


**The National
Employer Skills
Survey 2007:
report of results
for the East
Midlands**

July 2008



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Prepared for: The Learning and Skills Council in the East Midlands Region

Philip Roe and David Godfrey, BMG Research



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EXECUTIVE SUMMARY

The National Employer Skills Survey 2007 (NESS07)

NESS07 follows a sequence of similar surveys (from 2003 onwards) which each interviewed large numbers of employers on a national basis in order to assess the position (at the time of survey) in respect of skills demand and supply, and of employer contributions to the national skills base (by support to training, use of Apprenticeships, and other means).

Fieldwork for NESS07 took place in the summer months of 2007. Interviews were undertaken by telephone of around 79,000 employers across England including over seven and a half thousand (7,612) in the East Midlands. Employers in all sectors were interviewed. The main exclusion from the survey is the self-employed segment of the economy which was not surveyed.

Following survey, the statistics for the sample of interviewed employers were weighted to ensure a true representation at national and regional levels.

The questionnaire for the survey covered:

- Details of the establishment being interviewed;
- Recruitment of young people entering the labour market for the first time;
- General recruitment – and the levels and types of difficulty which employers experienced in bringing new staff into their organisations;
- Problems with the skill levels of their existing workforces;
- How the organisation approached the training and development of managers and staff; and
- Employer views on the government's contribution and support to workforce development

Whilst, as above, the survey examined labour market conditions at a particular point in time, with detailed attention to skills deficiencies, the survey's greatest contribution is the information base for national and regional skills policy which it provides. Public policy, particularly following the Leitch review, seeks to drive up the employer contribution to skills development in order to meet the challenges of a changing economy and globalised competition. Results from the survey offer a monitor of, and guide to, many aspects of this policy.

The executive summary is of the East Midlands regional report of NESS07. For readers who wish to look at the national picture, the national report of survey is available at: <http://readingroom.lsc.gov.uk/lsc?National/nat-nesssurvey2007mainreport-may08.pdf>

The East Midlands economy

The survey can be considered in the context of the regional economy as a whole. A brief review of indicators of the East Midlands' economic structure and performance makes a number of key points.

Overall, the regional economy shows a number of strengths. It shows rates of business formation which are comparable with national averages. The economy produces wealth (GVA) at a level which exceeds that of a number of English regions and is only markedly exceeded by wealth generation in the south eastern corner of England (which shares the advantages of London's position in the global economy and of proximity to Europe).

When recruitment difficulty and skills deficiencies are examined, this position might be expected to be reflected in levels of difficulty and deficiency which are above those of less successful regions – given that recruitment and skills problems tend to be most acute in dynamic economies. It is also apparent that the number of resident employees is below the number of jobs available in the region, and that, in circumstances where higher occupational levels are becoming more prevalent, the qualifications profile of the regional workforce shows some disadvantage against the national profile. Again these factors might dispose to difficulties for employers in getting the people and skills they need.

However, against this perspective, there are a number of factors which may dispose in the opposite direction. Manufacturing, which, until recently, was the sector most vulnerable to closures and job losses, is still a more significant component of the regional than of the national economy. The economy as a whole has more jobs in low growth sectors. Overall, therefore, the economy did not grow quite so strongly between 1998 and 2006 as did the national economy. Each of these factors may have taken some of the edge off labour and skills demand and, thereby, reduced the level of difficulty in getting labour and skills which employers report in the survey.

Perhaps most significantly of all, on the demand side, the more *recent* downturns in the expected rate of economic growth and in business confidence (apparent even in the summer of 2007 when the survey was undertaken) may have lessened recruitment and skills problems as competition for labour reduced. On the supply side, increases in the number of available workers as a consequence of migration into the region may have made recruitment easier; and, as people became less confident of finding alternative employment, slowed labour turnover – a phenomenon which itself may reduce skills deficiencies.

Thus, at overall regional level, a complex mix of factors in the structure of economic activity and in related economic trends interact to generate the labour market conditions which employers in the survey report (as experiences of labour and skills problems or their absence).

Vacancies, recruitment and skills shortage

The main trends in vacancies, recruitment difficulties, and skills shortages in the East Midlands....

- Were sharply downwards between 2003 and 2005.

- But showed stabilisation (or a slightly upward trend) in the period 2005 to 2007.

The net effect for the whole period is to show a marked reduction in labour market 'stress' when the two years, 2003 and 2007, are compared – vacancies and skill shortages down by a quarter and recruitment difficulties (hard-to-fill vacancies) virtually halved.

The reasons for these trends can only be speculative.

However, the underlying trend in gross employment in the region does *not* appear to be a factor. Thus, between 2003 and 2005 employment in the region *rose* by 80,000 jobs – at a time when NESS showed vacancies, recruitment difficulty and skills shortages to be *falling* rapidly. Between 2005 and 2006 employment in the region was broadly stable – at a time when NESS shows vacancies, recruitment difficulty and skills shortages to have risen (if only by a little). It may be that within these overall changes, more detailed changes in the employment base – perhaps, particularly, the decline in manufacturing employment, taking skilled jobs out of the economy – was a significant factor in the 2003-2005 fall in recruitment difficulty and skill shortages. However, the linkage is not precise and can only be speculative.

What seems more likely is that factors on the supply side are more significant. Firstly, the increasing level of graduate output may be implicated. Secondly, employer training levels may have accelerated. What may be the key factor – and one which would explain the much faster fall in general recruitment difficulty than in skill shortage per se – is the inflow of migrant labour. This process may have generated a supply of labour willing to undertake a range of jobs, including those paying low wages, and often comprised of people with higher skill levels than those jobs have traditionally demanded.

However, the net result of labour market change between 2003 and 2007 (mostly between 2003 and 2005) is that hard-to-fill vacancies and skill shortages at the point of recruitment are now quite rare. If the same situation as at the time of the survey (mid-2007) still obtains, then only 1 in 150 jobs is the subject of a hard-to-fill vacancy and only 1 job in 215 is subject to recruitment difficulty because of skills shortage. Given that, at the time of writing (June 2008), there is a widespread belief that the economy is going through a period of low growth, it might well be that recruitment difficulty and skill shortage are actually even less frequent than these estimates from the National Employer Skills Survey for 2007 suggest.

In sectoral terms, the greatest *volumes* of vacancies are found in respect of the retail and hospitality sectors. However, the *proportions* of vacancies which are hard-to-fill or the subject of skill shortage tend to be highest in sectors which can be described as 'blue collar' – land-based industries, manufacturing and engineering, construction and public transport. When skill shortage vacancies are considered in terms of the occupations in which they occur, skill shortage is most prevalent in relation to technical, skilled trades, and operative jobs.

Importantly, since 2005, where reductions in skill shortage vacancies have occurred, these have predominantly been for skill shortages associated with managerial, clerical and low skill jobs. Skill shortages concerned with *manual jobs* (at semi-skilled and skilled level) have increased in number.

Hard-to-fill and skill shortage vacancies are much more likely to be found in small establishments. This may be because employment in small firms is less attractive to applicants and/or because smaller employers have different expectations of recruits than larger ones. Small employers have less capacity to re-distribute the total workload to other employees and are, therefore, more likely to lose or turn down business when staff shortage occurs.

The point above, as to the relative scarcity of skills shortages, might lead to a view that the skills problem which numerous government White Papers, initiatives, and reports (including the Leitch Review)) address, is actually not severe.

However, a number of other factors need to be taken into account before this conclusion is made.

Firstly, observing skills shortages at a single point in time (as with a survey) minimises both their numbers and the proportions of employers who may be affected by them over a longer time period of, say, a year or more.

Secondly, and what is perhaps most pertinent to national policy, and to Leitch's emphasis on the need for major changes, is that skills shortages are weighted towards some particular occupations – skilled trades and technical and professional staff – which are essential to performance and productivity in several key sectors of the UK economy.

Thirdly, the Leitch review is fundamentally not about the current skills position. Rather it is about ensuring that the nation's future skills profile is adequate for competitiveness in the face of a rapidly moving global economy.

From all these latter points of view, it is clearly important that survey findings should not be read as implying simply that the 'skills issue' is not a particularly critical one for the East Midlands (or indeed for the UK). As Leitch notes, huge strides forward in the profile of skills and attainment need to be made if national and regional prosperity is to be maintained and advanced.

Young labour market entrants

It is not easy to put employer views of young labour market entrants as revealed by the survey into perspective.

On one hand, there is a significant minority level of dissatisfaction with young recruits, ranging from the 23% of employers who had recruited 16 year old school leavers to the 9% of those who had recruited graduates. This dissatisfaction is felt in relation to the young people to whom these employers actually gave a job and might be greater in respect of those whom they rejected. And the proportion of employers who had *not* recruited young entrants is also high – around three-quarters had not done so. This figure *may* indicate a more widespread belief that young entrants lack the necessary attributes for employment. In short, even amongst employers who recruit young people there is a recognisable level of

dissatisfaction and there may be a higher level of dissatisfaction amongst employers who don't.

On the other hand, not only are the majorities of employers who recruit young people quite satisfied with their recruits but those majorities are stronger now than they were two years ago; and, amongst those who are not satisfied, much of the problem appears to focus on young people's motivations and attitudes and on their (inevitable) lack of experience at an early age. It would not be difficult on this evidence to write off much of the observed employer dissatisfaction as being generated by unrealistic expectations of what young people *can* offer (they can't bring much experience at that stage), and low motivation may, in part, reflect poor terms of employment and/or low wages.

It is difficult to come to a firm conclusion, therefore, as to the adequacy of preparation of young people for work from survey data. What is noticeable, however, are the proportions of employers mentioning 'lack of business and/or practical experience' and 'lack of job specific skills', particularly amongst graduates and to a lesser degree amongst 16 year old school leavers and 17-18 school and College leavers. These findings may reflect employer concern, as frequently expressed through in-depth interview studies of employers, that Colleges and Universities provide some courses which do not adequately prepare students for 'real life' working conditions and demands. Though ostensibly 'vocational', the curricula of these courses are not matched precisely enough to employers' needs, and training conditions don't adequately simulate the working environment. Observations include, for example, those that the type of maths taught in school doesn't prepare young people for training in engineering, that engineering courses themselves lack depth, that construction courses taught in College don't prepare young people for on-site conditions, that training restaurants in Colleges lack the pressure of real kitchens, that some graduate courses don't adequately teach students how to apply core knowledge in commercial conditions and at commercial (ie. profitable) speeds, and so on.

Noting, as above, that skill shortages are particularly acute at craft and, to a lesser degree, at technical and semi-skilled levels, there may, thus, be some linkage between those shortages and these employer observations that some young recruits have not been adequately prepared for work in practical or business situations and that they do not have skills which are sufficiently job-specific. Current policy which seeks to drive up the responsiveness of schools, FE Colleges, and Higher Education Institutions to employer needs is clearly important.

Skills gaps

Skills shortages in the labour market external to the firm or organisation may feed through into skill gaps within the firm or organisation as employers are obliged to recruit staff who are not as skilled (or not as skilled in the right way) as employers would like. This idea, that recruitment involves compromise, was supported by the survey when employers were asked for the reasons for their skills gaps. Nearly three-quarters said it was because of recent recruitment and because recruits lacked experience.

Given this linkage between recruitment and skills gaps, it is not surprising that the basic trend in the prevalence of skills gaps follows that of vacancies, recruitment difficulties and skills shortages – sharply down between 2003 and 2005 and a little upwards between 2005 and 2007 (but, in the context of a rising number of jobs, remaining as a more-or-less

constant proportion of employment). A skills gap affects around 6% or 1 in 17 jobs – that is, around 115, 000 people in the region are not seen as fully proficient by their managers, a number which has reduced by 70,000 since 2003.

Around half of these people are employed in the lower half of the occupational spectrum – in personal services, sales and customer service, machine operative, driving, and elementary jobs and a further 13% are in administrative or clerical jobs. It is not surprising, therefore, that a significant proportion of skills problems concern ‘generic’ skills – in oral and written communication skills and in the ability of people to work effectively in teams or with customers. Literacy and numeracy deficits as such (though they clearly overlap with the ‘written communication’ deficit) are each recognised by employers as affecting only 9% of all employees with a skills gap. This would translate to only around 10,000-11,000 people in each case (of literacy and numeracy), or less than 1% of the whole workforce. This proportion is clearly well below conventional estimates of literacy and numeracy deficiencies in the workforce and may point to one of the underlying difficulties in engaging employers in the uptake of Skills for Life support – the poor *recognition* of literacy and numeracy problems by employers and managers.

It would be possible, therefore, as with skill shortage vacancies, to take a somewhat ‘minimalist’ perspective on skills gaps, that is:

- They have reduced considerably since 2003.
- They affect only 6% of jobs.
- Around half of them concern low level occupations and are implicitly concerned with personal attributes such as the ability to speak well or to work with colleagues rather than ‘formal’ skill deficiencies which can be corrected by standard courses in appropriate subjects.

However, again this ‘minimalist’ perspective perhaps needs counterbalance.

Firstly, there may be considerable under-reporting of skills gaps. It seems possible that *any* employer with a significant number of employees almost inevitably has some employees who are not fully proficient. But, as an extreme example, only 47% of employers with 500 or more staff said that *any* of their employees were not fully proficient. Some employers may not be good at evaluating the skills of their employees or, in other cases, be unwilling to admit in surveys that they operate with inadequately skilled staff.

Secondly, in any case, even recognised skill gaps are substantial in number (if not as a proportion of employees). Over a hundred thousand workers in the East Midlands are *identified* as having skill levels below those appropriate to someone in their job.

There remains, therefore, a substantial challenge to ensure that members of the existing workforce are proficient and able to contribute to efficiency and productivity.

This challenge may already have been partly met (in the 2003 to 2005 period particularly) by in-migration.

However, it may also be the case that the volume and quality of labour and skills supply may rise as employees increase their skill levels and employability through *training and development*. The mechanisms of training and development are diverse and include the foundation-level education of individuals through schools, colleges and universities, and the later development of individuals driven and paid for by their own efforts. As noted above, East Midlands employers now have a better opinion of school and College leavers and of graduates than was the case in 2005. However, the NESS07 survey investigated a third major strand of training and development – that supplied or supported by employers.

Employer training

An analysis of employer training patterns in the East Midlands contains some positive messages. More employers train staff than did so in 2003 – the proportion has risen by 6 points from 62% to 68%. Overall, nearly 600,000 people in the East Midlands Region received off-the-job training and nearly 900,000 received on-the-job training in the 12 months prior to the survey taking place (within an employed workforce of 1.8 million people).

However, there are some messages which are more equivocal or have a slightly negative slant to them.

Firstly, a clear bias persists such that employees in the public sector are more likely to be trained. These sectors, along with the financial services sector, are much more likely to train their staff. Perhaps partly in consequence, significant proportions of skills gaps lie outside these sectors – in construction, retail, hospitality, manufacturing and the private segment of the care sector.

Employers (in other surveys) tend to say that they value possession of qualifications less than an individual's experience, ability to do the job, and personal qualities. It is perhaps not surprising that only 13% of people who trained, trained towards a nationally-recognised qualification (including 7% who trained towards an NVQ).

The data suggests that training towards qualifications tends to be highest where regulation (external by government or internal by industry standards) is in place. Thus, sectors with a property/construction function and the care and health sectors were identified as sectors where a higher-than-average proportion of training was clearly directed to qualifications.

It is also apparent that approaching a quarter of all training delivered is directed towards the induction of new staff or is driven by Health and Safety regulations which, whilst vital, may have little effect on productivity.

Public support to skills development

The survey also generated employer responses to a number of questions concerning the public contribution to skills development. These responses reveal:

- A small decline in use of FE provision but, amongst users, increasing satisfaction with provision (and an overall low rate of dissatisfaction).

- More frequent use of private provision (than of FE provision) and even lower levels of dissatisfaction with such provision.
- Use of Apprenticeship by around 1 in 7 employers with much the highest level of use in the plumbing/electrical/heating and ventilation sector.
- Less than a third of employers were aware of Train to Gain. One in twenty was involved in the initiative in the year prior to survey. Awareness and involvement levels were much higher in the public than private sectors.
- Employers were more likely to be negative than positive about government performance in delivery of some broad objectives of educational and skills policies.
- Larger and public sector employers were consistently more positive than smaller and private sector employers.

Regional strategy and survey findings

Survey findings intersect at a number of points with regional and national skills strategy – as expressed in the Leitch review, the Regional Economic Strategy, and some of the LSC’s key strategy documents (its Commissioning Plan and its strategies for adult learning and for Apprenticeship and Work Based Learning).

Thus, a variety of survey statistics are able to justify regional skills policies, to inform its delivery, or, in some cases, to identify the substantial challenges which those policies face. These analyses and related discussions are set out in Chapter 8 of the full survey report.

LSC priority sectors

The LSC has particular interests at regional level in the development of skills in four sectors – the public sector, health and social care, construction and engineering.

Survey data reveals that the LSC’s priority sectors have quite different ‘skills issues’ and are not united by common conditions or patterns of behaviour.

Thus, the *public sectors*:

- Are quite likely to have vacancies – but have very few hard-to-fill or skill shortage vacancies.
- Have recruitment patterns which focus on graduate, rather than younger, recruits.
- Are much more likely to offer training to staff – but not towards NVQ or other recognised qualifications.
- Are more likely than average to use Further Education Colleges.
- Tend to be lower-than-average users of Apprenticeship but have strong awareness and quite high involvement in Train to Gain.

The *health and social care* sector (itself, of course, largely in the public sector) shares some of these characteristics but not all. Thus, the sector:

- Has relatively few hard-to-fill vacancies and relatively few of these are regarded as hard to fill because of skill shortage.
- Is unlikely to recruit 16 year old school leavers (many jobs being unsuitable or proscribed for 16-year-olds).
- Is a 'high training' sector – and a strong user of national qualifications, including NVQs.
- Is a relatively heavy user of FE Colleges and has relatively high awareness and use of Train to Gain.

The *construction* and *engineering* sectors contrast quite sharply with the former sectors. Thus:

- They supply much larger volumes of hard-to-fill and skill shortage vacancies – and very high percentages of their hard-to-fill vacancies are hard-to-fill because of skill shortage.
- They are more likely to recruit young people at age 16 and, in construction's case, at 'College leaver' age.
- They are less likely to offer training to staff than the public and health and social care sectors but, in construction's case, more likely to offer national qualifications when they do so.
- They are somewhat more likely to use FE Colleges than is average (for all sectors). This is particularly true for the SummitSkills sector (plumbing, electrical installation, etc.) – but this sector is also notably *critical* of FE.
- They are relatively strong users of Apprenticeship (particularly so in the SummitSkills case).
- But are less likely to be aware of, or involved with, Train to Gain.

1. INTRODUCTION

1.1 The National Employer Skills Survey

It is increasingly important to national economic success that the skills of the UK's workforce are at least equal to those of the world's leading producers of goods and services. Without such skills, the prospects of developing and sustaining a knowledge-based economy which prospers by selling high value goods and services can only be poor. These simple propositions have increasingly been at the heart of government economic and educational policy for a decade or more. They were most recently given support by the Leitch review of UK skills and competitiveness.

In this light, the Learning and Skills Council (LSC) sponsors a national survey of employers in England, the National Employer Skills Survey or, colloquially, NESS. The survey, though it has a quite complex questionnaire as its basis, actually has a simple remit. Its main objective is to establish, by drawing on large numbers of interviews with employers, where skills shortages and deficiencies lie in the economy, and what employers are doing to increase the supply of skills by supporting the training and development of their managers and staff. The survey thus offers important insights into one of the fundamental factors in national prosperity and wellbeing and is a valuable input into the LSC's understanding of employer needs for skills and skill development.

The first National Employer Skills Survey, 'NESS03', was undertaken in 2003 when 72,100 interviews were carried out. The National Employers Skills Survey in 2004, 'NESS04', was smaller, with a sample of 27,000 respondent employers, and had something of an interim character. In 2005, however, the survey, 'NESS05', was again very large – the sample on this occasion was of 74,835 employers across England; and in 2007 the sample for 'NESS07' was raised again when 79,018 employers were interviewed.

BMG Research has been commissioned by the Learning and Skills Council in the East Midlands to write a regional report on the findings of the 2007 National Employer Skills Survey (NESS). The aim of this report is to analyse data from this latest edition of NESS in order, firstly, to *inform* economic and skills policy makers and practitioners in the East Midlands about some major features of the skills supply and demand equilibrium and, secondly, to suggest the most important *inferences* of those features for the strategies of agencies and organisations which seek to encourage the economy in the direction of higher performance and greater efficiency.

1.2 How the survey was conducted

The survey in the East Midlands was of over seven and a half thousand employers (7,612).

However, we should note that though it is convenient to discuss results from the survey as being about 'employers', in fact, the basic unit of the survey is the 'establishment', defined as the single site, one which may or may not belong to a larger organisation dispersed across several or many sites, at which the interview took place. When we discuss 'employers' in the remainder of this report, we are, therefore, reflecting information about, and views from, the location where the interviewee is situated. Where the respondent is, say, the manager of a bank branch or of one of a chain of restaurants, the survey sought to learn about that establishment, not the whole of the organisation of which the establishment is part.

The total target sample was structured to include a controlled number of establishments in particular size groups (number of people employed at or from the interviewed site) and in particular industries. However, the establishments selected for interview within each size band/industry group within the total sample were drawn randomly from a much higher number of potential interviewees in the national database (Experian, previously Yell, the Yellow Pages Business Database) which formed the sampling frame for the survey. Employers in all sectors were interviewed, and the survey covered all sizes of establishment except for those where no other people besides the working proprietor(s) were employed. Around 12% of the region's workforce is comprised of self-employed people (tending to be concentrated in certain sectors such as construction and business services). This segment of the workforce is not addressed by NESS.

Interviews for the survey were conducted between May and August 2007. The interviews were by telephone using the Computer Aided Telephone Interviewing (CATI) technique. The respondent within surveyed establishments was the 'human resource' specialist within the establishment – often the proprietor or manager of a smaller business but a personnel or human resources manager of a larger business or organisation.

The questionnaire used as the basis of interviews had a number of main sections. These covered:

- Details of the establishment being interviewed;
- Recruitment of young people entering the labour market for the first time;
- General recruitment – and the levels and types of difficulty which employers experienced in bringing new staff into their organisations;
- Problems with the skill levels of their existing workforces;
- How the organisation approached the training and development of managers and staff; and
- Employer views on the government's contribution and support to workforce development

When all the interviews had been undertaken, the resulting data set was weighted statistically to ensure that it offers a representative picture of the economy and labour market which the survey investigated. Data tables were then generated which form the basis of the analysis and discussion later in this report.

1.3 The report

The report which follows has six further chapters:

- Chapter 2 briefly describes some characteristics of the East Midlands regional economy as context to survey findings.
- Chapters 3, 4, 5, 6 and 7 set out and analyse survey results. Broadly the themes of these chapters are: recruitment difficulty and skills shortages; young people entering the labour market for the first time; skills gaps; training by employers; and external support to workforce development.

- A final chapter, Chapter 8, relates survey results to the policy objectives of economic and skills development agencies in the East Midlands.

In the chapters which set out survey findings (Chapters 3 to 7) we also include some comparisons of regional statistics with those from earlier surveys and from NESS07 at national level. The purpose of this is to show variation between recent findings for the East Midlands from comparable ones in earlier years and thus, to reveal how things may (or may not) be moving over time; and to show how the East Midlands shares national characteristics or, in some instances, displays clear differences. Such comparisons frequently offer particular insights which are useful for judging intervention strategies and labour market policies.

In considering survey results, readers will be aware that findings which derive only from fairly small sub-groups of the overall sample need to be treated cautiously – apparent differences between such groups or their variation from the average may be due to chance. Generally, in tables we show the unweighted numbers of interviews on which survey estimates are based in order to allow readers to see where statistics are based only on small numbers of interviews and, in the text, mostly refrain from commenting on findings where the unweighted bases of these findings are fewer than 100 cases.

It should be noted that the report is partly written in the present tense. This is on the basis that the latest National Employer Skills Survey gives us the most up-to-date view of how things are. Of course, since the survey was undertaken in mid-2007 the circumstances reported actually apply to that point in time. In actuality, there will have been some movement in the phenomena described but, on the occasions when the present tense is used, we assume that such movement has been fairly minor.

2. THE REGIONAL ECONOMY

2.1 Introduction

In this chapter we offer a brief and selective résumé of some economic and labour market characteristics of the region. Our rationale for doing so is that these characteristics link in varied, quite complex ways with the various issues – vacancy levels, recruitment, skill shortages, skill gaps, and training – which the NESS07 survey investigated in some detail.

2.2 Economic structure of the East Midlands

In this light, our first analysis, drawn from the Annual Business Inquiry (ABI) for 2006 (the latest available year), shows that the economy of the East Midlands is distributed by size and sector as set out in the table below:

TABLE 1: *Distribution of employment by sector, East Midlands, 2006*

	Number of employees	% of employees	Number of units	% of units	Average no. of employees per unit	% of all employment in units with 50 or more employees
Agriculture *	7,100	0.4	600	0.4	12	37
Fishing	0	0.0	0	0.0	0	0
Mining & quarrying	5,100	0.3	200	0.1	22	68
Manufacturing	289,400	15.7	14,700	9.0	20	67
Utilities	11,600	0.6	100	0.1	91	92
Construction	99,000	5.4	17,600	10.8	6	40
Wholesale & retail	324,400	17.5	36,700	22.4	9	43
Hotels and restaurants	107,800	5.8	11,000	6.7	10	25
Transport & communications	108,600	5.9	8,110	5.0	13	65
Financial services	40,400	2.2	3,200	2.0	13	52
Business Services	273,900	14.8	42,200	25.8	6	51
Public admin & defence	97,100	5.3	2,800	1.7	35	79
Education	173,700	9.4	5,300	3.3	33	64
Health & social work	211,200	11.4	9,100	5.6	23	56
Other services	84,600	4.6	11,900	7.3	7	35
TOTAL	1,833,900	100.0	163,600	100.00	11	53

* 'Agriculture, etc.' includes agriculture, hunting and forestry. However, farms (as opposed to agricultural businesses) are not included in the ABI and figures here are an underestimate of total agricultural employment

Note: Figures for employees and units rounded to nearest 100

Source: Annual Business Inquiry, 2006

The table shows that the East Midlands economy employs over 1.8 million people in over one hundred and sixty thousand workplaces. The largest sectors (in terms of employment) are wholesale and retail, manufacturing, business services, health and social services, education, construction, and public administration and defence, in that order. However, if all the 'public services' are added together, in total, they employ around 480,000 people or 26% of the whole workforce.

More particularly, the table shows that the average size of workplaces is small at around 11 employees. Overall, 83% of workplaces employ 10 or fewer people. However, this statistic gives a somewhat misleading impression of the 'smallness' of the economy. In fact, four-fifths of the employed workforce (excluding self-employed people¹), 79%, is employed in larger units. Over half of the employed workforce (53%) works in workplaces employing 50 or more people:

TABLE 2: *Distribution of employment by size bands, East Midlands, 2006*

	No. of workplaces	% of workplaces	No. of employees	% of employees
1-10 employees	136,600	83	378,900	21
11-49 employees	21,100	13	470,600	26
50-199 employees	4,800	3	432,600	24
200+ employees	1,100	1	551,800	30
TOTAL	163,600	100	1,834,000	100

Source: Annual Business Inquiry, 2006

And, of course, some of the units which are identified as small ones are actually branches of much larger organisations – within chains of pubs, shops, restaurants, banks, and so on. The importance of this perspective in labour market terms is that small organisations are more likely not to have business models or management attitudes which dispose to staff training and development and, hence, are not easily converted to the skill development practices which external agencies, such as the LSC and SSCs, would wish to see in operation throughout the whole economy.

As above, the general point is that a substantial majority of the workforce is, in actuality, *not* employed in very small workplaces. However, this is not true of all sectors. In some larger sectors (construction, hotels and restaurants, wholesale and retail, and business services, for example) substantial proportions of the workforce work in small units. These sectors may present a particular challenge to external agencies which seek to widen and deepen employer engagement in skills development.

When geographical variation in employment structure is examined, the following picture results:

¹ This statistic and others in this paragraph refer to the employed workforce. As noted in our introduction, a significant minority of economically active people, around 12%, are in self-employment. However, neither the Annual Business Inquiry, from which the employed-workforce statistics in this Chapter are drawn, nor NESS, as we noted, address this second segment of employment.

TABLE 3: *Employment by sector and local LSC areas, East Midlands and England, 2006; rounded percentages*

	Derbyshire	Leicestershire	Lincs. & Rut.	Northants	Notts.	East Mids.	England
Agriculture *	0	0	1	0	0	0	1
Fishing	0	0	0	0	0	0	0
Mining & quarrying	0	0	0	0	0	0	0
Manufacturing	20	16	15	16	12	16	11
Utilities	0	1	0	0	1	1	0
Construction	5	6	6	5	6	5	5
Wholesale & retail	16	18	20	19	16	18	17
Hotels & restaurants	6	5	7	5	6	6	7
Transport & communications	5	6	5	9	5	6	6
Financial services	2	3	1	3	2	2	4
Business Services	12	14	12	18	17	15	18
Public admin & defence	5	5	5	5	6	5	5
Education	10	10	9	7	11	9	9
Health & social work	13	10	13	10	12	11	12
Other services	4	5	5	4	5	5	5
TOTAL	100	100	100	100	100	100	100
Employment base (000s)	390.2	426.6	265.3	300.1	451.5	1,833.9	22,766.6

Notes: * 'Agriculture' includes agriculture, hunting and forestry. However, farms (as opposed to agricultural businesses) are not included in the ABI and figures here are an underestimate of total agricultural employment

** Column headings are local Learning and Skills Council areas, respectively Derbyshire, Leicestershire, Lincolnshire and Rutland, Northamptonshire, Nottinghamshire.

Source: Annual Business Inquiry, 2006

The overall impression made by this data is of the similarity of sub-regional economies and of their concordance with regional and national averages. The larger sectors (in terms of employment) have a broad prominence in each of the sub-regional economies. However, closer inspection reveals a number of variations:

- The greater significance of manufacturing to the region generally (compared with the English average) and, particularly, to Derbyshire.
- The relatively large transport and communications and business services sectors in Northamptonshire reflecting, respectively, the county's strategic location as a distribution centre and its position in the south of the region, as part of a 'greater South East'.
- On average, the lower proportion of employment in financial and business services in the region as a whole when compared with the English average.

However, this is a phenomenon shared with most English regions and reflects the strong concentration of these activities in London and the South East.

In the survey results which we report later, there may be findings which reflect the varying patterns of economic activity in the different sub-regions – particularly as there are linkages between the types of activity in the sub-regions and the distribution of employment across different sizes of establishment. For example, in three LSC areas within the region, the proportion of people working in large establishments is over 30% (Leicestershire 33%, Northamptonshire 32%, Nottinghamshire 32%). The proportion is lower in Derbyshire (28%) and considerably lower in Lincolnshire and Rutland (24%). Given that smaller and larger employers tend to show different attitudes and behaviours, these variations in the distribution of employers of different sizes might be expected to underlie some differences in survey findings relating to each of the LSC sub-regions.

2.3 Trends in employment

Trends in employment may similarly have impacts on the labour market characteristics which the National Employer Skills Surveys seek to measure. As employment levels change overall the pressure on labour and skills supply varies. For example, levels of recruitment difficulty and skill shortage may rise or fall. The effect may vary between sectors as different sectors undergo different levels of change.

The pattern of gross employment change in the East Midlands region between 1998 and 2006 is revealed by the Annual Business Inquiry:

TABLE 4: *Employment trends, East Midlands, 1998-2006²*

	Employment in 1998	Employment in 2006	Gross change	Percentage change	Percentage change in England
Agriculture *	N/A	N/A	N/A	N/A	N/A
Fishing	0	0	0	-0%	-75%
Mining & quarrying	7,200	5,100	-2,200	-30%	-31%
Manufacturing	418,500	289,400	-129,200	-31%	-29%
Utilities	9,600	11,600	+2,000	+21%	-22%
Construction	89,800	99,000	+9,100	+10%	+15%
Wholesale & retail	309,900	324,400	+14,500	+5%	+1%
Hotels & restaurants	98,800	107,800	+9,000	+9%	+14%
Transport & communications	83,100	108,600	+25,400	+31%	+9%
Financial services	41,000	40,400	-500	-1%	-1%
Business Services	198,800	273,900	+75,100	+38%	+29%
Public admin & defence	75,300	97,100	+21,800	+29%	+8%
Education	148,100	173,700	+25,500	+17%	+28%
Health & social work	182,300	211,200	+28,900	+16%	+26%
Other services	62,900	84,600	+21,800	+35%	+22%
TOTAL	1,725,600	1,826,800	+101,200	+6%	+8%

* 'Agriculture' excluded because of unreliability of ABI estimates.

Note: Numbers are rounded to nearest 100; percentages are rounded to whole numbers

Source: Annual Business Inquiry, 1998 and 2006

It can be seen that, within overall growth in employment....

- The large job generators for the East Midlands economy in recent years have been the business services and public sectors.
- Manufacturing employment has declined significantly, losing nearly a third of the 1998 base in the following seven or eight years.
- In comparative terms, the East Midlands economy grew slightly less strongly overall than did the national economy.
- In terms of sectors, the region showed stronger growth relative to England in:
 - Wholesale and retail
 - Transport and communications

² There were some changes in the system for sectoral classification of establishments between the two ABI surveys which may have introduced some of the change in sector employment levels as set out above. However, this is not of a scale which affects the main points made below the table.

- Business services
- Public administration and defence
- Other services
- But grew less strongly than the national rate in:
 - Construction
 - Hotels and restaurants
 - Education
 - Health and social services

Within the region, growth was strongest in the south of the region, in Northamptonshire, and weakest in the north of the region, in Derbyshire. Variations in the growth rate were not clearly related simply to the loss of manufacturing jobs. For example, Derbyshire, which grew least strongly, lost 32,000 manufacturing jobs between 1998 and 2006 (8% of all jobs in the local economy). Leicestershire, however, lost 38,000 manufacturing jobs in the period (9% of all jobs) but managed to grow overall at a significantly higher rate than Derbyshire. Clearly the different local economies showed different levels of adaptivity to the underlying shift out of manufacturing employment with some compensating more successfully than others:

TABLE 5: *Sub-regional employment change, East Midlands, 1998-2006*

	Percentage change in total number of employees	Percentage change in manufacturing employees
Derbyshire	+0.4	-28.8
Leicestershire	+6.9	-35.9
Lincolnshire & Rutland	+9.5	-7.2
Northamptonshire	+13.4	-32.5
Nottinghamshire	+3.2	-37.9

Source: Annual Business Inquiry, 2006

The *forecast* is that employment growth in the next few years will be modest with overall growth of around 2.4% between 2008 and 2014 – an annual growth rate of less than half-a-percent per year. Growth in public sector employment is expected to slow substantially as public finances tighten and manufacturing employment continues to decline – by up to -2% per year in engineering activities:

TABLE 6: *Forecast employment change by Sector Skills Council (SSC) sectors, East Midlands, 2008-2014*

	Forecast % employment change 2008-2014
Asset Skills (Property, housing, cleaning services and facilities management)	+8
Automotive Skills (The retail motor industry)	-10
Cogent (Chemicals and pharmaceuticals, nuclear, oil and gas, petroleum and polymers)	-5
ConstructionSkills (Construction)	+1
Creative & Cultural Skills (Advertising, crafts, cultural heritage, design, music, performing, literary and visual arts)	+11
Energy & Utility Skills (Electricity, gas, waste management and water industries)	+8
e-skills UK (Information technology and telecommunications and the lead body for contact centres on behalf of the Skills for Business network)	+4
Financial Services Skills Council (Financial services industry)	-1
GoSkills (Passenger transport)	+2
Government Skills (Central government)	-2
Improve Ltd (Food and drink manufacturing and processing)	-6
Lantra (Environmental and land-based industries)	-5
Lifelong Learning UK (Community learning and development, further education, higher education, libraries, archives and information services, work-based learning and development)	+6
People 1 st (Hospitality, leisure, travel and tourism industries)	+3
Proskills UK (Process and manufacturing in the building products, coatings, glass, printing, extractive and mineral processing industries)	-5
SEMTA (Science, engineering and manufacturing technologies)	-10
Skillfast-UK (Fashion and textiles)	-6
Skills for Care and Development (Social care, children, early years and young people's workforces in the UK)	+4
Skills for Health (The health sector across the UK)	+6
Skills for Justice (Policing and law enforcement, youth justice, custodial care, community justice, courts service, prosecution service and forensic science)	-3
Skills for Logistics (Freight logistics and wholesaling industry)	+7
SkillsActive (Sport and recreation, health and fitness, the outdoors, playwork and the caravan industry)	+8
Skillset (Broadcast, film, video, interactive media and photo imaging)	+13
Skillsmart Retail (Retail)	+6
SummitSkills (Building services engineering)	-2
Whole economy	+2

Source: Working Futures II (IER for SSDA, LSC and partners)

The key point of this employment trend analysis is that employment growth – a phenomenon which necessarily puts recruitment and skills pressure on employers – has clearly slowed in

recent years, with the forecast rate of growth being significantly below that seen in the first half of the decade (and with current economic difficulties, even that forecast may be optimistic). It can be anticipated that these trends interlink with some of the patterns of recruitment, recruitment difficulty, and skills shortage which are reported in later chapters of this report.

