

National Employers Skills Survey 2007: London Region Report

May 2008

Of interest to everyone involved in improving skills and learning opportunities in the workforce across London

The National Employers Skills Survey 2007 (NESS07) provides detailed information on the incidence, extent and nature of skills problems facing employers, in terms of both recruitment and skills gaps within their existing workforce. It explores employers' activities and expenditure in relation to training.

CONTENTS

Contents	3
Executive Summary	8
1. Introduction	12
1.1 The National Employer Skills Survey	12
1.2 The Survey Methodology	12
1.3 Data issues.....	13
1.3.1 Data validity	13
1.3.2 Trend information & establishment size	13
1.3 Profile of interviews achieved	14
1.4 Report Structure	15
2. establishment and Employment Profile	16
2.1 Establishment Profile	16
2.1.2 Sectors	17
2.2 Employment Profile	18
2.2.1 Occupations.....	20
3. Vacancies and Recruitment Difficulties	21
3.1 Introduction.....	22
3.2 Vacancies, Hard-to-Fill & Skills Shortage Vacancies	22
3.3 Effect of Size on Vacancies & Recruitment.....	25
3.4 Occupational Profile.....	26
3.5 Sectoral Profile	30
3.6 Reasons for Recruitment Difficulties	32
3.7 Skills Lacking where Skill Shortage Vacancies Exist.....	33
3.8 Impact of Vacancies and Recruitment Difficulties	34
3.9 Response by Establishments to Recruitment Difficulties.....	35
4. Skills Gaps.....	36
4.1 Introduction.....	37
4.2 Incidence and Distribution of Skills Gaps	37
4.3 Occupational Distribution of Skills Gaps	39
4.4 Sectoral Profile of Skills Gaps.....	41
4.5 Skills lacking.....	43
4.6 Reasons for Skills Gaps	44
4.7 Impact of Skills Gaps	45
4.8 Responses to Skills Gaps.....	47
5. Recruitment of Young People to Employment and	48
Apprenticeships	48

5.1	Introduction.....	49
5.2	Recruitment of Young People into Jobs.....	49
5.2.1	Preparedness for Work.....	52
5.2.2	Ways in which young people are poorly prepared for work.....	54
5.3	Apprenticeships.....	56
5.3.1	Apprenticeship profile.....	56
5.3.2	Reasons for offering Apprenticeships.....	58
5.3.3	Reasons for not offering Apprenticeships.....	59
6.	Training and Workforce Development.....	61
6.1	Introduction.....	62
6.2	Provision of Training.....	62
6.2.1	Establishment size.....	64
6.2.2	Occupations.....	65
6.2.3	Training activity by sector.....	67
6.3	The Nature of Training Activity.....	69
6.3.1	Health & safety & induction training.....	69
6.3.2	Training towards qualifications.....	70
6.4	Training Infrastructure.....	71
6.4.1	Business plans, training plans & budgets.....	71
6.4.2	Training expenditure.....	72
6.5	Assessment Infrastructure.....	73
6.5.1	Assessing the impact of training.....	74
6.6	Reasons for Not Providing Training.....	75
6.7	Barriers to providing more training.....	76
6.8	Engagement and Satisfaction with Further Education Colleges (FE) and Other Providers.....	77
6.8.1	Use of further education colleges.....	77
6.8.2	Barriers to engaging with further education colleges.....	78
6.8.3	Use of other training providers.....	79
6.9	Government Support for Training.....	79
6.9	Train to Gain.....	81
	Annex A – City Strategy Pilot Areas.....	82
	Annex B – The Impact of Finance and Business Services.....	87
	Annex C – Sector Definitions.....	89
	Annex D: Descriptions of occupational categories.....	91

List of Figures

Figure 1: Number & proportion of establishments by region, 2007	15
Figure 2: Occupational profile of employment, London & England, 2007	19
Figure 3: Proportion of establishments reporting at least 1 vacancy by sub-regions, London & England, 2007	22
Figure 4: Distribution of vacancies by occupation, London & England	25
Figure 5: Distribution of vacancies & employment by occupation, London, 2007	26
Figure 6: Volume of vacancies, HtFVs & SSVs by occupation, London, 2007	27
Figure 7: Percentage of vacancies that are SSVs by occupation, London & England, 2007	28
Figure 8: Reasons for vacancies being hard-to-fill, London and England, 2007	21
Figure 9: Skills lacking in connection with skills shortage vacancies, London & England, 2007	32
Figure 10: Effects of recruitment difficulties, London & England, 2007	33
Figure 11: Responses to recruitment difficulties, London & England, 2007	34
Figure 12: Skills gaps & employment by occupational group, London, 2007	39
Figure 13: Skills lacked by staff with skills gaps, London & England, 2007	42
Figure 14: Main causes of skills gaps, London, 2007	43
Figure 15: Impact of skills gaps, London, 2007	45
Figure 16: Responses to skills gaps, London, 2007	46
Figure 17: Apprenticeship profile, London & England, 2007	55
Figure 18: Apprenticeships by sub-region, London, 2007	56
Figure 19: Reasons for offering Apprenticeships, London & England, 2007	57
Figure 20: Reasons for not offering Apprenticeships, London, 2007	59
Figure 21: Training provision by establishments, London & England, 2007	62
Figure 22: Off-the-job training by occupation, London, 2007	64
Figure 23: On-the-job training by occupation, London, 2007	65
Figure 24: Proportion of workforce trained off-the-job and on-the-job by occupation, London, 2007	66
Figure 25: Proportion of training that has been health & safety or induction, London, 2007	69
Figure 26: Proportion of establishments with job descriptions & annual performance reviews, London, 2007	73
Figure 27: Reasons for non-training, London, 2007	74
Figure 28: Barriers to not providing more training, London & England, 2007	75
Figure 29: Satisfaction with FE teaching & training quality, London & England, 2007	76
Figure 30: Reasons for not using FE colleges for teaching or training, London & England, 2007	77
Figure 31: Awareness of & involvement with Train to Gain by establishment size, London, 2007	80

List of Tables

Table 1: NESS07 headline findings 2003 – 2007	8
Table 2: Achieved number of interviews by sub-region, establishment size & SSC, London	13
Table 3: Establishments by size, all regions, 2007	16
Table 4: Number & proportion of staff, all regions & England, 2007	17
Table 5: Employment by business size, London & England, 2007	17
Table 6: Employment by SSC, London & England, 2007	18
Table 7: Vacancies & recruitment difficulties, London & England, 2007	21
Table 8: Vacancies & recruitment difficulties by sub-regions, London & England, 2007	23
Table 9: Vacancies & recruitment difficulties, London & England, 2005 & 2007	24
Table 10: Vacancies by size of establishment, London, 2007	24
Table 11: Vacancies, HtFVs & SSVs by occupation, London, 2007	28
Table 12: Vacancy and SSV profile by SSC, London, 2007	30
Table 13: Skills gaps by sub-region, London & England, 2005 & 2007	37
Table 14: Skills gaps by establishment size, London, 2007	37
Table 15: Distribution of skills gaps & employment, London, 2005 & 2007	39
Table 16: Skills gaps by Sector Skills Council, London, 2007	41
Table 17: Proportion of establishments recruiting young people, London & England, 2005 & 2007	48
Table 18: Proportion of establishments recruiting of young people by sub-region, London, 2007	49
Table 19: Recruitment of young people by establishment size, London, 2007	49
Table 20: Recruitment of young people by Sector Skills Council, London, 2007	51
Table 21: Preparedness of young recruits, London & England, 2007	52
Table 22: Preparedness of young recruits by sub-region, London, 2007	52
Table 23: Skills lacking amongst young recruits who were observed to be poorly or very poorly prepared for work, London, 2007	54
Table 24: Apprenticeships by establishment size, London, 2007	56
Table 25: Trends in training provision by establishments, London & England, 2005 & 2007	62
Table 26: Training provision by sub-region, London, 2007	63
Table 27: Training provision by establishment size, London, 2007	63
Table 28: Proportion of establishments providing training and proportion of staff trained by SSC, London, 2007	67
Table 29: Days training funded by establishments, London & England, 2005 & 2007	68
Table 30: Establishments with a formal written business plan, training plan and budget for training expenditure, London & England, 2005 & 2007	70
Table 31: Establishments with a formal written business plan, training plan and budget for training expenditure, London, 2007	70
Table 32: Training expenditure by establishments, all regions & England, 2007	71
Table 33: Off-and-on-the-job training expenditure, all regions & England, 2007	72
Table 34: Establishment importance rating of areas of government support, London, 2007	79

