



# Addressing the Skills Needs Arising from the Potential Trade Implications of Brexit

Building Stronger Business- Responding to Brexit Seminar  
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# Purpose of Study



- **EGFSN**- Independent body tasked with advising Government on current and future skills needs (DBEI, DES, EI, IDA, HEA, SOLAS, Ibec, ICTU)
- Part of wider Government contingency planning
- Examine the skills needs required by Irish based enterprise in the event of a Hard Brexit scenario, with the UK's potential departure from both the Single Market, Customs Union
- **Two challenges posed by such a scenario:**
  - Emergence of a more complex trading environment vis-à-vis the UK, both as an export/import market, and channel for Irish trade (UK landbridge)
  - Greater onus on the diversification of Irish trade towards non-UK markets
- **Focus on two specific trade related skillsets:**
  - Skills related to the movement of trade across international borders (i.e. customs clearance, logistics, supply chain management)
  - Skills associated with the diversification of trade into new markets (i.e. international management, sales, marketing, design and development, foreign languages, cultural awareness)



- **Surveying of 70 enterprises and key informants** across international trading and Logistics and Supply Chain activities, to determine the likely impact of Brexit on their business and wider sectors, and how this impact might be mitigated, or any opportunities exploited
  - Agri-Food, Health Lifesciences, Technology, High Value Manufacturing, Construction Products and Services
  - Hauliers, own account operators, Air and Sea Freight Operators, Freight Forwarders
- **Validation of survey findings** with a further 64 stakeholders in two workshops
- **Demand forecasts for FTDL roles**, on basis of four Brexit related scenarios
- **Overview of EU-27 responses to Brexit** (Belgium, Denmark, Netherlands, Sweden)
- **Overview of existing education and training provision** (International Trade, Logistics, Supply Chain)
- **Broadly based Steering Group** (Ibec (Chair), DBEI, DES, DFAT, DTTAS, Bord Bia, EI, IDA, ITI, SOLAS, FTAI, IEA, ISME, NITL/DIT, Ibec Supply Chain network)

# Practical implications of Brexit for Irish trade- 1



- Complex supply chain that crosses land and sea borders multiple times (North-South, East-West)
- c.177,000 lorries, 250,000 vans cross North-South Border each month
- Impact on sea freight- primary means of exporting/importing goods from Ireland
- Regular sailings to UK (higher than direct sailings to continent) facilitate Haulage sector in transporting goods to UK market, and through landbridge to non-UK markets (53% of Irish exports in volume terms)
- Also air truck transit arrangement through Heathrow (for higher value, smaller volume)- limited number of destinations reached from Ireland by air- facilitated by HGVs and ferry crossings
- Shock to supply chain in Ireland- UK 3<sup>rd</sup> country status- introduction of tariff barriers, customs checks (12,000 exporters to UK, 60,000 importers)
- Requirement to have knowledge and expertise in customs procedures diminished- reduction in number of staff needed to facilitate trade after 1992



- Importance to trade diversification of:
  - languages
  - cultural awareness
  - international sales
  - international marketing
  - product design and development
- Ability to adapt practices based upon a customer's or business' cultural background
  
- Financial management skills (Hedging and VAT)
  - More complex for international trading enterprises in event of Brexit- weakness among SME base
  
  - Foreign currency exposure, impact on profit margins- Hedging to protect against adverse FX movements, enable accurate forecasting and budgeting, through natural hedging, spot rates, forward contracts, vanilla FX options, FX market orders
  
  - Acquisition of goods- longer lead time for repayment of duty/VAT on third country imports, affecting cashflow

# Survey of International Traders/Logistics and Supply Chain enterprises



- Size of organisation
- Revenues across key markets
- Customs skills
- How goods are transported
- Impact on business and subsequent changes
- Changes in ability to recruit
- Supports or initiatives to address associated issues and opportunities

# Internationally Trading Sectors



- Impact will vary across and within sectors: some sectors will require fundamental changes in markets they serve, how goods are transported
- Other sectors not as directly exposed to UK market: still impacted through UK landbridge, regulatory divergence, financial considerations
- Pronounced impact on skills requirements across international trading and Logistics/Supply Chain activities, particularly in exacerbating underlying skills gaps- increasingly competitive labour market as economy approaches full employment
- General awareness, concern on need for customs clearance (supply chain shortages also generalised)
- Smaller organisations less likely to have skills in-house, defined plans for addressing
- Import implications- SMEs account for 60% goods imports, by contrast 75% total goods exports accounted for by 50 firms



- Significant UK market exposure, highly integrated supply chain/manufacturing processes
- 80% of employment outside Dublin
- Impact of currency fluctuations
- Potential impact of customs/tariff barriers (prices in UK potentially +60%)
- Use of landbridge to transport to EU market (perishable produce)- 35% total exports
- Existing shortages in supply chain, sourcing, engineering, technology
- Expected needs in cultural awareness, regulation, business development, customs clearance, trade financing, languages, R&D, Administration
- Need to support growth in alternative markets, with different cultures, tastes- skills related to product development, cultural awareness, languages