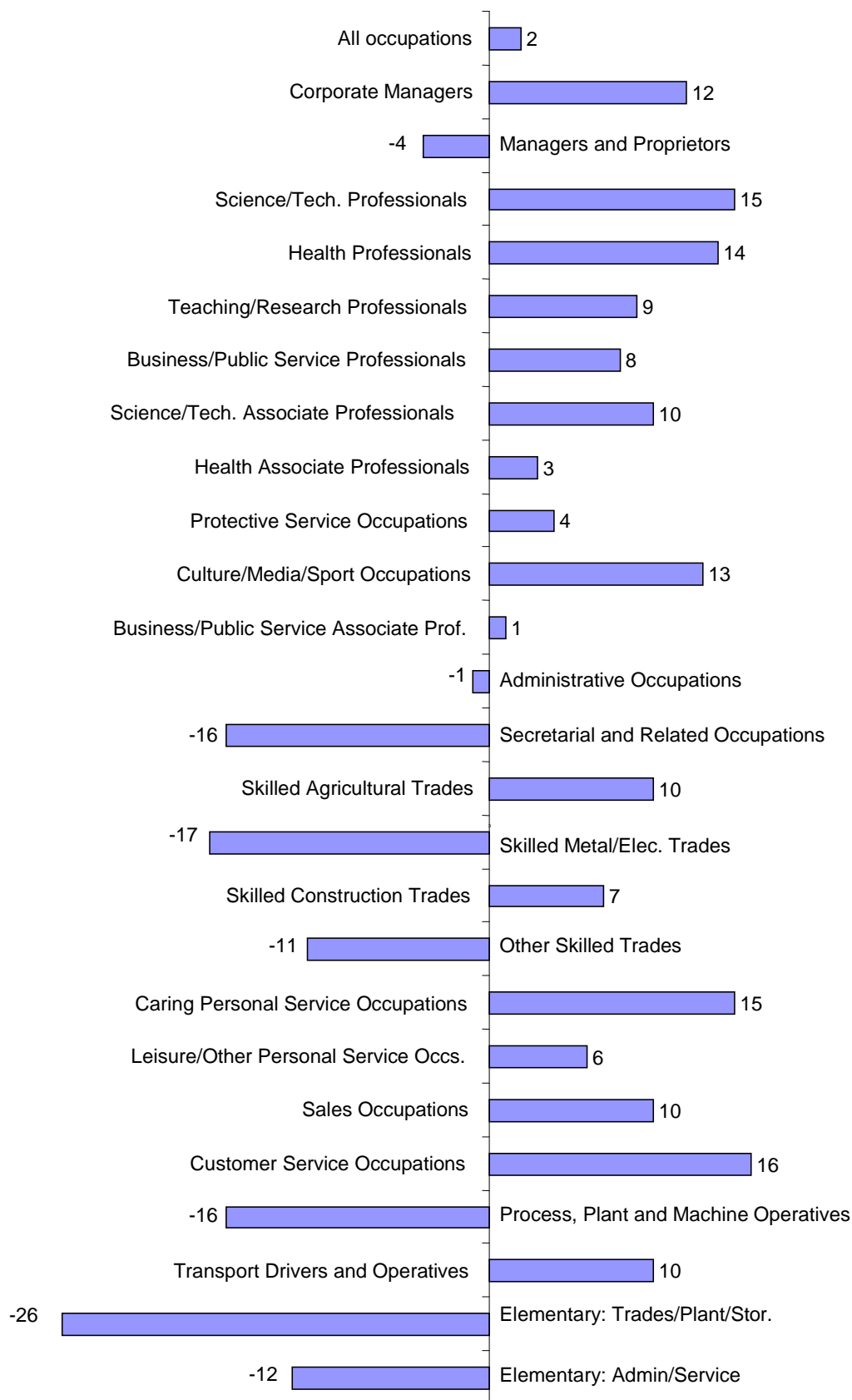
2.4 Other economic and labour market indicators

Analyses above have mainly examined employment structure and trends as a way of describing the local economy and considered what that description might mean for skills in the regions. However, there are other indicators which also have relevance to the skills demand/supply balance.

Occupational structure and change

Firstly, the broad occupational structure of the region and trends therein can be described:

FIGURE 1: *Forecast occupational trends, % change in employment, East Midlands, 2008-2014*



Source: Working Futures II (IER for SSDA, LSC and partners)

The picture of where demand will *fall* is fairly clear:

- Declining demand for ‘managers and proprietors’, the managers of mainly smaller independent businesses in retail and hospitality, as retail, pub and restaurant chains (employing ‘corporate managers’) continue to exercise competitive advantage.
- Declining demand for administrative and secretarial occupations replaced by IT technologies.
- Declining demand for skilled trades, semi-skilled/machine operators and lower grade manual workers in manufacturing, as capacity is lost absolutely or diverted to higher value, less labour intensive production.
- Declining demand for low-skilled routine staff – again under pressure from automated systems.

Contrastingly, there are expectations that demand for professional, technical, sales and customer services, and caring occupations will rise, driven mainly by the continuing shift to a services-based economy and by more specific factors such as the increasing demand for health and social care within an expanding and ageing population.

The likely impact of these changes *within* the region can be considered by examining some simplified occupational groups:

TABLE 7: *Occupational groups, 2007*

	Managers	Prof.	Technical	Admin.	Skilled trades	Personal services	Sales	Operators and drivers	Elementary
England	16	13	14	12	11	8	8	7	11
East Midlands	15	11	13	11	12	8	8	8	14
Derby City	13	12	13	11	10	9	7	11	14
Derbyshire	13	11	13	11	14	8	8	10	13
Leicester City	10	11	9	13	11	9	10	11	17
Leicestershire	20	13	13	11	11	8	6	8	10
Lincolnshire	14	10	10	11	14	8	9	10	14
Northants.	16	18	15	10	10	7	7	10	15
Nottingham City	12	11	11	11	10	9	6	10	18
Nottinghamshire.	17	12	14	11	12	7	8	7	13
Rutland	20	15	14	7	12	8	5	4	13

Source: Annual Population Survey, 2007

Variations in this data are not huge but it can be seen that:

- The East Midlands has a below-national average representation in higher level occupations which are increasing in numbers and above-average representation in manual and low-skill occupations which are in decline.
- Within that overall perspective, some sub-regions with particular vulnerabilities might be picked out – for example, Derbyshire and Lincolnshire which have higher proportions of skilled trades occupations; and Leicester and Nottingham Cities with high proportions of routine elementary occupations.
- Northamptonshire, with its higher proportions of higher level occupations (forecast to grow) and fewer vulnerable jobs in manual and administrative occupations (forecast to decline), may be most strongly positioned to withstand current trends in economic activity and associated occupational structures.

Business generation

Whilst existing businesses generate the greater part of demand for labour and skills, the generation of new enterprises also adds to the total requirement, particularly as new businesses develop and grow. The rate of new business formation is, thus, an additional factor in labour market change. Statistics for businesses registering for VAT for the first time are set out below. These don't reflect the totality of new business start-ups since many more new businesses start under the VAT threshold (currently an annual sales turnover of £64,000) and many businesses have operated for some time before registering for VAT:

TABLE 8: *New registrations for VAT*

	Stock of VAT-registered businesses, 2002	% growth 2002-2006	Registrations per 10,000 resident adults, 2006
Derby City	4,370	+15	26
Derbyshire	20,525	+14	34
Leicester City	7,580	+11	37
Leicestershire	20,350	+7	39
Lincolnshire	21,170	+9	32
Northamptonshire	20,755	+12	43
Nottingham City	6,065	+6	31
Nottinghamshire	18,145	+11	26
Rutland	1,510	+7	50
East Midlands	120,470	+11	35
England	1,787,890	+8	39

Source: VAT registration data, HM Revenue and Customs

These figures are not wholly conclusive. They show the stock of VAT-registered business increasing faster in the East Midlands between 2002 and 2006 than was average for England. However, the number of new registrations in 2006 in relation to the underlying size of the population was *lower* in the East Midlands than in England as a whole. Other statistics are provided by GEM UK (a subsidiary company of the London Business School) on behalf of the East Midlands Development Agency. These statistics are based on a

survey of entrepreneurial attitudes in the general adult population. Answers to a series of questions are used to conduct an index of Total Entrepreneurial Activity (TEA) which is comparable across regions. The TEA index for 2006 suggests:

- Entrepreneurialism in the East Midlands remained virtually static between 2002 and 2006.
- However, entrepreneurialism across the UK fell from a peak in 2003 to 2006, with particularly sharp falls in London, the South East and the West Midlands.
- The overall consequence is that entrepreneurialism in the East Midlands is a little ahead of the national level and, in regional terms, is exceeded only in the South East and the South West regions.

Gross Value Added (GVA)

A statistic which summarises the performance of an economy is the figure for the Gross Value Added which it produces – that is, the value of the economy’s output available for expenditure as wages, profit and investment, net of the cost of inputs (of materials, stock, services, etc.) which are needed to generate that ‘value added’ surplus.

The region’s comparative performance in terms of GVA is set out in the following table:

TABLE 9: *Gross Value Added, 2002 and 2006*

	2002 £ million	2006 £ million	Change 2002-2006 %
England	787,128	968,639	+23.1%
East Midlands	59,734	74,113	+24.1%
	£ per head of resident population	£ per head of resident population	
England	15,853	19,082	+20.4%
East Midlands	14,150	16,982	+20.0%
	UK base = 100	UK base = 100	
England	102	102	-
East Midlands	92	91	-

Source: Office for National Statistics

These figures position the East Midlands at a disadvantage to the English average for wealth production. However, the English average is strongly weighted by the very high level of value added in London (2006 index = 141) and the South East (115). Against other regions, the East Midlands (2006 index = 91) is reasonably positioned, with the East of England (105) and the South West (94) producing higher value than the East Midlands relative to the UK benchmark, but with the North East (81), North West (87), Yorkshire and Humberside (86), and the West Midlands (89) generating lower value.

Within the region, the highest value tends to be produced in the region's main conurbations with the rural areas producing relatively less value. The figures below show this effect. However, the statistics do not necessarily reflect where wealth produced is actually available for distribution – the value added in cities is partially generated by many thousands of (often high earning) in-commuters (in addition to the cities' resident populations). Though wealth is produced in the cities it is partially re-distributed, often through high house prices, into the towns and villages in the more rural hinterlands of those cities:

TABLE 10: *Gross Value Added, sub-areas of the East Midlands, 2005**

	GVA index (UK = 100) 2005
Derby City	122
East Derbyshire	75
South and West Derbyshire	81
Nottingham City	138
North Nottinghamshire	77
South Nottinghamshire	72
Leicester City	113
Leicestershire and Rutland	91
Northamptonshire	104
Lincolnshire	74

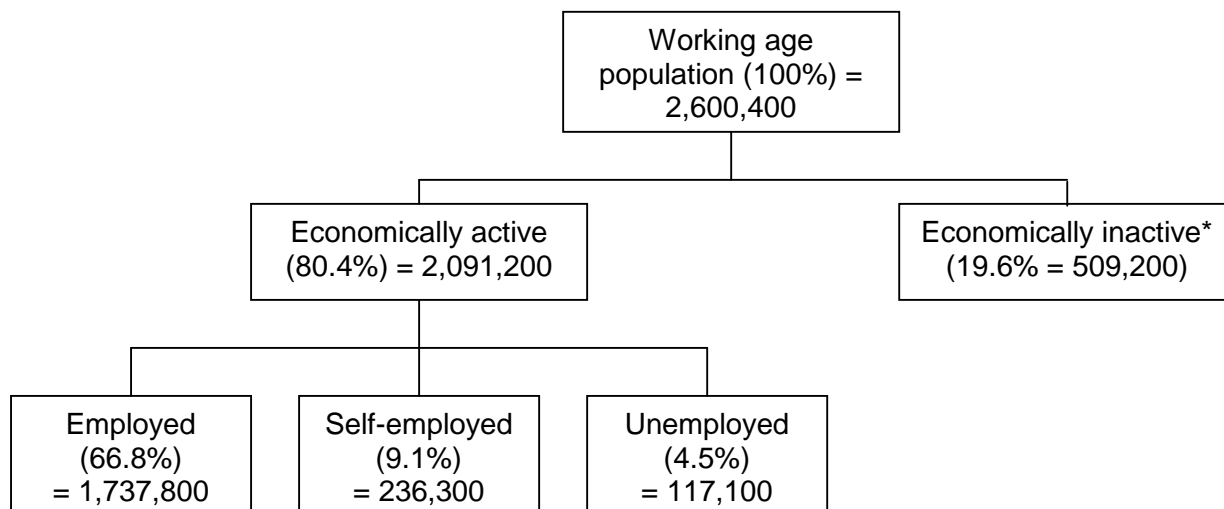
* GVA figures at this geographical level not available for 2006
Source: Office for National Statistics

Labour supply

To this point, the East Midlands economy has been mostly considered in terms of its outputs and of the labour and skills demand bound up with the generation of those outputs. A further question is of how well-equipped the region is to meet that labour and skills demand.

A simple analysis of labour supply (drawn from the Annual Population Survey, 2007) has the following structure:

TABLE 11: *Labour supply in the East Midlands*



* Neither working nor seeking work

In relative terms, these figures show a marginal advantage against the national average for economic activity (England = 79.2%) and the same unemployment rate.

However, the most significant statistic is for the estimated number of people in employment. The figure, of 1,737,800, is significantly below the estimate of 1,834,000 *jobs* in the region (source, Annual Business Inquiry, see Table 1). The question is of how the excess number of jobs over employees – around 96,000 – is filled. The question cannot be answered with any precision, but it seems probable that a number of sources may contribute, including:

- The effect of people crossing the regional boundary to work – perhaps with a net in-flow to the East Midlands.
- Double-jobbing – some people may hold more than one job.
- Student labour – students who work may be undercounted by the survey (the Annual Population Survey or APS) which estimates the number of people in work.

However, a particularly significant input helping to balance labour demand and supply may be migrant labour. With a recent rapid influx of migrants into the UK, statistical sources struggle to accurately count migrant numbers and to assess their labour market contribution. However, a recent report (*The contribution of migration flows to demographic change in the East Midlands*, Experian for emda, March 2007) suggests that the working age population in the region grew by an average 0.8% in each year between 2000 and 2005 – with migration accounting for over 80% of this total. And in 2005/06, a number of areas in the region reported significant numbers of non-UK nationals registering for a National Insurance number; for example, Northampton had 4,570 registrations, Corby had 1,190 registrations and Boston and South Holland Districts had a total of 4,210 registrations.

This very brief review of labour supply suggests that an apparently excess demand for labour in the region is met in a number of ways, of which migrant labour may recently have

been particularly important. However, the further question is not just of whether there are enough people to fill the jobs available within the region, but of whether those people have the right skills or not. This is a question which the National Employer Skills Survey is designed to answer and further chapters in the report will consider it in some detail. At this point, however, it can simply be noted that the qualifications profile of the regional workforce shows marginal disadvantage against the national one – with rather lower proportions of the workforce, particularly in the main cities and in Lincolnshire, having higher level qualifications:

TABLE 12: *Proportions of the workforce with higher level qualifications or none at all*

	Level 4+	No qualifications
Derby City	24	21
Derbyshire	25	12
Leicester City	20	24
Leicestershire	28	10
Lincolnshire	21	12
Northamptonshire	28	14
Nottingham City	21	17
Nottinghamshire	26	14
Rutland	32	10
East Midlands	25	14
England	27	14

Source: Annual Population Survey, 2007
 Workforce= employed + self-employed + seeking work;
 Level 4+ = graduate – equivalent and above

2.5 The East Midlands economy: key points

This brief review of indicators of the East Midlands' economic structure and performance makes a number of key points.

Overall, the regional economy shows a number of strengths. It shows rates of business formation which are comparable with national averages. The economy produces wealth (GVA) at a level which exceeds that of a number of English regions and is only markedly exceeded by wealth generation in the south eastern corner of England (which shares the advantages of London's position in the global economy and of proximity to Europe).

When, in later chapters of this report, the phenomena of recruitment difficulty and skills deficiencies are examined, this position might be expected to be reflected in levels of difficulty and deficiency which are above those of less successful regions – given that recruitment and skills problems tend to be most acute in dynamic economies. It is also apparent that the number of resident employees is below the number of jobs available in the region, and that, in circumstances where higher occupational levels are becoming more prevalent, the qualifications profile of the regional workforce shows some disadvantage

against the national profile. Again these factors might dispose to difficulties for employers in getting the people and skills they need.

However, against this perspective, there are a number of factors which may dispose in the opposite direction. Manufacturing, which is the sector clearly most vulnerable to closures and job losses, is still a more significant component of the regional than of the national economy. The economy as a whole has more jobs in low growth sectors. Overall, therefore, the economy did not grow quite so strongly between 1998 and 2006 as did the national economy. Each of these factors may have taken some of the edge off labour and skills demand and, thereby, reduced the level of difficulty in getting labour and skills which employers report in the survey.

Perhaps most significantly of all, on the demand side, the more *recent* downturns in the expected rate of economic growth and in business confidence (apparent even in the summer of 2007 when the survey was undertaken) may have lessened recruitment and skills problems as competition for labour reduced. On the supply side, increases in the number of available workers as a consequence of migration into the region may have made recruitment easier; and, as people became less confident of finding alternative employment, slowed labour turnover – a phenomenon which itself may generate skills deficiencies.

Thus, at overall regional level, a complex mix of factors in the structure of economic activity and in related economic trends interact to generate the labour market conditions which employers in the survey report (as experiences of labour and skills problems or their absence).

Further, the East Midlands region is not, of course, wholly homogeneous in its economic and social characteristics. Not only are broad sectors of economy activity not distributed evenly across the region but there are many more fine-grained differences – in the distribution of the sub-sectors which combine to form broad sectors, in the skills and qualifications of workforces in different areas, in local rates of growth, in capacity to host in-migration, and so on.

In reading the remainder of this report, the general point is that, whilst NESS07 offers an excellent picture of a range of labour market phenomena related to the availability of skills and employer behaviours and attitudes, the reasons for variation in those phenomena (say, between sectors, sub-regions, or between the East Midlands and other areas of England) are complex and can seldom be read directly from the data. Thus, whilst findings from NESS07 offer a reliable description of labour market conditions as experienced by employers, the underlying causes of those conditions are a matter for cautious, and usually provisional, attribution.

3. VACANCIES, RECRUITMENT DIFFICULTY AND SKILLS SHORTAGE

3.1 Introduction

Against the background set out in the previous chapter, we now turn to consider findings from NESS07 in some detail.

This chapter sets out findings which relate to....

- Vacancies
- Difficulty in filling vacancies
- Skill shortages

In reading this and subsequent chapters it will be noted that we use various terms to discuss employers' difficulties in securing the labour and skills they need. For clarity, *recruitment problems* refer to vacancies that the employer describes as hard to fill. These *hard-to-fill vacancies* (HtFVs) are in two groups. *Skills-shortage vacancies* (SSVs), a first sub-set of HtFVs, are defined as those HtFVs which result from applicants not having the required skills, experience, or qualifications which the employer demands. There are also other HtFVs which are attributed to other causes such as a simple lack of applicants or the vacancy being for a low paid job. *Skills gaps*, or internal skills gaps, refer to the extent to which employers perceive their employees as not being fully proficient for their job. *Skill deficiencies* refer generally to both skills gaps and SSVs.

3.2 Vacancies

The first analysis concerns the vacancy position in the region.

The survey reveals that (in mid-2007) there were 40,977 vacancies in the East Midlands economy. A first observation is that, though the number is a substantial one in absolute terms, in relative terms the vacancy rate was fairly low – only 2.3% of all jobs in the Region were vacant.

In terms of employers, the proportion with at least one vacancy was higher – at 15% - but, because 88% of those employers with vacancies had three or fewer vacancies, the overall number of vacancies, as above, is much lower in relation to the total number of jobs.

The overall rate of vacancies appears somewhat lower than that which applies *nationally*. Thus, 18% of employers in England had a vacancy (compared with 15% in the East Midlands); and, nationally, 2.8% of jobs were vacant (compared with 2.3% in the East Midlands).

Examination of the distribution of vacancies by their location shows the following picture:

TABLE 13: *Vacancies in the East Midlands Region, by sub-regions, 2007*

	Unweighted base	Weighted base	Number of vacancies	Vacancies as a % of employment	% of employers with 1+ vacancies*
Derbyshire	1,554	25,191	8,417	2.4	15
Leicestershire	1,601	24,542	9,214	2.3	17
Lincolnshire and Rutland	1,354	23,771	7,713	2.5	15
Northamptonshire	1,370	21,766	6,702	2.0	16
Nottinghamshire	1,633	25,503	8,932	2.2	15
East Midlands Region	7,612	120,774	40,978	2.3	15
England	79,018	1,451,507	616,832	2.8	18

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

This data suggests that the vacancy position is fairly evenly spread across the region, with proportions of employers with vacancies in each sub-region being equal or very similar.

When we examine vacancy rates from the point of view of the region's sectors, the analysis set out below is produced:

TABLE 14: Vacancies in the East Midlands Region, by sectors, 2007

	Unweighted base	Weighted base	Number of vacancies	% of all vacancies	Vacancies as % of employment	% of employers with 1+ vacancies
Lantra	414	7,580	606	1.5	1.6	7
Cogent	196	1,485	534	1.3	1.2	15
Proskills	222	1,779	377	0.9	1.0	14
Improve	116	687	444	1.2	0.9	16
Skillfast-UK	219	2,354	677	1.7	1.8	14
SEMTA	392	4,902	2,468	6.0	2.0	19
Energy & Utility Skills	44	1,150	859	2.1	3.9	19
Construction Skills	459	9,843	1,847	4.5	2.1	10
SummitSkills	183	2,505	481	1.2	2.3	11
Automotive Skills	345	4,716	1,304	3.2	3.0	15
Skillsmart Retail	751	15,559	3,111	7.6	1.7	12
People 1 st	542	10,922	4,813	12.0	4.4	20
GoSkills	141	956	476	1.2	2.6	22
Skills for Logistics	252	3,334	1,373	3.4	2.0	15
Financial Services Skills	157	2,345	1,158	2.8	3.0	19
Asset Skills	288	5,534	1,194	2.9	2.8	13
e-skills	258	3,000	939	2.3	2.8	14
Government Skills**	14	243	506	1.2	2.9	20
Skills for Justice**	23	239	570	1.4	2.5	43
Lifelong Learning UK	226	1,802	1,259	3.1	1.9	24
Skills for Health	223	3,533	1,616	4.0	1.2	20
Skills for Care and Development	374	4,167	2,195	5.4	3.0	28
Skillset	92	414	170	0.4	3.5	12
Creative and Cultural Skills	230	1,366	228	0.6	2.5	11
SkillsActive	199	1,325	417	1.0	1.8	14
Non-SSC employers	1,252	29,034	11,301	28.0	2.5	17
East Midlands Region	7,612	120,774	40,971	100.0	2.3	15

Source: NESS07

*Note: The figures for public administration (Government Skills) and for the justice sector (Skills for Justice) have particularly low bases and may be unreliable

Note: All data is weighted unless otherwise specified

This data suggests:

- In volume terms the sectors with most vacancies are hospitality (People 1st), retail (Skillsmart), engineering (SEMTA), social care (Skills for Care and Development) and construction (ConstructionSkills), in that order.
- In relative terms, the sector where vacancies are most numerous in relation to the number of jobs in the sector are hospitality (People 1st), the utilities (Energy and Utility Skills; caution – low base), audio-visual industries (Skillset), the garages sector (Automotive Skills), financial services (Financial Services Skills), and social care (Skills for Care and Development).

The likelihood of employers having vacancies may reflect a number of factors, not just levels of absolute growth in the number of jobs but also rates of labour turnover and the availability of skills.

It is noticeable that the higher rates of vacancy in relation to sector employer bases tend to be in service sectors (with vacancies as % of jobs mostly at 2% or above) rather than manufacturing sectors (with vacancies as % of jobs mostly at 2% or below). The service sectors with the highest rates of vacancy include hospitality, social care, and financial services. It may be reasonable to infer that, amongst the complex set of reasons inducing sectoral variation in vacancy rates, a particularly strong factor is the quality of jobs on offer associated with their rates of labour turnover. Thus, all the three sectors above have quite significant volumes of fairly routine or low-skill jobs often with low pay and unsocial hours. Vacancy in these cases, and perhaps in other sectors, may be driven not by any special dynamism (though we noted in Chapter Two that two of these sectors, hospitality and social care, have grown substantially in recent years) but by the nature of jobs on offer.

The distribution of vacancies can also be examined by the sizes of workplaces in which they occur:

TABLE 15: *Vacancies in the East Midlands Region, by size of establishment, 2007*

No. of employees	Unweighted base	Weighted base	Number of vacancies	% of all vacancies	Vacancies as % of employment	% of employers with 1+ vacancies*
2-4	2,275	64,685	7,140	17.4	4.3	9
5-24	3,740	43,100	13,761	33.6	3.2	18
25-99	1,260	10,377	10,025	24.5	2.1	31
100-199	189	1,555	3,708	9.1	1.6	50
200-499	112	813	4,410	10.8	1.6	60
500+	36	244	1,927	4.7	0.8	74
East Midlands Region	7,612	120,774	40,971	100.0	2.3	15

* Rounded

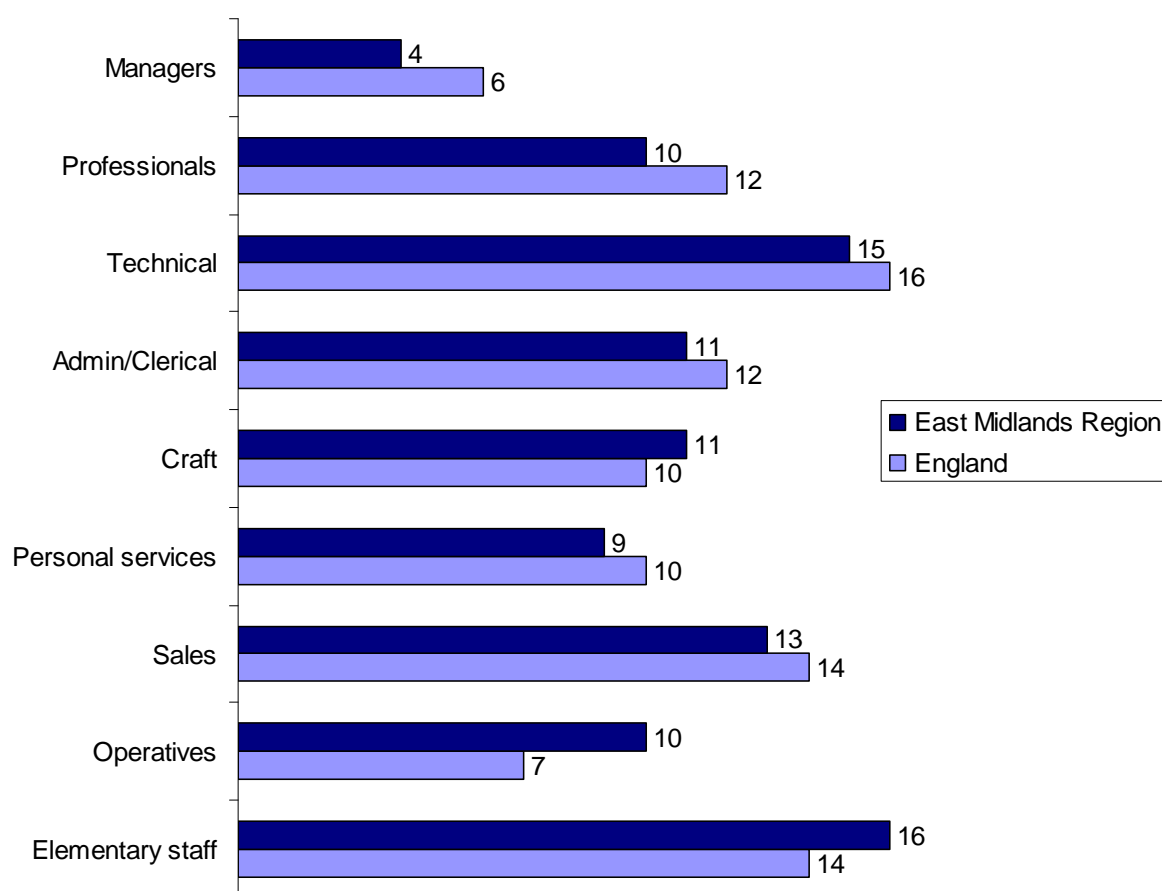
Source: NESS07

Note: All data is weighted unless otherwise specified

The data shows that, though larger employers are more likely to have vacancies by virtue simply of the fact that they employ many more people, vacancies are more numerous both in total and in proportion to volume of employment in *small* establishments.

When the profile of vacancies by *occupation* is examined, it can be seen that they are numerically weighted to vacancies for intermediate and lower skilled jobs, a distribution which is broadly in line with the national one – though the East Midlands has slightly lower shares of its vacancies in higher level jobs (managerial, professional, technical) and somewhat higher shares of its vacancies in lower level jobs (operative and elementary staff):

FIGURE 2: *Percentage of all vacancies in the East Midlands Region and England in each occupational group, 2007*



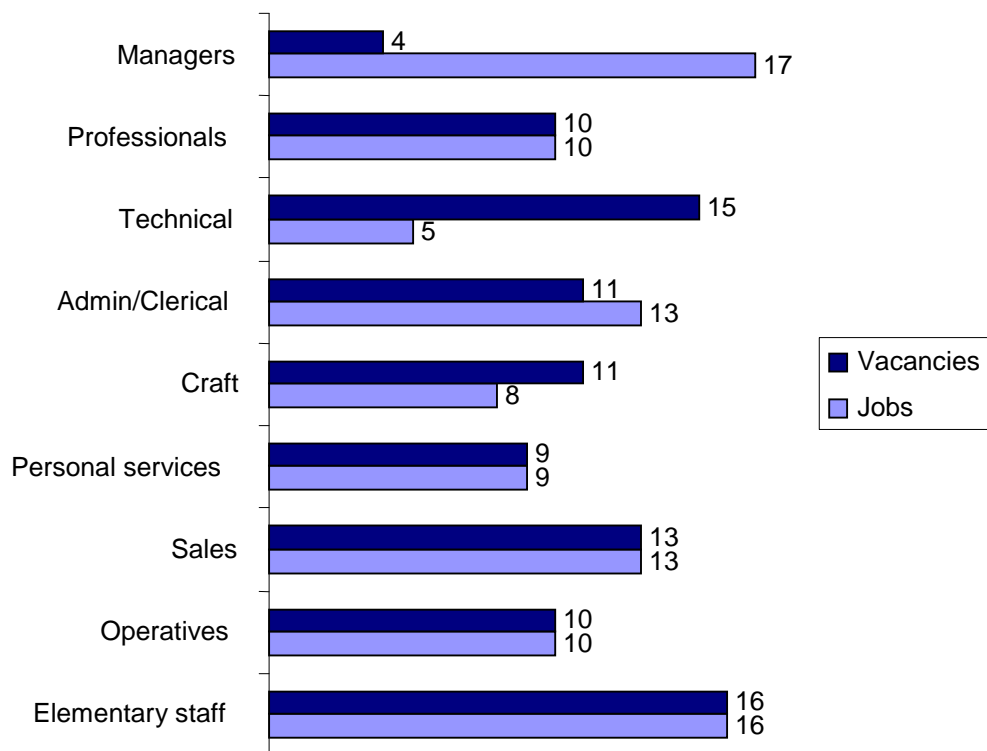
Source: NESS07

Note: All data is weighted unless otherwise specified

Unweighted bases = vacancies identified by employers responding in the survey – EM Region 3,796 vacancies; England 52,358 vacancies; weighted bases = 40,971 and 616,832 vacancies respectively

When numbers of vacancies are related to numbers of jobs in the region, it can be seen that vacancies are less likely in relation to management jobs and more likely for technical (associate professional) occupations (occupations which usually require Level 3 or, increasingly, Level 4 qualifications and skills) and craft occupations (which usually require Level 2 or, increasingly, Level 3 qualifications and skills):

FIGURE 3: *Percentage of all vacancies and of employment in the East Midlands Region in each occupational group, 2007*



Source: NESS07

Note: All data is weighted unless otherwise specified

Unweighted bases = vacancies and occupational groups of employees identified by employers responding in the survey – 3,796 vacancies; 196,661 employees; weighted bases = 40,971 vacancies and 1,815,259 employees respectively

As would be anticipated, there are relationships between types of occupations employed in particular sectors and the types of vacancy which occur in those sectors. Below we show instances of occupations in particular sectors where the survey identified 200 or more vacancies in the region:

TABLE 16: *High vacancy occupations in the East Midlands Region, 2007*

Occupation	Sector	Number of vacancies
Elementary staff	Hospitality	1,391
Sales staff	Retail	1,172
Care assistants	Social care	516
Skilled trades (chefs)	Hospitality	447
Skilled trades (construction crafts)	Construction	425
Skilled trades (engineering crafts)	Engineering	377
Elementary staff (labourers)	Construction	294
Skilled trades (motor vehicle technicians)	Garages	249
Professionals (construction engineers)	Construction	244
Senior care and nursing assistants	Social care	237
Semi-skilled machine operators	Engineering	231
Clerical staff	Social care	213
Drivers	Goods transport	212

Source: NESS07

Note: All data is weighted unless otherwise specified

It can be seen that the list is comprised of:

- Low pay and low or routinely skilled occupations in hotels and restaurants, retail and social care.
- Skilled trades occupations in hospitality (chefs), engineering, construction, and garages (technicians and mechanics) and higher skilled staff in social care.
- Machine operators in engineering, goods vehicle drivers in the logistics sector, and labourers in construction.
- Construction professionals.

In general, therefore, vacancies are most frequently concerned either with 'practical' jobs at skilled and semi-skilled levels or with routine or lower-skilled jobs – often involving low pay, unsocial hours and impermanency.

3.3 Hard-to-fill vacancies

Turning now from the generality of vacancies to those which employers regard as hard-to-fill, the East Midlands Region had 12,126 such vacancies (as recorded by NESS07) in 2007 or 30% of all vacancies:

TABLE 17: *Hard-to-fill vacancies in relation to vacancies in the East Midlands Region, by sub-regions, 2007*

	Unweighted base	Weighted base	Number of vacancies	% of all vacancies*	Number of HtF vacancies	% of all HtF vacancies*	HtF vacancies as % of all vacancies*
Derbyshire	1,554	25,191	8,417	20.5	2,124	17.5	25.2
Leicestershire	1,601	24,542	9,214	22.4	2,610	21.5	28.3
Lincolnshire and Rutland	1,354	23,771	7,713	18.8	3,125	25.8	40.5
Northamptonshire	1,370	21,766	6,702	16.3	1,962	16.2	29.2
Nottinghamshire	1,633	25,503	8,932	21.8	2,354	19.4	26.3
East Midlands Region	7,612	120,774	40,977	100	12,126	100	30
England	79,018	1,451,507	616,832	-	183,472	-	30

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

It can be seen that the same proportion of the East Midlands' vacancies are seen as hard-to-fill by employers as in England as a whole. Within the region, vacancies are seen as least hard to fill in Derbyshire and more hard-to-fill in Lincolnshire and Rutland.