Table A.1 NESS07 headline findings by City Strategy Pilot Area	81
Table B.1 NESS07 headline findings excluding finance and business services	86
Table C.1: Sector skills council names and description	88

EXECUTIVE SUMMARY

Of all the LSC regions, the London region in 2007 has a pattern of recruitment, recruitment difficulties and skill gaps (and to a lesser extent training) which is the most distinct from the England-wide norm. In particular:

- It is the region where the highest proportion of the workforce is considered to lack full proficiency (7 per cent) – in all other regions 5 or 6 per cent of staff have skills gaps.
- London has more employers with vacancies (21 per cent), hard-to-fill vacancies (8 per cent) and skill-shortage vacancies (7 per cent) than any other region.
- It has the most recruitment activity when taking the size of the workforce into account, with the highest number of vacancies as a proportion of total employment (3.3 per cent – the England-wide figure was 2.8 per cent).
- In volume terms it has more vacancies which are proving hard-to-fill because of skill shortages than any other region (approximately 33,000 at the time of interview, a quarter of the country's total). This is not just because of the buoyant labour market, as it also reflects the fact that a much higher proportion of vacancies are hard-to-fill because of skill shortages in applicants in London (26 per cent) than elsewhere (21 per cent nationally).
- London employers were the least likely to have recruited any 16-year-olds straight from school in the last 12 months (4 per cent) and the most likely to have recruited HE leavers to their first job (14 per cent). Related to this they were the least likely to have recruited, offer or employ any Apprentices.
- Employers in London had trained a higher proportion of their workforce over the last 12 months (67 per cent) than any other region (the national average is 63 per cent), and spend more on training per employee (£2,075) than in any other region.
- London employers had the lowest level of engagement with FE colleges, whether looked at in terms of the proportion of all employers using an FE college for training over the previous 12 months (13 per cent compared with 17 per cent across England as a whole), or the proportion of those training using an FE college (19 per cent compared with 26 per cent England-wide).

- Employers in London that train are the least likely of any region to train to qualifications or specifically NVQs. For example only 18 per cent of London employers that train had had any staff undertake an NVQ in the last 12 months compared with 27 per cent nationally.
- Awareness and involvement with Train to Gain was lower in London than elsewhere. NESS07 fieldwork was undertaken between April and July 2007; less than a year after Train to Gain was launched nationally (in August 2006).

The key headline findings from NESS07 are listed in Table 1. Comparisons for London from previous NESS surveys in 2003, 2004, 2005 are also shown, together with national 2007 results (in the final column of data).

Table 1: NESS07 headline findings 2003 – 2007.

	2003	2004	2005	2007	2007
Recruitment problems	LONDON				ENGLAND
% of establishments with any vacancies	12%	14%	17%	21%	18%
% of establishments with any hard-to-fill vacancies	4%	5%	6%	8%	7%
% of establishments with skill-shortage vacancies (SSVs)	3%	4%	4%	7%	5%
% of all vacancies which are SSVs	21%	17%	22%	26%	21%
Number of vacancies	104,950	89,175	87,450	126,875	619,675
Number of SSVs	21,575k	15,275k	18,950k	32,850k	130,000k
Number of SSVs per 1,000 employees	5	4	5	8	6
Skill gaps					
% of establishments with any staff not fully proficient	16%	14%	13%	17%	15%
% of staff not fully proficient	10%	5%	6%	7%	6%
Training					
% of establishments training staff over the last 12 months	55%	58%	62%	67%	67%
% providing off-the-job training in the last 12 months	n/a	40%	38%	47%	46%
% of those training using an FE college	20%	n/a	21%	19%	26%
% of establishments with a training plan	37%	42%	45%	46%	48%
% of establishments with a budget for training	30%	33%	35%	37%	35%
% of employees trained over the last 12 months	52%	62%	58%	67%	63%
Training expenditure in last 12 months	n/a	n/a	£5.8bn	£8.1bn	£38.6bn

Note: Number of skill-shortage vacancies rounded to the nearest 25.

- The level of recruitment activity recorded in London in 2007 (measured by the proportion of employers with vacancies at the time of interview and the number of vacancies) is far higher than in the period 2003-2005.

- Partly as a result, the number of employers experiencing recruitment difficulties generally, and those caused by skill-shortages in applicants specifically, and the number of these vacancies, is far higher in 2007 than in previous NESS studies. However, it is also the case that the proportion of vacancies where skill-shortages are encountered is also much higher in 2007 (26 per cent) than previously (17 - 22 per cent in the 2003 to 2005 period).
- Still only a small minority of London employers are experiencing skill-shortage vacancies at any one time (7 per cent at the time of interview), and the number of SSVs still only represents 8 for every 1,000 employees. The number of skill-shortage vacancies per 1,000 employees in 2007 is twice the 2004 level.
- Skills gaps among the existing workforce are experienced by a minority of London employers (17 per cent), though this is higher than found previously, and higher than the national average in 2007 (15 per cent). Similarly, a relatively small proportion of the total workforce are considered to lack full proficiency (7 per cent) – this is higher than in 2004 and 2005, though lower than 2003.
- Findings in relation to both skill-shortage vacancies and skill gaps suggest high demand for skilled positions and increasing problems in the labour market delivering the skills required.
- In absolute, volume terms skills gaps are most likely to be found in the following occupational groups: sales and customer service (57,000 staff not fully proficient), administrative and secretarial staff (50,200), managers (46,000) and elementary positions (42,000). These four groups account for over two thirds of all staff that lack full proficiency (68 per cent), higher than their share of overall employment (62 per cent). In density terms (the proportion of staff in each occupational group with skill gaps), skills gaps are highest among sales and customer service occupations, where 11 per cent of staff are considered to lack full proficiency, and also above average among elementary staff and those in administrative / secretarial positions (each 9 per cent).
- Two-thirds of employers provide training for at least some of their staff (67 per cent), continuing a steady increase since this was first measured in 2003 (55 per cent). Similarly the proportion of the workforce receiving training (67 per cent) has also increased over time, from 52 per cent in 2003.
- There has been an increase compared with 2005 in the number of days training provided per annum by London employers whether looked at in terms of days per employee (from 8 to 10 days) or per person trained (14 to 15 days). These figures are very close to the England average.

- The cost to employers in London of providing training (including labour costs) totalled £8.1bn for the 12 months prior to NESS07, up 39 per cent on 2005. Providing training is estimated to cost an average of £2,075 per employee or £3,100 per person trained, both higher than the national average.

1. INTRODUCTION

1.1 The National Employer Skills Survey

The National Employer Skills Survey (NESS) is a national survey of employers in England. It aims to provide the Learning and Skills Council (LSC) and partner organisations with evidence from employers about the extent and nature of vacancies and recruitment difficulties they face as well as information about the skills deficiencies that exist within their staff. It also examines the attitude and behaviour of employers towards training.

The LSC in conjunction with its partner organisations, the Department for Innovation, Universities and Skills (DIUS, formerly the Department for Education and Skills (DfES)) and the Sector Skills Development Agency (SSDA) – commissioned a National Employers Skills Survey in 2003 (NESS03), 2004 (NESS04) and 2005 (NESS05) surveying 72,000, 27,000 and 75,000 employers respectively across England. The National Employers Skills Survey 2007 (NESS07) continues this series with a survey sample of 79,018 employers nationally and 12,077 in London.

1.2 The Survey Methodology

It is useful to note at this point that whilst the NESS is categorised as a survey of employers, the unit of analysis is actually defined as an *establishment* as each respondent is a single site at which the interview takes place which may or may not belong to a larger organisation dispersed across any number of sites. If a respondent is a manager of a store that is part of a larger chain of stores, the results from the respondent will detail information about their store in particular, not the company/employer as a whole.

The survey uses a sample design created using a three-dimensional grid defined by the sector of business activity and the size of establishment within sub-region.

The major elements of the survey design were:

- Within each region target interviews were distributed between sub-region proportionately to the number of establishments within each sub-region.
- Within each sub-region, the allocated target number of interviews was divided between sectors as defined by the Sector Skills Council (SSC) footprints, half in proportion to the number of establishments within each sector, and half evenly across each sector.
- The targets within each sector were distributed across six size bands in proportion to the number of people working in establishments of that size within that sector.

The sample was drawn from Experian. The overall national response rate achieved from the sample was 35%, lower than for NESS05 and NESS03 (43% and 42% respectively) though a small improvement on NESS04 (33%).

The survey fieldwork took place between April and July 2007 and was conducted using computer-aided telephone interviewing (CATI) technology with the most senior person at the site with responsibility for human resource and personnel issues. All fieldwork in London was undertaken by IFF Research.

