employer investment in training has declined in recent decades?***

In a tight skills market, organisations are competing for talent, and once they have acquired that talent, there is a need to ensure that they retain it.

Through our work in finding and recruiting senior leaders for the automotive and mobility sector, we know that people rarely leave their job solely because of the opportunity to increase their salary and benefits.

It is far more common to lose good people through lack of opportunities to develop themselves or make progress in their careers.

Despite this, our 2023 Salary Insights report revealed that the combination of a global talent shortage and the growing need for new skills to drive the transformation taking place in the industry has fuelled spiralling wage inflation. This is especially true at senior leadership level, where we have seen huge rises both in base salaries and benefits over the last two years. There is however little evidence so far to suggest that such increases are addressing the fundamental issue of employee churn.

Training and development offers a pathway to retaining and attracting talent, providing a clear career development route for employees. However, businesses must be prepared to invest and sustain the investment to bridge the skills gap, and this plays back to the need for commercial assessment of the cost of skills gaps, reported at board level to support such long term commitments.

***9. Should further incentives be put in place to reverse the decline in employer investment in training, and if so, what form should these incentives take?***

Ennis & Co Group has no evidence to offer on this question

***10. What incentives do individuals have to involve themselves in apprenticeships and training? Is the system available and attractive enough to encourage individuals to seek training, and if not, what can be done to improve this?***

A key benefit of training and development is that it can lead to a more satisfying career making employees better placed for progression. This is linked to remuneration and if we take technicians as an example, we have seen strategies being implemented offering upskilling programmes by retailers for employees to work on EVs. To counter the reluctance among some older technicians to retrain, one retailer is offering a premium on top of basic wages for EV-skilled technicians.

To halt the exodus of technicians to higher-paying competitors and sectors outside automotive, one retailer carried out a wholesale review of workshop salaries, resulting in a multimillion-pound increase to pay plans, including retention/loyalty bonuses and more structured career paths.

With the “hot” skills under an employee’s belt, they become an attractive proposition for businesses who want to poach top talent.



**11. How does the UK's approach to skills and training compare to those of other countries? Are there examples of good practice that the UK should be learning from?**

Ennis & Co Group has no evidence to offer on this question

**References**

<sup>1</sup> **The Skills Evolution Roadmap 2025** accessed 23 May 2024 - <https://ennisco.com/skills-evolution-roadmap-2025/>

<sup>2</sup> **The Cost of Your Skills Gap** accessed 23 May 2024 - <https://ennisco.com/skills-evolution-report-the-cost-of-skills-gaps/>

<sup>3</sup> **Journey Makers by Arval** accessed 23 May 2024 - <https://www.arval.co.uk/careers>

<sup>4</sup> **The National Electrification Skills Framework and Forum** accessed 23 May 2024 - <https://www.ukri.org/news/delivering-skills-and-training-for-the-green-revolution/>

<sup>5</sup> **Automotive Career Guide** accessed 23 May 2024 - <https://www.smmmt.co.uk/industry-topics/uk-automotive/automotive-industry-career-guide/>

<sup>6</sup> **The Arnold Clark Innovation Centre** accessed 23 May 2024 - <https://www.arnoldclark.com/innovation-centre>

<sup>7</sup> **Cenex Future Learning** accessed 23 May 2024 - <https://www.cenex.co.uk/news/cenex-launches-educational-resources-on-low-emission-road-transport/>

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