When vacancies and hard-to-fill vacancies are examined in relation to regional employment bases, the following analysis results:

TABLE 18: *Hard-to-fill vacancies, regional comparison, 2007*

	Unweighted base	Weighted base	% of all employment in England*	% of all vacancies in England	% of all HtF vacancies in England	HtF vacancies as % of all vacancies
East of England	8,454	165,008	10.3	10.3	10.5	30.1
East Midlands	7,612	120,774	8.2	6.6	6.6	29.6
London	12,077	231,199	17.5	20.5	22.0	31.8
North East	5,608	56,320	4.5	3.8	3.8	29.8
North West	8,838	180,327	13.1	12.1	10.2	24.9
South East	12,219	252,169	16.2	18.6	19.7	31.2
South West	8,454	162,978	9.8	9.5	11.1	35.0
West Midlands	8,047	147,130	10.5	9.9	8.0	23.8
Yorkshire and Humber	7,709	135,602	9.9	8.6	8.0	27.7
England	79,018	1,451,507	100	100	100	29.6

* Annual Business Inquiry 2006

Source: NESS07

Note: All data is weighted unless otherwise specified

It can be seen from Table 18 that the East Midlands has shares both of vacancies and of hard-to-fill vacancies which are lower than the region's share of employment. This is a characteristic shared with all other regions except the East of England, London, and the South East – which (particularly so in the two latter cases) have higher shares of vacancies and of hard-to-fill vacancies than of employment.

One inference might be that the more dynamic economies tend to have the highest rates of vacancies and of difficulty in filling those vacancies. If this inference were correct then the East Midlands, having the greatest 'negative' disparities between its vacancy/hard-to-fill vacancy shares and its employment share might be characterised, in this sense, as one of the least dynamic regions in England.

However, a more significant explanation may lie in the fact that the East of England, London and the South East have greater shares of employment in *small* establishments. The average number of workers per establishment is 9.9 in East of England, 10.5 in London, and 9.6 in the South East – all below the national average (Annual Business Inquiry, 2006) of 10.9.

Analysis below (Table 19) shows that vacancies and hard-to-fill vacancies tend to be most frequently found in smaller establishments. In this sense, the relatively high vacancy/hard-to-fill vacancy rates in the East of England, London and the South East may simply reflect this structural feature of their economies:

TABLE 19: *Hard-to-fill vacancies in relation to vacancies in the East Midlands Region, by size of establishment, 2007*

No. of employees	Unweighted base	Weighted base	Number of vacancies	% of all vacancies	Number of HtF vacancies	% of all HtF vacancies	HtF vacancies as % of all vacancies*
2-4	2,275	64,685	7,140	17.4	2,958	24.4	41
5-24	3,740	43,100	13,761	33.6	5,025	41.4	37
25-99	1,260	10,377	10,025	24.5	2,661	21.9	27
100-199	189	1,555	3,708	9.1	595	4.9	16
200-499	112	813	4,410	10.8	646	5.3	15
500+	36	244	1,927	4.7	242	2.0	13
East Midlands Region	7,612	120,774	40,971	100.0	12,126	100	30

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

The reasons why small establishments tend more frequently to have hard-to-fill vacancies may include the possibilities that employment in smaller businesses and organisations is seen as less desirable by job-seekers and, in a competitive labour market, smaller employers tend to lose out more often than large ones in the competition for recruits; or that occupations which are harder to recruit – say, low pay/high turnover jobs in hospitality, retail, and social care – are often located in the numerous small establishments in those sectors.

The following table examines the relationship between hard-to-fill vacancies and *sectors*:

TABLE 20: *Hard-to-fill vacancies in relation to vacancies in the East Midlands Region, by sectors, 2007*

	Unweighted base	Weighted base	Number of vacancies	% of all vacancies*	Number of HtF vacancies	% of all HtF vacancies*	HtF vacancies as % of vacancies*
Lantra	414	7,580	606	1.5	315	7.0	52
Cogent	196	1,485	534	1.3	44	1.4	8
Proskills	222	1,779	377	0.9	135	2.5	36
Improve	116	687	444	1.2	65	0.5	15
Skillfast-UK	219	2,354	677	1.7	164	1.4	24
SEMTA	392	4,902	2,468	6.0	969	8.0	39
Energy & Utility Skills	44	1,150	859	2.1	55	0.5	6
Construction Skills	459	9,843	1,847	4.5	799	6.6	43
SummitSkills	183	2,505	481	1.2	322	2.7	67
Automotive Skills	345	4,716	1,304	3.2	388	3.2	30
Skillsmart Retail	751	15,559	3,111	7.6	800	6.6	26
People 1st	542	10,922	4,813	12.0	1,193	9.8	25
GoSkills	141	956	476	1.2	245	2.0	52
Skills for Logistics	252	3,334	1,373	3.4	246	2.0	18
Financial Services Skills	157	2,345	1,158	2.8	263	2.2	23
Asset Skills	288	5,534	1,194	2.9	312	2.6	26
e-skills	258	3,000	939	2.3	160	1.3	17
Government Skills	14	243	506	1.2	4	0.0	1
Skills for Justice	23	239	570	1.4	49	0.4	9
Lifelong Learning UK	226	1,802	1,259	3.1	114	0.9	9
Skills for Health	223	3,533	1,616	4.0	311	2.6	19
Skills for Care and Development	374	4,167	2,195	5.4	322	2.7	15
Skillset	92	414	170	0.4	145	1.2	85
Creative and Cultural Skills	230	1,366	228	0.6	108	0.9	47
SkillsActive	199	1,325	417	1.0	188	1.6	45
Non-SSC employers	1,252	29,034	11,301	28.0	4,412	36.4	39
East Midlands Region	7,612	120,774	40,971	100.0	12,126	100	30

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

This data broadly suggests that recruitment difficulty is particularly likely for employers within a range of 'blue collar' sectors – for example, in manufacturing, construction, passenger transport, and land-based activities. These sectors are ones in which Level 2 and Level 3 skills are particularly important to output. Some of the sectors with the highest levels of difficulty in recruiting are:

- Land-based industries (LANTRA) (52% of vacancies were hard-to-fill)
- Passenger transport (GoSkills) (52%)
- Construction (SummitSkills and ConstructionSkills) (67% and 43% respectively)
- Engineering (SEMTA) (39%)
- Materials manufacturing (Proskills) (36%)

Other sectors, mainly in services activities, tend to have fewer hard-to-fill vacancies in proportion to their vacancies. However, it can be noted that within this generality, a high proportion of vacancies in the audio-visual (Skillset) sector (85%), the creative industries sector (47%) and the sports and outdoor (SkillsActive) sector (45%) are also hard-to-fill.

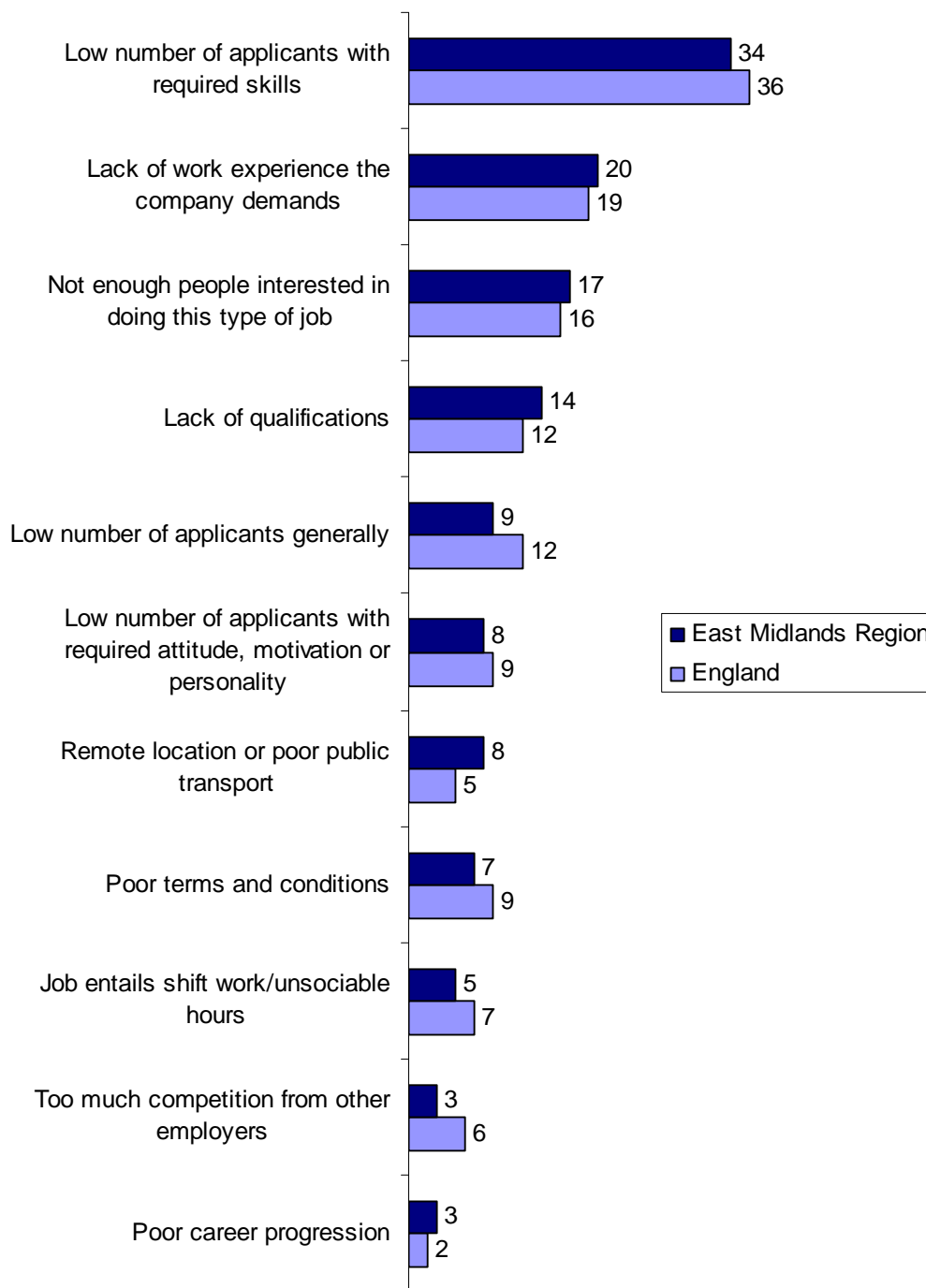
In absolute terms, because of the size of the sectors and the number of vacancies in those sectors, two sectors – retail (Skillsmart) and hospitality (People 1st) – account for 1 in 6 of all hard-to-fill vacancies, even though their hard-to-fill rates (26% and 25% respectively) are below average. As above, it may be this volume of hard-to-fill vacancies in these ‘small firm’ sectors which, at least partially, explains why small establishments are, on average, subject to higher vacancy and hard-to-fill vacancy rates.

To explore further the *reasons* for recruitment difficulty, NESS07 investigated employers’ perceptions of the underlying causes of recruitment difficulty by asking respondents who said they had hard-to-fill vacancies to also say what they thought were the reasons for those difficulties. However, the resulting data is, we suspect, of only moderate quality in estimating the real reasons for recruitment difficulty. There are a number of reasons for this....

- Firstly, it is very difficult for employers to judge aggregate labour market conditions from their ‘ground level’ positions. They can observe the limitations of job applicants but may misjudge the reasons why they get the applicants they do.
- Secondly, particularly, they may underestimate the fact that they offer uncompetitive employment.
- Thirdly, even in a large survey such as NESS07, the total number of East Midlands employers (in the unweighted sample) with hard-to-fill vacancies was only 479 cases identifying 1,029 HtF vacancies. When these are distributed between different groups of employers (say, the 25 SSC sector groups) the numbers on which comparative analysis might be based are too small for the analysis to be reliable.

However, at an aggregate level, the reasons which employers gave for recruitment difficulty were:

FIGURE 4: *Reasons for hard-to-fill vacancies in the East Midlands Region and England, 2007; percentages**



Source: NESS07

Unweighted base = 1,029 HtF vacancies identified by employers responding in the survey; weighted base = 12,126 HtF vacancies

* Multiple responses: employers could identify more than one reason for recruitment difficulty per job

Note: All data is weighted unless otherwise specified

The obvious point is that employers split their responses between those which pointed to limitations in the skills or other attributes of applicants and recognition that jobs on offer had

negative aspects (poor terms and conditions, remoteness or inaccessibility, shift work or unsocial hours, and poor career prospects).

It is particularly noteworthy that employers were considerably less likely to mention absence of qualifications as a factor in recruitment difficulty than they were to mention lack of required skills. This finding is consistent with findings in other research. For example, a report published by the Department for Education and Skills (Perceptions and Use of NVQs: a Survey of Employers in England, DfES, 2006) suggests that employers pay less regard, when recruiting new staff, to qualifications held by applicants than to personality and attitude, good literacy and numeracy, interview performance, and previous experience. However, within this generality, it was notable that lack of qualifications was much more frequently an issue for larger organisations than for smaller ones. For example, 55% of organisations with 500 or more staff said lack of qualifications was a cause of recruitment difficulty compared with 9% of those employing between 5 and 24 people.

The regional/national comparison shows broad similarity but it is, perhaps, worth noting that the East Midlands region appears to have proportionately greater difficulty because applicants lack qualifications and because of location/public transport issues. However, it should be noted that, because the East Midlands has fewer hard-to-fill vacancies overall, these difficulties may actually be no more frequent than in some other regions.

3.4 Skill shortage vacancies

Overall, 8,452 hard-to-fill vacancies, 70% of the total, were believed to be difficult to recruit because they had an element of *skill shortage* – applicants lacked the required skills and/or experience and/or qualifications. Of these reasons for skill shortage, lack of skills was most significant (34% of hard-to-fill vacancies were at least partly for this reason) but lack of experience (20%) and lack of necessary qualifications (14%) were also significant. Thus, with regard to the LSC's objective to secure a more highly *qualified* workforce, it can be seen that around 1 in 7 posts which employers regard as hard-to-fill occur (at least partly) because applicants don't have the qualifications which employers require. 3,674 hard-to-fill vacancies were attributed to *other reasons* – insufficient applicants, applicants with poor attitudes, motivation or personality, insufficient people interested in the type of work, or negative characteristics of the job on offer. These latter factors are clearly likely to be interactive, with insufficiency of applicants or low quality applicants reflecting the uncompetitiveness of the jobs on offer.

When *skill shortage vacancies* are distributed by sub-region, the following picture emerges:

TABLE 21: *Skill shortage vacancies in the East Midlands Region, by sub-regions, 2007*

	Unweighted base	Weighted base	Number of vacancies	Number of skill shortage vacancies	% of all skill shortage vacancies	Skill shortage vacancies as % of all vacancies
Derbyshire	1,554	25,191	8,417	1,419	16.8	16.8
Leicestershire	1,601	24,542	9,214	1,969	23.3	21.3
Lincolnshire and Rutland	1,354	23,771	7,713	2,096	24.8	27.2
Northamptonshire	1,370	21,766	6,702	1,332	15.8	19.9
Nottinghamshire	1,633	25,503	8,932	1,636	19.4	18.3
East Midlands Region	7,612	120,774	40,977	8,452	100	20.6
England	79,018	1,451,507	616,832	130,004	-	21.1

Source: NESS07

Note: All data is weighted unless otherwise specified

The analysis in Table 21 shows that the East Midlands region has a marginally lower overall rate of skill shortage vacancies (20.6% of all vacancies) than the English average (21.1% of all vacancies), but the difference is not significant. Within the region, Derbyshire has a lesser proportion of vacancies affected by skill shortage whilst Lincolnshire and Rutland has a higher proportion.

An inter-regional comparison of skill shortage vacancies is set out in a table below. It can be seen that the East Midlands has a below-average share of SSVs (compared with its share of employment). The proportion of all vacancies which are affected by skill shortages is in the middle of the range for the English regions, with London having the highest proportion, 25.9%, of its vacancies occasioned by skill shortage and the West Midlands the lowest proportion, 16.3%:

TABLE 22: *Skill shortage vacancies, regional comparison, 2007*

	Unweighted base	Weighted base	% of all employment*	% of all skill shortage vacancies	Skill shortage vacancies as % of all vacancies
East of England	8,454	165,008	10.3	9.6	19.4
East Midlands	7,612	120,774	8.2	6.5	20.6
London	12,077	231,199	17.5	25.3	25.9
North East	5,608	56,320	4.5	3.5	19.6
North West	8,838	180,327	13.1	10.0	17.3
South East	12,219	252,169	16.2	19.7	22.2
South West	8,454	162,978	9.8	9.8	21.8
West Midlands	8,047	147,130	10.5	7.7	16.3
Yorkshire and Humber	7,709	135,602	9.9	7.9	19.1
England	79,018	1,451,507	100	100	21.1

* Annual Business Inquiry 2006

Source: NESS07

Note: All data is weighted unless otherwise specified

The distribution of skill shortage vacancies in the East Midlands can also be described by sectors and by sizes of establishment. The table below shows their distribution by *sector*:

TABLE 23: Skill shortage vacancies in the East Midlands Region, by sector, 2007

	Unweighted base	Weighted base	Number of SSVs	% of all SSVs	SSVs as % of vacancies*	SSVs as % of HtF vacancies*
Lantra	414	7,580	128	1.5	21	41
Cogent	196	1,485	29	0.3	5	66
Proskills	222	1,779	124	1.5	33	92
Improve	116	687	59	0.7	13	91
Skillfast-UK	219	2,354	104	1.2	15	63
SEMTA	392	4,902	825	9.8	33	85
Energy & Utility Skills	44	1,150	55	0.7	6	100
ConstructionSkills	459	9,843	595	7.0	32	75
SummitSkills	183	2,505	295	3.5	6	92
Automotive Skills	345	4,716	156	1.9	12	40
Skillsmart Retail	751	15,559	187	2.2	6	23
People 1 st	542	10,922	765	9.1	16	64
GoSkills	141	956	131	1.6	28	54
Skills for Logistics	252	3,334	142	1.7	10	58
Financial Services Skills	157	2,345	157	1.9	14	60
Asset Skills	288	5,534	212	2.5	18	68
e-skills	258	3,000	143	1.7	15	89
Government Skills	14	243	-	-	-	-
Skills for Justice	23	239	24	0.3	4	49
Lifelong Learning UK	226	1,802	95	1.1	8	83
Skills for Health	223	3,533	183	2.2	11	59
Skills for Care and Development	374	4,167	177	2.1	8	55
Skillset	92	414	138	1.6	8	95
Creative and Cultural Skills	230	1,366	56	0.7	25	52
SkillsActive	199	1,325	163	1.9	39	87
Non-SSC employers	1,252	29,034	3,509	41.5	31	80
East Midlands Region	7,612	120,774	8,452	100.0	21	70

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

Table 23 shows....

- In numerical terms the sectors with most skill shortage vacancies are engineering (SEMTA), hospitality (People 1st), construction (ConstructionSkills), and retail (Skillsmart) in that order.
- Generally, skill shortage vacancies tend to comprise a higher proportion of vacancies in manufacturing (Proskills), public transport (GoSkills), construction (ConstructionSkills and SummitSkills), land based industries (Lantra) and engineering (SEMTA) – sectors where Level 2 and Level 3 skills are increasingly at a premium. There are generally lesser proportions of skill shortage vacancies in service sectors (except for the audio-visual, creative and sports sectors) and in some specific areas of manufacturing [such as the food and drink sector (Improve) and clothing, textiles and footwear (Skillfast-UK)] in which fairly high proportions of staff are unskilled or semi-skilled process workers.

- The proportion of recruitment difficulty (hard-to-fill vacancies) which is attributed to skill shortage is particularly high (70% or above) in ten sectors. Of these, six are in manufacturing and construction whilst two others [the ICT sector (e-skills) and the audio-visual sector (Skillset)] have a strong technical base to their activities.
- The retail sector is notably less likely to attribute recruitment difficulty to shortage of skills than other sectors.

Generally, therefore, although skill shortages are spread in numerical terms across the economy, their significance to vacancies and recruitment difficulty tends to be greater in production and manufacturing than in service sectors.

Looking at skill shortage vacancies by size of establishment produces the following analysis:

TABLE 24: *Skill shortage vacancies in the East Midlands region by size of establishment, 2007*

No. of employees	Unweighted base	Weighted base	Number of SSVs	% of all SSVs	SSVs as % of vacancies*	SSVs as % of HtF vacancies*
2-4	2,275	64,685	1,961	23.2	28	66
5-24	3,740	43,100	3,414	40.4	25	68
25-99	1,260	10,377	1,934	22.9	19	73
100-199	189	1,555	444	5.3	12	75
200-499	112	813	489	5.8	11	76
500+	36	244	210	2.5	11	87
East Midlands Region	7,612	120,774	8,452	100	18	70

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

The data in Table 24 shows that around 64% of skill shortage vacancies are concentrated in establishments employing fewer than 25 people – a segment of the economy which employs only around 35% of the total workforce. Above that level, skill shortage vacancies are even more rare than they are for the total economy. Thus, in workplaces employing fewer than 25 people, there is one skill shortage vacancy for every 112 jobs. In workplaces employing more than 25 people there is one skill shortage vacancy for every 272 jobs.

Overall, the relationship of vacancies, hard-to-fill vacancies, and skill shortage vacancies can be summarised as in the following table:

TABLE 25: *Summary of vacancies, hard-to-fill vacancies, and skill shortage vacancies in the East Midlands Region by size of establishment, 2007*

No. of employees	(1) % of all vacancies in region*	(2) % of all HtF vacancies in region*	(3) % of all SSVs in region*	Within each size band			
				(4) Vacancies as % of employment*	(5) HtF vacancies as % of vacancies*	(6) SSVs as % of vacancies*	(7) SSVs as % of HtF vacancies*
2-4	17	24	23	4	41	28	66
5-24	34	41	40	3	37	25	68
25-99	25	22	23	2	27	19	73
100-199	9	5	5	2	16	12	75
200-499	11	5	6	2	15	11	76
500+	4	2	3	1	13	11	87
East Midlands Region	100	100	100	2	30	18	70

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

This summary shows:

- Smaller establishments have more vacancies in relation to their total employment [Column (4)].
- More of their vacancies are subject both to recruitment difficulty and to recruitment difficulty because of skill shortage [Columns (5) and (6)].
- Consequently, vacancies, hard-to-fill vacancies, and skill shortage vacancies are clustered in smaller establishments [Columns (1), (2) and (3)].
- However, when larger establishments do have recruitment difficulty, their difficulty is weighted more to skill shortage reasons [Column (7)] than in smaller establishments (where reasons for recruitment difficulty other than skill shortage are somewhat more frequent than in larger establishments).

As discussed earlier, it seems likely that the weighting of vacancy, recruitment and skills shortage issues towards smaller establishments is likely, in part, to have a structural explanation; that is, there are fairly high numbers of skill shortage vacancies in construction, retail, hospitality and care. These tend to be sectors with high proportions of employment in small establishments.

Further, again as discussed earlier, small firms may offer less attractive employment. This may not just result in higher vacancy levels but may particularly affect skilled jobs. Skilled workers may gravitate to larger establishments with better pay or career prospects. Conversely, therefore, skill shortage may tend to gravitate to small employers. In essence, where there is competition for a particular pool of workers with particular skill sets, small firms may tend to lose out more frequently.

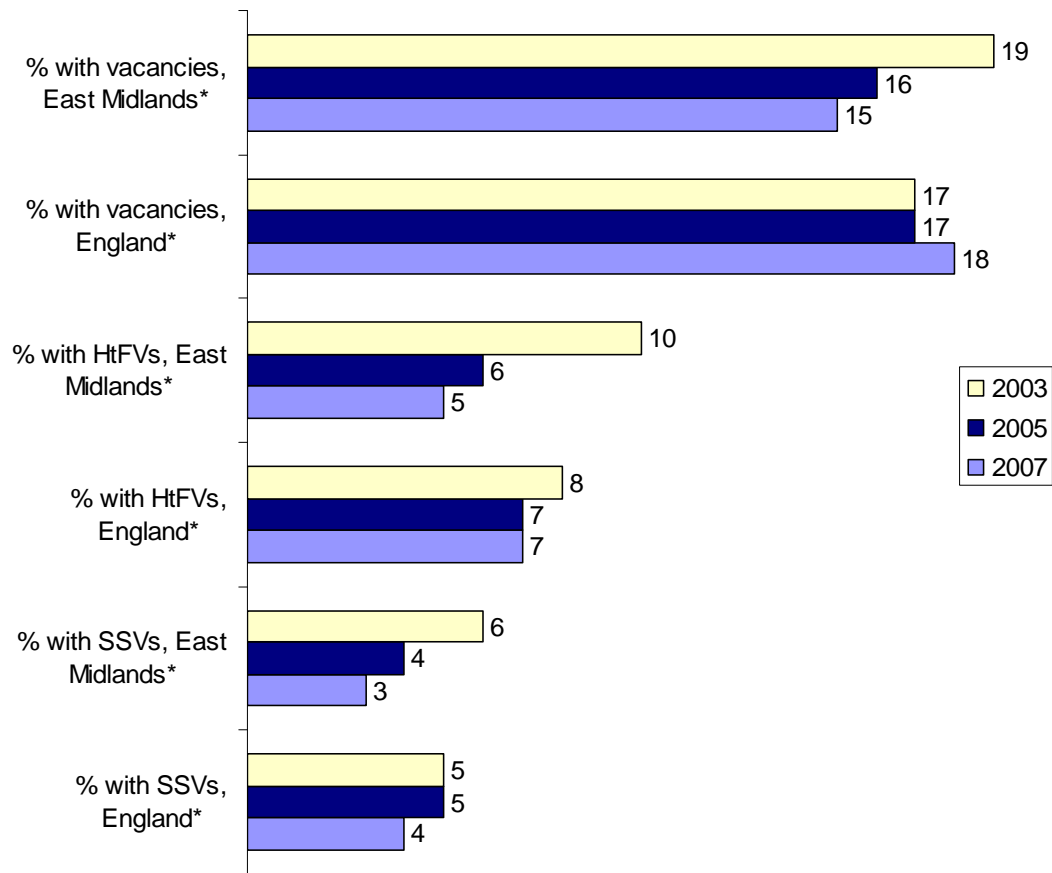
Finally, there may be differences in the perceptions of smaller and larger employers. *Firstly*, smaller employers may expect new workers to have wider or more rounded sets of skills to enable them to fit into quite general roles quickly whereas a larger employer might require a new employee to fit a more specific role. A small construction firm may, for example, expect skilled recruits to be able to undertake a number of building crafts. For a larger employer in the sector, the ability just to lay bricks or plaster or whatever may be sufficient. Simply, small employers may expect more of their recruits and be more frequently disappointed. *Secondly*, with a larger training capability, larger employers may be more ready to accept part-skilled workers and then to train them to fit the needs of the job. Smaller employers may require recruits to be fully skilled and, hence, may more frequently be obliged to report skill shortage vacancies when such fully skilled people are not available. *Thirdly*, 'skill shortage' is a relative concept which employers sometimes apply to quite low-skill jobs such as bar work or basic jobs in retail as well as to more obviously skilled occupations at craft level or above. It may be that small employers who employ few people across a narrow and/or low skill range are more ready to ascribe 'skill shortage' to difficulties in recruiting staff than are larger employers with more recruitment experience. The latter may reserve 'skill shortage' as a term for difficulty in recruiting their higher skill grades and ascribe other reasons for difficulty in getting their low skill workers.

3.5 Trends in vacancies, hard-to-fill vacancies, and skill shortage vacancies

We can, at this point, summarise the overall position with respect to vacancies, hard-to-fill vacancies and skill shortage vacancies for the East Midlands and compare it with the position in 2003 and 2005.

Firstly, we can see the general trend in vacancies, hard-to-fill vacancies and skill shortage vacancies in terms of the number of employers with each of these, both for the East Midlands and England:

FIGURE 5: Percentages of establishments with vacancies, HtFVs and SSVs, East Midlands Region and England, 2003, 2005, and 2007



* Rounded
 Source: NESS03, NESS05, and NESS07
 Note: All data is weighted unless otherwise specified

This data suggests that the proportions of employers reporting vacancies, HtFVs and SSVs in *England* have remained broadly static, though the proportion of employers reporting vacancies may have increased a little and those reporting SSVs may have decreased a little. In the *East Midlands*, the proportions reporting vacancies, HtFVs, and SSVs, have all *fallen* between 2003 and 2007, with the proportion of employers reporting both hard-to-fill and skill shortage vacancies having halved in the period. Reporting these same phenomenon in terms not of employers but in terms of the *numbers* expands the analysis:

TABLE 26: *Trend in numbers of vacancies, hard-to-fill vacancies, and skill shortage vacancies in the East Midlands Region and England, 2003 to 2007*

	East Midlands Region	England
Vacancies in 2003	53,100	679,700
Vacancies in 2005	39,700	573,900
Vacancies in 2007	41,000	618,800
% change in vacancies, 2003-2007 *	-23	-9
Hard-to-fill vacancies in 2003	22,500	271,900
Hard-to-fill vacancies in 2005	11,800	203,600
Hard-to-fill vacancies in 2007	12,100	183,500
% change in hard-to-fill vacancies, 2003-2007 *	-46	-32
Skill shortage vacancies in 2003	11,500	135,300
Skill shortage vacancies in 2005	8,200	143,100
Skill shortage vacancies in 2007	8,500	130,000
% change in skill shortage vacancies, 2003-2007 *	-26	-4

* Rounded

Source: NESS03, NESS05, and NESS07

Note: All data is weighted unless otherwise specified

This data shows:

- Declines in numbers of vacancies, hard-to-fill, and skill shortage vacancies in England between 2003 and 2007, with the sharpest decline in hard-to-fill vacancies and only modest decline in skill shortage vacancies.
- Much sharper declines in all three measures in the East Midlands, but again, with the sharpest fall in hard-to-fill vacancies.
- However, both in England and the East Midlands, the greater part of the 2003-2007 declines occurred between 2003 and 2005. In the East Midlands, there has been a modest rise in vacancies between 2005 and 2007, and a very small (statistically insignificant) rise in hard-to-fill and skill shortage vacancies. These 2005-2007 trends (of virtual stability) in the region compare with a downward trend across England as a whole in the 2005-2007 period.

The numbers in Table 27 can be further examined in proportional terms. The data in the following table confirms the broad picture. There were significant reductions in vacancies, HtF vacancies, and SSVs in the region between 2003 and 2005, but stability since. In England, a significant downward trend in hard-to-fill vacancies, but a less sharp reduction in the proportion which were hard to fill because of skill shortages, has seen SSVs rise as a proportion of HtF vacancies:

TABLE 27: *Employment, vacancies, hard-to-fill vacancies, and skill shortage vacancies in the East Midlands Region and England, 2003, 2005 and 2007*

	East Midlands			England		
	2003	2005	2007	2003	2005	2007
Vacancies as % of employment	3.1	2.3	2.3	3.1	2.7	2.8
Hard-to-fill vacancies as % of vacancies*	42	30	30	40	35	30
Skill shortage vacancies as % of hard-to-fill vacancies*	51	70	70	50	70	71

* Rounded

Source: NESS03, NESS05 and NESS07

Note: All data is weighted unless otherwise specified

Sub-regional variation in these statistics over the last two years can be seen in the following table:

TABLE 28: *Vacancies, hard-to-fill vacancies and skill shortage vacancies in the East Midlands Region, by sub-regions, 2005 and 2007*

	Vacancies as % of employment		HtFVs as % of vacancies		SSVs as % of HtFVs	
	2005	2007	2005	2007	2005	2007
Derbyshire	2.2	2.4	23	25	61	67
Leicestershire	2.4	2.3	32	28	77	75
Lincolnshire and Rutland	2.2	2.5	32	41	72	67
Northamptonshire	2.2	2.0	34	29	65	68
Nottinghamshire	2.6	2.2	28	26	65	69
East Midlands Region	2.3	2.3	30	30	70	70

Source: NESS05 and NESS07

Note: All data is weighted unless otherwise specified

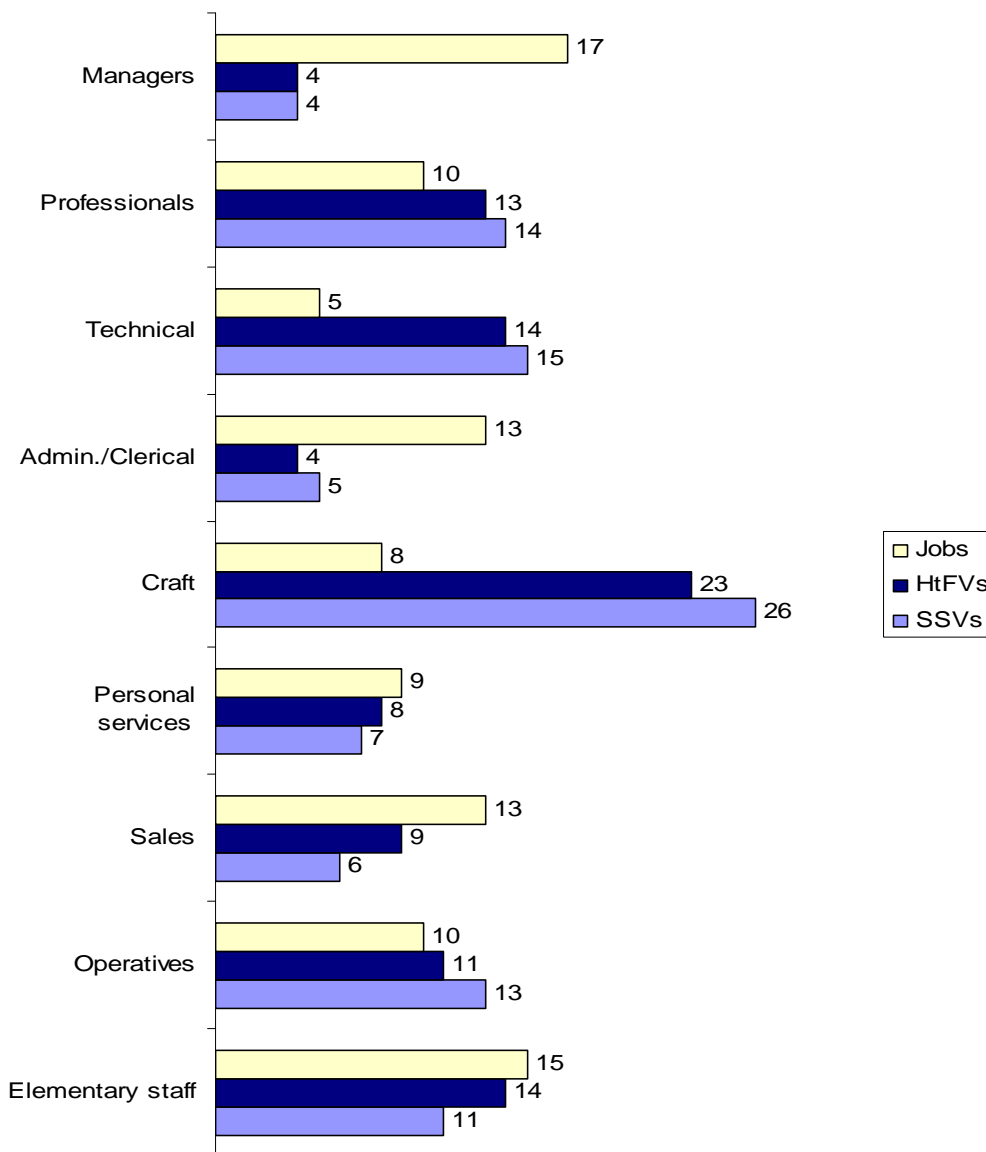
It can be seen that within overall regional stability there is some apparent local volatility. This may at least partly be due to sampling error. However, the most marked variations concern the proportions of vacancies which are hard-to-fill. This proportion has risen quite strongly in Lincolnshire, whereas it has remained broadly stable or has declined elsewhere in the region.

3.6 Profile of hard-to-fill and skill shortage vacancies

To this point, we have not considered the *character* of hard-to-fill and skill shortage vacancies. Their relationship to occupations is examined below. A chart sets out...

- The percentage of all jobs in the East Midlands region in different occupational groups.
- The percentage of all hard-to-fill vacancies which occur in those groups.
- The percentage of all skill shortage vacancies which occur in those groups.