After the main NESS07 fieldwork, a follow-up survey was conducted among establishments who indicated that they had funded or arranged training in the previous 12 months. Respondents at establishments providing training were re-contacted, subject to their permission, to take part in a further survey investigating the costs of providing training. Nationally, 7,190 were interviewed for this Cost of Training survey; 1077 of these were based in London.

1.3 Data issues

1.3.1 Data validity

Figures are not reported where there is a base of less than 25 establishments. For example, figures on the volume of vacancies amongst managers and senior officials will not be reported where there are less than 25 establishments reporting that they have any vacancies for managers or senior officials. For those where the number of reporting establishments is between 25 and 49 the figures are presented in italics and should be treated with caution due to the small sample size. This ensures the validity and robustness of the reported figures.

1.3.2 Trend information & establishment size

There are particular issues with using trend information within the NESS survey series.

The NESS03 surveyed the population of establishments with at least one employee excluding working proprietors. However, the NESS04, NESS05 and NESS07 surveyed establishments with at least two people working in them regardless of their role or position. As a result, a number of establishments covered by the 2003 survey would not have been eligible in 2004, 2005 or 2007.

The requirement for surveyed establishments to have at least two people working for them means that sole proprietors, self-employed owner managers and companies comprising only an employee director are not included. Data from the Small Business Service on *Small and Medium Enterprise (SME) Statistics for the UK and Regions*¹ shows nationally these groups account for 73% of enterprises and 16% of employment. Within London the figures are 76% of enterprises, 14% of employment and 7% of turnover. These groups whilst evident across all sectors have particular concentrations in industries such as construction, some creative and media industry sectors and agricultural/land-based sectors. As a result, the NESS will not provide an assessment of the skills needs of this employment group.

¹ Small Business Service, *Small and Medium Enterprise (SME) Statistics for the UK and Regions 2005*, <http://stats.berr.gov.uk/ed/sme/>

1.3 Profile of interviews achieved

The profile of establishments interviewed in London by size (in terms of employment), sub-region and SSC sector is shown in Table 2 below.

Table 2: Achieved number of interviews by sub-region, establishment size & SSC, London

	Number of interviews
London total	12,077
Sub-region	
London North	1,303
London West	2,034
London Central	4,225
London East	2,712
London South	1,803
Establishment size	
2-4	3,778
5-24	5,332
25-99	2,214
100-199	414
200-499	249
500+	90
SSC	
Asset Skills	630
Automotive Skills	425
Cogent	189
ConstructionSkills	621
Creative & Cultural	514
Energy & Utility Skills	46
e-skills UK	502
Financial Services	433
Goskills	238
Government Skills	34
Improve	133
Lantra	152
Lifelong Learning UK	430
People 1st	941
Proskills	311
SEMTA	279
Skillfast-UK	363
Skills for Care & Development	629
Skills for Health	366
Skills for Justice	45

Skills for Logistics	283
SkillsActive	288
Skillset	330
Skillsmart Retail	1,245
SummitSkills	235
Non-SSC employers ²	2,415

1.4 Report Structure

The report is structured into the following sections:

- Chapter 2: Establishment and Employment Profile – an analysis of the NESS07 survey findings in terms of the overall profile of establishments and employment in London.
- Chapter 3: Vacancy and Recruitment Difficulties – this section considers the survey findings in terms of the vacancy and recruitment difficulties reported by establishments in the region.
- Chapter 4: Skills Gaps – examines the skills deficiencies or *skills gaps* observed by establishments amongst their existing workforce.
- Chapter 5: Recruitment of Young People to Employment and Apprenticeships – this section looks at the recruitment and skills of young people covering the incidence of employers in the region recruiting young people direct from education, their perception of the work readiness of these young people and their motivations for, or barriers to, offering Apprenticeships to staff.
- Chapter 6: Training and Workforce Development – looks at information on the training behaviour of employers.
- Annexes: Annex A examines what NESS can tell us about the West and East City Strategy Pilot regions. Annex B provides an analysis of the survey results in terms of the business and finance sector in the region.

² For reference where information for *non-SSC employers* is shown this describes those sectors currently not covered by an SSC. Estimates for April 2007 suggest that 89% of the workforce across England were covered by an SSC. A process of sector integration is taking place in the Skills for Business network where sectors currently outside the network are agreeing coverage by a SSC. The process of integration will increase the Skills for Business network's coverage of the UK workforce to an estimated 95 per cent.

2. ESTABLISHMENT AND EMPLOYMENT PROFILE

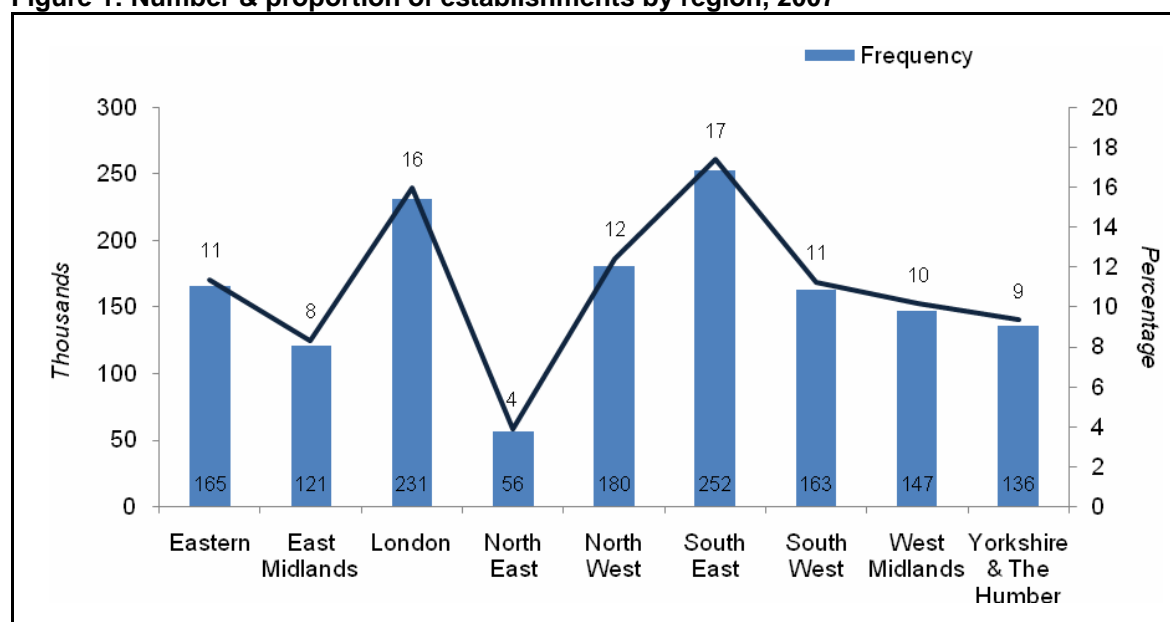
The survey data were weighted to the profile of employers and employment in London on an interlocking size by SSC sector basis, using population estimates obtained from the Office of National Statistics (ONS), based on the Inter-departmental Business Register (IDBR) counts for March 2006. These indicated a total population across England of 1.45 million employers with 22.3 million people working within them, and in London approaching a quarter of a million employers (231,199), with just under 3.9m staff.

This section details the profile and structure of establishments and employment in the region. As data was weighted to IDBR population counts these are not findings from NESS07 per se, but are intended to set the context for the sections that follow.

2.1 Establishment Profile

There are approximately 231,200 establishments with 2 or more staff in London, accounting for 16% of the 1,415,507 establishments nationally, and making it the second largest region in terms of number of employers.

Figure 1: Number & proportion of establishments by region, 2007



Source: NESS07
Base: All establishments

Within the region London Central is the largest of the sub-regions with just under 82,000 establishments and accounting for 36% of the total number of establishments in London. London North is the smallest with just under 25,000 establishments equating to 11% of the regional total.

London East, London West and London South account for 22%, 17% and 15% of the regional total respectively.

The profile in terms of business size mirrors the national picture. The majority of establishments are small, with establishments employing between 2 and 24 employees accounting for 90% of establishments in the region.

Table 3: Establishments by size, all regions, 2007

<i>Row percentages</i>	Weighted establishments	2-4	5-24	25-99	100-199	200-499	500+	Total
London	231,199	54	36	8	1	1	-	100
England	1,451,507	54	36	8	1	1	-	100

Source: NESS07

Base: All establishments

2.1.2 Sectors

The sectoral profile of establishments in London largely reflects the national picture with sectors such as hospitality and catering (People 1st) and retail (Skillsmart Retail) accounting for the largest proportion of establishments. However, the region has a marginally greater proportion of establishments within creative and cultural, financial service and property, housing, cleaning and facilities management (Asset Skills) related industries. It has a marginally smaller proportion of establishments within construction, science, engineering, aerospace and manufacturing technologies and environmental & land-based industries.