- Major exporters, with resources to deal with challenging trading partners, territories; high value, time sensitive products
- Ireland a significant manufacturing hub- concerns over supply chain e.g. tariffs on inputs- relationships with suppliers, finishing plants, distribution hubs and third party customers
- Customs duty and import VAT transactions between UK and Ireland/EU
- EU/UK regulatory divergence- longer lead time to products
- Increased airfreight costs if viability of landbridge impacted
- Existing shortages in supply chain, IT, Engineering, Languages and Data analytics
- Expected skills needs in customs clearance, regulation/compliance, languages



- Shift from hardware production to software and services, diversified markets for electronics firms- no major reliance on UK market, landbridge
- Location of Supply Chain Management functions in Ireland, even if production/transportation occurs elsewhere- growth in demand for individuals able to manage complex global supply chains, especially IT specialists
- May benefit from Brexit- movement of tech start ups, talent to Ireland over UK
- Shortages in supply chain, digitisation, data analytics, software/hardware development roles, expected requirements in customs clearance

# High Value Manufacturing (Engineering)



- Irish offering- highly skilled workforce, world class RDI, advanced manufacturing technologies
- Diversified markets, UK decreasing in importance as B2B marketplace, product design and engineering increasingly undertaken in Asia
- MNCs in sector- dedicated global trading teams, proactive in Brexit response- economic appraisals of impact commissioned, dialogue with TPL providers
- Concentration on alternative markets (such as US, Nordic countries) to make up for any shortfall in UK
- Sector with high number of vacancies- issues over quantity, quality of graduates entering workforce
- Existing shortages in procurement, management, sales, marketing, customer service, design and development, logistics/distribution, Engineers
- Expected need for foreign languages, cultural awareness, customs clearance

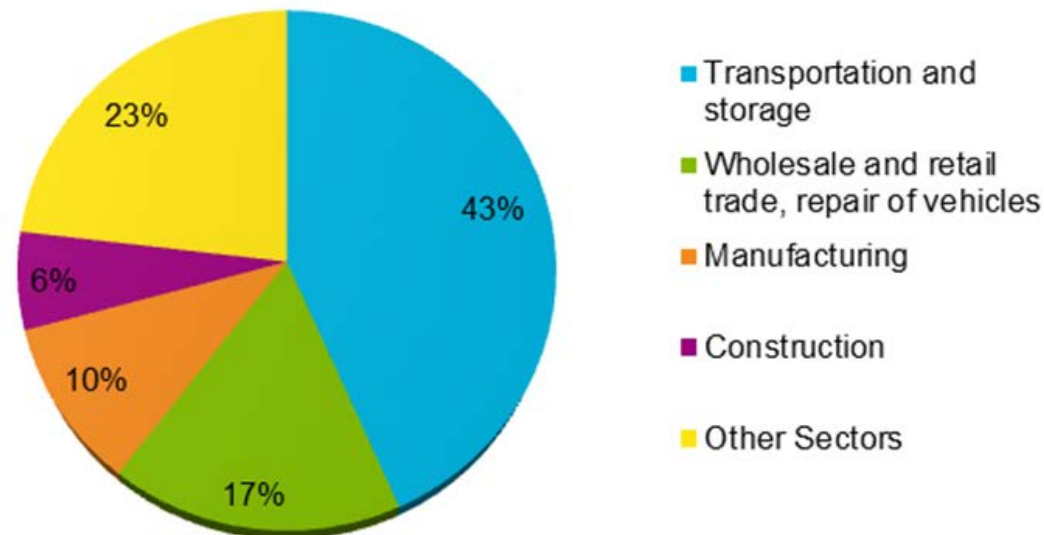
# Construction Products and Services



- Responsible for €43m goods exports, €182m services exports in 2016
- Sector more generally expected to benefit from Brexit dividend (commercial property sector), but adversely affected with any economic downturn
- Not generally reliant on UK workers- but Eastern European labour pool shrinking due to growth, opportunities at home
- UK as safe haven may be less of option post-Brexit- UK location of many large scale construction projects (e.g. see EI Northern Powerhouse strategy)
- Currency fluctuations- competitiveness of companies trading with UK
- Use of UK landbridge for many Construction exports to continent
- Existing skills shortages in engineers, site managers, quantity surveyors, project managers, craft apprentices, sales and technology
- Expected skills needs in languages, customs clearance, procurement, logistics



- Key to Irish economy- island and net exporter, need for expertise in facilitating a multi-modal supply chain
- Cross sectoral requirements- transport, warehousing, freight forwarding, supply chain management, purchasing, other support services



# Perception of Logistics/Transportation roles



- Roles unattractive- negative perception based on idea work low skilled, long hours
- Affect ability to service internationally trading sectors pre/post Brexit
- HGV drivers- 40% of transport labour force (20,466); ageing workforce, unsociable working hours and conditions, uncompetitive pay, need for extensive training to secure licence
  - Unattractive sector for those considering career/employment options- lack of significant career progression, results in high turnover of staff, impacts on efficiency of sector
  - Acute driver shortage, decreasing labour pool with growing Eastern European economies
- Supply Chain roles: Shift of manufacturing to Asia, but Ireland becoming centre for SCM functions (remote management of supply chain)
  - Growth in demand for skills in statistical analysis- data analysts, IT specialists, digitisation of processes
  - But competing with other more high profile sectors for talent
  - Supply chain education and training courses undersubscribed
- Freight Forwarders: Expected increase in demand for services in the event of 3<sup>rd</sup> country status for UK, efforts at trade diversification