FIGURE 6: *Employment, HtF vacancies and skill shortage vacancies by occupation in the East Midlands Region, 2007; percentages of total*



Source: NESS07

Unweighted bases = 196,661 employees, 1,029 hard-to-fill vacancies, and 731 skill shortage vacancies identified by employers responding to the survey; weighted bases = 1,815,259 employees, 12,126 HtF vacancies, and 8,452 SSVs

Note: All data is weighted unless otherwise specified

It is clear that skill shortage most strongly affects technical, craft and operative recruitment. At managerial level there is apparently little recruitment difficulty or skills shortage but the survey was largely conducted amongst managers and proprietors of smaller establishments who may well have been the sole manager in the establishment. Difficulty or otherwise in managerial recruitment would not be susceptible to evaluation by the single manager who responded to the survey. At elementary skill levels, there is some skill shortage, but more significant recruitment difficulty.

The occupational distributions of vacancies, hard-to-fill vacancies and skill shortage vacancies in the East Midlands region can be set out in more detail and compared with the national picture:

TABLE 29: *Occupational distribution of vacancies, hard-to-fill vacancies, and skill shortage vacancies, East Midlands Region and England, 2007*

	Total vacancies		Hard-to-fill vacancies		Skill shortage vacancies	
	Number	% *	Number	% *	Number	% *
England						
Managers and senior officials	35,312	6	9,943	5	7,250	6
Professionals	71,149	12	25,220	14	19,680	15
Associate professionals	100,805	16	27,766	15	22,602	17
Administrative	72,936	12	13,188	7	8,898	7
Skilled trades	58,769	10	28,669	16	21,935	17
Personal service	62,693	10	21,759	12	13,333	10
Sales and customer service	83,881	14	19,210	10	12,519	10
Machine operators	41,385	7	13,867	8	9,807	7
Elementary	84,277	14	21,145	12	12,238	10
Total	616,832	100	183,472	100	130,004	100
East Midlands						
Managers and senior officials	1,840	4	488	4	332	4
Professionals	4,142	10	1,539	13	1,222	14
Associate professionals	6,029	15	1,643	14	1,234	15
Administrative	4,438	11	505	4	400	5
Skilled trades	4,699	11	2,815	23	2,159	26
Personal service	3,558	9	992	8	595	7
Sales and customer service	5,194	13	1,137	9	499	6
Machine operators	4,297	10	1,347	11	1,079	13
Elementary	6,547	16	1,660	14	931	10
Total	40,971	100	12,126	100	8,452	100

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

This data shows:

- The distribution of vacancies in the East Midlands and in England is very similar, though the East Midlands has a higher proportion of vacancies at the operative level, reflecting its stronger manufacturing base, and fewer higher level vacancies.
- There is a related difference in the pattern of hard-to-fill vacancies, with the East Midlands having a significantly higher proportion of these in the skilled trades and operative occupations – again, the East Midlands manufacturing bias is reflected in the statistics.
- The same factor is seen in relation to East Midlands' skill shortages. In total, those related to skilled trades and operative positions comprise 39% of the total compared with only 25% for England as a whole.

It can also be seen that the proportion of skill shortage vacancies accounted for by higher level and intermediate occupations has risen whilst the proportion accounted for by personal service, sales and elementary occupations has fallen:

TABLE 30: *Occupational distributions of skill shortage vacancies in the East Midlands region, 2005 and 2007*

	Skill shortage vacancies in 2005		Skill shortage vacancies in 2007	
	Number	% *	Number	% *
Managers and senior officials	400	5	332	4
Professionals	789	10	1,222	14
Associate professionals	1,284	16	1,234	15
Administrative	752	9	400	5
Skilled trades	1,663	20	2,159	26
Personal service	778	9	595	7
Sales and customer service	537	7	499	6
Machine operatives	991	12	1,079	13
Elementary	1,021	12	931	10
Total	8,215	100	8,452	100

* Rounded

Source: NESS05 and NESS07

Note: All data is weighted unless otherwise specified

This data emphasises that, whilst skill shortages overall have remained fairly stable, there has been some change in their distribution – the main ones being *increases* in skills

shortage relating to professional and skilled trades occupations with *decreases* in skills shortages relating to administrative and personal services occupations.

The *sectoral* distribution of hard-to-fill and skill shortage vacancies by occupation is complex. A significant proportion (36% of HtFVs and 41% of SSVs) occur in establishments without an SSC attribution*. However, if we identify those hard-to-fill vacancies accounting for at least 150 of the total of 12,126 (weighted) hard-to-fill vacancies and identify skill shortage vacancies accounting for at least 100 of the total of 8,452 (weighted) skill shortage vacancies identified by NESS07, then a clear picture emerges of where recruitment difficulties are concentrated in occupational terms:

TABLE 31: *Hard-to-fill and skill shortage vacancies in the East Midlands Region, 2007*

Hard-to-fill vacancies *		Skill shortage vacancies **	
Sector	Occupation	Sector	Occupation
Hospitality	Low skilled staff – kitchen assistants, etc. (534)	Hospitality	Low skilled staff (366)
Retail	Sales staff (492)	Engineering	Skilled trades (320)
Engineering	Skilled trades (406)	Construction	Plumbers and electricians (246)
Hospitality	Chefs and other skilled trades (328)	Engineering	Professional mechanical and electrical engineers (199)
Construction	Professional civil engineers (278)	Hospitality	Chefs and other skilled trades (189)
Construction	Plumbers and electricians (273)	Construction	Skilled building trades (excl. plumbers and electricians) (170)
Public transport	Drivers (209)	Construction	Professional civil engineers (161)
Care	Care assistants (207)	Engineering	Machine operators (150)
Engineering	Professional mechanical and electrical engineers (199)	Audio-visual	Technicians (133)
Construction	Skilled building trades (excl. plumbers and electricians) (176)	Construction	Labourers (117)
Land-based industries	Skilled trades (161)	Retail	Sales staff (110)
Engineering	Machine operatives (150)		

Source: NESS07

* Qualification: at least 150 HtFVs within the total of 12,126 weighted HtFVs identified in the survey

** Qualification: at least 100 SSVs within the total of 8,452 weighted SSVs identified in the survey

Note: All data is weighted unless otherwise specified

* Note: The Sector Skills Development Agency suggests that around 85% of the workforce is employed within organisations which have an SSC representing employers in the sector. 15% of the workforce is employed in a disparate range of activities (including pharmaceuticals, hair and beauty, maritime industries, publishing, journalism, the security industry, and others) which have not yet established SSC representation of their industries.

The data shows clearly that key *hard-to-fill vacancies* mainly comprise a mix of low skill vacancies in hospitality and retail, care assistant vacancies in the care sector, and a variety of skilled or semi-skilled manual occupations most notably in engineering, construction and hospitality (primarily chefs) but also in other ‘blue collar’ industries. Professional civil, mechanical and electrical engineers also figure in the list.

The list of key *skill shortage vacancies* is slightly different, but the essence – an emphasis on occupations in construction and engineering at several levels, on chefs, and on routine jobs in hospitality and retail remains.

An analysis of the occupational shares of *sub-regional* hard-to-fill and skill shortage vacancies produces the following table. The table shows sub-regions where local occupational shares of hard-to-fill and skill shortage vacancies are above their average shares in the region:

TABLE 32: *Sub-regions in the East Midlands Region with above-average shares of hard-to-fill and skill shortage vacancies in different occupations, 2007*

	Average share for EM – HtFVs	Sub-regions with above-average share of HtFVs	Average share for EM – SSVs	Sub-regions with above-average share of SSVs
Managers	4	Northants, Nottinghamshire	4	Nottinghamshire
Professional	13	Northants	14	Northants
Technical	14	Leicestershire	15	Leicestershire
Admin./Clerical	4	Northants	5	Northants
Skilled trades	23	Leicestershire, Lincolnshire & Rutland	26	Lincolnshire & Rutland
Personal services	8	Lincolnshire & Rutland	7	Northants
Sales and customer service	9	Nottinghamshire	6	Leicestershire
Machine operatives	11		13	Lincolnshire & Rutland
Elementary	14	Derbyshire, Nottinghamshire	10	Lincolnshire & Rutland, Nottinghamshire
Total	100	-	100	0

Source: NESS07

Note: Sub-regions shown where sub-regional share is at least 3% above the regional average

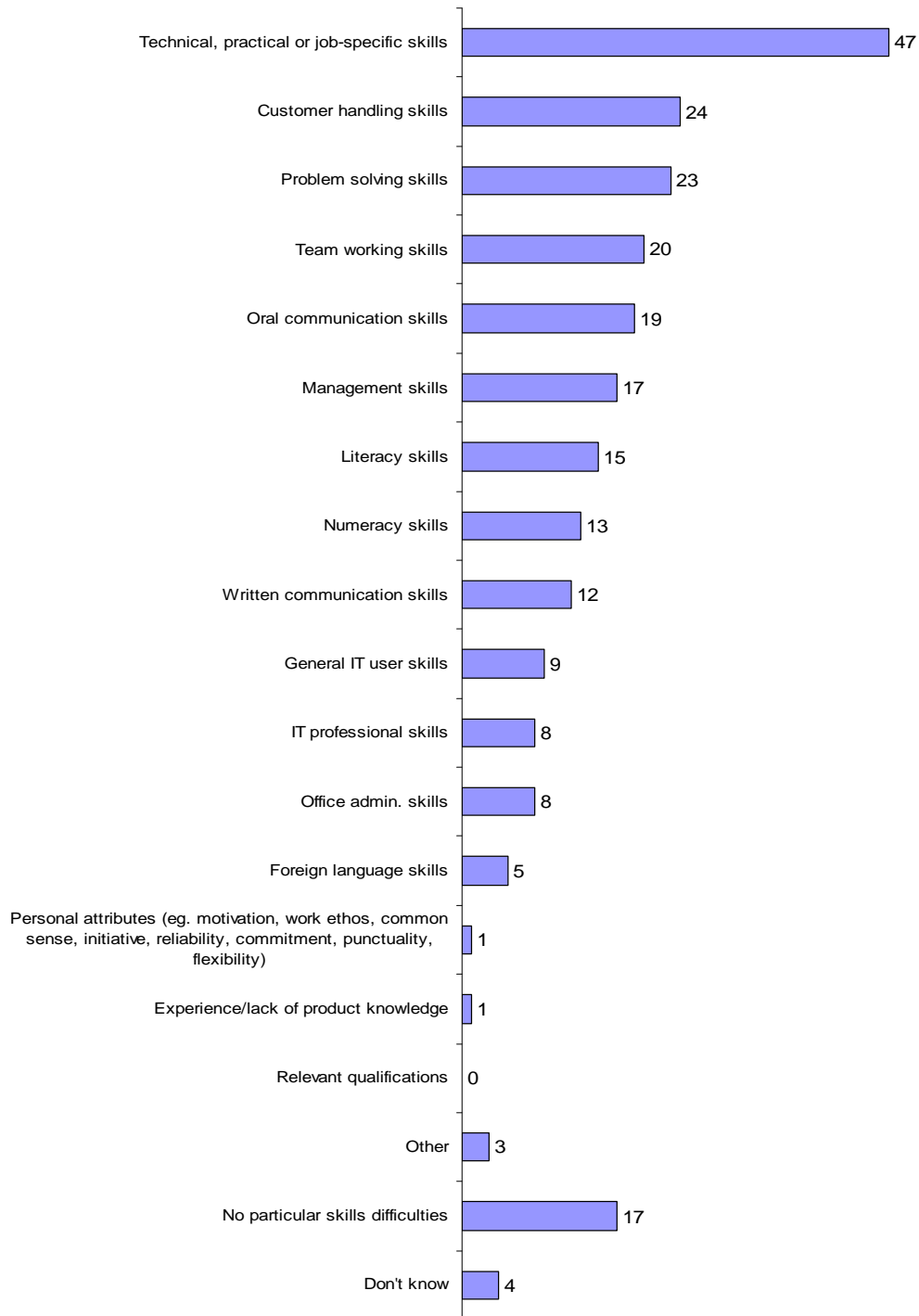
Note: All data is weighted unless otherwise specified

Some of the differences in Table 33 are fairly marginal and, with fairly small samples of hard-to-fill and skill-shortage vacancies to analyse, may well not be reliable. However, the data tends to reflect differences between the more ‘industrial’ economies in the region, such as Lincolnshire and Rutland, which has above-average proportions of skill shortages in skilled trades and other manual occupations, and the more ‘commercial’ economies, such as Northamptonshire, which has more skill shortages in professional and administrative occupations.

3.7 The nature of skill shortages

Respondents in the survey who experienced skills shortages, were asked what skills they found that their applicants lacked. Overall, the problems were:

FIGURE 7: *Skills lacked by applicants in the East Midlands, 2007; percentages of applicants with any skills lacking*



Source: NESS07

Unweighted base = 731 skill shortage vacancies identified by employers responding in the survey; weighted base = 8,452 SSVs

Multiple response: percentages add to more than 100%

Note: All data is weighted unless otherwise specified

Given that many skill shortages concern skilled trades, it is not surprising that the single most frequent skills problem concerns technical, or practical or job-specific skills. Equally, however, other skill shortages concern relatively low level jobs, in hospitality or retail for example. Again, it is not surprising that there is also a cluster of problems concerning generic skills – customer handling, oral communications, literacy and numeracy, and so on. For example, technical and practical skill shortage was a particular problem in the engineering and construction sectors whilst literacy and numeracy problems were more frequent than average in the hospitality sector.

Some *occupational* foci of skill shortages are set out in the following table:

TABLE 33: *Occupational foci of skill shortages amongst applicants*

	Managers	Prof.	Technical	Clerical /Admin.	Skilled trades	Personal services	Sales and cust. services	Operators and drivers	Elementary
Technical, practical or job-specific skills								✓	
Customer handling skills				✓		✓		✓	
Problem solving skills					✓				
Team working skills									
Oral communication skills						✓	✓		✓
Management skills									
Literacy skills				✓				✓	✓
Numeracy skills				✓				✓	✓
Written communication skills			✓						
General IT user skills			✓						
IT professional skills			✓						
Office admin. skills				✓					
Foreign language skills									✓
Experience/lack of product knowledge							✓		

Source: NESS07

Note: All data is weighted unless otherwise specified

Ticks show where the % of skill shortages in an occupational group associated with a particular *type* of skill shortage was 10% or more above the average for all occupations

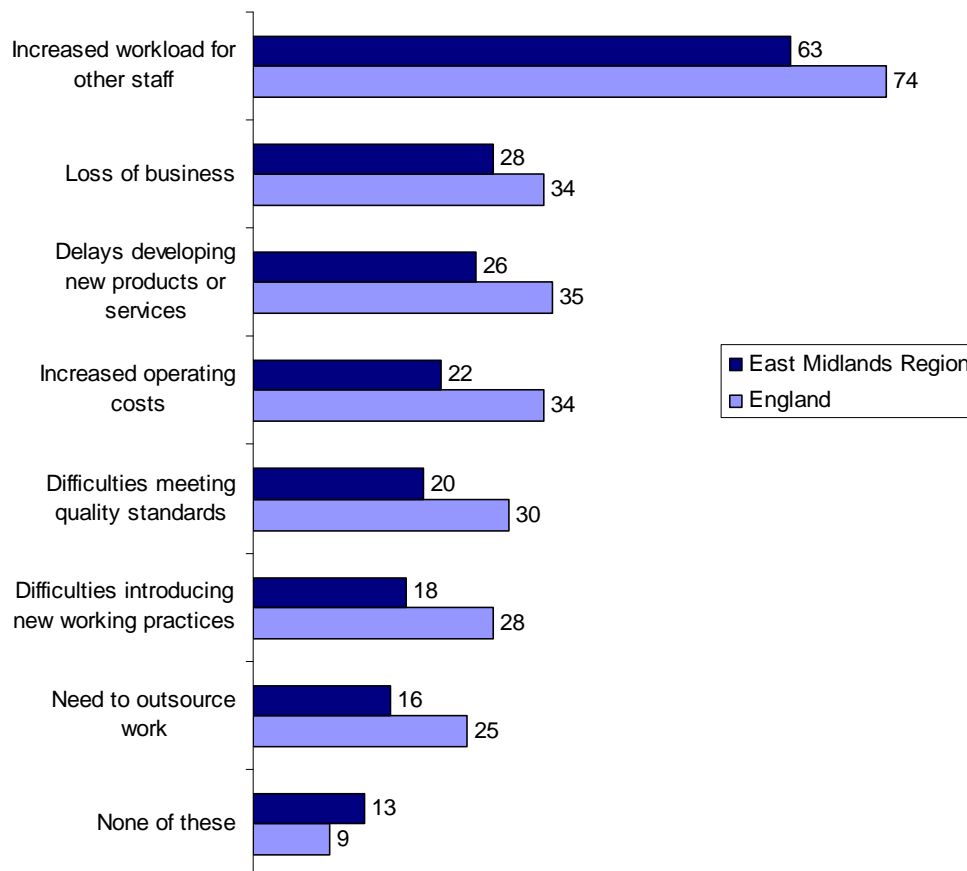
It can be seen that there are some particular occupation/skill shortage associations which apply more frequently to different groups of applicants. Of course, these occupational/skill shortage associations are coloured by the nature of the occupation and its associated skill needs:

- Technical ('Associate professional') applicants lack written communication and IT skills more frequently than average.
- Clerical and administrative applicants tend to lack customer-service, literacy, numeracy and office skills.
- Problem solving skills are a particular issue relating to applicants for skilled trades.
- Applicants for personal services occupations may lack customer-service and oral communications skills.
- Applicants for sales and customer service positions may lack oral communications skills and product knowledge.
- Applicants for 'operative' jobs may lack basic practical skills related to the job, and customer service, literacy, and numeracy skills. (It seems likely that the customer services deficiency may relate to delivery, public service vehicle, and taxi drivers who are included in this group.)
- And applicants for elementary posts tend to lack oral communication skills, literacy and numeracy skills, and foreign language skills (The latter finding may, perhaps, reflect a respondent misunderstanding of the question; and that it is not that applicants lack foreign language skills but that applicants are immigrant workers who primarily speak a foreign language and what they actually lack is adequate English).

3.8 The impact of recruitment difficulty

Those respondents who were experiencing recruitment difficulty (whether due to skill shortage or otherwise) were asked whether it had an impact on their establishment:

FIGURE 8: *Effects of recruitment difficulty in the East Midlands Region and England: 2007; percentages*



Source: NESS07

Unweighted bases = 479 East Midlands employers with recruitment difficulties who said those difficulties had an impact on their establishment; 6,324 comparable employers in England; weighted bases = 6,313 and 94,569 employers respectively

Note: All data is weighted unless otherwise specified

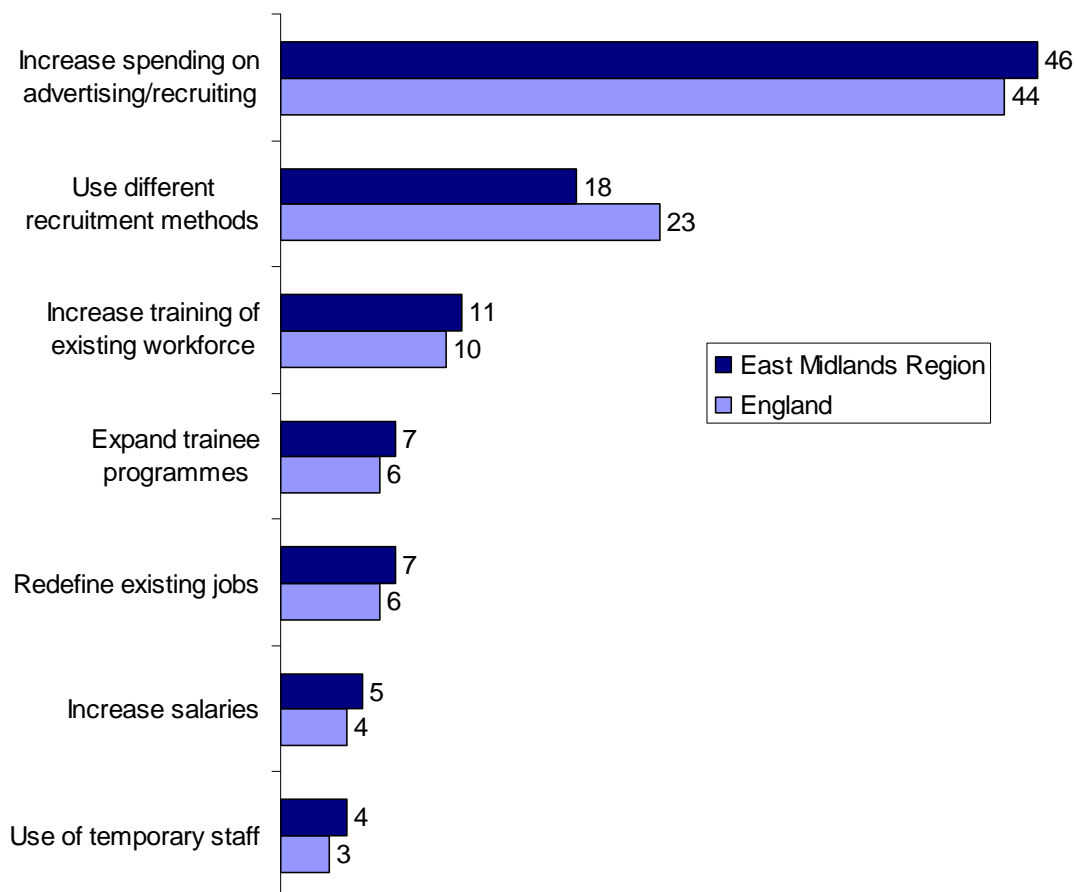
It can be seen that, as would be expected, recruitment difficulty increased the workloads of other staff (or led to outsourcing) but there were quite frequent other consequences for business operations including difficulties in developing new products and services, in introducing new working practices, and in maintaining quality. Costs were raised and loss of business sometimes ensued. However, the data also reveals that levels of impact on different aspects of business operations were generally lower in this region than average for England.

Effects in the East Midlands were experienced by most sub-groups of establishments with recruitment difficulties, but it was noticeable that establishments with fewer than 25 staff were over three times as likely as those employing 100 or more staff to report loss of business as a consequence of recruitment difficulty. Clearly, small businesses are less able to win or meet orders when they have staff shortages, those shortages often comprising a higher proportion of the workforce.

3.9 Responses to recruitment difficulty

The main response to recruitment difficulty was simply to increase recruitment effort rather than to use training to overcome the problem. East Midlands responses were broadly similar to those of employers in England as a whole:

FIGURE 9: Responses to recruitment difficulty in the East Midlands Region and England; 2007; percentages



Source: NESS07

Unweighted base = 479 East Midlands employers with recruitment difficulties who said those difficulties had an impact on their establishment; 6,324 comparable employers in England; weighted bases = 6,313 and 94,569 employers respectively

Note: All data is weighted unless otherwise specified

The main variation in this data was again by size of employer. Thus, larger employers were much more likely than smaller ones to vary their recruitment methods and to increase training levels for their staff – whilst smaller employers were much more likely to say that made no particular response to the problem.

3.10 Vacancies, recruitment and skills shortage: key points

This chapter has suggested that the main trend in vacancies, recruitment difficulties, and skills shortages in the East Midlands....

- Was sharply downwards between 2003 and 2005.
- But showed stabilisation (or a slightly upward trend) in the period 2005 to 2007.

The net effect for the whole period is to show a marked reduction in labour market 'stress' when the two years, 2003 and 2007, are compared – vacancies and skill shortages down by a quarter and recruitment difficulties (hard-to-fill vacancies) virtually halved.

The reasons for these trends can only be speculative.

However, the underlying trend in gross employment in the region does *not* appear to be a factor. Thus, between 2003 and 2005 employment in the region *rose* by 80,000 jobs – at a time when NESS showed vacancies, recruitment difficulty and skills shortages to be *falling* rapidly. Between 2005 and 2006 employment in the region fell marginally – at a time when NESS shows vacancies, recruitment difficulty and skills shortages to have risen (if only by a little). It may be that within these overall changes, more detailed changes in the employment base – perhaps, particularly, the decline in manufacturing employment, taking skilled jobs out of the economy – was a significant factor in the 2003-2005 fall in recruitment difficulty and skill shortages. However, the linkage is not precise and can only be speculative.

What seems more likely is that factors on the supply side are more significant. Firstly, the increasing level of graduate output may be implicated. Secondly, employer training levels may have accelerated. This factor will be investigated in a later chapter. What may be the key factor – and one which would explain the much faster fall in general recruitment difficulty than in skill shortage per se – is the inflow of migrant labour which was noted in Chapter 2. This process may have generated a supply of labour willing to undertake a range of jobs, including those paying low wages, and often comprised of people with higher skill levels than those jobs have traditionally demanded.

However, the net result of labour market change between 2003 and 2007 (mostly between 2003 and 2005) is that hard-to-fill vacancies and skill shortages at the point of recruitment are now quite rare. If the same situation as at the time of the survey (mid-2007) still obtains, then only 1 in 150 jobs is the subject of a hard-to-fill vacancy and only 1 job in 215 is subject to recruitment difficulty because of skills shortage. Given that, at the time of writing (March 2008), there is a widespread belief that the economy is going through a period of low growth, it might well be that recruitment difficulty and skill shortage are actually even less frequent than these estimates from the National Employer Skills Survey for 2007 suggest.

In sectoral terms, the greatest *volumes* of vacancies are found in respect of the retail and hospitality sectors. However, the *proportions* of vacancies which are hard-to-fill or the subject of skill shortage tend to be highest in sectors which can be described as 'blue collar' – land-based industries, manufacturing and engineering, construction and public transport. When skill shortage vacancies are considered in terms of the occupations in which they occur, skill shortage is most prevalent in relation to technical, skilled trades, and operative jobs.

Importantly, since 2005, where reductions in skill shortage vacancies have occurred, these have predominantly been for skill shortages associated with managerial, clerical and low skill

jobs. Skill shortages concerned with *manual jobs* (at semi-skilled and skilled level) have increased in number.

Hard-to-fill and skill shortage vacancies are much more likely to be found in small establishments. This may be because employment in small firms is less attractive to applicants and/or because smaller employers have different expectations of recruits than larger ones. Small employers have less capacity to re-distribute the total workload to other employees and are, therefore, more likely to lose or turn down business when staff shortage occurs.

Overall, it could be argued that recruitment difficulty and skill shortage are not actually that important. (As we noted above, only 1 in 150 jobs was the subject of recruitment difficulty of any kind at the time of NESS07 and only 1 in 215 was the subject of skill shortage.)

However, we have also noted that recruitment difficulty and, particularly, skill shortage, are not evenly distributed across the economy. They affect particular sectors and particular occupations within those sectors disproportionately. When they occur they have an impact, often a major impact, on the employers which experience them – leading to loss of business, difficulty in maintaining quality of output, and holding back business development.

And there are two further issues which may serve to increase concern as to the possible long-term impacts of recruitment difficulty on the competitiveness of the regional economy.

The first is the concern, often expressed anecdotally by managers, that new young entrants to their industries frequently lack the skills or attributes they require and that skills lost via staff retirements are assets which are hard to replace.

The second is that the survey (NESS07) only examined vacancies, recruitment difficulty and skills shortage at a particular point in time. This minimises the volume of these characteristics which would be reported if respondents had been asked to report their incidence, say, over the last year. In addition, the survey does not show what employers frequently do when faced with recruitment difficulty – that is, they compromise on what they would like and take what they can get. Because of skill shortages they recruit people who are less than ideal for the job. The result is that skills shortage – a term used to describe scarcity of skills when employers seek to *recruit* – is internalised within the firm or organisation and appears as *skills gaps* in the workforce. Thus, skill shortage measured at a single point in time may not appear particularly high but it can effectively accumulate within the workforce, particularly if staff training levels are too low.

The next two chapters therefore examine the extent and impacts of these factors. They are based on sets of questions in the NESS07 survey which asked employers to reveal, in essence, what they think of *young recruits* who have newly left education in school, college or university and what *skills gaps* they could observe in their workforces.

4. YOUNG LABOUR MARKET ENTRANTS

4.1 Introduction

Those entering the labour market immediately after leaving school at 16, school or College at 17 or 18, or University aged between 21 and 23 may be in work for 40 or more years. It is important that they have the basic levels of competence and the personal attributes which provide an adequate foundation for the acquisition of job skills which they will need for effective work performance and later progression. If they don't, as we noted at the end of our last chapter, then they may come to represent a 'skills gap' in the workforce, may well not progress, or may leave the workforce entirely.

NESS07 asked employers....

- Whether they had recruited anyone from each of the three groups above.
- If so, how well prepared these young people were.
- If not well prepared, what were their failings.

4.2 Recruitment of young labour market entrants

Overall, the proportions of employers who had recruited at least one member of staff from each group were:

TABLE 34: *Whether have recruited young labour market entrants in past year; percentages of employers in the East Midlands Region saying they have recruited each group, 2007*

	16 year old school leavers	17-18 year olds	Young graduates
East Midlands Region	7	12	10
England	8	13	9

Source: NESS07

Unweighted bases = 7,612 employers in the East Midlands and 79,018 employers in England who responded to the survey; weighted bases = 120,774 and 1,451,507 employers respectively

Note: All data is weighted unless otherwise specified

More employers had recruited at the 17 to 18 year old stage than had recruited 16 year olds post-GCSE or graduates. The proportions in the East Midlands are very close to those in England for all three groups. 74% of employers had recruited from none of the three groups.

Statistics for the East Midlands' sub-regions in respect of the likelihood of recruitment from amongst the three groups of young people are set out below:

TABLE 35: *Percentages of employers in the East Midlands Region which recruited from different groups of young labour market entrants in the past year, by sub-regions, 2007*

	Unweighted base	Weighted base	% recruited 16 year old school leavers*	% recruited 17-18 year olds*	% recruited young graduates*
Derbyshire	1,554	25,191	7	13	8
Leicestershire	1,601	24,542	8	13	9
Lincolnshire and Rutland	1,354	23,771	8	12	8
Northamptonshire	1,370	21,766	7	13	10
Nottinghamshire	1,633	25,503	9	12	10
East Midlands Region	7,612	120,774	7	12	10

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

It can be seen that there is very little local variation in frequency of recruitment of young people into employment.

An analysis of the overall figures for the East Midlands by different sectors is shown in the following table:

TABLE 36: Percentages of employers in the East Midlands Region which recruited from different groups of young labour market entrants in the past year, by sectors, 2007

	Unweighted base	Weighted base	% recruited 16 year old school leavers*	% recruited 17-18 year olds*	% recruited young graduates*
Lantra	414	7,580	5	7	4
Cogent	196	1,485	6	13	10
Proskills	222	1,779	6	10	7
Improve	116	687	6	11	7
Skillfast-UK	219	2,354	6	10	4
SEMTA	392	4,902	9	10	5
Energy & Utility Skills	44	1,150	12	6	5
Construction Skills	459	9,843	8	13	6
SummitSkills	183	2,505	11	17	3
Automotive Skills	345	4,716	13	15	6
Skillsmart Retail	751	15,559	14	22	10
People 1 st	542	10,922	15	22	12
GoSkills	141	956	4	5	3
Skills for Logistics	252	3,334	4	9	9
Financial Services Skills	157	2,345	4	13	20
Asset Skills	288	5,534	3	8	6
e-skills	258	3,000	2	5	10
Government Skills	14	243	-	10	12
Skills for Justice	23	239	5	17	18
Lifelong Learning UK	226	1,802	4	6	10
Skills for Health	223	3,533	2	12	9
Skills for Care and Development	374	4,167	2	12	11
Skillset	92	414	4	8	19
Creative and Cultural Skills	230	1,366	2	5	14
SkillsActive	199	1,325	15	26	12
Non-SSC employers	1,252	29,034	6	12	11
East Midlands Region	7,612	120,774	7	12	10

* Rounded
Source: NESS07

Note: The 'Government Skills' and 'Skills for Justice' sectors have small respondent bases and the figures may not be reliable.

Note: All data is weighted unless otherwise specified

This data suggests that:

- Recruitment of 16 year olds and 17-18 year olds is particularly high in the retail (Skillsmart) and hospitality (People 1st) sectors. This reflects the propensity of these sectors to recruit young people as casual, part-time staff.
- Recruitment of 16 year olds is low in the public service vehicles (GoSkills), road transport (Skills for Logistics) and social care (Skills for Care and Development) sectors. This reflects the regulatory regimes in these sectors which constrain the employment of those under age 18.

- Recruitment of 16 year olds is generally lower across service sectors [except for retail, hospitality, and the sports and leisure (SkillsActive) sectors] than across production and manufacturing sectors, whereas graduate recruitment tends to be higher in the service sectors. It may be that, with the continuing shift in the economy towards service sector jobs, these sectors are seen as more desirable by young people, and the sectors are, therefore, able to attract the more highly qualified. However, it is also the case (as shown earlier) that service sectors tend to have more vacancies than production/manufacturing sectors and the greater propensity to recruit graduates may, in some part, simply reflect more frequent opportunities in these sectors. And, of course, the nature of occupations in the different sectors affects the different balances of recruitment between 16 year old school leavers, 17-18 year old school and College leavers, and new graduates – with more Level 2/3 (skilled manual) jobs, for example in some sectors and more ‘graduate’ jobs in others, it is inevitable that the balance of recruitment of young people at different educational stages will vary accordingly.

The likelihood of recruiting from all groups rose with the size of establishment. This reflects the high likelihood of larger establishments recruiting *anyone*, not just these young entrants. However, it is noticeable that very small establishments – those with only 2 to 4 staff – were particularly unlikely to have recruited from all three groups even though, as shown in the previous chapter, these establishments were particularly likely to have vacancies. It does not appear that recruitment of young people seeking their first jobs was widely seen by these employers as a solution to their recruitment problems:

TABLE 37: *Percentages of employers in the East Midlands Region which recruited from different groups of young labour entrants in the past year, by size of establishment, 2007*

No. of employees	Unweighted base	Weighted base	% recruited 16 year old school leavers*	% recruited 17-18 year olds*	% recruited young graduates*
2-4	2,275	64,685	4	7	4
5-24	3,740	43,100	11	18	11
25-99	1,260	10,377	15	28	24
100-199	189	1,555	21	32	37
200-499	112	813	22	40	56
500+	36	244	30	56	46
East Midlands Region	7,612	120,774	7	12	10

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

4.3 Preparedness for work

Respondents who had actually recruited from each of the groups of young people were then asked to rate their preparedness for work. Overall....

- 23% of employers who had recruited a 16 year old said they were poorly or very poorly prepared for work.
- 16% of employers who had recruited a 17 or 18 year old said they were poorly or very poorly prepared for work.
- 9% of employers who had recruited a young graduate said they were poorly or very poorly prepared for work.