2.2 Employment Profile

Establishments with 2 or more staff in London employ a total of approximately 3.9 million workers, 18% of the national total which is the largest proportion of the English regions, a little above the South East (16%). Within the region, London Central and London East are the largest sub-regions in terms of the number of workers together accounting for 63% of the region's workforce.

Table 4: Number & proportion of staff, all regions & England, 2007

	Number of employees	% of total
Eastern	2,299,427	10
East Midlands	1,815,259	8
London	3,899,801	18
North East	1,008,085	5
North West	2,911,717	13
South East	3,598,032	16
South West	2,185,358	10
West Midlands	2,336,675	10
Yorkshire & the Humber	2,205,280	10
England	22,259,634	100
London North	306,043	8
London West	657,116	17
London Central	1,425,844	37
London East	1,000,052	26
London South	467,675	12

Source: NESS07

Base: All in employment

Whilst the structure of employment in London in terms of business size is broadly in-line with the national picture, there are fewer staff employed in small businesses. 29% of workers are employed within establishments with less than 25 staff compared to 32% nationally. Conversely, 37% of workers in London are employed within establishments with 200 or more staff compared to a national average of 31%.

Table 5: Employment by business size, London & England, 2007

Establishment size	London		England	
	Number in employment	Employment share	Number in employment	Employment share
2-4	325,023	8	2,021,807	9
5-24	814,264	21	5,169,614	23
25-99	881,993	23	5,578,283	25
100-199	449,207	12	2,598,420	12
200-499	769,787	20	3,384,723	15
500+	659,527	17	3,506,787	16
Total	3,899,801	100	22,259,634	100

Source: NESS07

Base: All employment

The profile of employment by sector also broadly reflects the national picture. However there is a greater proportion of staff employed in businesses covered by the following SSC sectors than is the case nationally:

- Financial Services SSC (8% vs. 4%)
- GoSkills (4% vs. 2%)

The only sector where London employs a notably smaller proportion of the workforce compared with England as a whole is SEMTA (1% vs. 5%).

Table 6: Employment by SSC, London & England, 2007

Establishment size	London		England	
	Number in employment	Employment share	Number in employment	Employment share
Asset Skills	207,217	5	797,499	4
Automotive Skills	42,548	1	464,702	2
Cogent	21,256	1	389,517	2
Construction Skills	138,741	4	1,018,391	5
Creative & Cultural	87,320	2	220,655	1
Energy & Utility Skills	26,015	1	244,940	1
e-skills UK	143,811	4	647,381	3
Financial Services	295,494	8	888,812	4
Goskills	141,530	4	403,779	2
Government Skills	77,857	2	358,608	2
Improve	28,730	1	354,802	2
Lantra	7,723	*	309,946	1
Lifelong Learning UK	131,509	3	802,136	4
People 1st	320,593	8	1,557,244	7
Proskills	29,321	1	273,723	1
SEMTA	47,848	1	1,179,842	5
Skillfast-UK	32,473	1	206,757	1
Skills for Care & Development	117,776	3	867,385	4
Skills for Health	242,473	6	1,647,445	7
Skills for Justice	68,811	2	307,759	1
Skills for Logistics	77,124	2	640,931	3
SkillsActive	36,512	1	275,054	1
Skillset	69,193	2	125,125	1
SkillsSmart Retail	355,854	9	2,315,664	10
SummitSkills	27,660	1	227,444	1
Non-SSC establishments	1,124,412	29	5,734,093	26
Total establishments	3,899,801	100	22,259,634	100

Source: NESS07

Base: All employment

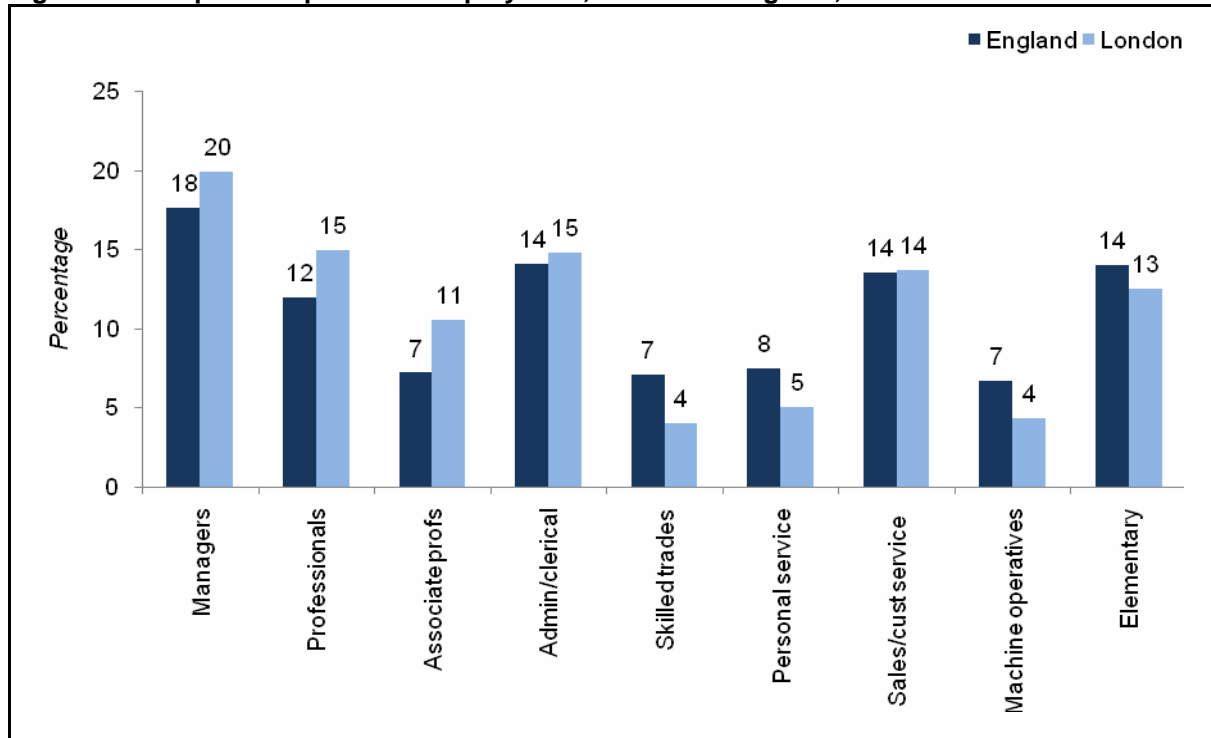
Note: A '*' denotes a finding of less than 0.5% and greater than 0.

2.2.1 Occupations

NESS07 indicates that the occupational employment profile of London, whilst largely in-line with the average for England as a whole, has a larger proportion of the workforce within managerial, professional and associate professional occupations.

The region has fewer skilled trades, personal service and machine operatives than the national average and indeed, has the lowest proportions within these occupational groups of the English regions.

Figure 2: Occupational profile of employment, London & England, 2007



Source: NESS07
Base: All in employment

3. VACANCIES AND RECRUITMENT DIFFICULTIES

Section summary

Survey findings suggest that the scale of recruitment difficulties and skill shortage vacancies has increased from 2005 to 2007 having previously seen a decline between 2003 and 2005.

- Whilst the number of people in employment has remained relatively stable at between 3.8 and 4 million, the number of vacancies has increased from 87,450 in 2005 to 126,875 by 2007 resulting in a rise in vacancies as a proportion of people in employment from 2.3% in 2005 to its present level of 3.3% in 2007.
- The level of recruitment difficulty has risen, with the number of HtFVs (hard-to-fill vacancies) at the time of the survey rising from 24,550 in 2005 to just over 40,000 in 2007, an increase of 64%.
- The proportion of vacancies that are hard-to-fill, having remained relatively unchanged between 2003 and 2005 (figures of 29% and 28% respectively), has also risen in 2007 (to 32%).
- Compared to 2003 and 2005 where again skill shortage vacancies (SSVs) as a proportion of the total number of vacancies remained relatively unchanged, figures have risen for 2007 from 21% in 2003 to 26% in 2007.