# Preparedness for Brexit?- 1



- Logistics/Supply Chain operators- may need support in coping with Hard Brexit to remain active in UK, explore, develop new markets
- Exposure to UK as vital route to continent, key market in itself- UK sole international territory for many
- Those exploring new markets- likely used to working on continent or serving markets further afield
- Larger organisations- more likely to employ individuals associated with support services, have own in house training/progression pathways
- But greater number of operators SMEs (especially hauliers)- little evidence of mitigation measures being put in place
- SMEs- less likely to have understanding of Brexit related skills needs, to have undertaken assessment of Brexit impact on business, clear plan for exploring new markets, employees with experience dealing with 3<sup>rd</sup> countries/customs
- Low margin sector- costs associated with training, recruitment

# Preparedness for Brexit?- 2



- Uncertainty on meaning of Brexit, perception final arrangements may be less restrictive; many holding off until greater clarity
- Majority not looking to pursue AEO status (lack of awareness, resources)-120-180 days- currently 133 AEOs, account for 82% of all imports, 89% of exports
- Regulatory divergence not an immediate concern (uncertainty, likelihood changes likely to be gradual)
- EU/UK regulatory divergence may require Irish hauliers to observe differing rules relating to drivers hours, qualifications, may impact ability of commercial drivers of any EU nationality to drive on UK roads
- Landbridge- number would look to utilise direct Ireland-continent shipping routes
  - Those transporting high value goods- transfer to airfreight
  - Tipping point for considering not using landbridge unclear, should not be overstated- would require significant disruption to consider alternatives



# Skills Demand Forecast for FTDL occupations



## Freight Transport Distribution and Logistics Labour Force 2025

	Baseline	Reduced Trade	No Landbridge	Hard Brexit
Forecast Labour Force	66,204	64,098	67,268	64,978
Current Labour Force	49,470	49,470	49,470	49,470
Retirements to 2025 (e)	13,752	13,752	13,752	13,752
New Joiners Needed	30,486	28,380	31,550	29,260

- Skills Demand forecasts for 14 key roles in Freight Transport, Logistics and Distribution
- Brexit seen to have two effects: by reducing growth it will slow the growth in need for such roles; by making physical transport of goods to and from Ireland more difficult, will tend to increase labour needs
- 4 Brexit related scenarios: Baseline (minimal Brexit impact); Reduced trade (Brexit impact on growth only); No landbridge (Brexit impact on landbridge only); Hard Brexit (combination of Reduced trade and No landbridge)
- Requirement for large number of entrants into Logistics and Supply Chain activities across all sectors, regardless of the Brexit scenario.

# Priority areas for intervention



- Interviews/research, validated by workshops, refined by Steering Group
- Overarching lack of preparedness and understanding among sections of enterprise base of what Brexit represents from a skills perspective, the impact it may have
- Smaller organisations less insulated, aware and prepared than larger organisations
- Clear skills gap in customs clearance expertise, financial management- areas that will likely become more important when the UK leaves the EU.
- Need to support international traders and FTDL sector- particularly SMEs in exploring new markets, should the UK become a less attractive trading partner (Europe generally looked to as an alternative market)
- Requirement for large number of entrants into Logistics and Supply Chain activities across all sectors, regardless of the Brexit scenario. Need to address the poor perception of associated careers, and the opportunities associated with them
- Potential competition for Logistics/Supply Chain skills from EU-27 economies



## 8 overarching interventions, 46 associated sub-actions

1. Launch an intensified industry awareness and outreach campaign to enhance understanding amongst internationally trading and FTDL enterprises and to proactively address the skills needs arising from Brexit.
2. Introduce additional customs awareness and higher level customs clearance training and advice for third country trading as the implications of Brexit become clearer.
3. Enhance the provision of financial management advice, training and mentoring for internationally trading enterprises, with a particular focus on currency management, VAT for third country trading, and contract management.
4. Undertake targeted campaigns to attract skilled personnel from overseas (EEA, non-EEA migrants, Irish diaspora).



5. Promote measures to enhance the ability to diversify trade with non-UK markets (e.g. enhancing international trade, logistics/supply chain content in education and training provision, foreign language capability, intercultural awareness and international business experience, product design and development skills).
6. Establish a National Logistics and Supply Chain Skills Group, to manage a coordinated response from the Logistics/Supply Chain sectors to promote the sectors and their skills needs.
7. Develop a schools/communication toolkit and awareness raising campaigns for Logistics, Supply Chain and Transportation careers within all sectors, and an improved understanding of the cross sectoral skills needs, employment numbers and career opportunities in supply chain activities.
8. Support the development, and promote the rollout of and engagement with the Logistics and Service apprenticeship programmes (Logistics Associate, HGV Driver, Supply Chain Associate/Specialist/Manager).