More detailed figures are shown in the following table. The table also shows that East Midlands employers were somewhat *more* satisfied with their young recruits than were those across England as a whole:

TABLE 38: *Preparedness for work of young labour market entrants in the East Midlands Region, 2007; percentages*

	16 year old school leavers*		17-18 year olds*		Young graduates*	
	England	East Midlands	England	East Midlands	England	East Midlands
Very well prepared	16	18	17	18	27	30
Well prepared	51	52	57	61	57	57
Poorly prepared	22	19	17	13	9	6
Very poorly prepared	6	4	4	3	2	3
Don't know/varies	6	6	5	4	5	5
Total	100	100	100	100	100	100
<i>Unweighted bases:</i>	<i>7,641</i>	<i>772</i>	<i>13,109</i>	<i>1,264</i>	<i>11,255</i>	<i>916</i>
<i>Weighted bases:</i>	<i>104,500</i>	<i>9,459</i>	<i>180,404</i>	<i>16,104</i>	<i>152,357</i>	<i>10,902</i>

* Rounded

Source: NESS07

Bases: Employers who had recruited from each group in last 12 months, weighted and unweighted

Note: All data is weighted unless otherwise specified

Because relatively few employers had recruited young entrants it is difficult to observe meaningful variations between numerous sectors (small sample bases making most of the figures unreliable). There was relatively minor variation by size of establishments but larger employers may be somewhat more satisfied with their 16 year old and graduate recruits:

TABLE 39: *Percentages of employers in the East Midlands Region which had recruited young entrants in the past year which said they were poorly or very poorly prepared for work, by size of establishment, 2007*

No. of employees	% of 16 year old school leavers			% of 17-18 year old school leavers			% of young graduates		
	Unweighted base	Weighted base	poorly prepared*	Unweighted base	Weighted base	poorly prepared*	Unweighted base	Weighted base	poorly prepared*
2-4	83	2,470	25	140	4,416	16	96	2,595	8
5-24	383	4,839	22	615	7,846	17	388	4,652	11
25-99	225	1,576	25	378	2,874	14	286	2,510	6
100-199	43	319	19	64	503	20	69	580	8
200-499	27	180	15	47	329	9	59	452	2
500+	11	74	35	20	137	14	18	113	0
East Midlands Region	772	9,459	23	1,264	16,104	16	916	10,902	9
England	7,641	104,500	28	13,109	180,404	21	11,255	152,357	11

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

Respondents who said that their recruits had been poorly or very poorly prepared for work were asked to say in what ways they were poorly prepared. Responses to this question were unprompted:

TABLE 40: *Ways in which young labour market entrants in the East Midlands Region were poorly prepared for work, 2007; percentages*

	16 year old school leavers*	17-18 year olds*	Young graduates*
Lack of life/work experience	18	18	19
Lack of motivation/commitment/poor work ethic	15	14	9
Poor literacy skills	12	8	1
Poor oral communication skills	11	12	2
Poor numeracy skills	11	7	1
Lack of business/practical experience	10	11	19
Lack of common sense	9	11	10
Poor attitude/manners	9	5	4
Poor education/general knowledge	8	11	9
Poor timekeeping	7	6	3
Lack of job specific skills	6	8	14
Work ethic/poor attitude to work	6	5	5
Poor 'people skills'	6	6	4
Poor customer service skills	4	3	2
Lack of confidence	4	4	3
Unwilling to work hard/work long hours	4	4	3
Poor personal appearance	2	2	*
Discipline	2	2	*
Organisational skills	2	1	*
Unable to take responsibility	1	*	2
Lack of initiative	1	1	*
Interview skills	1	1	*
Poor teamworking skills	*	*	1
Poor IT skills	*	1	2
Poor written communication skills	*	2	1
<i>Unweighted bases:</i>	179	211	83
<i>Weighted bases:</i>	2,238	2,562	938

* Rounded

Source: NESS07

Weighted and unweighted bases: Employers who said recruits in each group were poorly or very poorly prepared for work; multi-response

Note: All data is weighted unless otherwise specified

Thus, the key problems with the different groups of young people, in employers' eyes, are, in order:

16 year old school leavers	17-18 year olds	Young graduates
Lack of life/work experience	Lack of life/work experience	Lack of life/work experience
Lack of motivation	Lack of motivation	Lack of business/practical experience
Poor literacy	Poor oral communications	Lack of job specific skills
Poor numeracy	Poor education/general knowledge	Lack of common sense
Poor oral communication	Lack of common sense	Lack of motivation
Lack of business/practical experience		Poor education/general knowledge

4.4 The recruitment of young people: trends

Comparison with equivalent data from NESS05, shows the following pattern:

TABLE 41: *Recruitment of young people in the East Midlands, 2005 and 2007 compared; percentages*

	2005	2007
Recruited a 16 year old	8	7
Recruited a 17-18 year old	11	12
Recruited a young graduate	9	10
Of those recruiting each group.....		
% saying 16 year olds poorly prepared	30	23
% saying 17-18 year olds poorly prepared	22	16
% saying young graduates poorly prepared	11	9
% of those saying 16 year olds 'poorly prepared' giving following reasons		
Lack of life/work experience	22	18
Lack of motivation	11	15
% of those saying 17-18 year olds 'poorly prepared' giving following reasons		
Lack of life/work experience	17	18
Lack of motivation	14	14
% of those saying young graduates 'poorly prepared' giving following reasons		
Lack of life/work experience	8	19
Lack of motivation	14	9

Source: NESS05 and NESS07

Note: All data is weighted unless otherwise specified

This data suggests that:

- The proportions of employers recruiting young people have stayed broadly stable over the last 2 years or so.
- The main reasons why some employers think young people are badly prepared for work have remained broadly the same.
- However, the proportions of employers in the East Midlands who think all the groups of young people *are* badly prepared for work have *declined significantly* over the last two years.

4.5 Young labour market entrants: summary discussion

It is not easy to put employer views of young labour market entrants into perspective.

On one hand, there is a significant minority level of dissatisfaction with young recruits, ranging from the 23% of employers who had recruited 16 year old school leavers to the 9% of those who had recruited graduates. We can further reflect that this dissatisfaction is felt in relation to the young people to whom these employers actually gave a job and ponder what they thought of those whom they rejected. And the proportion of employers who had *not* recruited young entrants is also high – around three-quarters had not done so. This figure *may* indicate a more widespread belief that young entrants lack the necessary attributes for employment. In short, even amongst employers who recruit young people there is a recognisable level of dissatisfaction and we might guess that there is a higher level of dissatisfaction amongst employers who don't.

On the other hand, not only are the majorities of employers who recruit young people quite satisfied with their recruits but those majorities are stronger now than they were two years ago; and, amongst those who are not satisfied, much of the problem appears to focus on young people's motivations and attitudes and on their (inevitable) lack of experience at an early age. It would not be difficult on this evidence to write off much of the observed employer dissatisfaction as being generated by unrealistic expectations of what young people *can* offer (they can't bring much experience at that stage), and low motivation may, in part, reflect poor terms of employment and/or low wages.

It is difficult to come to a firm conclusion as to the adequacy of preparation of young people for work from this data. What may, however, be worth some focus are the proportions of employers mentioning 'lack of business and/or practical experience' and 'lack of job specific skills', particularly amongst graduates and to a lesser degree amongst 16 year old school leavers and 17-18 school and College leavers. These findings may reflect employer concern, as frequently expressed through in-depth interview studies of employers, that Colleges and Universities provide some courses which do not adequately prepare students for 'real life' working conditions and demands. Though ostensibly 'vocational', the curricula of these courses are not matched precisely enough to employers' needs, and training conditions don't adequately simulate the working environment. Observations include, for example, those that the type of maths taught in school doesn't prepare young people for training in engineering, that engineering courses themselves lack depth, that construction courses taught in College don't prepare young people for on-site conditions, that training restaurants in Colleges lack the pressure of real kitchens, that some graduate courses don't

adequately teach students how to apply core knowledge in commercial conditions and at commercial (ie. profitable) speeds, and so on.

Reflecting, as we did earlier, that skill shortages are particularly acute at craft and, to a lesser degree, at technical and semi-skilled levels, there may be some linkage between those shortages and employer observations that some young recruits have not been adequately prepared for work in practical or business situations and that they do not have skills which are sufficiently job-specific after leaving College and University.

5. SKILLS GAPS

5.1 Introduction

This chapter turns from the problem which employers have when they seek to recruit to the shortfalls in proficiency or *skills gaps* which employers observe amongst their existing employees – that is, those which are *internal* to the organisation. As we noted earlier, it may be that recruitment difficulties feed through into skills gaps as employers are obliged to recruit employees who are below the desired standard because of shortages of labour or skills externally to the organisation.

The chapter considers....

- The extent and distribution of skills gaps
- The types of skill which employers lack
- The impact of skill gaps on the organisation
- And how employers respond to those gaps

5.2 The extent and distribution of skills gaps

A first table sets out the position with regard to skills gaps (expressed in terms of the numbers of employees who are not fully proficient) in 2003, 2005, and 2007 for English regions:

TABLE 42: *Employees who are not fully proficient in English regions, 2003, 2005, and 2007 compared*

	2003			2005			2007			% change in no. of skills gaps, 2003-2007
	% of establishments with skills gaps*	No. of skills gaps	Skills gaps as % of employment*	% of establishments with skills gaps*	No. of skills gaps (000s)	Skills gaps as % of employment*	% of establishments with skills gaps*	No. of skills gaps	Skills gaps as % of employment*	
East of England	21	238,764	11	15	115,094	6	15	145,495	6	-39
East Midlands	25	184,948	11	15	106,713	6	15	114,703	6	-38
London	16	406,312	10	13	218,846	6	17	287,309	7	-29
North East	26	92,481	10	21	53,337	6	19	61,945	6	-33
North West	22	290,050	10	16	164,984	7	14	166,479	6	-43
South East	22	376,562	10	18	231,738	5	15	211,026	6	-44
South West	23	198,034	10	15	107,454	5	16	137,603	6	-31
West Midlands	24	348,534	15	16	110,248	5	14	125,828	5	-64
Yorkshire and Humber	29	262,663	13	23	156,543	8	14	110,750	5	-58
England	22	2,398,349	11	16	1,264,956	6	15	1,361,138	6	-43

* Rounded

Sources: NESS03, NESS05 and NESS07

Unweighted bases: 72,100 employers in 2003; 74,835 employers in 2005; 79,018 employers in 2007; weighted bases: 2003 not available; 1,390,155 employers in 2005; 1,451,507 employers in 2007

Note: All data is weighted unless otherwise specified

This table shows:

- In most regions (except the South East and Yorkshire and Humberside) the number of skills gaps rose somewhat between 2005 and 2007. In the East Midlands, the number rose by around 7%-8% (as was the case, on average, across England).
- However, the proportion of *establishments with skills gaps* remained more or less constant as did the proportion of *jobs affected by skills gaps* (that is, skill gaps rose roughly in line with the rise in the number of jobs).
- However, over the slightly longer period, comparing 2007 with 2003, most regions saw substantial *falls* in the number of skills gaps (as a result of falls between 2003 and 2005 which greatly outweighed any rises between 2005 and 2007).

Generally, therefore, the recent period shows a period of broad stability in respect of the extent of skills gaps in the regional and national economies after a sharp fall between 2003 and 2005.

This pattern mirrors that in respect of vacancies, recruitment difficulty, and skill shortages which was described in Chapter 3. Again, the reasons for the trend are not obvious, but it seems possible that migration and educational and training processes have combined to sharply reduce labour and skills shortages and deficiencies (2003 to 2005) and then to hold those shortages and deficiencies (2005 to 2007) at a markedly lower level than in 2003.

The distribution of employees who are not fully proficient *within* the region can be described:

TABLE 43: *Employees in the East Midlands Region who are not fully proficient, by sub-regions, 2007*

	Unweighted base	Weighted base	No. of skills gaps	% of employers with skills gaps*	Skills gaps as % of jobs, 2007*	Skills gaps as % of jobs, 2005*
Derbyshire	1,554	25,191	20,148	14	6	6
Leicestershire	1,601	24,542	22,820	14	6	6
Lincolnshire and Rutland	1,354	23,771	25,206	14	8	5
Northamptonshire	1,370	21,766	14,805	14	4	6
Nottinghamshire	1,633	25,503	31,724	15	8	7
East Midlands Region	7,612	120,774	114,703	14	6	6
England	<i>79,018</i>	<i>1,451,507</i>	1,361,138	15	6	6

* Rounded

Sources: NESS05 and NESS07

Note: All data is weighted unless otherwise specified

It can be seen that there is relatively little variation between sub-regions in the extent of skill gaps (though Lincolnshire and Rutland and Nottinghamshire may have a slightly higher rate) and that the extent of skill gaps has remained fairly constant over the last two years.

The distribution of skill gaps in the region is described by sectors:

TABLE 44: *Employees in the East Midlands Region who are not fully proficient, by sectors, 2007*

	Unweighted base	Weighted base	Number of skills gaps	% of employers with skills gaps*	Skill gaps as % of employment*
Lantra	414	7,580	1,668	13	4
Cogent	196	1,485	5,628	16	13
Proskills	222	1,779	2,258	18	6
Improve	116	687	3,734	26	7
Skillfast-UK	219	2,354	1,493	11	4
SEMTA	392	4,902	13,686	18	11
Energy & Utility Skills	44	1,150	592	10	2
Construction Skills	459	9,843	4,155	14	5
SummitSkills	183	2,505	1,662	18	8
Automotive Skills	345	4,716	1,832	15	4
Skillsmart Retail	751	15,559	11,917	17	6
People 1 st	542	10,922	9,804	16	9
GoSkills	141	956	979	9	5
Skills for Logistics	252	3,334	5,642	14	8
Financial Services Skills	157	2,345	5,026	17	13
Asset Skills	288	5,534	3,683	6	9
e-skills	258	3,000	748	9	2
Government Skills	14	243	532	37	3
Skills for Justice	23	239	2,542	33	11
Lifelong Learning UK	226	1,802	8,346	17	13
Skills for Health	223	3,533	3,595	16	3
Skills for Care and Development	374	4,167	2,884	16	4
Skillset	92	414	236	17	5
Creative and Cultural Skills	230	1,366	341	10	4
SkillsActive	199	1,325	1,711	10	7
Non-SSC employers	1,252	29,034	20,060	16	4
East Midlands Region	7,612	120,774	114,703	14	6

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

This sectoral data reveals that skill gaps are most numerous in:

- Engineering (SEMTA)
- Retail (Skillsmart)
- Hospitality (People 1st)
- Education and training (Lifelong Learning UK)
- Construction (ConstructionSkills and SummitSkills)

As with skills shortages, we suggest that there may be a basic division between the skill gaps of employers in retail and hospitality where many skill gaps may concern fairly routine,

low skilled jobs at low wage rates (though we should not forget chefs as the key craft occupation in the hospitality sector). However, skill gaps in engineering and construction may be more frequently located at *higher levels*, requiring at least Level 2 and often Level 3 skills, particularly in the craft occupations on which these sectors depend.

Consideration of skills gaps by size of establishment shows that larger employers are more likely to have skill gaps (because of course, they have many more employees amongst whom skills gaps can occur). However, they are also somewhat more likely to have skills gaps in relation to the number of people they employ. Various reasons may account for this. For example, larger employers may be better at recognising skill gaps; or they may deliver more sophisticated products and services requiring higher skill levels and, hence, be more susceptible to skill gaps; or, with higher labour turnover, they may be more prone to suffer skills gaps as newer recruits adjust to organisational demands:

TABLE 45: *Employees in the East Midlands Region who are not fully proficient, by size of establishment, 2007*

No of employees	Unweighted base	Weighted base	Number of skill gaps	% of employers with skill gaps*	Skill gaps as % of employment*
2-4	2,275	64,685	6,640	9	4
5-24	3,740	43,100	22,422	19	5
25-99	1,260	10,377	22,839	27	5
100-199	189	1,555	18,323	42	8
200-499	112	813	19,141	51	7
500+	36	244	25,319	47	11
East Midlands Region	7,612	120,774	114,703	14	6

* Rounded

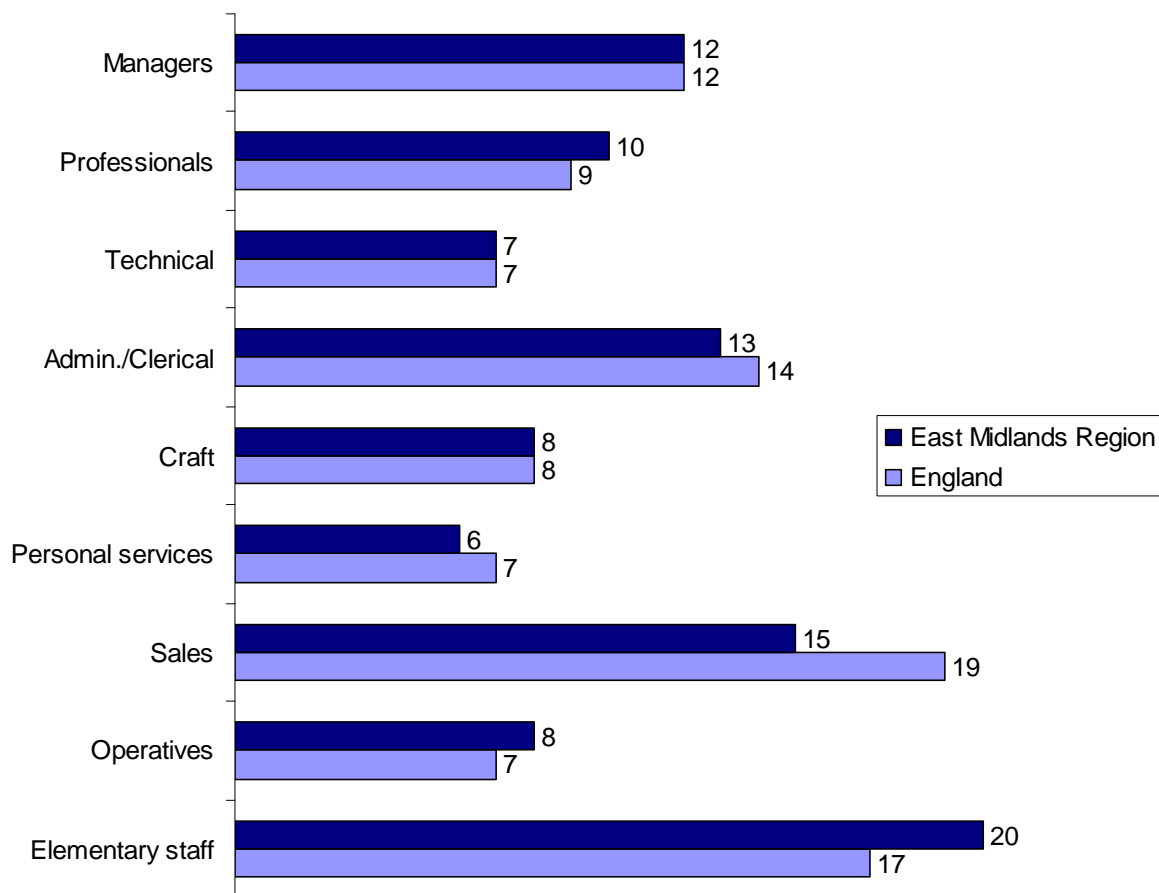
Source: NESS07

Note: All data is weighted unless otherwise specified

5.3 The occupational distribution of skills gaps

The shares of skills gaps which occur in each broad occupational group is shown in a chart below. It can be seen that employers most frequently observe skills gaps in some lower skilled occupational groups (sales and elementary staff) broadly in line with the national analysis:

FIGURE 10: Percentages of skills gaps in each occupational group in the East Midlands Region and England, 2007



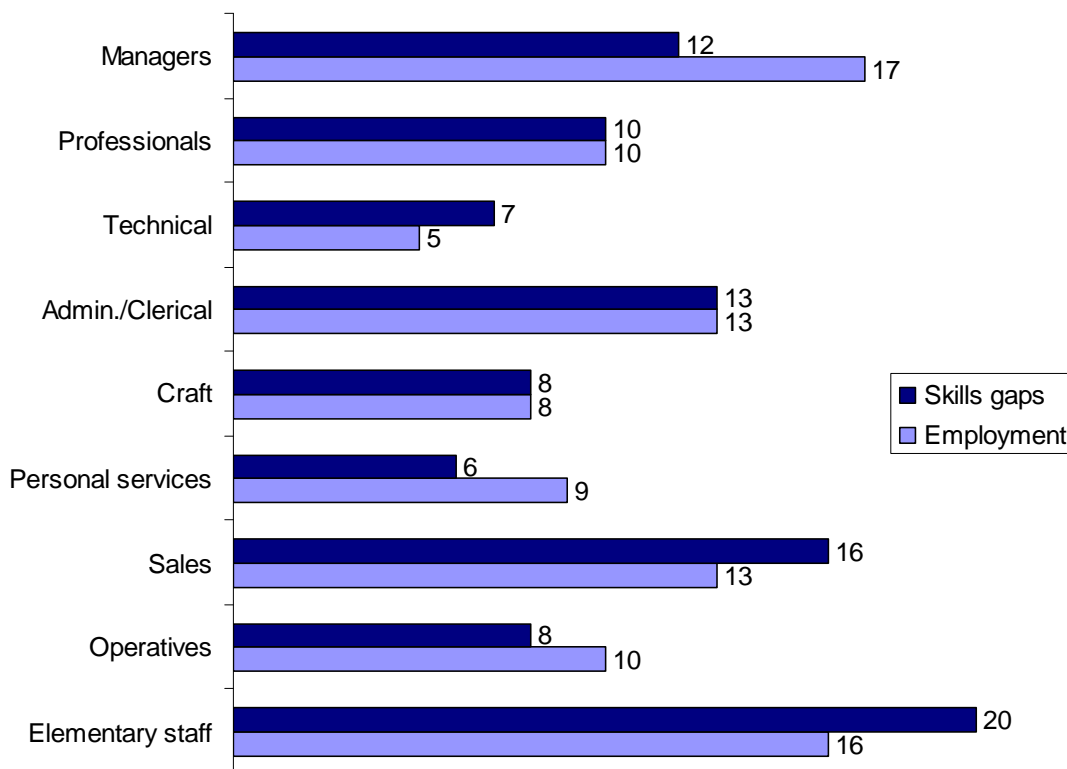
Source: NESS07

Unweighted bases = 15,377 and 153,169 skills gaps (identified by employers in the survey) who are not fully proficient in the East Midlands Region and England respectively; weighted bases = 114,703 and 1,361,138 skills gaps respectively

Note: All data is weighted unless otherwise specified

When the occupational distribution of skills gaps is compared with the occupational distribution of employment, the same effect is observed – skill gaps are relatively pronounced in sales and elementary jobs. Skills gaps appear relatively infrequent in relation to managerial jobs (but then managers were the main survey respondents!):

FIGURE 11: Percentages of skills gaps and employment in each occupational group in the East Midlands Region, 2007



Source: NESS07

Unweighted bases = 15,377 skills gaps and occupations of 196,661 employees as identified by employers responding in the survey; weighted bases = 114,703 skills gaps and 1,815,259 employees

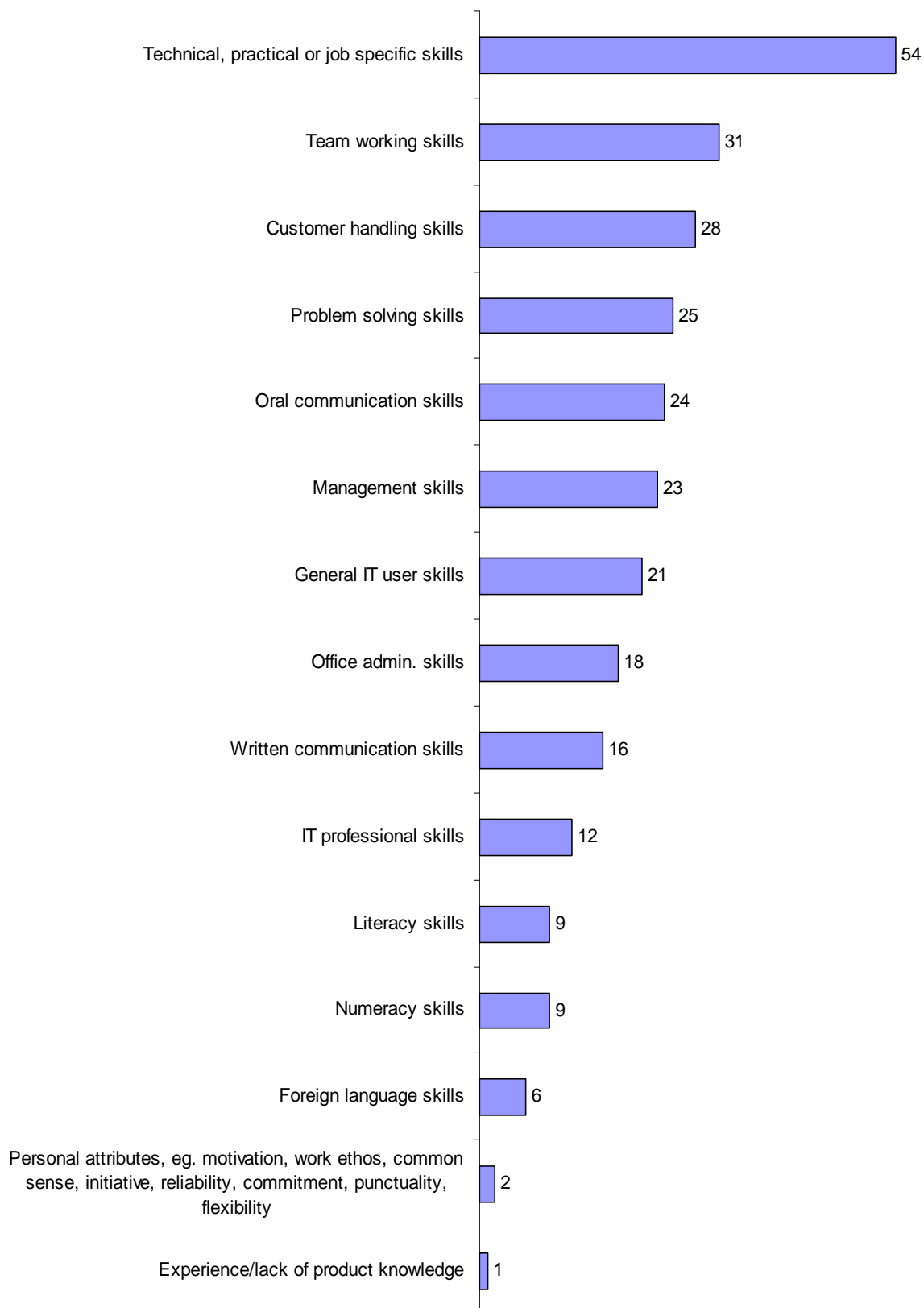
Note: All data is weighted unless otherwise specified

These analyses suggest that many skills gaps are not concerned with high level skills but rather with the abilities of lower skilled workers to perform quite routine tasks.

5.4 Missing skills

The types of skills which employees lack are summarised in a chart below. The chart shows the proportion of people with skills gaps who lack particular skills. Because employers could report that individuals lacked more than one skill the total percentages in the chart add to more than 100%:

FIGURE 12: *The types of skill lacked by employees with skills gaps in the East Midlands Region, 2007*



Source: NESS07

Unweighted base = 12,262 skills gaps identified in survey; weighted base = 94,828 skills gaps

Note: All data is weighted unless otherwise specified

Multi-response

The chart shows that employers observe a mix of skills gaps. Broadly, one group comprises a range of 'technical' skills related to particular jobs including customer-handling skills, job-specific skills, IT skills, and foreign language skills. A second group comprises a range of 'generic' skills such as problem-solving, team working, and oral and written communication skills. It is also noticeable that approaching a quarter of employees who are observed to have a skills gap lack *management skills*, an increasingly important area of skills as the proportion of higher level staff in the workforce increases.

LSC Skills for Life strategy is concerned particularly to raise literacy and numeracy standards in the workforce. In this light it is instructive to examine sectoral patterns as to employer concerns with such deficiencies in the workforce. The next table shows particularly high frequency of reports of *literacy* problems in:

- Food and drink manufacturing (Improve)
- Passenger transport (GoSkills)
- Social care (Skills for Care and Development)

There is a high frequency of reports of *numeracy* problems in:

- Food and drink manufacturing (Improve)
- Passenger transport (GoSkills)
- Property services (Asset Skills)
- Health (Skills for Health)
- Social care (Skills for Care and Development)

TABLE 46: *Percentages of all skills gaps in each sector which were concerned with poor literacy and numeracy*

	Poor literacy *	Poor numeracy *
Lantra	12	7
Cogent	15	6
Proskills	4	5
Improve	35	31
Skillfast-UK	7	4
SEMTA	10	8
Energy & Utility Skills	3	3
Construction Skills	7	3
SummitSkills	4	0
Automotive Skills	6	4
Skillsmart Retail	10	14
People 1st	11	4
GoSkills	17	33
Skills for Logistics	12	13
Financial Services Skills	0	4
Asset Skills	6	18
e-skills	1	1
Government Skills	1	1
Skills for Justice	3	3
Lifelong Learning UK	2	2
Skills for Health	8	17
Skills for Care and Development	18	18
Skillset	4	2
Creative and Cultural Skills	9	2
SkillsActive	7	5
Non-SSC employers	8	9
East Midlands Region	9	9

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

The survey allowed the different types of ‘missing skills’ to be connected to the occupations where skills were missing. A table below takes each occupational group in turn. It shows the estimated number of non-proficient staff in each occupational group in the East Midlands. It then shows instances where the occurrence of a type of skills gap for the occupational group is at least 5% above the average for all occupational groups (as shown in Figure 10 above):

TABLE 47: Concentrations (higher-than-average shares of skills gaps) in different occupational groups in the East Midlands Region, 2007.

Type of skills gap	Managers (13,471)*	Prof. (11,038)	Technical (7,961)	Clerical/ Admin. (14,718)	Craft (9,292)	Personal services (7,603)	Sales (18,327)	Operators and drivers (9,615)	Elementary (23,146)
Technical, practical or job-specific skills		✓				✓	✓	✓	✓
Team working skills	✓		✓				✓		✓
Customer handling skills			✓	✓			✓		
Problem solving skills	✓		✓				✓		
Oral communication skills	✓					✓	✓		✓
Management skills	✓	✓			✓				
General IT user skills	✓	✓		✓					
Office admin. skills	✓			✓		✓			
Written communication skills	✓					✓			✓
IT professional skills				✓		✓			
Literacy skills						✓		✓	✓
Numeracy skills						✓		✓	
Foreign language skills								✓ **	✓ **

Source: NESS07

Unweighted base = 12,262 skills gaps identified by employers responding in the survey; weighted base = 94,828 skills gaps

* Figures in brackets are the estimated numbers (following weighting base) of skills gaps in the East Midlands

** Respondents may have misinterpreted this category. It seems likely that the issue here is that low-level staff from migrant groups have a foreign language as their first language and lack English skills rather than that they lack the ability to use a foreign language

Note: All data is weighted unless otherwise specified

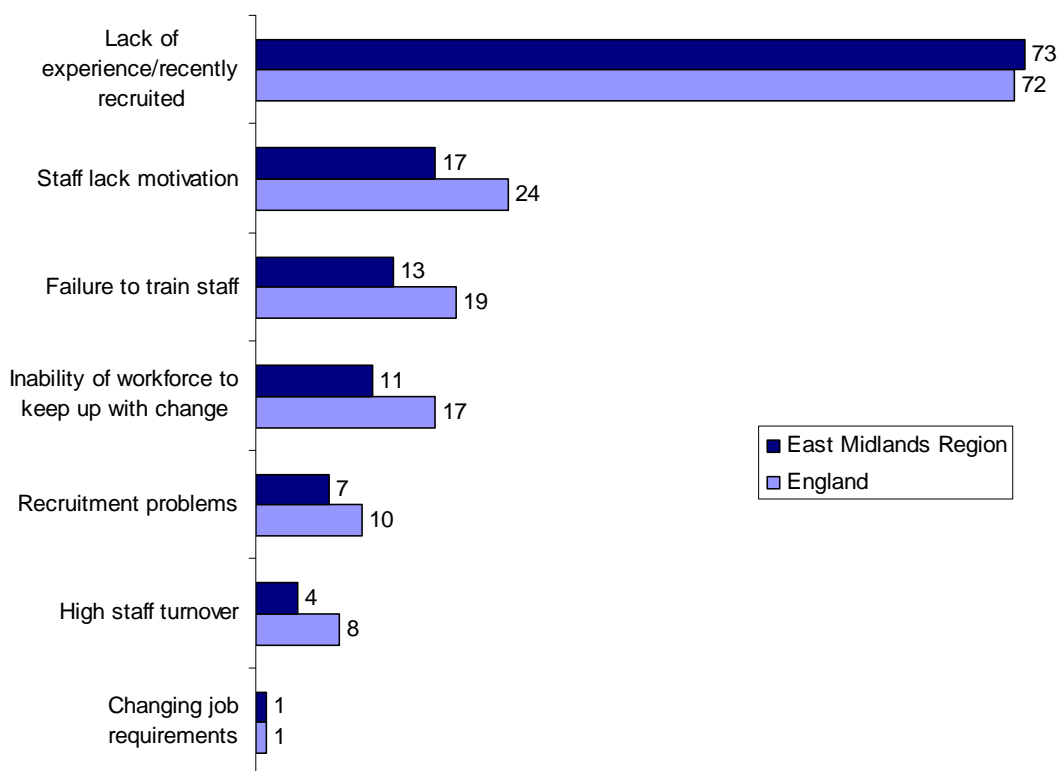
What this table shows is that skill gaps are distributed across the occupational spectrum. There is an association between types of occupation and skill gaps such that managers lack management skills more frequently than average, administrative staff more frequently lack IT skills, and sales staff more frequently lack customer handling skills. Such associations reflect the specific demands of certain occupations for certain skills. It is also apparent that literacy and numeracy difficulties are more frequent in some lower level occupations in personal services and amongst operative and elementary staff. However, there is also a range of wider associations between occupational groups and skill limitations which wouldn't be so easily predicted. For example, managers are also seen as lacking a range of generic skills more frequently than average; job specific skills are most frequently seen as lacking in lower level occupations in the personal services, sales, operative, and elementary groups

but also amongst professional staff – the most highly qualified segment of the workforce; and skilled trades or craft workers are seen as lacking management skills (with employers perhaps interpreting ‘management skills’ here as including job or time management rather more than general organisational or human resource management).

5.5 Reasons for skills gaps

When respondents were asked *why* their employees had skills gaps, the main reason given was that the staff concerned lacked experience or had only recently been recruited. Significant proportions of respondents also pointed to failings of the staff concerned. Only around 1 in 8 employers in the East Midlands pinpointed the fact that lack of training was a significant factor. The broad order of reasons for skills gaps was the same as for England as a whole but East Midlands respondents tended to give fewer reasons overall:

FIGURE 13: *Main reasons for skills gaps in the East Midlands Region and England, 2007; percentages*



Source: NESS07

Unweighted bases = 1,402 employers with skills gaps in the East Midlands and 15,754 employers with skills gaps in England; weighted bases = 18,037 employers in East Midlands and 221,654 employers in England

Multi-response

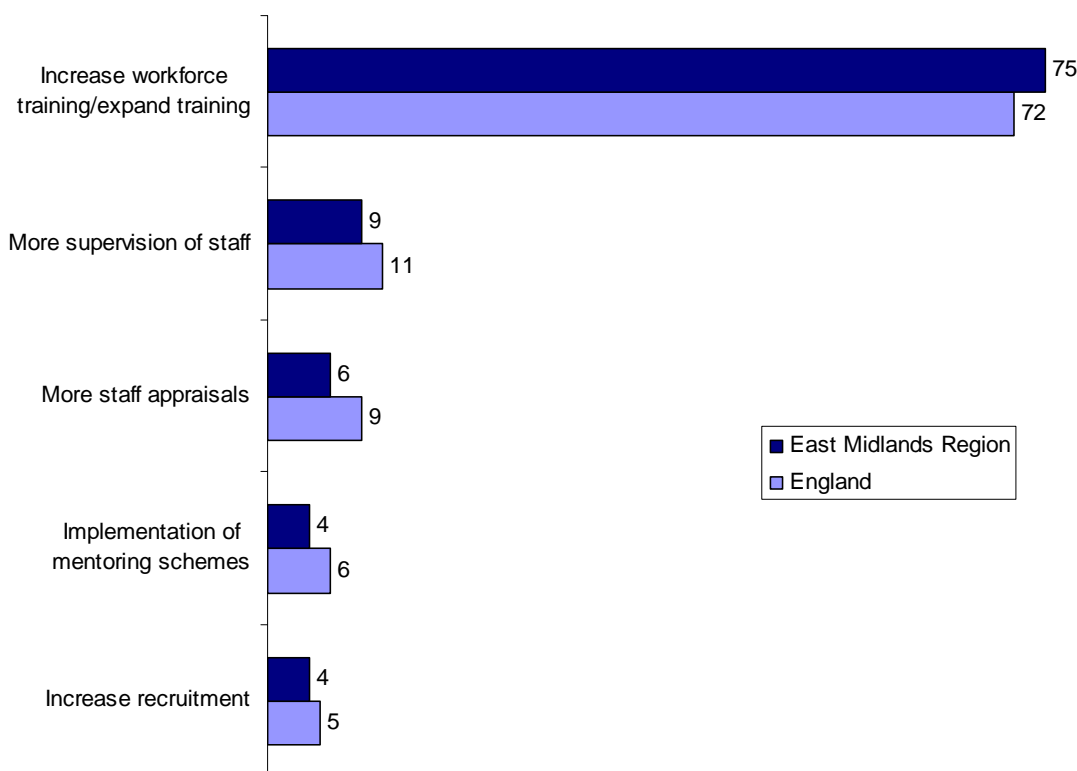
Note: All data is weighted unless otherwise specified

5.6 Responses to skills gaps

However, though relatively few employers said that lack of *previous* training was a factor generating skill gaps, in fact, the majority response to skills gaps was to train staff or to expand trainee programmes. Employers in the East Midlands placed slightly more

emphasis on expansion of their training programmes than did employers in England as a whole. Only a small minority of employers, either in the East Midlands or England, expected to recruit their way out of skills gap difficulties:

FIGURE 14: *Actions taken in the East Midlands Region and England to overcome lack of proficiency among staff, 2007; percentages*



Source: NESS07

Unweighted bases = 1,402 employers with skills gaps in the East Midlands and 15,754 employers with skills gaps in England; weighted bases = 18,037 employers in East Midlands and 221,654 employers in England

Note: All data is weighted unless otherwise specified

Thus, whilst earlier (in Chapter 3) survey data showed that employers' responses to hard-to-fill vacancies (when they sought to recruit) was mainly to increase *recruitment* effort, the main response to internal skills gaps was to *train* staff whose skills were deficient. It appears that employers are quite frequently obliged to recruit staff with skills which are not at the level which they need (since they say that recent recruitment is a major cause of skills gaps) and then to train them to meet their requirements when their recruits' skills gaps are exposed.