The number of vacancies, hard-to-fill vacancies (HtFVs) and skill shortage vacancies (SSVs) in London are far higher than found in previous years. The rise in the number of SSVs from 2005 to 2007 is a result of increased recruitment activity combined with skill-shortages being encountered in a higher proportion of vacancies.

Within the region, establishments in London Central Sub-region are most likely to be experiencing vacancies with 22% of establishments reporting that they have any vacancies, 4 percentage points higher than the national average.

Recruitment difficulties are most acute in London North where 43% of vacancies are hard-to-fill, well above the national and regional averages. The vast majority of HtFVs in London North are as a result at least in part of skills shortages in the external labour market (93%), the highest proportion of the London sub-regions. This suggests that whilst skills are an important factor in HtFVs across London, skills-related recruitment difficulties are particularly felt in London North.

Employers report the greatest volume of SSVs in associate professional, professional, sales/customer service and skilled trades occupations. These four occupations account for approximately three-fifths of all SSVs (61 per cent) as compared with 44 per cent of employment. For associate professional, professional and skilled trades positions the number of SSVs as a proportion of employment is at least twice the London average, and is particularly high for skilled trades positions (22 SSVs per 1,000 employees) and associate professionals (18).

In London establishments covered by ConstructionSkills and Skillset report the highest proportions of vacancies being hard to fill because of skill shortages, indicating they are encountering significant difficulties recruiting suitably skilled staff.

3.1 Introduction

In this section we consider the survey findings in terms of the vacancy and recruitment difficulties reported by establishments in the region. The section examines the incidence, number and distribution of vacancies and recruitment difficulties across a range of variables such as establishment size, occupation and sector.

Recruitment difficulties relate to vacancies that employers find *hard-to-fill* (HtFVs). The reasons why vacancies may be hard-to-fill are wide and varied, from there being a low number of applicants in general to the job itself being unattractive as a result of issues such as shift work or unsociable hours. Then there are those vacancies that are believed to be hard-to-fill because the applicants are seen to not have the required skills, experience or qualifications that are demanded by the employer. These types of hard-to-fill vacancies are grouped together as *skills shortage vacancies* (SSVs). The terms *hard-to-fill vacancies* (HtFVs) and *skills shortage vacancies* (SSVs) are used throughout this and subsequent sections of this report.

3.2 Vacancies, Hard-to-Fill & Skills Shortage Vacancies

The survey shows that at the time of the study there were approximately 126,875 vacancies within the region. Just under one third of those (32%) were described as being hard-to-fill. Of those HtFVs over 80% were reported as being hard-to-fill as a result of skills shortage, an SSV, a proportion that is higher than the national average (71%) and the highest of the English regions. This suggests that whilst skills shortages are the overriding cause of hard-to-fill vacancies in all regions, the issue of skills shortages is particularly acute in London.

In total there were almost 33,000 SSVs reported in London at the time of the study. This is 25% of the total number reported across England; higher than the proportion of England's employment that is found in London (18%).

Table 7: Vacancies & recruitment difficulties, London & England, 2007

	London	England
Total employment	3,899,801	22,259,634
Number of vacancies	126,875	619,675
Number of HtFVs	40,300	183,475
Number of SSVs	32,850	130,000
Vacancies as a proportion of all employment	3.3%	2.8%
HtFVs as a proportion of vacancies	32%	30%
SSVs as a proportion of vacancies	26%	21%
SSVs as a proportion of HtFVs	82%	71%
Unweighted establishment base	12,077	79,018

Source: NESS07

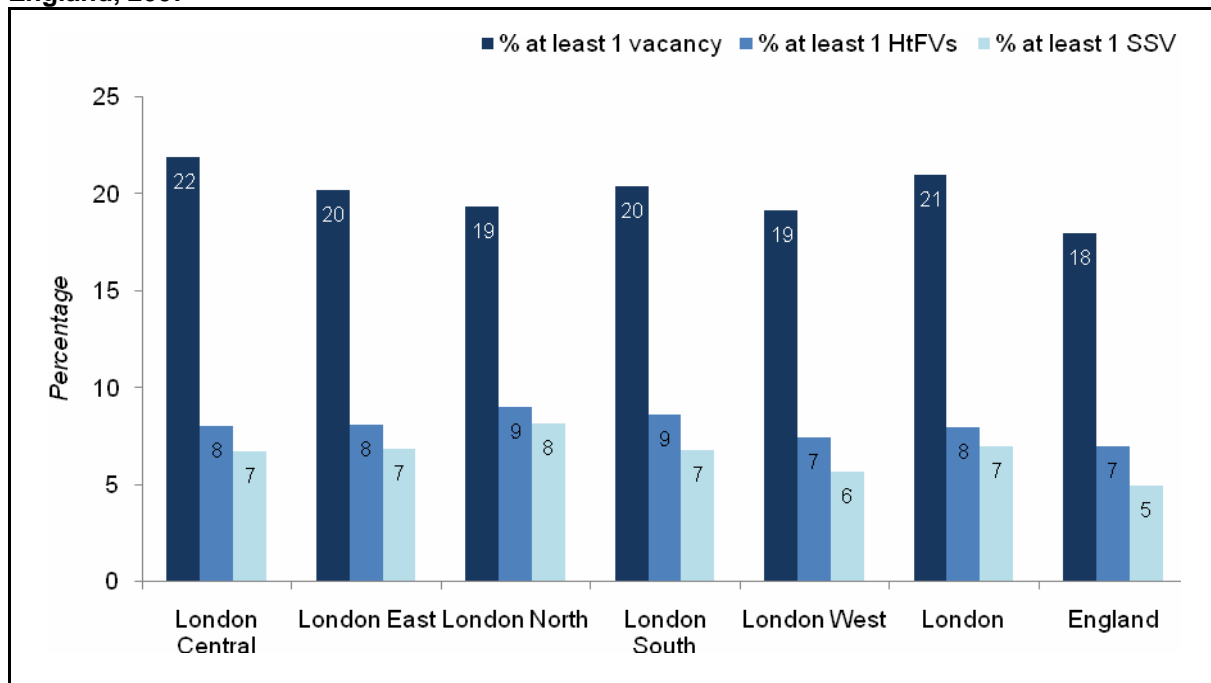
Base: All establishments

Note: Vacancies figures rounded to the nearest 25

Approximately a fifth of establishments (21%) reported that they had at least one vacancy, 8% at least one HtFV and 7% at least one SSV. These figures are higher than those for England and any other English region, and also represent an increase on the figures for 2005 and 2003 in London.

Within the region, establishments in London Central are most likely to be experiencing vacancies (22%, 4 percentage points higher than the national average). Employers in London North and London South are the most likely to report any recruitment difficulties (9% in both cases), with those in London North the most likely to have any skill shortage vacancies (8%).

Figure 3: Proportion of establishments reporting at least 1 vacancy by sub-regions, London & England, 2007



Source: NESS07

Base: All establishments

Looking at the number of vacancies as a proportion of all those in employment shows London has a vacancy rate of 3.3%. This is higher than the national average of 2.8% and is the highest rate of the English regions – only London and the South East are higher than the national average. This is reflected across the sub-regions with the exception of London West where the vacancy rate is in-line with the national average. This higher number of vacancies as a proportion of employment suggests, not unexpectedly, that London has a particularly high level of labour market turnover and churn.

Recruitment difficulties are most acute in London North where 43% of vacancies are hard-to-fill, well above the national average and the average for London as a whole (32%), and where 93% of those HtFVs are as a result at least in part of skills shortage, the highest proportion of the London sub-regions. This suggests that skills related recruitment difficulties are particularly felt in London North.

Table 8: Vacancies & recruitment difficulties by sub-regions, London & England, 2007

	London Central	London East	London North	London South	London West	London	England
Total employment	1,425,844	1,000,052	306,043	467,675	657,116	3,899,801	22,259,634
Number of vacancies	46,400	34,475	10,700	16,750	18,075	126,875	619,675
Number of HtFVs	13,325	10,275	4,600	6,125	5,500	40,300	183,475
Number of SSVs	10,775	8,600	4,275	4,225	4,525	32,850	130,000
Vacancies as a proportion of all employment	3.3%	3.4%	3.5%	3.6%	2.8%	3.3%	2.8%
HtFVs as a proportion of vacancies	29%	30%	43%	36%	30%	32%	30%
SSVs as a proportion of vacancies	23%	25%	40%	25%	25%	26%	21%
SSVs as a proportion of HtFVs	81%	84%	93%	69%	82%	82%	71%
Unweighted establishment base	4,225	2,712	1,303	1,803	2,034	12,077	79,018

Source: NESS07

Base: All establishments

Note: Vacancies figures rounded to the nearest 25

Looking at vacancies and recruitment difficulties in terms of trends for the region (Table 9) shows that the scale of recruitment difficulties and skills shortages has increased from 2005 to 2007 having previously seen a decline between 2003 and 2005.