5.7 Impacts of skills gaps

The impacts of skills gaps were broadly the same as those of recruitment difficulty but at a somewhat lower level of frequency:

FIGURE 15: *Effects of skill gaps in the East Midlands Region, 2007; percentages*



Source: NESS07

Unweighted base = 1,402 employers with skills gaps; weighted base = 18,037 employers

Note: All data is weighted unless otherwise specified

5.8 Skills gaps: summary discussion

We began this chapter by noting that skills shortages in the labour market external to the firm or organisation may feed through into skill gaps within the firm or organisation as employers are obliged to recruit staff who are not as skilled (or not as skilled in the right way) as employers would like. This idea, that recruitment involves compromise, was supported by the survey when employers were asked for the reasons for their skills gaps. Nearly three-quarters said it was because of recent recruitment and because recruits lacked experience.

Given this linkage between recruitment and skills gaps, it is not surprising that the basic trend in the prevalence of skills gaps follows that of vacancies, recruitment difficulties and skills shortages – sharply down between 2003 and 2005 and a little upwards between 2005 and 2007 (but, in the context of a rising number of jobs, remaining as a more-or-less constant proportion of employment). A skills gap affects around 6% or 1 in 17 jobs – that is, around 115,000 people are not seen as fully proficient by their managers, a number which has reduced by 70,000 since 2003.

Around half of these people are employed in the lower half of the occupational spectrum – in personal services, sales and customer service, machine operative, driving, and elementary jobs and a further 13% are in administrative or clerical jobs. It is not surprising, therefore,

that a significant proportion of skills problems concern 'generic' skills – in oral and written communication skills and in the ability of people to work effectively in teams or with customers. These are not skills which public agencies – the LSC, say, and its partners in Further Education – find easy to tackle once people are in the workforce, but Train to Gain is clearly one route which may bring some improvement. Literacy and numeracy deficits as such (though they clearly overlap with the 'written communication' deficit) are each recognised by employers as affecting only 9% of all employees with a skills gap. This would translate to only around 10,000-11,000 people in each case, or less than 1% of the whole workforce. This proportion is clearly way below conventional estimates of literacy and numeracy deficiencies in the workforce and may point to one of the underlying difficulties in engaging employers in the uptake of Skills for Life support – the poor *recognition* of literacy and numeracy problems by employers and managers.

It would be possible, therefore, to take a somewhat 'minimalist' perspective on skills gaps, that is:

- They have reduced considerably since 2003.
- They affect only 6% of jobs.
- Around half of them concern low level occupations and are implicitly concerned with personal attributes such as the ability to speak well or to work with colleagues rather than 'formal' skill deficiencies which can be corrected by standard courses in appropriate subjects.

However, this 'minimalist' perspective perhaps needs some counterbalance.

Firstly, there may be some general under-reporting of skills gaps. We would tend to take the view that *any* employer with a significant number of employees almost inevitably has some employees who are not fully proficient. But, as an extreme example, only 47% of employers with 500 or more staff said that *any* of their employees were not fully proficient. Some employers may not be good at evaluating the skills of their employees or, in other cases, be unwilling to admit in surveys that they operate with inadequately skilled staff.

Secondly, in any case, even recognised skill gaps are substantial in number (if not as a proportion of employees). Over a hundred thousand workers in the East Midlands are *identified* as having skill levels below those appropriate to someone in their job.

There remains, therefore, a substantial challenge to ensure that members of the existing workforce are proficient and able to contribute to efficiency and productivity.

So far we have argued through this report that this challenge may already have been partly met (in the 2003 to 2005 period particularly) by in-migration.

However, it may also be the case that the volume and quality of labour and skills supply may rise as employees increase their skill levels and employability through *training and development*. The mechanisms of training and development are diverse and include the foundation-level education of individuals through schools, colleges and universities, and the later development of individuals driven and paid for by their own efforts. It was recognised

(in Chapter 4) that East Midlands employers have become more positive about the first of these and now have a better opinion of school and College leavers and of graduates than was the case in 2005. However, the NESS07 survey investigated a third major strand of training and development – that supplied or supported by employers. The next chapter of the report considers what the NESS survey shows in respect of employer training in the East Midlands.

6. EMPLOYER TRAINING

6.1 Introduction

Training supported or supplied by employers is, of course, a major input to the development of skills needed by the economy. NESS07 allows analysis of a number of aspects of employer training....

- The extent to which employers have an 'infrastructure' for the planning and budgeting of training.
- How many and which employers actually supply or support training.
- How much training they supply.
- Which types of worker get training.
- The extent to which training is directed towards recognised qualifications.
- Training for induction and Health and Safety reasons
- Employers' use of external training suppliers.

These aspects are discussed below.

6.2 Training infrastructure

Firstly, the survey asked employers whether or not they had a business plan, a training plan, and a training budget in place. Each of these would suggest that establishments with these features operate in a more structured and planned way with regard to the provision of training. In the same vein, they were also asked what proportions of their staff had formal job descriptions and annual performance reviews, and whether or not the establishment formally assesses skills gaps. The table below shows summary figures for each of these features for the East Midlands Region in 2005 and 2007, and compares the 2007 position for the region with that for England:

TABLE 48: *Percentages of employers in the East Midlands Region which plan and budget for training, 2007*

	East Midlands 2005*	East Midlands 2007*	England 2007*
Business plan in place	55	55	57
Training plan in place	46	48	48
Training budget in place	34	34	35
Employers where all staff have a formal written job description	67	67	65
Employers where all staff have an annual performance review	51	52	53
Employers which formally assess skills gaps	N/A	55	57

* Rounded

N/A = Not available

Source: NESS07

Unweighted bases = 5,884 employers in EM in 2005; 7,612 employers in EM in 2007; 79,018 employers in England in 2007; weighted bases = 114,630 employers in EM in 2005; 120,774 employers in EM in 2007; 1,451,507 employers in England in 2007

Note: All data is weighted unless otherwise specified

This data suggests that the East Midlands Region is fairly typical of England on all measures. It also appears that the use of formal approaches to human resource planning and management is fairly stable.

On all the indicators, the proportion of positive answers (ie. the procedure in place) rises with size of establishment, and public sector organisations are considerably more likely than private businesses to respond positively.

6.3 Training by employers

Although there is no particularly clear trend in the 'infrastructure' for training – a picture of broad stability might best describe it – the survey does show a positive trend in establishments *providing training* for staff, both in the East Midlands Region and across England:

TABLE 49: *Percentage of employers in the East Midlands Region and England which supplied training in past year, 2003, 2005 and 2007*

	EM 2003	EM 2005	EM 2007	England 2003	England 2005	England 2007
Training %	62	66	68	59	65	67
<i>Unweighted base (no. of establishments)</i>	5,666	5,864	7,612	72,100	74,835	79,018
<i>Weighted base</i>	N/A	114,630	120,774	N/A	1,390,155	1,451,507

Source: NESS03, NESS05 and NESS07
 Note: All data is weighted unless otherwise specified

Thus, it can be seen that there has been noticeable *growth* in the proportion of East Midlands employers supplying training in the region over the four year period, with strong growth between 2003 and 2005 and slightly lesser growth between 2005 and 2007. It seems likely that this growth has contributed to the overall decline in recruitment difficulties, skill shortages and skills gaps between 2003 and 2007 which was observed earlier. A growth trend was also seen across England as a whole, but at each stage, East Midlands employers have shown a modest advantage over the national picture.

Participation in employer training can also be examined *within* the region:

TABLE 50: *Percentages of employers in the East Midlands Region supplying training in past year, sub-regions, 2003 and 2005*

	Unweighted base	Weighted base	% supplying training, 2007*
Derbyshire	1,554	25,191	66
Leicestershire	1,601	24,542	65
Lincolnshire and Rutland	1,354	23,771	69
Northamptonshire	1,370	21,766	69
Nottinghamshire	1,633	25,503	69
East Midlands Region	7,612	120,774	68
England	79,018	1,451,507	67

* Rounded
 Source: NESS07
 Note: All data is weighted unless otherwise specified

It can be seen that there is relatively little variation between sub-regions in respect of the proportions of employers which supply training to staff and some of the observed variation may be due to survey effects. Allowing for this, however, it may be that employers in Leicestershire are a little less likely to train than average.

In terms of *sectors*, the higher proportions of training – say, 80% or more establishments supplying training – are in sectors where much activity is publicly funded (and where establishments are frequently large ones). However, training is also frequent in some other sectors – financial services, for example – and is also fairly high in industries ('Cogent' and 'Energy and Utility Skills') where safety is a major concern. At the other end of the scale, the proportion of firms supplying training in the construction sector – where we earlier noted relatively high levels of skill shortages and gaps – is below average for the economy as a whole:

TABLE 51: *Percentages of employers in the East Midlands Region supplying training in past year, by sector, 2007*

	Unweighted base	Weighted base	% supplied training*
Lantra	414	7,580	57
Cogent	196	1,485	71
Proskills	222	1,779	62
Improve	116	687	70
Skillfast-UK	219	2,354	53
SEMTA	392	4,902	74
Energy & Utility Skills	44	1,150	84
Construction Skills	459	9,843	60
SummitSkills	183	2,505	65
Automotive Skills	345	4,716	59
Skillsmart Retail	751	15,559	65
People 1 st	542	10,922	68
GoSkills	141	956	58
Skills for Logistics	252	3,334	66
Financial Services Skills	157	2,345	83
Asset Skills	288	5,534	70
e-skills	258	3,000	67
Government Skills	14	243	98
Skills for Justice	23	239	100
Lifelong Learning UK	226	1,802	81
Skills for Health	223	3,533	84
Skills for Care and Development	374	4,167	91
Skillset	92	414	58
Creative and Cultural Skills	230	1,366	61
SkillsActive	199	1,325	78
Non-SSC employers	1,252	29,034	70
East Midlands Region	7,612	120,774	68

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

There is also a strong association between the likelihood of an establishment supplying training and its *size*, with the smallest establishments being the least likely to train staff:

TABLE 52: *Percentages of employers in the East Midlands Region supplying training in past year, by size of establishment, 2007*

No of employees	Unweighted base	Weighted base	% supplying training*
2-4	2,275	64,685	54
5-24	3,740	43,100	80
25-99	1,260	10,377	91
100-199	189	1,555	91
200-499	112	813	94
500+	36	244	100
East Midlands Region	7,612	120,774	68

* Rounded

Source: NESS07

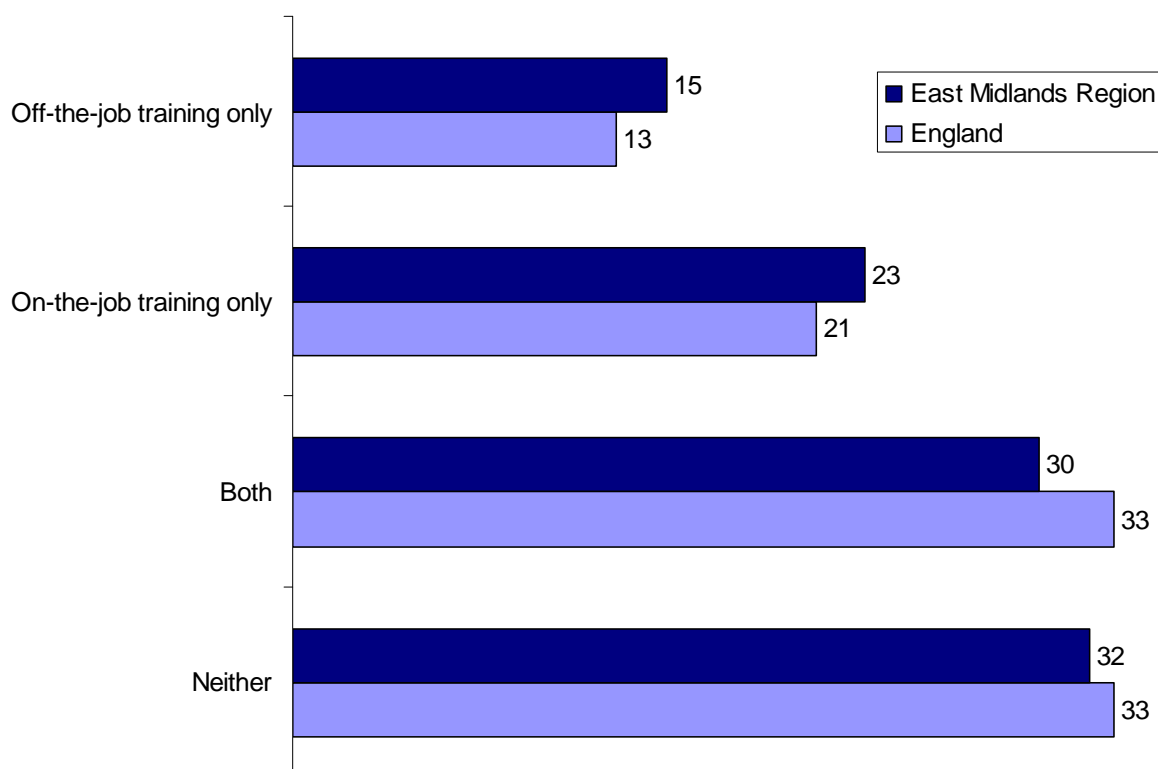
Note: All data is weighted unless otherwise specified

6.4 Type of training: on- and off-the-job training

One broad division in training is between that which occurs on-the-job and that which occurs off-the-job. It is, perhaps, assumed that off-the-job training is more focussed, deliberate, and structured (and, therefore, more likely to deliver the Level 2 and 3 qualifications to which national skills strategy is directed) whereas on-the-job training is ad hoc and less attention may be paid to the formal development of particular skills. In the latter case, the individual is slotted into a post and 'learns by doing' under the oversight of a more experienced individual.

The proportions of East Midlands employers which supplied either or both types are shown in the following graph. It can be seen that 45% of employers supply off-the-job training, whilst 53% of employers supply on-the-job training, with considerable overlap between the two groups – 30% of employers supply both. Differences between the region and the English average are not large but the statistics show a marginally greater tendency for training in the East Midlands to take place on-the-job:

FIGURE 16: Percentages of employers in the East Midlands Region and in England supplying on- and off-the-job training in past year, 2007



Source: NESS07

Unweighted bases = 7,612 employers in the East Midlands and 79,018 employers in England responding in the survey; weighted bases = 120,774 employers and 1,451,507 employers respectively

Note: All data is weighted unless otherwise specified

It will come as no surprise that the proportion of employers supplying *off-the-job* training rises according to size of establishment whilst the proportion of firms which supply *only* on-the-job training tends to be higher amongst small employers employing fewer than 25 staff. Correspondingly, the proportion of employers supplying both on- and off-the-job training is much higher in public sector establishments than in private sector ones whilst the reverse is true for 'on-the-job training only'.

A more detailed analysis of on- and off-the-job training is set out below.

Firstly, the pattern for *sub-regions* of the East Midlands is described in the following table. The table shows the numbers and proportions of employees who received on- and off-the-job training:

TABLE 53: *On- and off-the-job training in the East Midlands Region in past year, by sub-region, 2007*

	Total employment	Bases: employers supplying off-the-job training*	No. received off-the-job training	% received off-the-job training	Bases: employers supplying on-the-job training*	No. received on-the-job training	% received on-the-job training
Derbyshire	366,127	754	118,394	32.3	938	164,135	44.8
Leicestershire	439,367	769	123,454	28.1	928	184,395	42.0
Lincolnshire and Rutland	268,627	726	97,932	36.5	830	145,210	54.1
Northamptonshire	336,605	689	98,289	29.2	836	188,104	55.9
Nottinghamshire	404,454	858	147,960	36.6	988	201,063	49.7
East Midlands Region	1,815,259	3,796	586,030	32.2	4,520	882,908	48.6
England	22,259,634	42,030	7,983,110	35.9	48,511	11,658,569	52.4

* Unweighted bases: Numbers of employers responding in the survey who said they supplied on or off-the-job training

Note: 'Off-the-job' and 'on-the-job' numbers of employees trained cannot be added together as some employees will have received both types

Source: NESS07

Note: All data is weighted unless otherwise specified

This data suggests that there is greater likelihood of employees training off-the-job in Nottinghamshire and Lincolnshire and Rutland; and of training on-the-job in Northamptonshire and Lincolnshire and Rutland. Employers in Leicestershire appear to be a little less likely than average to train their staff both on- and off-the-job.

The same type of analysis is presented for different sectors:

TABLE 54: *On- and off-the-job training in the East Midlands Region, by sectors, 2007*

	Total employment	Bases: employers supplying off-the-job training*	No. received off-the- job training	% received off-the- job training	Bases: employers supplying on-the-job training*	No. received on-the- job training	% received on-the- job training
Lantra	37,615	235	10,360	27.5	145	10,148	27.6
Cogent	43,243	147	8,324	19.3	134	22,190	51.3
Proskills	36,741	144	8,623	23.5	113	15,259	41.5
Improve	54,344	82	16,913	31.1	64	15,037	27.7
Skillfast-UK	36,965	126	4,216	11.4	113	10,464	28.3
SEMTA	122,268	282	18,417	15.1	214	39,251	32.1
Energy & Utility Skills	22,311	40	12,129	54.4	32	16,339	73.2
Construction Skills	86,821	330	26,008	30.0	235	28,649	33.0
SummitSkills	20,895	138	7,966	38.1	80	9,790	46.9
Automotive Skills	43,787	238	13,442	30.7	178	14,197	32.4
Skillsmart Retail	186,150	542	39,479	21.2	473	93,431	50.2
People 1st	110,162	428	29,881	27.1	364	54,721	49.7
GoSkills	18,464	83	3,994	21.6	66	8,484	45.9
Skills for Logistics	68,771	182	19,447	28.3	150	27,647	40.2
Financial Services Skills	39,598	132	13,598	34.3	109	20,174	50.9
Asset Skills	42,508	154	13,056	30.7	184	20,511	48.3
e-skills	33,019	117	6,665	20.2	153	10,440	31.6
Government Skills	17,443	8	15,504	66.0	12	11,564	66.3
Skills for Justice	22,899	20	8,753	38.2	18	14,387	62.8
Lifelong Learning UK	66,071	154	26,812	40.6	167	32,420	49.1
Skills for Health	133,751	151	31,819	23.8	172	101,114	75.6
Skills for Care and Development	72,732	283	42,806	58.9	301	49,138	67.6
Skillset	4,893	37	1,148	23.5	43	1,754	35.8
Creative and Cultural Skills	9,172	114	2,738	29.9	123	3,946	43.0
SkillsActive	23,584	116	12,011	50.9	129	13,086	55.5
Non-SSC employers	461,052	673	195,922	42.5	748	238,767	51.8
East Midlands Region	1,815,259	3,796	586,030	32.3	4,520	882,908	48.6

* Unweighted bases: Numbers of employers responding in the survey who said they supplied on or off-the-job training

Note: 'Off-the-job' and 'on-the-job' numbers of employees trained cannot be added together as some employees will have received both types

Source: NESS07

Note: All data is weighted unless otherwise specified

This data is complex but it allows four summary groups of sectors to be generated in respect of their training behaviour.....

Percent of employees receiving training on- and off-the-job is below average for both types

Lantra
Proskills
Improve
Skillfast-UK
SEMTA
ConstructionSkills
GoSkills
Skills for Logistics
Asset Skills
e-skills
Skillset
Creative and Cultural Skills

Percent of employees receiving on-the-job training is above average but percent receiving off-the-job training is below average

Cogent
Skillsmart Retail
People 1st
Skills for Health

Percent of employees receiving on-the-job training is below average but percent receiving off-the-job training is above average

SummitSkills

Percent of employees receiving training on- and off-the-job is above average for both types

Energy and Utility Skills
Financial Services Skills
Government Skills
Skills for Justice
Skills for Care and Development
SkillsActive

Some of the attributions in this analysis are doubtful because of small base numbers. However, the broad picture is clear. Thus, there are three *main* groups of employers in respect of the relative amounts of training they supply:

1. Most commercial sectors – in land-based industries, construction, manufacturing, vehicle repair, transport, creative industries, and so on – supply below-average proportions of their staff with training, either on- or off-the-job.
2. The retail and hospitality sectors are below-average in their training of staff off- the-job but train large numbers of staff on-the-job. Perhaps surprisingly, the Cogent sector (chemicals, oil and gas) and the health sector are also positioned here.

3. Most sectors with an element of public funding in their delivery train staff in both modes at above-average levels but the energy and utilities and the financial services sectors are also in this group.

The SummitSkills sector ('building services engineering' – plumbing, electrical installation, heating and ventilation) is the only sector which has a higher than average use of off-the-job training and lower than average use of on-the-job training.

When sizes of establishments are considered, the likelihood of employees being trained in either mode tends to rise with the size of establishment but the main distinction is between very small establishments (2-4 employees) and the rest:

TABLE 55: *On- and off-the-job training in the East Midlands Region in past year, by size of establishment, 2007*

No. of employees	Total employment	Base: employers supplying off-the-job training*	No. received off-the-job training	% received off-the-job training	Base: employers supplying on-the-job training*	No. received on-the-job training	% received on-the-job training
2-4	168,109	746	43,366	25.8	857	55,771	33.2
5-24	433,226	1,935	145,289	33.5	2,395	202,109	46.7
25-99	468,634	860	167,210	35.7	981	226,831	48.4
100-199	229,711	139	71,340	31.1	159	115,335	50.2
200-499	277,974	88	93,027	33.5	95	133,322	48.0
500+	237,605	28	65,798	27.7	33	149,541	63.0
EM Region	1,815,259	3,796	586,030	32.3	4,520	882,908	48.6

* Unweighted bases: Numbers of employers responding in the survey who said they supplied on or off-the-job training

Note: 'Off-the-job' and 'on-the-job' numbers of employees trained cannot be added together as some employees will have received both types

Source: NESS07

Note: All data is weighted unless otherwise specified

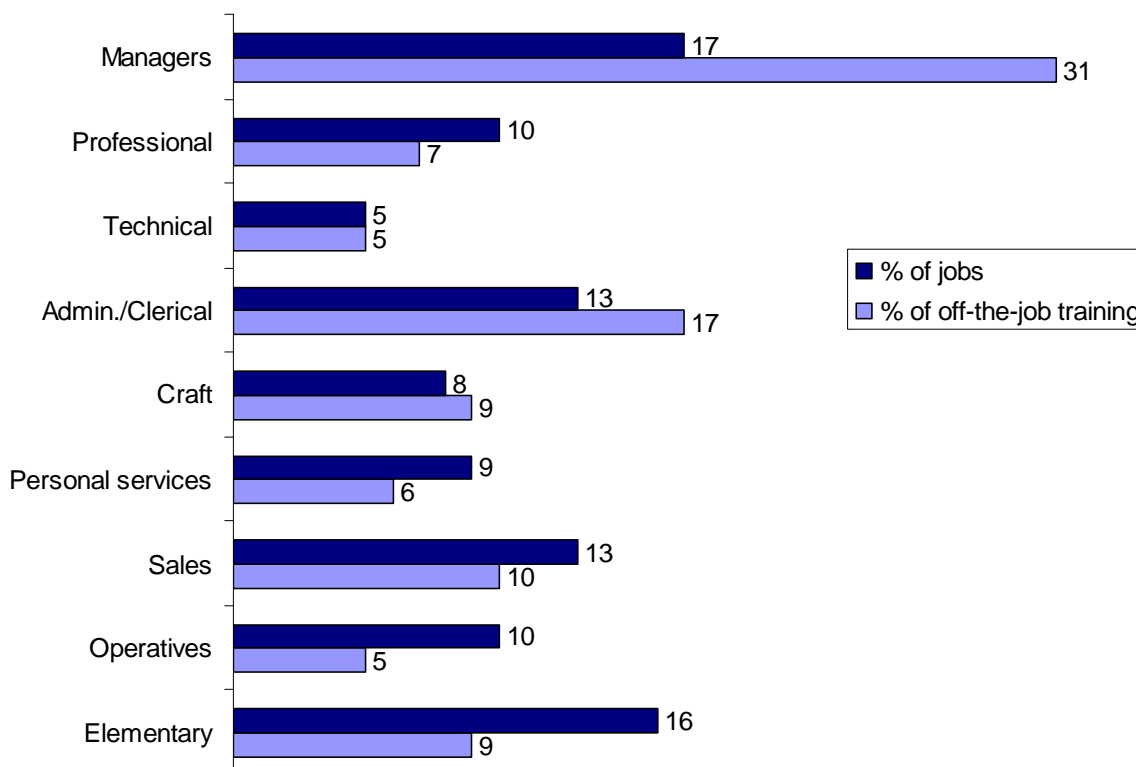
6.5 Duration of off-the-job training

To gain some idea of the depth of employer-supplied training, employers who supplied off-the-job training were asked to estimate the average days spent in *off-the-job* training by all the employees they trained. This measure must be fairly crude. For larger employers particularly, with many trainees, to construct an average for all employees who trained in the context of a telephone interview must be fairly impressionistic. However, if we assume that errors more-or-less cancel each other, then the average figure was between 7 and 8 days with relatively little variation between sizes of establishment or sectors.

6.6 Occupational groups and off-the-job training

Off-the-job training can also be considered in occupational terms. The following chart shows the proportion of all employment in the East Midlands in different occupational groups compared with the proportion of all off-the-job training directed to each group:

FIGURE 17: *Percentages of employers in different occupational groups in the East Midlands Region; percentage of all off-the-job training in each occupational group, 2007*



Source: NESS07

Unweighted base = 3,796 employers supplying off-the-job training; weighted base = 54,041 employers

Note: All data is weighted unless otherwise specified

It can be seen that managers and, to a lesser extent, administrative and clerical staff, are more likely to receive off-the-job training, and that employees at lower occupational levels are less likely to receive such training.

6.7 Training towards qualifications

In total, the survey estimates that around 240,000 employees in the East Midlands Region or 13% of the workforce were trained towards a nationally-recognised qualification in the last year including around 120,000, or 7% of the workforce, who were trained towards an NVQ.

The following table shows sub-regional variations in these proportions and compares the region with the English average:

TABLE 56: *Training towards nationally-recognised qualifications in the East Midlands Region in past year, by sub-regions, 2007*

	% of all employers which trained*	Unweighted base: employers which trained	Weighted base	% of all employees training to nationally recognised qualifications*	% of employees training to NVQ*
Derbyshire	68	1,197	16,621	13	8
Leicestershire	65	1,144	15,859	13	6
Lincolnshire and Rutland	69	1,059	16,296	14	8
Northamptonshire	70	934	15,082	12	4
Nottinghamshire	71	1,286	17,685	11	6
East Midlands Region	68	5,620	81,543	13	7
England	67	58,600	977,501	12	6

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

The data for sub-regions suggests that the likelihood of training towards national qualifications, particularly NVQ, is greater in an 'industrial' county such as Derbyshire or Lincolnshire and Rutland than in a 'commercial' county such as Northamptonshire.

The same type of analysis is set out below for sectors in the region:

TABLE 57: *Training towards nationally-recognised qualifications in the East Midlands Region in past year, by sectors, 2007*

	% of all employers which trained*	Unweighted base: employers with trained	Weighted base	% of employees training to any nationally-recognised qualification*	% of employees trained to NVQ*
Lantra	57	235	4,014	16	3
Cogent	75	147	1,053	9	7
Proskills	65	144	1,104	10	3
Improve	71	82	482	11	5
Skillfast-UK	58	126	1,238	5	3
SEMTA	72	282	3,133	7	4
Energy & Utility Skills	91	40	963	21	4
Construction Skills	72	330	5,876	15	8
SummitSkills	75	138	1,638	19	6
Automotive Skills	69	238	2,791	14	7
Skillsmart Retail	72	542	10,092	7	4
People 1 st	79	428	7,412	13	7
GoSkills	59	83	550	8	4
Skills for Logistics	72	182	2,193	11	2
Financial Services Skills	84	132	1,950	9	2
Asset Skills	78	224	3,869	12	8
e-skills	72	186	2,006	7	2
Government Skills	93	13	239	7	6
Skills for Justice	100	23	239	7	3
Lifelong Learning UK	84	190	1,476	13	5
Skills for Health	91	202	2,984	23	9
Skills for Care and Development	92	345	3,786	36	28
Skillset	60	55	241	4	-
Creative and Cultural Skills	70	161	833	7	3
SkillsActive	81	162	1,027	23	7
Non-SSC employers	74	930	20,362	27	7
East Midlands Region	68	5,620	81,453	13	7

* Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

This data is complex but it shows that the care sector is particularly likely – under the Care Standards Act’s regulatory pressure – to train towards qualifications in general and NVQs in particular. There is also above-average training towards qualifications in land-based industries (Lantra), the utilities, construction, health, and the sports and recreation sector (SkillsActive).

Analysis by *size of establishments* produces the following picture:

TABLE 58: *Training towards nationally-recognised qualifications in the East Midlands Region in past year, by size of establishment, 2007*

No. of employees	% of all employees which trained*	Unweighted base: employers which trained	Weighted base	% of employees training to any nationally-recognised qualification*	% of employees trained to NVQ*
2-4	54	1,198	3,193	13	5
5-24	80	2,967	34,500	15	7
25-99	91	1,140	9,421	14	8
100-199	91	173	1,418	12	6
200-499	94	106	768	9	6
500+	100	36	244	15	5
East Midlands Region	68	5,620	81,453	13	7

* Rounded

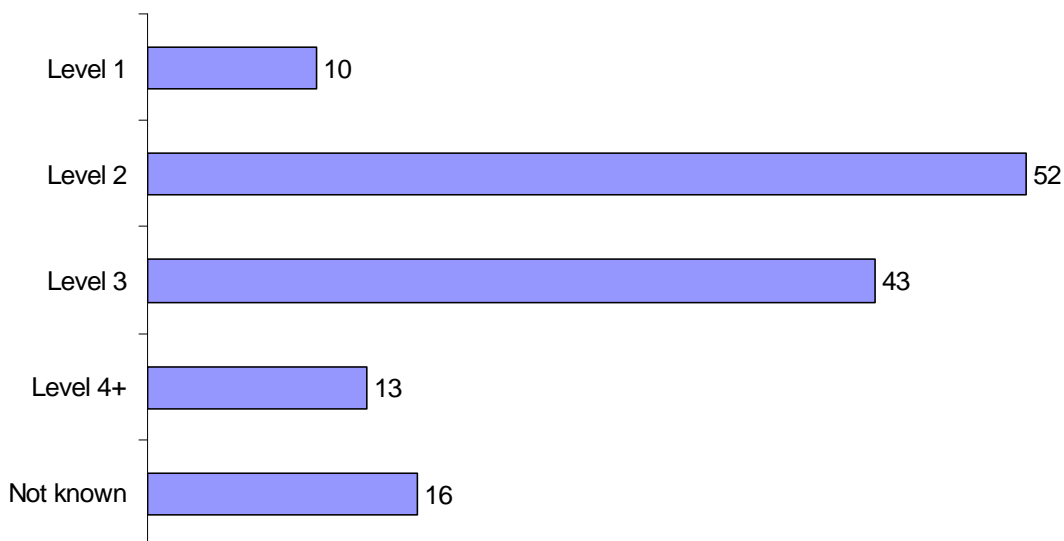
Source: NESS07

Note: All data is weighted unless otherwise specified

This data shows that, though smaller establishments (employing 2-4 staff) are somewhat less likely to train they are as likely as larger ones to train towards nationally-recognised qualifications but a little less likely to use NVQs.

Those employers who trained staff towards NVQs were asked what level(s) of NVQ they trained staff towards. This data should be treated cautiously since 16% of employers admitted they didn't know the levels and others may be mistaken. However, allowing for a degree of uncertainty, the survey shows that more employers (those training staff towards NVQs) had staff training at Levels 2 and 3 than below or above these levels. This is particularly significant given the government's view that upskilling of the workforce to a minimum Level 2 standard and, in as many cases as possible, to Level 3 are urgent priorities. At least in respect of NVQ training, those are the majority objectives of employer training:

FIGURE 18: *Percentages of employers in the East Midlands Region which trained towards NVQs which trained them to different levels of NVQ in past year, 2007*



Source: NESS07

Unweighted base = 1,777 employers training staff towards NVQ; weighted base = 22,966 employers

Note: All data is weighted unless otherwise specified

- Notes: (1) This was a multi-response question which asked employers whether they were training any staff member to each level. Answers cannot be translated into numbers of employees being trained at each level.
- (2) NVQs are actual National Vocational Qualifications, not NVQ equivalents

When this data is broken down by sector, the following table results:

TABLE 59: *Training towards different levels of NVQ in the East Midlands Region, by sectors, 2007*

	% of all employers which train	% of employers which train which use NVQ	% of all employers which use NVQ	% of employers using NVQ which trained staff towards....			
				Level 1	Level 2	Level 3	Level 4+
Lantra	57	16	8	17	40	25	9
Cogent*	71	29	20	15	65	24	7
Proskills*	62	21	13	8	50	20	19
Improve*	70	24	17	11	66	26	4
Skillfast-UK*	53	13	7	30	57	37	6
SEMTA	74	26	17	11	46	29	12
Energy & Utility Skills*	84	16	14	-	34	19	17
Construction Skills	60	29	17	5	36	38	10
SummitSkills	65	44	29	5	38	46	4
Automotive Skills	59	37	22	16	38	33	8
Skillsmart Retail	65	23	15	17	60	25	7
People 1 st	68	36	24	18	59	36	3
GoSkills*	58	17	10	16	49	41	7
Skills for Logistics*	66	16	10	10	39	42	8
Financial Services Skills*	83	13	11	6	44	45	6
Asset Skills	70	23	16	10	44	51	15
e-skills*	67	14	10	2	52	23	18
Government Skills*	98	72	72	2	-	14	53
Skills for Justice*	100	20	20	-	26	48	-
Lifelong Learning UK	81	31	25	2	45	67	23
Skills for Health	84	48	41	7	62	55	12
Skills for Care and Development	91	57	51	2	64	67	34
Skillset*	58	5	3	-	55	-	-
Creative and Cultural Skills*	61	13	8	3	39	51	26
SkillsActive	78	40	31	17	70	48	9
Non-SSC employers	70	27	19	10	54	52	13
East Midlands Region	68	28	19	10	52	43	13

* Note: The unweighted bases for the 'Levels' statistics are mostly small. Those sectors with an asterisk have an unweighted base below 50 cases. Only 5 sectors (ConstructionSkills, Skillsmart Retail, People 1st, Skills for Health, Skills for Care and Development) have an unweighted base of over 100 cases

Source: NESS07

Note: All data is weighted unless otherwise specified

As we note in the footnote to the table, this data should be approached very cautiously because of the small bases for most of the sectors. However, what may be reliably taken from the table is:

- Slightly fewer than 1 in 5 of all employers (19%) offered NVQ to their staff in the 12 months prior to the survey (compared with 20% in 2005).
- The proportion was much higher in some public sectors – the care sector most obviously, where half of all employers offered NVQs.