Whilst the number of people in employment has remained relatively stable at between 3.8 and 4 million, the number of vacancies has increased from 87,450 in 2005 to 126,875 by 2007 resulting in a rise in vacancies as a proportion of people in employment from 2.3% in 2005 to its 2007 level of 3.3%.

The volume of recruitment difficulties has also risen with the number of HtFVs increasing by 15,750 or 64% from 2005 to 2007. The proportion of vacancies that are hard-to-fill, having remained relatively unchanged between 2003 and 2005 (figures of 29% and 28% respectively), has also risen in 2007 (to 32%).

In 2003 and 2005 the proportion of vacancies which were hard-to-fill because of skills shortages was relatively stable (21% and 22% respectively). In 2007 however, this had also increased to 26%, again indicating an intensification of skills shortages in the London labour market. In total 32,850 current SSVs were reported at the time of interview, far higher than reported in 2003 (c 21,500) or 2005 (c 19,000).

Table 9: Vacancies & recruitment difficulties, London & England, 2005 & 2007

	London			England
	2003	2005	2007	2007
Total employment	4,015,836	3,777,905	3,899,801	22,259,650
Number of vacancies	104,950	87,450	126,875	619,675
Number of HtFVs	30,075	24,550	40,300	183,475
Number of SSVs	21,575	18,950	32,850	130,000
Vacancies as a proportion of all employment	2.6%	2.3%	3.3%	2.8%
HtFVs as a proportion of vacancies	29%	28%	32%	30%
SSVs as a proportion of vacancies	21%	22%	26%	21%
SSVs as a proportion of HtFVs	72%	77%	82%	71%
Unweighted establishment base	13,381	12,100	12,077	79,018

Source: NESS05 and NESS07.

Base: All establishments

Note: Vacancies figures rounded to the nearest 25

3.3 Effect of Size on Vacancies & Recruitment

Whilst larger establishments are more likely to report that they have vacancies the actual volume of vacancies is largest amongst smaller establishments and they account for a proportion of vacancies that is disproportionate with the number of people they employ. Establishments with between 2 and 24 staff account for 46% of the reported number of vacancies in London whilst accounting for only 29% of employment. They also account for 59% of all HtFVs and 57% of all SSVs, hence recruitment difficulties are even more concentrated in small firms.

Table 10: Vacancies by size of establishment, London, 2007

Establishment size	% of establishments reporting vacancies	Number of vacancies	Share of employment	Share of all vacancies	Share of all HtFVs	Share of all SSVs
			%	%	%	%
2-4	13%	22,389	8	18	24	22
5-24	24%	34,899	21	28	35	35
25-99	45%	28,559	23	23	20	20
100-199	63%	9,988	12	8	6	7
200-499	65%	15,266	20	12	6	7
500+	63%	15,771	17	12	9	10
Total	21%	126,872	3,899,801	100	100	100

Source: NESS07

Base: All establishments London = 12,077

3.4 Occupational Profile

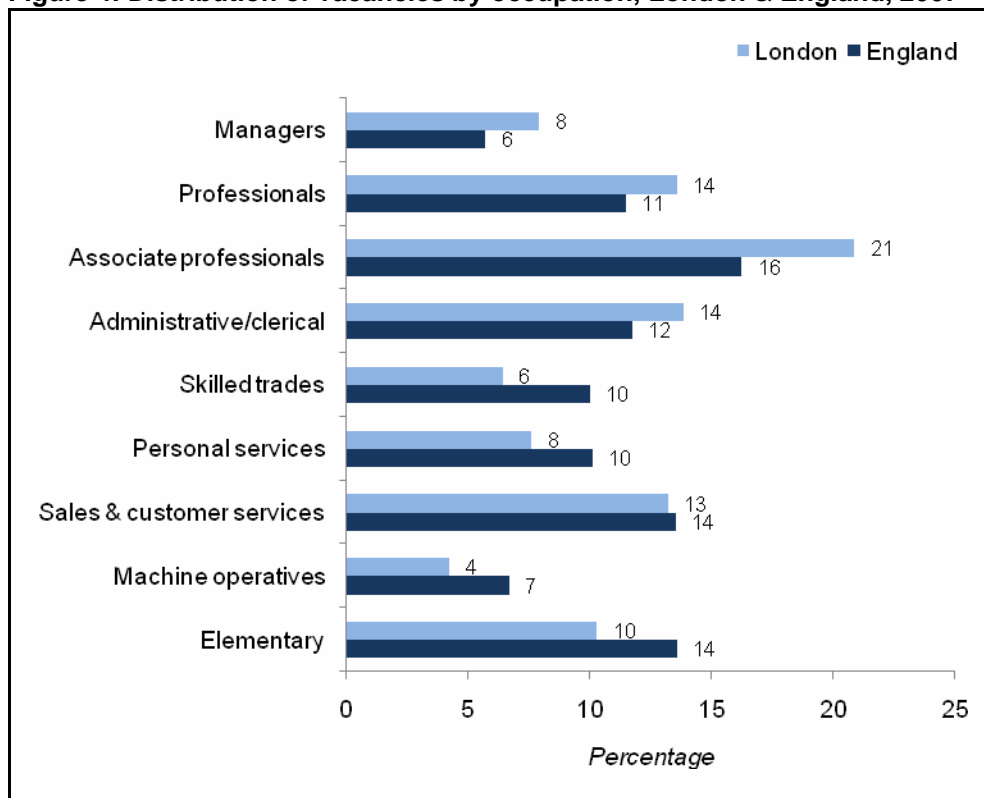
Within London a larger proportion of vacancies occur within higher skills level occupations such as managers, professionals and associate professionals than found nationally. This is most noticeable amongst associate professionals where this occupational group accounts for 21% of the total number of vacancies in the region compared to an average of 16% for England.

Conversely the proportion of vacancies which are for elementary occupations, machine operatives and personal service occupations are below the national average. Vacancies for skilled trade occupations are also less likely in London where this occupational group accounts for 6% of vacancies compared to 10% nationally.

These differences are in part down to the occupational profile of London's workforce, discussed in Chapter 2. This showed London having a high proportion of higher level occupations than average.

A brief description of the types of job that each broad occupational group covers can be found in Annex D of this report.

Figure 4: Distribution of vacancies by occupation, London & England, 2007

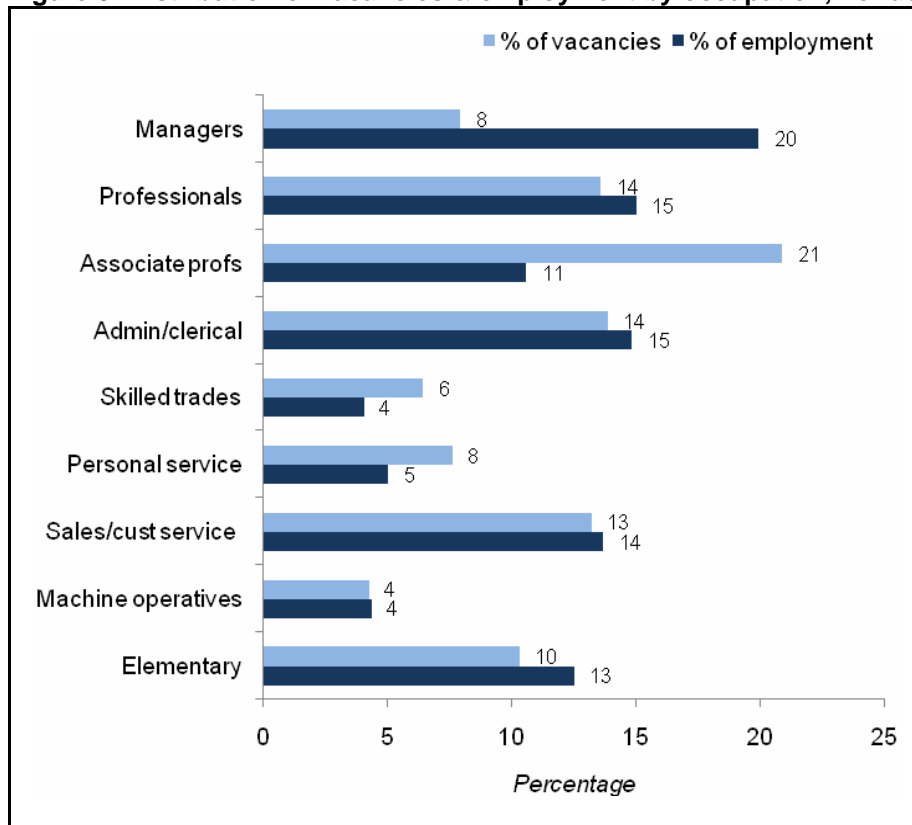


Source: NESS07.