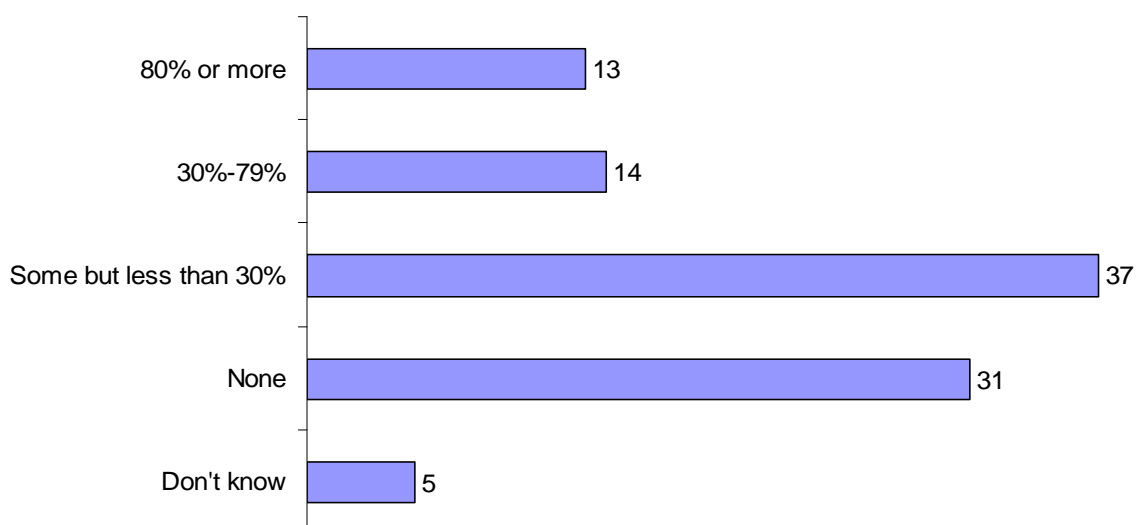
- In the public sectors, too, there is a greater likelihood of NVQs being offered at higher levels, Level 3 and above, whereas in the construction sector, for example, the likelihood of employers offering Level 2 is twice the likelihood of their offering Level 3.
- Overall, around 23,000 employers (19% of all employers in the region) offered an NVQ at any level to their staff in the year prior to survey. Within this overall proportion....
 - 2% of all employers in the region offered Level 1 NVQs to their employees (3% in 2005).
 - 10% offered Level 2 NVQs (10% in 2005)
 - 8% offered Level 3 NVQs (9% in 2005)
 - 2% offered Level 4 NVQs (3% in 2005)

6.8 Non-productivity training

Health and Safety training is, of course, vital to safe workplace operations and to the delivery of non-harmful goods and services to customers. Induction training is vital in introducing new workers into their new working environments. However, neither form of training in itself makes a major contribution to productivity and makes little contribution to national targets for Level 2 and Level 3 skills and qualifications. Health and Safety training may actually trade safe practices for output whilst induction training often simply introduces a new worker who may, at least initially, be less efficient than someone they have replaced.

The survey asked managers (in establishments where training took place) how much of the off-the-job training they supplied was of one or other of these types:

FIGURE 19: *Percentages of training employers in the East Midlands Region who said that different proportions of off-the-job training was for health or safety or induction purposes in past year, 2007*



Source: NESS07

Unweighted base = 3,796 employers training staff; weighted base = 54,041 employers

Note: All data is weighted unless otherwise specified

It can be seen that a significant proportion of training was driven by health and safety statutes or the need to induct new staff. On average, a quarter (25%) of all off-the-job training was of one or other of these kinds.

Some sectors where this proportion was above average included the oil and gas, construction, and road transport sectors, in which safety concerns are particularly important (39%, 37% and 33% respectively).

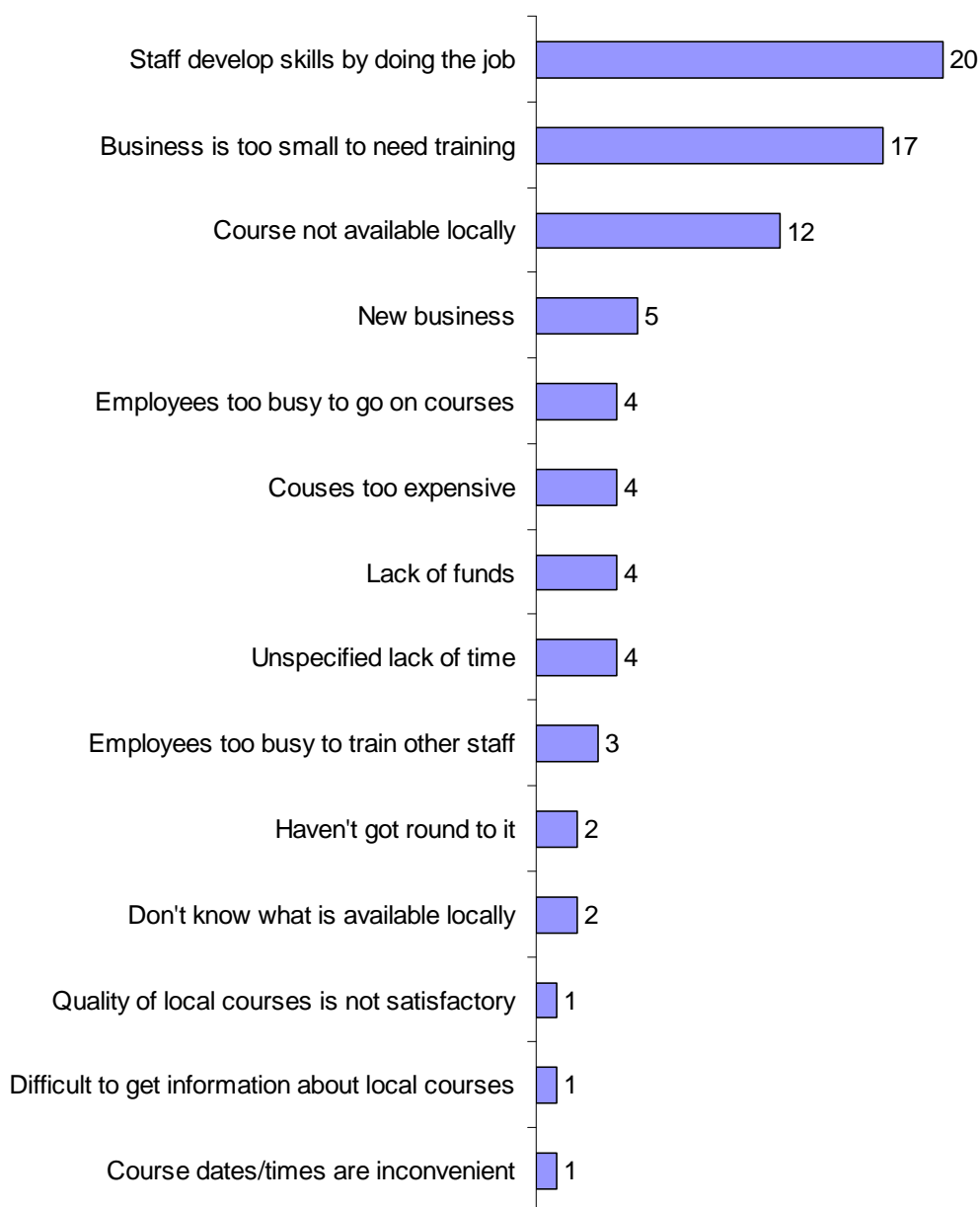
Such sectors contrast with, say, the financial services sector in which only 12% of training is concerned with health and safety or induction and the ICT sector ('e-skills') (13% health and safety or induction).

Overall, these statistics carry a quite powerful message in reminding us that the amount of training carried out for purposes of increasing the productivity of staff is actually only a proportion of all training carried out. Around a quarter of all training may have little or no positive effect on productivity.

6.9 Reasons for not training staff

When those employers who didn't train staff were asked why not, the majority response, in over two-thirds of cases (68%), was simply that their staff didn't need training. However, when these are taken out of the analysis, the refined analysis shows other practical barriers more sharply:

FIGURE 20: *Reasons for not providing training in the East Midlands Region: percentages of all reasons given (after those who said staff didn't need training were excluded), 2007*



Source: NESS07

Unweighted base = 1,825 employers which didn't train staff; weighted base = 39,666 employers

Note: All data is weighted unless otherwise specified

This data shows that lack of demand for training amongst employers is generally more frequent than reasons which relate to failure in training supply. Thus, 'courses not available locally', 'courses too expensive', 'difficult to get information', and 'course dates/times are inconvenient' – factors which might imply some failure of the external training infrastructure, account only for around a fifth of all reasons even after the majority reason ('employees don't need training') is discounted. The main reason given (after discounting those who said their employees didn't need training), that 'staff develop skills by doing the job' is clearly a barrier

to the government's objective to greatly increase the number of people with formal qualifications, particularly at Levels 2 and 3.

Those employers who reported that they *had* trained staff in the past year were asked whether they would have liked to provide *more* training. More than a third overall (36%), and over half of those employing 200 or more people, said this was the case. When asked what the barriers were to doing so, the main ones again concerned the demand side rather than supply difficulties:

FIGURE 21: *Main reasons constraining some employers which train from doing more training than they do, 2007*



Source: NESS07

Unweighted base = 2,079 employers who would like to train more than they do; weighted base = 29,194 employers

Note: All data is weighted unless otherwise specified

6.10 Employer training: key points

An analysis of employer training patterns in the East Midlands contains some positive messages. More employers train staff than did so in 2003 – the proportion has risen by 6 points from 62% to 68%. Overall, nearly 600,000 people in the East Midlands Region received off-the-job training and nearly 900,000 received on-the-job training in the 12 months prior to the survey taking place (within an employed workforce of 1.8 million people).

However, there are some messages which are more equivocal or have a slightly negative slant to them.

Firstly, a clear bias persists such that employees in the public sector are more likely to be trained. These sectors, along with the financial services sector, are much more likely to train their staff. Perhaps partly in consequence, significant proportions of skills gaps lie outside these sectors – in construction, retail, hospitality, manufacturing and the private segment of the care sector.

Employers (in other surveys) tend to say that they value possession of qualifications less than an individual's experience, ability to do the job, and personal qualities. It is perhaps not surprising that only 13% of people who were trained, trained towards a nationally-recognised qualification (including 7% who trained towards an NVQ).

The data suggests that training towards qualifications tends to be highest where regulation (external by government or internal by industry standards) is in place. Thus, sectors with a property/construction function and the care and health sectors were identified as sectors where a higher-than-average proportion of training was clearly directed to qualifications. It seems likely that, where formal qualifications are regarded as important, the widening of regulation and license-to-practice would be an effective tool in generating a qualified workforce.

It is also apparent that approaching a quarter of all training delivered is directed towards the induction of new staff or is driven by Health and Safety regulations which, whilst vital, may have little effect on productivity.

With these, and related considerations from earlier chapters, in mind, this survey report now turns to consider some public influences on skills development in more detail.

7. PUBLIC SUPPORT TO SKILLS DEVELOPMENT

As well as examining employer responses to their skill needs through employer-supported training, the survey also briefly investigated employers' use of and reactions to a number of aspects of public support to skills development.

The survey asked about:

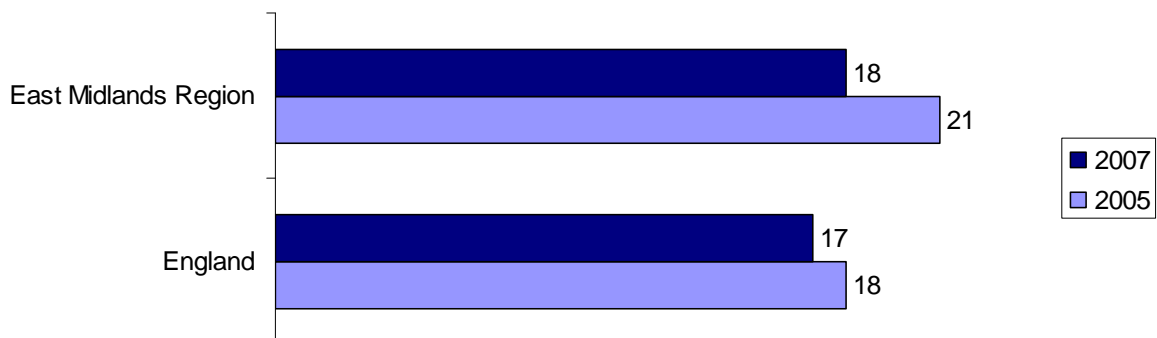
- Employers' use of FE (and other external training providers) and about their satisfaction with these.
- Employers' use of Apprenticeship and reasons for using or not using the programme.
- Employers' awareness of, and involvement with, the Train to Gain initiative.
- Employers' evaluation of government performance in different aspects of its skills policy.

7.1 Use of external training providers

A significant proportion of training towards nationally recognised qualifications will require an external training input, either from a Further Education College, a private training provider or a University. The survey investigated some aspects of use of these.

With respect to FE, slightly over a quarter of employers, 26%, which trained staff, used FE providers to deliver some or all of that training. This figure compares with 31% of employers which trained staff which used FE in 2005. When figures for use of FE are calculated for all employers (whether they trained staff or not) the following trends can be seen:

FIGURE 22: *Percentages of employers in the East Midlands Region and England which trained them using FE Colleges, 2005 and 2007*



Source: NESS05 and NESS07

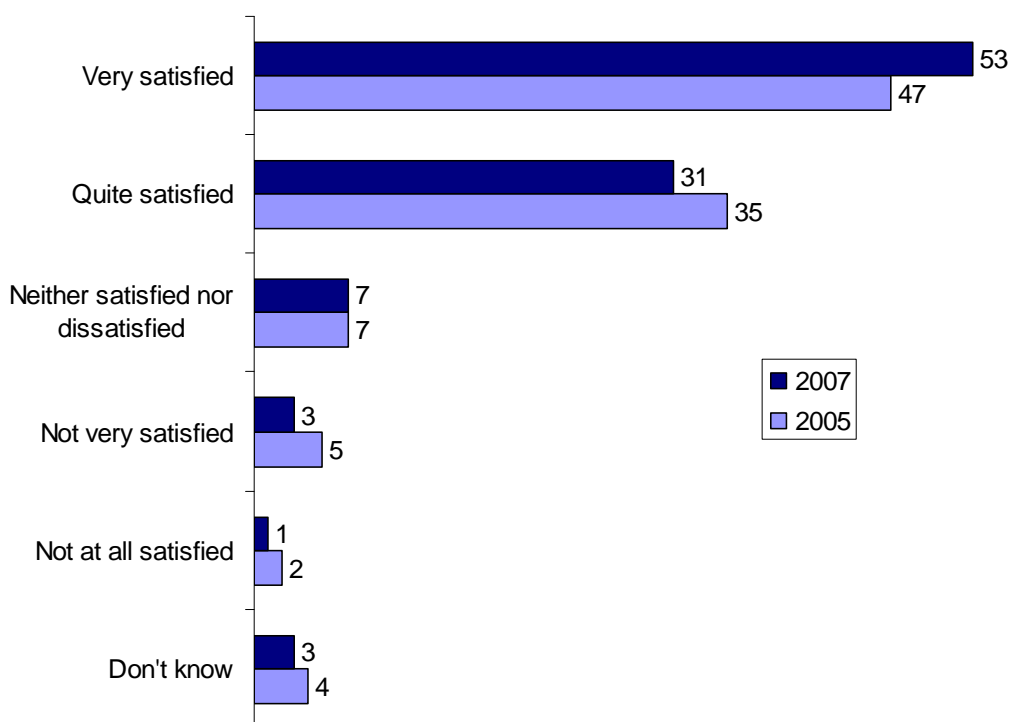
Unweighted bases = 5,884 employers in EM and 74,385 employers in England in 2005, 7,612 employers in EM and 79,018 employers in England in 2007; weighted bases = 114,630 employers in EM and 1,390,155 employers in England in 2005, 120,774 employers in EM and 1,451,507 employers in England in 2007

Note: All data is weighted unless otherwise specified

This data shows a modest downward trend in use of FE over the two year period. Because East Midlands employers used FE more frequently in 2005, they are still marginally more likely to use FE than the English average even though the downward trend has been a little more pronounced in the Region.

However, while slightly fewer establishments used FE Colleges, satisfaction with their services amongst users has risen, with the ‘very satisfied’ proportion going up substantially:

FIGURE 23: Percentages of employers in the East Midlands Region which used FE Colleges which were satisfied or not with that provision, 2005 and 2007



Source: NESS05 and NESS07

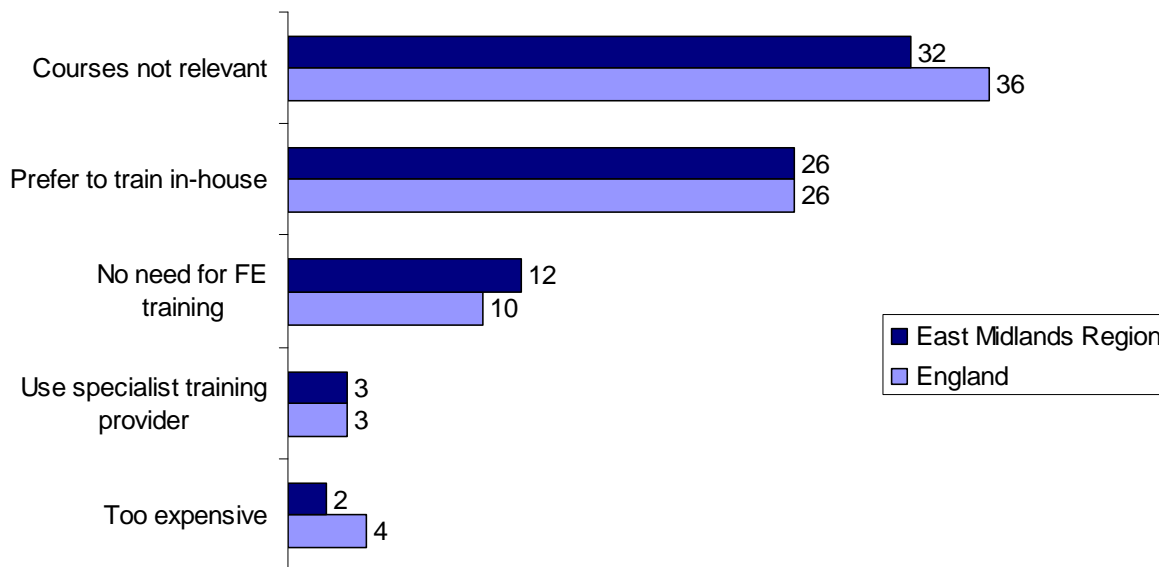
Unweighted bases = c.1,450 employers which used FE Colleges in 2005; 1,627 employers which used FE Colleges in 2007; weighted bases = 2005 not known; 21,171 employers in 2007

Note: All data is weighted unless otherwise specified

The regional dissatisfied proportion (3% ‘not very satisfied’ plus 1% ‘not at all satisfied’) in 2007 was lower, at 4%, than the national figure of 6%.

Amongst those employers who trained staff but *didn't* use FE Colleges to do so, the main reasons given were that their *courses weren't relevant* or that they *preferred to train in-house*. Employers in the East Midlands were less critical of the relevance of courses:

FIGURE 24: *Main reasons for not using FE Colleges in the East Midlands Region and England, 2007 in past year; percentages*



Source: NESS07

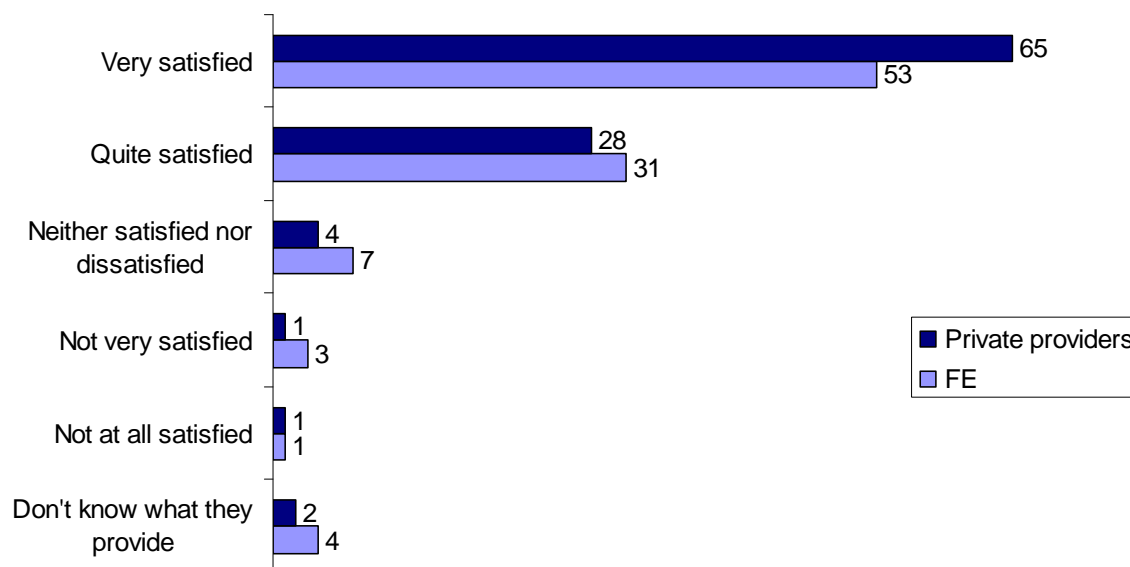
Unweighted bases = 3,895 employers in the East Midlands which trained employees but did not use FE Colleges to do so; 40,492 employers in England which trained employees but did not use FE Colleges to do so; weighted bases = 3,895 employers in East Midlands, 712,779 employers in England

Note: All data is weighted unless otherwise specified

Some sectors giving above-average proportions of the ‘courses not relevant’ response included land-based industries (42% not relevant), engineering (44%), public transport (42%), ICT (47%), and the creative and cultural industries (46%). Smaller employers (those employing fewer than 25 people) were twice as likely as larger ones (200 employees or more) to see FE courses as not relevant to their training needs.

Overall, nearly twice as many employers which trained staff used *private training providers* as used FE Colleges – 49% as against 26%. Levels of satisfaction with private providers were generally higher than those with FE Colleges:

FIGURE 25: Percentages of employers in the East Midlands Region which used private training providers or FE Colleges who were satisfied or not with that provision, 2007



Source: NESS07

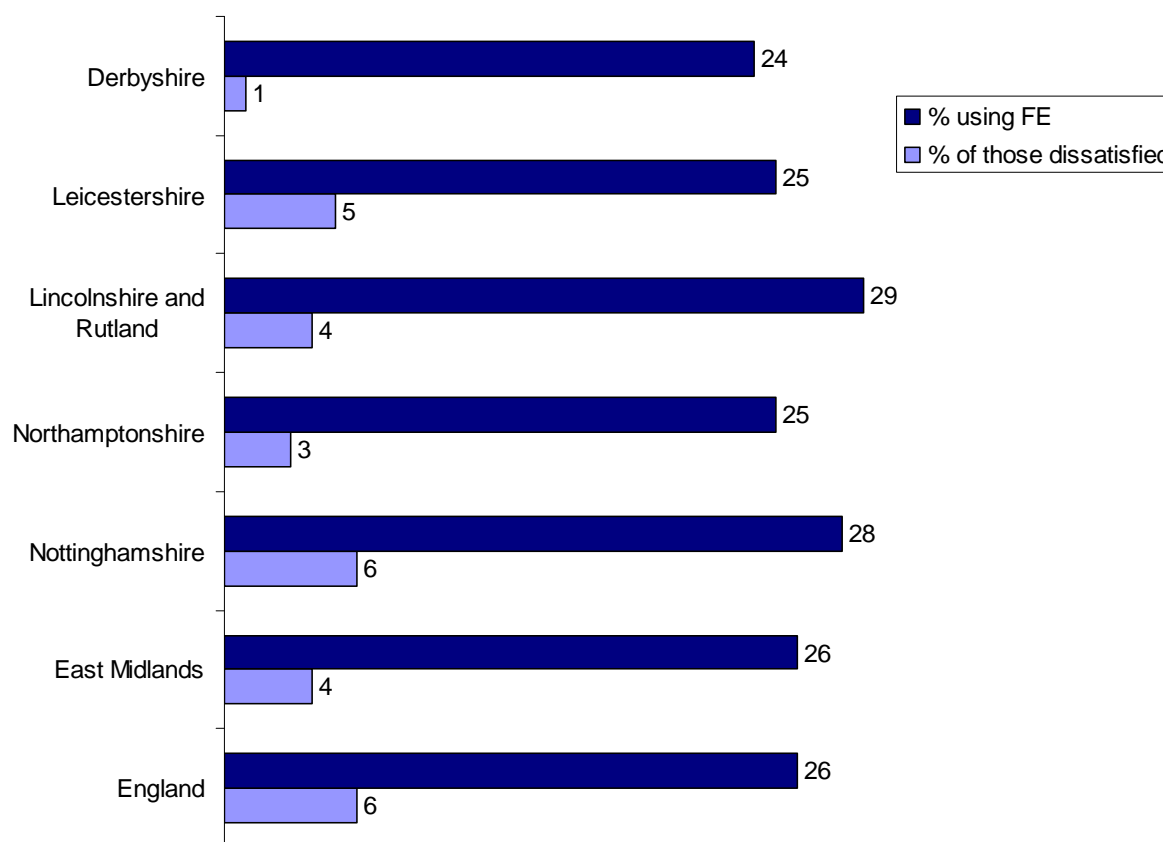
Unweighted bases = 1,627 employers which used FE; 2,878 employers which used private providers; weighted bases = 21,171 and 40,201 employers respectively

Note: All data is weighted unless otherwise specified

The questions of use of, and satisfaction with, the two types of external provider are analysed in more detail below.

A first figure examines use of FE by sub-region:

FIGURE 26: Use of FE Colleges in past year (by establishments doing any training) and satisfaction with FE in the East Midlands Region, by sub-regions, 2007



Source: NESS07

Unweighted bases = numbers of employers which trained (Derbyshire = 1,197; Leicestershire = 1,144; Lincolnshire & Rutland = 1,059; Northamptonshire = 934; Nottinghamshire = 1,286; East Midlands = 5,620; England = 58,600); weighted bases (numbers of employers which trained) = respectively, 16,621, 15,859, 16,269, 15,082, 17,685, 81,543, 977,501

Note: All data is weighted unless otherwise specified

It can be seen that there is only minor variation in use of Further Education amongst employers (those which trained). Similarly, dissatisfaction amongst users is at a low level across the region. (Given that the bases for dissatisfaction figures are mostly below 300 cases, variation between sub-regions on this measure may be mostly due to sampling error).

In an analysis for sectors in the East Midlands, it is again necessary to be cautious because of the small sub-samples. However, allowing for this uncertainty, the SummitSkills sector (responsible for employers delivering plumbing, electrical installation and other building services), though a 'high-use' sector, stands out as being notably dissatisfied with FE provision (other high figures for dissatisfaction having unrepresentative small bases):

TABLE 60: Use of FE Colleges and private training providers in past year and satisfaction with each in the East Midlands Region, by sectors, 2007

	(1) Base for columns 2 and 5: employers which trained*	(2) % used FE College**	(3) Base: number used FE College*	(4) % dissatisfied or very dissatisfied with FE**	(5) % used private provider**	(6) Base: number used private provider*	(7) % dissatisfied or very dissatisfied with private provider**
Lantra	235	24	63	4	54	133	1
Cogent	147	21	31	9	39	58	3
Proskills	144	20	30	-	45	66	1
Improve	82	31	26	4	55	45	8
Skillfast-UK	126	12	16	-	28	38	3
SEMTA	282	31	101	6	53	157	1
Energy & Utility Skills	40	16	8	-	57	25	4
Construction Skills	330	29	123	1	50	192	*
SummitSkills	138	61	89	15	52	75	-
Automotive Skills	238	27	75	3	36	90	7
Skillsmart Retail	542	11	70	1	28	157	4
People 1 st	428	20	90	1	41	179	1
GoSkills	83	18	15	7	40	33	9
Skills for Logistics	182	12	23	17	42	79	2
Financial Services Skills	132	9	14	-	50	68	-
Asset Skills	224	18	54	8	41	107	3
e-skills	186	16	36	5	51	100	-
Government Skills	13	69	6	15	76	9	-
Skills for Justice	23	31	7	-	55	13	17
Lifelong Learning UK	190	42	83	5	61	117	2
Skills for Health	202	43	100	6	59	129	3
Skills for Care and Development	345	46	170	3	76	261	3
Skillset	55	15	8	14	60	33	8
Creative and Cultural Skills	161	18	35	-	55	91	2
SkillsActive	162	34	60	5	56	93	-
Non-SSC employers	930	31	294	4	58	530	1
East Midlands Region	5,620	26	1,627	4	49	2,878	2

* Bases: Unweighted number of employers responding in the survey with the relevant characteristics (ie. trained staff in the last year, trained using FE, and trained using private provider)

** Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

Dissatisfaction with FE provision (see following table) shows no clear regional correlation with size of establishment. Those employing fewer than 25 people were a little more dissatisfied than most larger ones but those employing between 200 and 499 people were most dissatisfied of all. However, the effect for these larger employers was not observed in the *national* sample (3% dissatisfied) and it seems likely that this result is a statistical quirk arising from a modest sample base of 62 cases:

TABLE 61: *Use of FE Colleges and private training providers in past year and satisfaction with each in the East Midlands Region, by size of establishment, 2007*

No. of employees	(1) Base for columns 2 and 5: employers which trained*	(2) % used FE College**	(3) Base: number used FE College*	(4) % dissatisfied or very dissatisfied with FE**	(5) % used private provider**	(6) Base: number used private provider*	(7) % dissatisfied or very dissatisfied with private provider**
2-4	1,198	19	225	5	64	529	1
5-24	2,967	26	772	5	50	1,468	2
25-99	1,140	41	452	2	61	668	2
100-199	173	52	90	2	67	114	1
200-499	106	58	62	13	69	71	-
500+	36	72	26	-	80	28	-
East Midlands Region	5,620	26	1,627	4	49	2,878	2

* Bases: Unweighted number of employers responding in the survey with the relevant characteristics (ie. trained staff in the last year, trained using FE, and trained using private provider)

** Rounded

Source: NESS07

Note: All data is weighted unless otherwise specified

The survey also noted that in addition to use of FE and private provision, 7% of those establishments which trained (the same as the national proportion) had used *university* provision in the past year. This use was strongly weighted to public sectors with the proportion rising to 12% of establishments in the education and training sector, 15% in social care, and 20% in the health sector. Use of universities was also much higher in larger establishments (for example, 41% of those employing 500 or more people) than in smaller ones (7% of those employing between 5 and 24 people).

7.2 Apprenticeship

The survey also asked whether establishments had offered an Apprenticeship or Advanced Apprenticeship over the 12 months prior to survey. Overall, 14% of establishments had done so (as in England as a whole). The proportion was highest in the SummitSkills sector (covering plumbing and electrical installation) and in the vehicle maintenance (Automotive Skills) sector:

TABLE 62: *Use of Apprenticeship by sector, East Midlands, 2007*

	% offering Apprenticeship or Advanced Apprenticeship in last 12 months
Lantra	8
Cogent	13
Proskills	11
Improve	8
Skillfast-UK	6
SEMTA	18
Energy & Utility Skills	10
Construction Skills	19
SummitSkills	42
Automotive Skills	29
Skillsmart Retail	9
People 1 st	12
GoSkills	10
Skills for Logistics	10
Financial Services Skills	7
Asset Skills	8
e-skills	10
Government Skills	10
Skills for Justice	10
Lifelong Learning UK	16
Skills for Health	14
Skills for Care and Development	17
Skillset	4
Creative and Cultural Skills	8
SkillsActive	19
Non-SSC employers	15
East Midlands Region	14
England	14

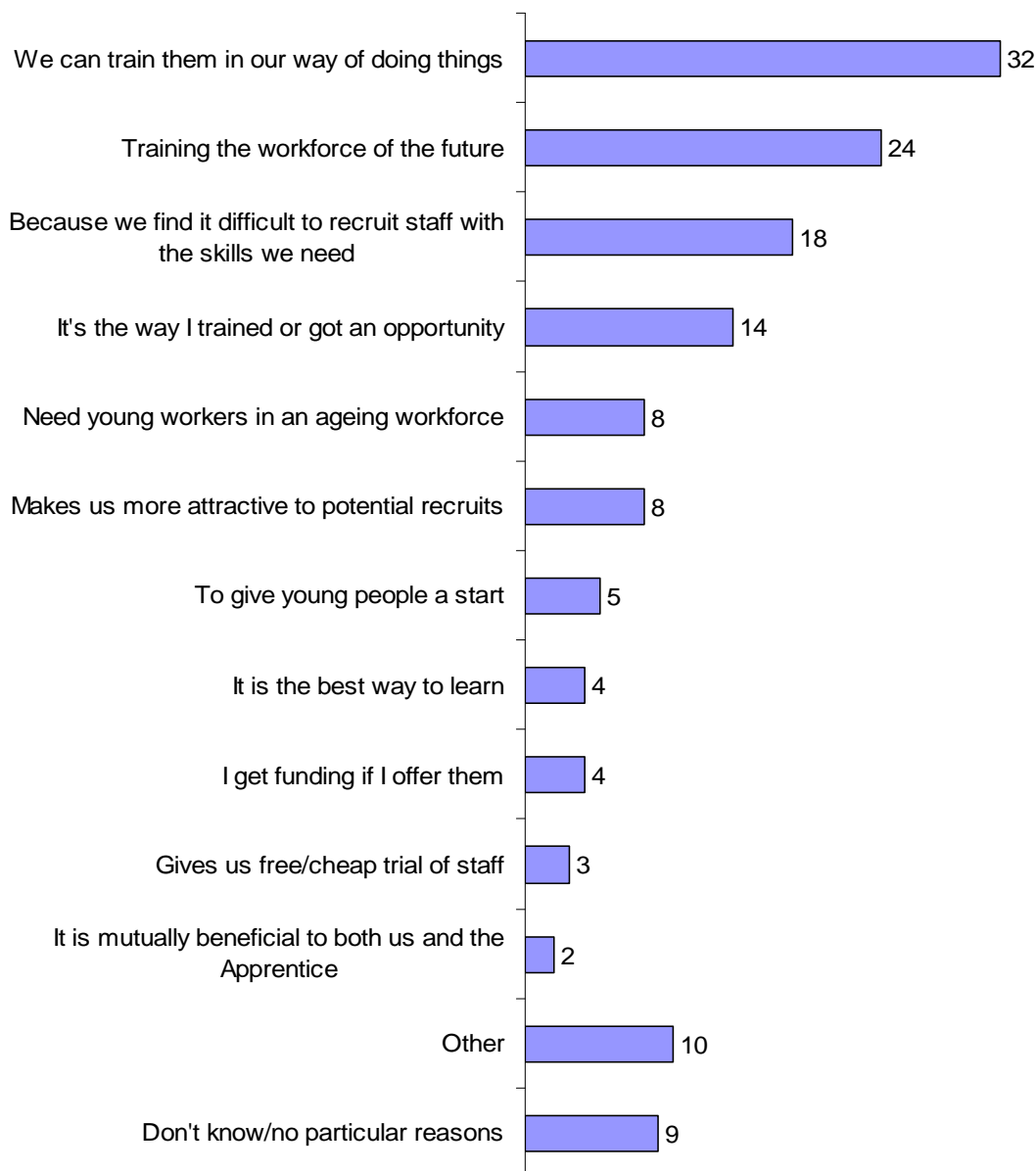
Source: NESS07

Unweighted base = all 7,612 employers responding in the survey; weighted base = 120,774 employers

Note: All data is weighted unless otherwise specified

The reasons for offering or not offering Apprenticeship were probed. The reasons for offering Apprenticeships were:

FIGURE 27: *Reasons for offering Apprenticeship, East Midlands, 2007*



Source: NESS07

Unweighted base = 1,287 employers responding in the survey who offered Apprenticeship; weighted base = 17,076 employers

Multi-response

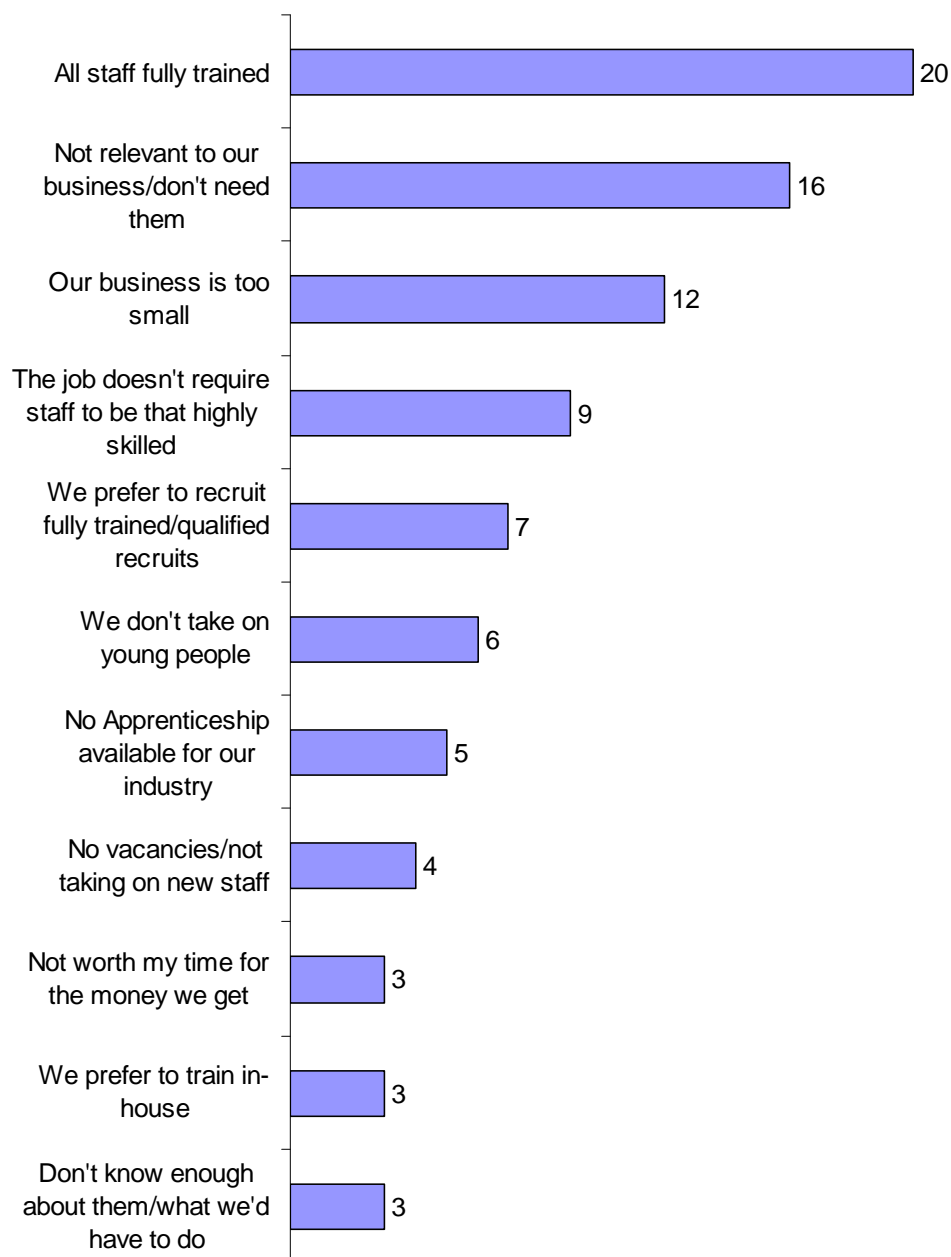
Note: All data is weighted unless otherwise specified

It can be seen that the single main reason for use of Apprenticeship is that it can be used to train young people in a way which adapts them to the employer's specific way of working. However, other employers took a wider view and were concerned about long term workforce needs, replacement of older workers, and about giving an opportunity to young people. Few were motivated by Apprenticeship funding.

Employers who *didn't* offer Apprenticeship also gave their reasons for not doing so. The following chart shows that reasons for not using Apprenticeship focus on the 'demand side',

that is, on a limited requirement. Very few respondents mentioned limitations (such as the level of funding or associated bureaucracy) in Apprenticeship itself:

FIGURE 28: *Main reasons for not offering Apprenticeship, East Midlands, 2007*



Source: NESS07

Unweighted base = 5,876 employers responding in the survey not offering Apprenticeship; weighted base = 97,623 employers

Multi-response

Note: Other reasons, accounting for 2% or fewer responses included: financial constraints, training is too expensive; no young people have applied; we haven't got the time; lack of resources/facilities; lack of government funding/grants; bad previous experience with Apprentices; it is a Head Office decision; company is too new; not as good as they used to be; no such courses exist; high staff turnover; too much paperwork/bureaucracy.

Note: All data is weighted unless otherwise specified

7.3 Train to Gain

The survey also tested employer awareness of, and involvement in, the Train to Gain initiative. The following table sets out the results by sector:

TABLE 63: *Awareness of, and involvement in, Train to Gain by sector, East Midlands, 2007*

	% heard of Train to Gain	% involved in Train to Gain in last 12 months
Lantra	22	1
Cogent	35	5
Proskills	26	3
Improve	29	9
Skillfast-UK	27	4
SEMTA	26	5
Energy & Utility Skills	35	8
Construction Skills	28	4
SummitSkills	23	3
Automotive Skills	23	2
Skillsmart Retail	23	2
People 1st	26	3
GoSkills	26	3
Skills for Logistics	26	4
Financial Services Skills	26	4
Asset Skills	30	4
e-skills	31	4
Government Skills	63	9
Skills for Justice	34	9
Lifelong Learning UK	63	22
Skills for Health	42	12
Skills for Care and Development	49	17
Skillset	26	1
Creative and Cultural Skills	27	2
SkillsActive	30	4
Non-SSC employers	33	5
East Midlands Region	30	5

Source: NESS07

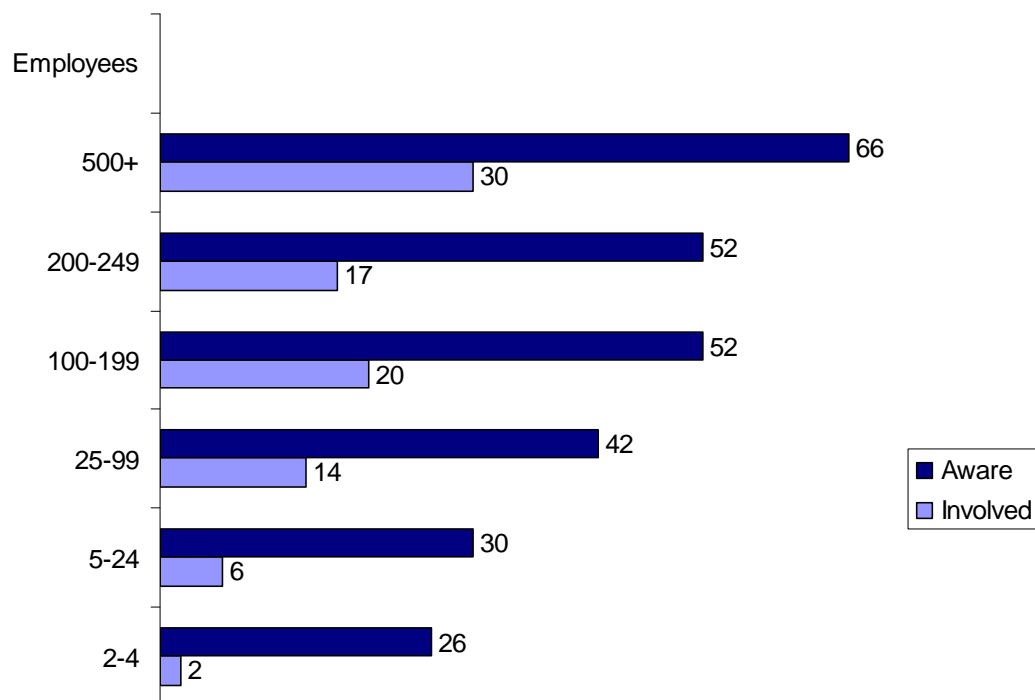
Unweighted base = all 7,612 employers responding in the survey; weighted base = 120,774 employers

Note: All data is weighted unless otherwise specified

This data shows clearly that awareness of and involvement in Train to Gain is most significant in some public sectors – the learning sector (Lifelong Learning UK) and the health and social care sectors. In the first of these cases, it is likely that the particularly high figures reflect involvement as a *provider* rather than as a recipient of Train to Gain support.

Awareness and involvement increase with the size of establishments:

FIGURE 29: Awareness of, and involvement in, Train to Gain by size of establishments, East Midlands, 2007



Source: NESS07

Unweighted base = all 7,612 employers responding in the survey; weighted base = 120,774 employers

Note: All data is weighted unless otherwise specified

7.4 Employer reactions to government skills policy

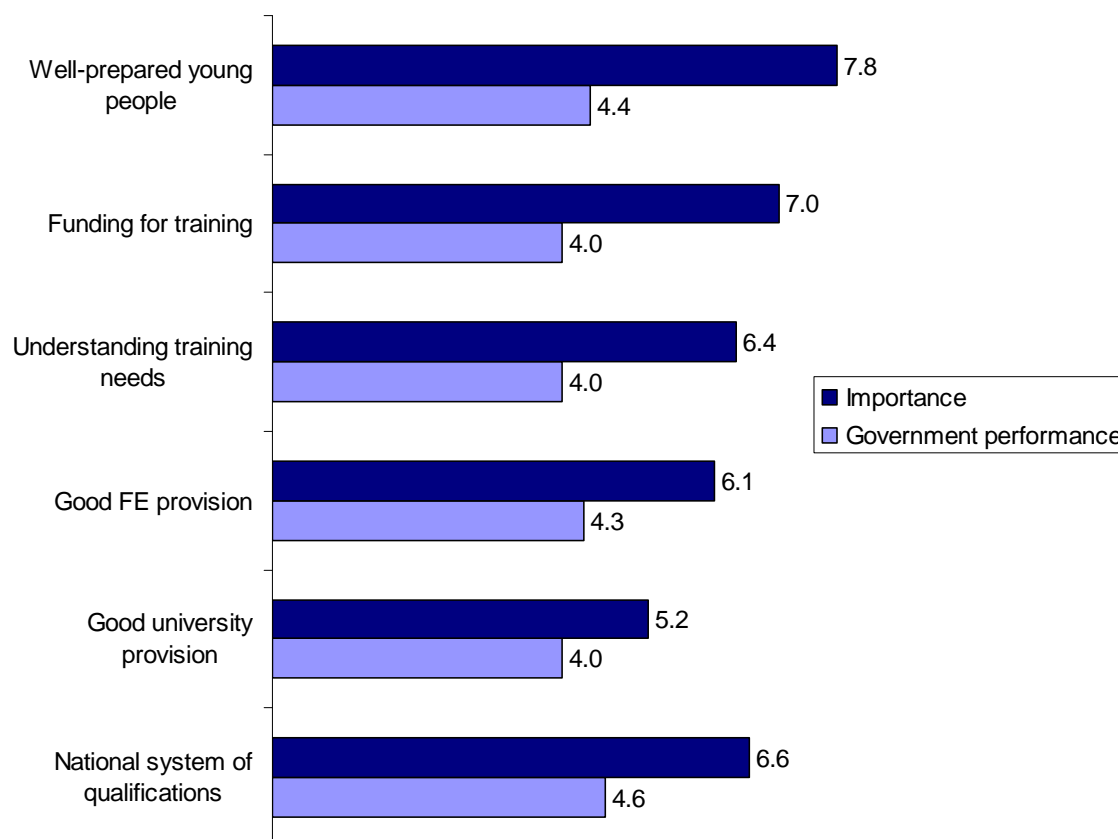
Survey respondents were asked, firstly, to say how *important* it is to them that the government provides a number of different benefits from national education and skills policy and, secondly, how *well* the government performs in respect of each benefit. These benefits were:

- Young people leaving compulsory education who are well prepared for work.
- Funding for training for your employees.
- Help in understanding and meeting your training needs.
- Good quality provision for your existing workforce through FE Colleges.
- Good quality training provision for your existing workforce through universities.
- A national system of vocational qualifications to accredit achievement in training.

With respect to each, employers were asked to score 'importance to them' and 'how well government performs' on separate 10-point scales, with 1 meaning 'not at all important' or 'extremely badly' and 10 meaning 'essential' or 'doing an excellent job'.

Overall results in terms of average ratings for all employers are set out in a chart:

FIGURE 30: Average ratings of importance and government performance in different areas of skills policy, East Midlands, 2007



Source: NESS07

Unweighted base = all 7,612 employers responding in the survey; weighted base = 120,774 employers

Note: All data is weighted unless otherwise specified

It can be seen that employers are most concerned about the government's ability to generate school leavers who are well-prepared for work. On average, employers are not convinced that the government does a good job in respect of any of these policy aspects. On a scale with a mid-point of 5.5 all average scores were below that point.

Within these overall assessments, there were two consistent features of the data:

- Both the importance of each policy aspect and the likelihood of saying that the government is doing a good job rises with the *size of establishment* – small establishments are less likely to see each policy aspect as important and less likely to see the government as performing effectively.
- Both the average 'importance' and 'performance' ratings are raised by above-average scores given by employers which are themselves in the *public sector* – private sector businesses are consistently less likely to see government policy objectives as important to them and to credit the government with performing well in relation to each objective.

7.5 Public support to skills development: key points

A review of employer responses to a number of questions concerning the public contribution to skills development reveals:

- A small decline in use of FE provision but, amongst users, increasing satisfaction with provision (and an overall low rate of dissatisfaction).
- More frequent use of private provision (than of FE provision) and even lower levels of dissatisfaction with such provision.
- Use of Apprenticeship by around 1 in 7 employers with much the highest level of use in the plumbing/electrical/heating and ventilation sector.
- Fewer than a third of employers were aware of Train to Gain. One in twenty was involved in the initiative in the year prior to survey. Awareness and involvement levels were much higher in the public than private sectors.
- Employers were more likely to be negative than positive about government performance in delivery of some broad objectives of educational and skills policies.
- Larger and public sector employers were consistently more positive than smaller and private sector employers.

8. REGIONAL STRATEGY AND SURVEY FINDINGS

8.1 Regional strategies

The National Employer Skills Survey as reported in previous chapters is primarily intended as an information resource, allowing those public and private organisations engaged in the encouragement or development of better workforce skills to plan on the basis of sound evidence of labour market conditions and trends.

In addition, the survey also generates insights into existing plans and policies as reflected in the strategies of various organisations active in, or influential on, skills development in the region. In this respect, survey findings are somewhat oblique. The survey is not specifically designed to test whether particular strategic objectives or programme targets are being met. However, it is possible to identify points where strategic directions and survey findings intersect and to make limited observations on those points. This chapter makes some observations. In doing so, it makes reference to major documents which guide current thinking on workforce development:

- The 'Leitch Review' (Prosperity for all in the global economy – world class skills, Final Report, December 2006) ('Leitch')
- The Regional Economic Strategy (A Flourishing region, RES for the East Midlands 2006-2020, East Midlands Development Agency) ('RES')
- Learning and Skills Council East Midlands Commissioning Plan, 2008-09 (LSC East Midlands, February 2008) ('LSCCP')
- A strategy for adult learning in the East Midlands, 2008/2009 onwards (LSC East Midlands, February 2008) ('Adult strategy')
- A strategy for Apprenticeships/Work Based Learning provision in the East Midlands for the period to 2009-10 (LSC East Midlands, March 2008) ('WBL strategy')

Policy	Commentary based on survey findings
<p><i>Reduction in skills deficiencies</i></p> <p>‘Skills deficiencies will reduce (as a result of implementation of Leitch recommendations). Upskilling throughout the workforce will ensure improved labour supply’. (Leitch)</p>	<p>It is, of course, early days in respect of building the new impetus for increasing and supporting skills development in England which the Leitch review envisages. However, the organisational basis on which Leitch expects a rapid upward shift in skills is already substantially in place – Sector Skills Councils are in operation (albeit that there may yet be some redefinition of their precise role and responsibilities), Train to Gain is established and expanding, Apprenticeship frameworks are being more closely aligned with employer needs, Further Education Colleges are being firmly pushed in the direction of ‘demand led’ provision and of higher quality delivery, and so on.</p> <p>NESS07 allows some commentary, therefore, on the extent to which, given these developments, the skills deficiency position (that is, regarding skill shortages and skills gaps) is moving or not.</p> <p>One message from the survey in the East Midlands is that, at the moment, a period of <i>stability</i> appears to have been achieved. There has been little change in the number of skill shortage vacancies or skills gaps between 2005 and 2007, following substantial falls in both between 2003 and 2005.</p> <p>It is also the case that the absolute number of skill shortage vacancies at any one time is low. The survey suggests that only around 1 in 200 jobs at the point of survey was subject to a skills shortage vacancy. Skills gaps were more numerous but still estimated to affect only around 6% of people in employment in the region.</p> <p>This might lead to a view that the skills problem which numerous government White Papers, initiatives, and reports (including the Leitch Review) address, is actually not severe.</p> <p>However, a number of other factors need to be taken into account before this conclusion is made.</p> <p>Firstly, it has been noted in this report that employers may frequently under-identify skills gaps in their workforces in surveys and that observing skills deficiencies at a single point in time (as with a survey) minimises both their numbers and the proportions of employers who may be affected by them over a longer time period of, say, a year or more.</p> <p>Secondly, and what is perhaps most pertinent to national policy, and to Leitch’s emphasis on the need for major changes, is that skills shortages are weighted towards some particular occupations – skilled trades and technical and professional staff – which are essential to performance and productivity in several key sectors of the UK economy.</p> <p>Thirdly, the Leitch Review is fundamentally not about the current skills position. Rather it is about ensuring that the nation’s future skills profile is adequate for competitiveness in the face of a rapidly moving global economy.</p> <p>From all these latter points of view it is clearly important that survey findings should not be read as implying that the ‘skills issue’ is not a particularly critical one for the East Midlands (or indeed the UK). As Leitch notes, huge strides forward in the profile of skills and attainment need to be made if national and regional prosperity is to be maintained and advanced.</p>

General aspirations for greater employer engagement in workforce development

'provide support (to employers) about how to develop the skills of the workforce' (Leitch)

'Small firms will have easier access to relevant training for their employees' (Leitch)

In this respect, NESS surveys generate a quite positive message. The proportion of East Midlands employers which train staff rose from 62% in 2003 to 66% in 2005 and to 68% in 2007. The regional proportion is marginally ahead of the national proportion. For workplaces employing 5 or more people the proportion of employers which train staff is at least 80% and rises above 90% for workplaces with 25 or more staff.

The simple message that employers should train staff is, therefore, broadly accepted with the great majority already doing so.

If there is a gap in employer engagement it might be assumed to be mainly focussed on very small firms employing fewer than 5 staff. Only 54% of these supplied training to staff and the proportions of employees in these businesses which receive on- or off-the-job training is notably below average. But, of course, very small businesses may often comprise of a few highly experienced individuals who are stable in their jobs (the survey revealing that a lower than average percentage of these employers have vacancies). In these circumstances, absence of training does not necessarily imply a failure of business strategy. In the survey, 70% of employers with fewer than 5 staff (those not supplying training) reported that they didn't train because 'all our staff are fully proficient' (a higher proportion than in any other size group of firms). The Leitch Review's observation that small firms need 'easier access to relevant training' may be true, but may be unlikely to impact on the many small firms which do not see their staff as *needing* training.

Overall, however (irrespective of this particular digression on small firm training behaviour), the survey suggests that efforts to secure wider employer engagement in workforce development have had some recent success and that future efforts, not just to increase the proportion of 'engaged' employers but to increase the depth of their engagement, may run with a positive tide.

Expansion of and engagement in Train to Gain

'We will develop the TtG programme to ensure a seamless offer to employer and to increase the number of employer engagements' (LSCCP)

'route all public funding for adult vocational skills... through TtG and Learner Accounts' (Leitch)

'Extend TtG to higher levels' (Leitch)

'Train to Gain brokers are tasked to work with a full range of employers while retaining their focus on 'harder to reach' firms' (Leitch)

'Funding or part funding available for a range of qualifications... at Full Level 2 and at Full Level 3' (Adult Strategy)

Survey findings in respect of Train to Gain are, perhaps more than any other findings, susceptible to the passage of time between the conduct of NESS07 (April to July 2007) and this survey report (June 2008). Train to Gain has been a programme in start-up and development over the last two years. It has only fairly recently gained the stability of national roll-out and acceptance as a central instrument of policy to improve employability and Level 2/3 skills in the workforce. And it has recently been the subject (January-June 2008) of a television marketing campaign.

It is likely, therefore, that the take-up and awareness figures recorded by the survey have now been superseded. Recent performance figures internal to the LSC suggest that the East Midlands has been the most successful of the English regions in expanding Train to Gain take-up by employers.

It is in this light that the survey's figures reflecting the position in mid-2007 should be considered. These were that, *at that point*:

- Fewer than a third of all employers in the East Midlands (30%) had heard of Train to Gain.
- Only 1 in 20 of all employers in the East Midlands had been engaged in the programme in the year preceding survey.
- And that awareness and participation were weighted towards public sectors – which can scarcely be said to conform with the 'hard-to-reach' employers which are a particular concern of the programme.

The message may be that, by 2007, Train to Gain had made only modest in-roads into the employer base. However, continuing efforts to increase the flexibility of the programme, widespread marketing, and increased funding are being used to move Train to Gain towards the position, envisaged by Leitch, where it becomes the major public driver of, and channel for, support to, adult skills development in the workplace.

Improvements in quality and take-up of Apprenticeship

'We will dramatically increase the number and range of 16-18 Apprenticeship places' (LSCCP)

'We will develop a coherent employer engagement strategy... resulting in an increase in employers engaged in Apprenticeships (LSCCP)

'Dramatically increase Apprenticeship volumes' (Leitch)

'Employers should drive the content of Apprenticeships... (to) ... ensure that Apprenticeships are relevant to employers and high quality' (Leitch)

'Work with employers... to stimulate demand and ability to offer employer-led apprenticeships' (WBL strategy)

The survey established that around 1 in 7 employers (14%) used the Apprenticeship programme in the year preceding survey. There is, therefore, a considerable margin of employers into which, in principle, an Apprenticeship presence could be expanded. Perhaps paradoxically, that margin is greatest in agencies and departments of central government of which only 7%, half the average rate of employers, offered Apprenticeships.

It should be noted, however, that the latter situation has been recognised by government. Thus, the LSC has recently commissioned broadly-based research across the public sector to identify how and where Apprenticeship can be much more widely adopted by the sector.

The survey shows that the barriers which such attempts will face, are, however, significant ones in that they are not concerned with the structure or character of Apprenticeship or lack of awareness – barriers which could be overcome, say, by making sure that Apprenticeship fits employer needs or marketing Apprenticeship more effectively. They are rather indicative of clear lack of demand – 'Our staff are all fully trained', 'Apprenticeship isn't relevant to our business and isn't needed', 'our business is too small', 'our jobs don't need highly skilled staff', 'we prefer to recruit fully trained people', 'we don't take on young people' and 'we have no vacancies'.

These types of response suggest that expansion of Apprenticeship will not be an easy task, and, perhaps, that aspirations to *dramatically* increase Apprenticeship may not be realised in the short term.

However, the most difficult area in which to increase Apprenticeship take-up concerns 16-18 year olds, where regulation and employer resistance to the use of very young Apprentices present barriers. Recent expansion of Apprenticeship to older age groups may, to some degree, allow faster extension of the programme than might otherwise have occurred.

Improvement of, and more employer engagement in, Further Education

‘ensuring courses are aligned to an ongoing assessment of skills needs’ (RES)

‘ensuring that the design and delivery of vocational based learning is fit for purpose’ (RES)

‘encourage more employers to see FE as the solution to their skill needs’ (LSCCP)

‘We will increase the number of good and outstanding (FE) providers by helping them to improve’ (LSCCP)

‘We want to ensure that the (FE) system reflects the needs... of more employers’ (LSCCP)

Survey findings on FE use by employers in the East Midlands have both negative and positive aspects.

On the negative side, the proportion of employers in the region which use FE was shown to decline between 2007 and 2005 – from 21% to 18%. Aspirations for use of FE by more employers are therefore running against a downward trend which will need to be reversed.

The survey further indicates that FE provision needs to shift its profile, in so far as the main reasons for *non-use* were ‘FE courses are not relevant to our business’ and ‘we prefer to train in-house’. It seems, therefore, that, not only do more employers need encouraging ‘to see FE as the solution to their needs’ and that the quality of existing courses needs to be improved, but that there also needs to be movement towards *different* courses which ‘reflect the needs of more employers’.

More positively, the survey also showed that amongst employers who *do* use FE provision, satisfaction with that provision, already at a substantial level in 2005, rose further by 2007.

In essence, therefore, employer use of FE has reduced (presumably with the least satisfied employers dropping away) to leave a position in which remaining users are the more satisfied ones.

The challenge, in line with these policy objectives, is to re-build outwards from this core of largely satisfied existing users, by adding new employers drawn in by more relevant provision. The expansion of Train to Gain, and its increasing flexibility, may well be one mechanism which stimulates such engagement.

The role of qualifications

‘Over one half of employers say they would like to support their employees to gain qualifications through staff training’ (Leitch)

The main survey finding here is that there is a gap between the employer aspiration reported in the Leitch Review and the current position. Thus, 68% of regional employers provided training and, of these, 50% trained staff towards a qualification. In other words, 34% of *all* employers (including those who didn’t train) trained staff towards qualifications – around 16% short of Leitch’s estimate of 50% who say they would like to do so.

The obvious question is of what would close the gap. It may be that the simplification of accredited qualifications currently in progress may help; as above, any shift from use of internal training resources into FE would tend to increase the volume of training which is formally accredited; and flexibility of accreditation, allowing employers to choose the training elements they require, will also assist.

Improvements in the fitness of young labour market entrants

'Equip school and college leavers with the skills and knowledge that businesses require' (RES)

There are still significant minorities of young people who employers report as poorly or very poorly prepared for work – 23% of 16 year old school leavers, 16% of 17 or 18 year old school or college graduates, and 9% of young graduates.

From the employer viewpoint, the main problems with those seen as not well prepared for work concern their lack of experience, lack of motivation, poor education and lack of general knowledge, lack of common sense, and, amongst the younger groups, poor literacy and numeracy.

These problems were observed amongst young people who were actually recruited – they may be still more significant amongst those young people who employers rejected.

However, it was evident that employer views of young people are becoming more positive. The percentages of all groups which are seen as poorly prepared have fallen markedly between the 2005 and 2007 NESS surveys – from 30% to 23% for 16 year olds, from 22% to 16% of 17-18 year olds, and from 11% to 9% for graduates.

Essentially, therefore, whilst issues regarding the preparation of young people for work remain (and there are also practical barriers, of course, to engaging young people in sectors such as construction and health where health and safety and other regulations apply), movement is in the right direction and of significant scale.

Increasing employability and entry level skills

'95% of adults should have basic functional literacy and numeracy skills' (LSCCP/Leitch)

'Small businesses in the region have identified shortage in basic literacy skills in their workforce' (LSCCP)

'Skills for Jobs programme – support with the learning journey (of low-skilled unemployed people) to continue post-employment' (Adult Strategy)

There has been a very significant emphasis on raising adult literacy and numeracy through the Skills for Life programme; and public skills policy generally gives much attention to these basic skills, on the basis that they constitute the necessary foundation for further learning and skills development as well as for efficiency at work. Government estimates indicate widespread deficiencies despite the significant number of adults achieving relevant qualifications through the Skills for Life programme.

The survey, however, suggests that employers do not observe deficiencies in literacy and numeracy in quite the same light. Thus, only 6% of employees in the region are estimated (by employers) to have gaps in their skills, and of these, only 1 in 6 are associated with a literacy deficit and only 1 in 10 associated with a numeracy deficit. Thus, overall, fewer than 1 in 100 employees is believed to have a lack of proficiency which is directly attributed to poor literacy and fewer than 1 in 150 are perceived to have a numeracy problem.

And when recruiting, only around 1 in 7 of employers who said that applicants lacked skills mentioned (each of) lack of literacy and numeracy.

Clearly, a NESS telephone interview on a range of skills and training matters could not fully probe respondents' positions on this specific issue and the survey may underplay the actual significance of poor literacy and numeracy in the workplace to some degree.

Even allowing for this, however, it seems likely that employers are not as conscious of employee deficiencies in this area as they might be – a factor which may underlie the difficulty which Skills for Life programmes have hitherto had in persuading employers to take up provision, and which emphasises the importance of Train to Gain in delivering new impetus in this area.

Increasing intermediate (Level 2/3) skills

'More than 90% of adults should be qualified to at least Level 2' and '68% of adults should be qualified to Level 3' (LSCCP/Leitch)

The survey was not designed to probe the type or levels of qualifications held by the workforces of interviewed employers. It does, however, allow a very limited insight into this issue by noting the levels of NVQs towards which employees are studying. Thus, whether supported by the LSC or not:

- 13% of East Midlands employees trained towards a qualification during the year preceding the survey.
- 6% trained towards a nationally-recognised qualification (other than NVQ). The survey did not ask about the level of these qualifications.
- 7% trained towards an NVQ. Of these, the majority trained towards Level 2 (52% of employers which used NVQ provided training to this level) or Level 3 (43%) or Level 4 (13%). Only 10% of employers trained towards NVQ at Level 1.

These statistics suggest that employer training adds around 100,000-110,000 NVQs at or above Level 2 to the total stock of workforce qualifications each year. In many cases, these may be broadening the qualifications held by an individual and not necessarily raising the level of the highest qualification which the individual holds. However, the public policy climate is moving away from a simple concern with numbers qualified to particular levels. It is increasingly recognised that, as well as supporting people with low qualifications towards a 'first Level 2' qualification, it is also of great value to the economy to add a vocational qualification to people's academic qualifications (say, GCSEs) even where this does not raise the individual's highest qualification level.

Increased management training

'develop new management and leadership programmes from a regional strategy based on generic and sectoral input' (RES)

The development of management and leadership skills is a frequent target of skills policy – not only because formally trained managers have been shown to be more effective than untrained ones (who have risen to management positions via their experience or as owner/managers of their own businesses) but because trained managers have also been shown to be more likely to value workforce development for their staff.

The survey shows that managers are already the occupational group which is most likely to receive training. Managers account for 17% of the workforce but receive 31% of all off-the-job training in the year prior to the survey – around 180,000 training episodes for the region's 310,000 managers. This training is, of course, training *of* managers (in all types of skills) not training *in* management. However, its overall high volume indicates that up-skilling of managers already has considerable prominence in the region's overall training profile. A more particular emphasis on leadership and management skills as such may be assisted by Train to Gain's focus in plans for 2008/09 for support to leadership and management training.

8.2 LSC Priority Sectors

Finally, the survey also allows a number of key indicators relating to the LSC's priority sectors to be set out. These priority sectors are:

- Construction
- Health and social care
- High performance engineering
- The public sector

These sectors are described in survey data via their coverage by Sector Skills Councils:

- ConstructionSkills and SummitSkills for the construction sector.
- Skills for Health and Skills for Care and Development for the health and social care sector.
- SEMTA for high performance engineering.
- Government Skills, Skills for Justice, and Lifelong Learning UK for the public sector.

With regard to this procedure, two points may be noted. Firstly, SEMTA, covering engineering in general, is only an approximation for those engineering sub-sectors or particular businesses which might be construed as 'high performing'. Secondly, the sub-samples on which statistics for Government Skills and Skills for Justice sub-sectors are based are very small and some may, therefore, not be highly reliable. However, allowing for these imprecisions, the relevant data is set out in a table below:

TABLE 64: Key indicators for four LSC priority sectors

	All sectors	Construction		Health and social care		High performance engineering	Public sector		
		Construction Skills	Summit Skills	Skills for Health	Skills for Care and Development	SEMTA	Government Skills	Skills for Justice	Lifelong Learning Skills
% of all vacancies	100	4.5	1.2	4.0	5.4	6.0	1.2	1.4	3.1
Vacancies as % of jobs	2.3	3.9	2.1	1.2	3.0	2.0	2.9	2.5	1.9
% of employers with vacancies	15	19	10	20	28	19	20	43	24
Number of hard-to-fill vacancies	12,126	799	322	311	322	969	4	49	114
% of all HtF vacancies	100	6.6	2.7	2.6	2.7	8.0	0.0	0.4	0.9
HtF vacancies as % of vacancies	30	43	67	19	15	39	1	9	9
Number of skill shortage vacancies	7,612	595	295	183	177	825	0	24	95
SSVs as % of HtF vacancies	70	75	92	59	55	85	0	49	83
% recruited 16 year old school leavers	7	8	11	2	2	9	0	5	4
% recruited 17-18 year olds	12	13	17	12	12	10	10	17	6
% recruited young graduates	10	6	3	9	11	5	12	18	10
Number of skills gaps	114,703	4,155	1,662	3,995	2,884	13,686	532	2,542	8,346
% of employers with skills gaps	15	14	18	16	16	18	37	33	17
Skills gaps as % of jobs	6	5	8	3	4	11	3	11	13
% of employers supplied training in last year	68	60	65	84	91	74	98	100	81
% of employees received off-the-job training	32	30	38	24	59	15	66	38	40
% of employees received on-the-job training	49	33	47	76	68	32	66	63	49

% of employees trained towards a national qualification	13	15	19	23	36	7	7	7	13
% of employees trained towards NVQ	7	8	6	9	28	4	6	3	9
% of employers which trained which used FE Colleges	26	29	61	43	46	31	69	31	42
% of those dissatisfied with FE	4	1	15	6	3	6	15	0	5
% used Apprenticeship	14	19	42	14	17	18	10	10	16
% aware of Train to Gain	30	28	23	42	49	26	63	34	63
% involved in Train to Gain	5	4	3	12	17	5	9	9	22

Unweighted bases: ConstructionSkills 459 cases; SummitSkills 183; Skills for Health 223; Skills for Care and Development 274; SEMTA 392; Government Skills 14; Skills for Justice 23; Lifelong Learning UK 226

Note: In table rows where percentages can be compared with an all-sectors average, above average percentages are shown in red/bold

Source: NESS07

Note: All data is weighted unless otherwise specified

This data reveals that the LSC's priority sectors have quite different 'skills issues' and are not united by common conditions or patterns of behaviour.

Thus, the *public sectors*:

- Are quite likely to have vacancies – but have very few hard-to-fill or skill shortage vacancies.
- Have recruitment patterns which focus on graduate, rather than younger, recruits.
- Are much more likely to offer training to staff – but not towards NVQ or other recognised qualifications.
- Are more likely than average to use Further Education Colleges. However, this may reflect the large size of organisations in the sector. Since, as above, relatively few staff train to recognised qualifications, the data suggests that employers in these sectors are likely to use FE – but for relatively small proportions of staff.
- Tend to be lower-than-average users of Apprenticeship but have strong awareness and quite high involvement in Train to Gain (perhaps counter to the latter programme's particular interest in 'harder to reach' employers).

The *health and social care* sector (itself, of course, largely in the public sector) shares some of these characteristics but not all. Thus, the sector:

- Has relatively few hard-to-fill vacancies and relatively few of these are regarded as hard to fill because of skill shortage.
- Is unlikely to recruit 16 year old school leavers (many jobs being unsuitable or proscribed for 16-year-olds).
- Is a 'high training' sector – and a strong user of national qualifications, including NVQs.
- Is a relatively heavy user of FE Colleges and has relatively high awareness and use of Train to Gain.

The *construction* and *engineering* sectors contrast quite sharply with the former sectors. Thus:

- They supply much larger volumes of hard-to-fill and skill shortage vacancies – and very high percentages of their hard-to-fill vacancies are hard-to-fill because of skill shortage.
- They are more likely to recruit young people at age 16 and, in construction's case, at 'College leaver' age.
- They are less likely to offer training to staff than the public and health and social care sectors but, in construction's case, more likely to offer national qualifications when they do so.
- They are somewhat more likely to use FE Colleges than is average (for all sectors). This is particularly true for the SummitSkills sector (plumbing, electrical installation, etc.) – but this sector is also notably *critical* of FE.
- They are relatively strong users of Apprenticeship (particularly so in the SummitSkills case).
- But are less likely to be aware of, or involved with, Train to Gain.

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