Base: Vacancy base, unweighted London = 10,042 & England = 52,867

Comparing the distribution of vacancies with the distribution of employment across the different occupations (see Figure 5) shows that the levels of vacancies amongst associate professionals is particularly high. Skilled trades and personal service occupations too represent a level of vacancies that is slightly higher than the level of employment. Managers, who represent the largest single occupational group in London, accounts for a comparatively small proportion of vacancies (8%).

Figure 5: Distribution of vacancies & employment by occupation, London, 2007

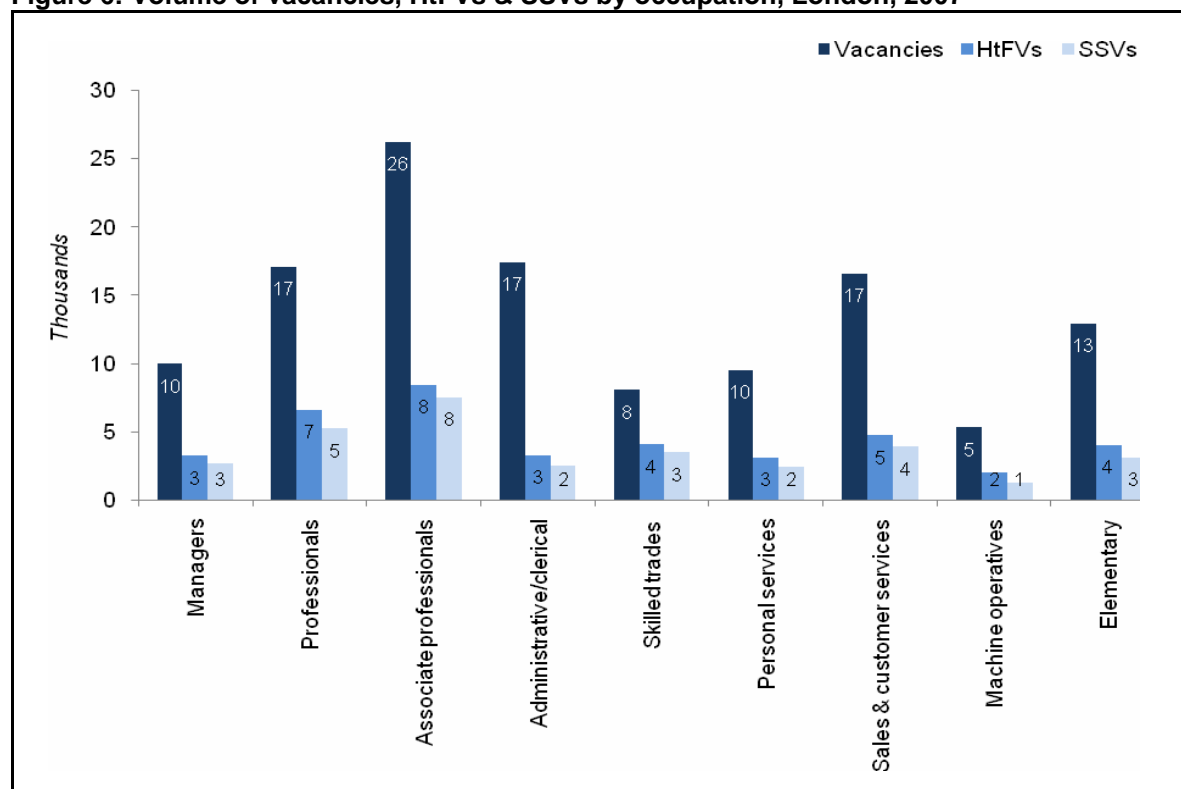


Source: NESS07

Base: Vacancy base, unweighted London = 10,042

In terms of occupations where employers are particularly likely to encounter recruitment difficulties, associate professional and professional occupations are the occupational groups that account for the largest volume of HtFVs (see Figure 6). These two occupational groups also account for the largest number of recruitment difficulties caused by skill shortages (SSVs).

Figure 6: Volume of vacancies, HtFVs & SSVs by occupation, London, 2007



Source: NESS07

Base: Vacancy base, unweighted London = 10,042

Whilst associate professionals and professional occupations account for the largest volume of vacancies, HtFVs and SSVs, looking at measures of density shows that a major issue lies with skilled trade occupations. Half of vacancies within skilled trade occupations are hard-to-fill compared to 32% across occupations as a whole. Whilst the proportion of vacancies that are hard-to-fill because of skills-related issues is high amongst associate professionals and professionals at 29% and 31% respectively, 43% of vacancies for skilled trades are hard-to-fill because of skills shortages (SSVs). Indeed, there are 22 skills shortage vacancies per 1,000 staff for skilled trade occupations compared to 9 per 1,000 staff for professionals. For associate professionals this figure is at 18 per 1,000 staff.

Machine operatives also have a relatively high proportion of their vacancies being hard-to-fill (37%) although the proportion that is related to skills shortages is low relative to other occupational groups. This suggests that there are reasons other than skills shortage as to why vacancies for machine operatives are hard-to-fill.

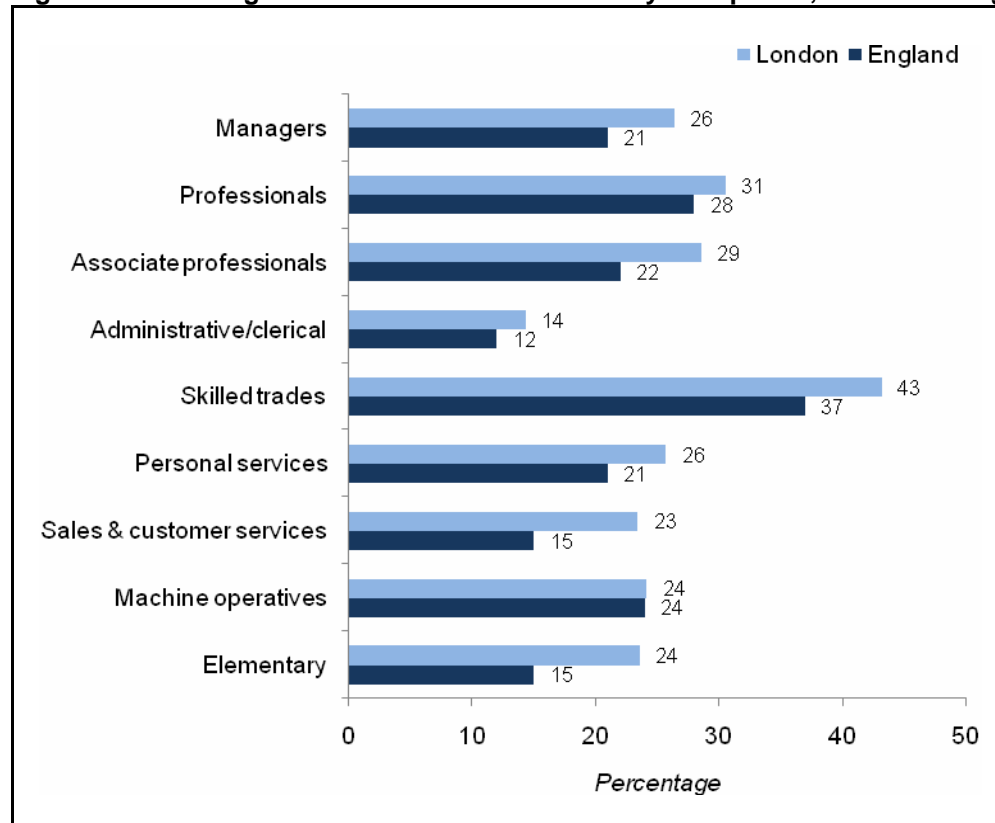
Table 11: Vacancies, HtFVs & SSVs by occupation, London, 2007

	Share of vacancies	Share of HtFVs	Share of SSVs	% of vacancies that are HtFVs	% of vacancies that are SSVs	SSVs per 1,000 staff
	%	%	%	<i>Row percentages</i>		
Managers	8	8	8	32	26	3
Professionals	14	17	16	39	31	9
Associate professionals	21	21	23	32	29	18
Administrative/clerical	14	8	8	19	14	4
Skilled trades	7	10	11	50	43	22
Personal services	8	8	8	33	26	12
Sales & customer services	13	12	12	29	23	7
Machine operatives	4	5	4	37	24	8
Elementary	11	10	10	31	24	6
Unweighted base: vacancies	10,042	4,408	3,895			

Source: NESS07

Turning to the proportion of all vacancies that are described as skill-shortage vacancies, overall 26% of vacancies in London are SSVs, compared with 21% nationally. Compared with the England results the percentage of vacancies that are SSVs is particularly high for managers, associate professionals, skilled trades, sales and customer services, personal services and elementary occupations (Figure 7).

Figure 7: Percentage of vacancies that are SSVs by occupation, London & England, 2007



Source: NESS07

Base: Vacancy base, unweighted London = 10,042

3.5 Sectoral Profile

Analysis of the vacancy profile by SSC³ for the region is limited by the low unweighted sample size of establishments reporting vacancies within some SSCs. In London, of the 25 SSCs three have fewer than 25 establishments reporting vacancies and 5 have a sample of between only 25 and 49 establishments. Establishments reporting HtFVs and SSVs reduces the unweighted number of establishments by SSC further.

The four SSCs that are not included due to small sample size are Energy and Utility Skills, Lantra, Government Skills and Skills for Justice. It should be noted that nationally establishments in SSC sectors largely composed of public sector establishments are most likely to report vacancies.

Looking at the information available for analysis on the vacancy situation for 22 of the 25 SSCs in London shows a larger proportion of establishments are experiencing vacancies than the average for all establishments in London within:

- Lifelong Learning UK (community based learning, FE, HE and library & information industries)
- Skills Active (leisure, outdoor and playwork)
- Skills for Care & Development (social care sector)
- ConstructionSkills
- Go Skills (passenger transport)
- Financial Services Skills Council
- e-skills UK (IT, telecommunications and contact centres)

Table 12: Vacancy and SSV profile by SSC, London, 2007

	Number in employment	Share of employment	% with any vacancies	Number of vacancies	% with any SSVs	Number of SSVs	SSVs as a proportion of vacancies
Asset Skills	207,217	5	20	7,414	5	2,074	28
Automotive Skills	42,548	1	13	1,110	5	380	34
Cogent	21,256	1	21	492	9	189	38
ConstructionSkills	138,741	4	24	7,056	12	3,101	44
Creative & Cultural	87,320	2	20	3,323	7	827	25
e-skills UK	143,811	4	24	4,399	7	1,189	27
Financial Services	295,494	8	24	9,667	7	1,500	16
Goskills	141,530	4	24	3,743	9	700	19
Improve	28,730	1	20	683	7	144	21
Lifelong Learning UK	131,509	3	31	3,452	8	730	21
People 1st	320,593	8	20	13,315	7	4,295	32
Proskills	29,321	1	14	672	4	119	18
SEMTA	47,848	1	17	1,136	6	383	34
Skillfast-UK	32,473	1	12	709	4	244	34
Skills for Care & Development	117,776	3	29	5,084	5	814	16
Skills for Health	242,473	6	20	4,210	4	508	12
Skills for Logistics	77,124	2	13	1,276	4	446	35
SkillsActive	36,512	1	30	1,154	6	231	20
Skillset	69,193	2	18	5,836	7	2,528	43
Skillsmart Retail	355,854	9	15	8,183	4	1,619	20
SummitSkills	27,660	1	16	944	7	275	29
Non-SSC employers	1,124,412	29	24	40,867	9	10,288	25
Total	3,899,801	100	21	126,671	7	32,875	26

Source: NESS07

Base: All establishments, unweighted London = 12,077

Results for Energy & Utility Skills, Skills for Justice, Lantra and Government Skills SSCs are not shown due to low base sizes of respondents in these sectors with SSVs (1, 3, 10, and 12 respectively).

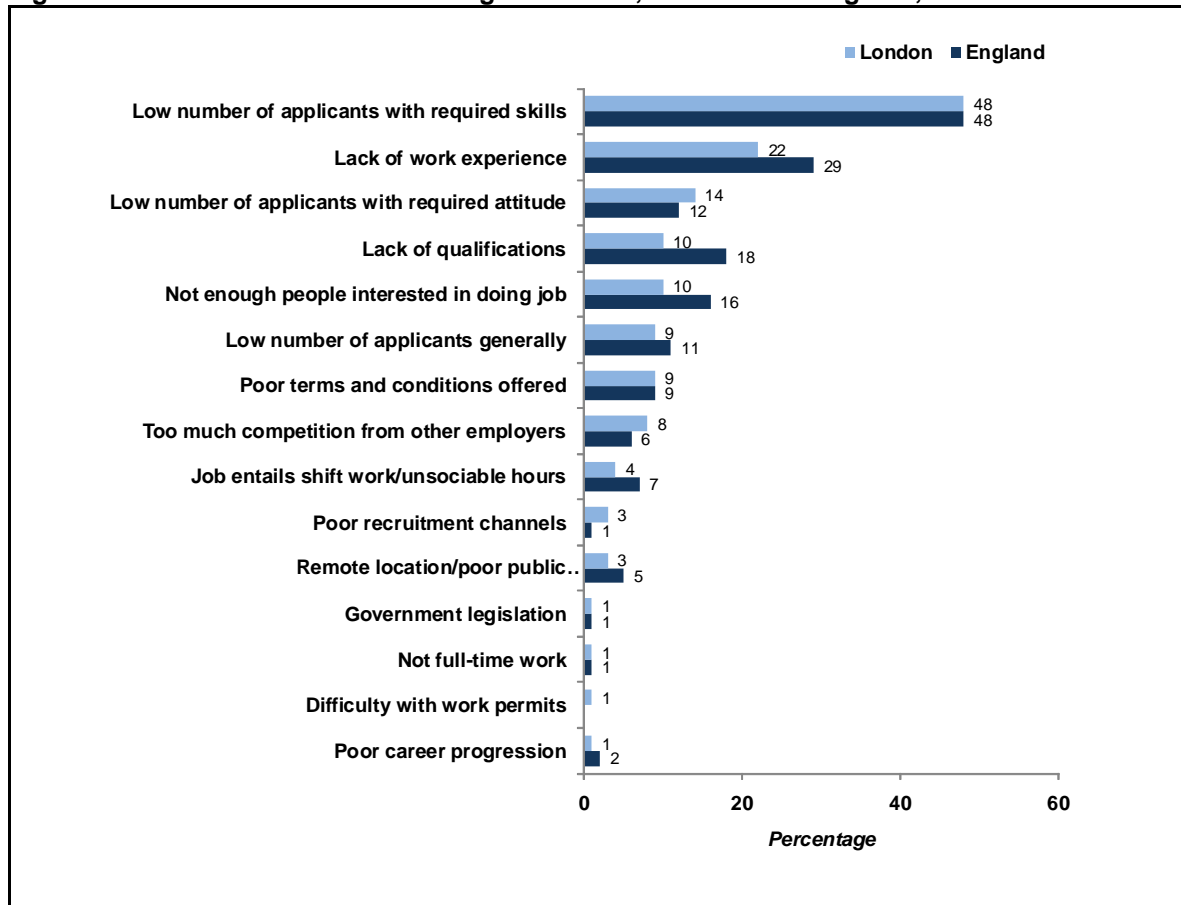
In comparison with the proportion of establishments experiencing vacancies nationally, London has a greater number of establishments experiencing vacancies within SSCs such as SkillsActive (11 percentage points higher than the national average) and ConstructionSkills (8 points higher than nationally) as well as e-skills UK and Lifelong Learning UK. London has fewer establishments than the national average within Skills for Health reporting vacancies (20% v 24% nationally).

3.6 Reasons for Recruitment Difficulties

The reasons why vacancies are hard-to-fill are wide and varied, ranging from issues of poor pay and conditions to problems with the skills levels of recruits. The NESS survey seeks to develop an understanding of the reasons behind recruitment difficulties.

Looking at the reasons for vacancies being hard-to-fill, in terms of the number of hard-to-fill vacancies (rather than the number of establishments reporting them) skills shortages are the single most common cause of hard-to-fill vacancies: 48% of HtFVs were attributed at least in part to applicants not having the required skills.

Figure 8: Reasons for vacancies being hard-to-fill, London and England, 2007



Source: NESS07

Base: All hard-to-fill vacancies, unweighted London = 3,023

Within the region, whilst a lack of skills and/or work experience remain the most significant reasons for vacancies being hard-to-fill there are some variations by sub-region. In particular:

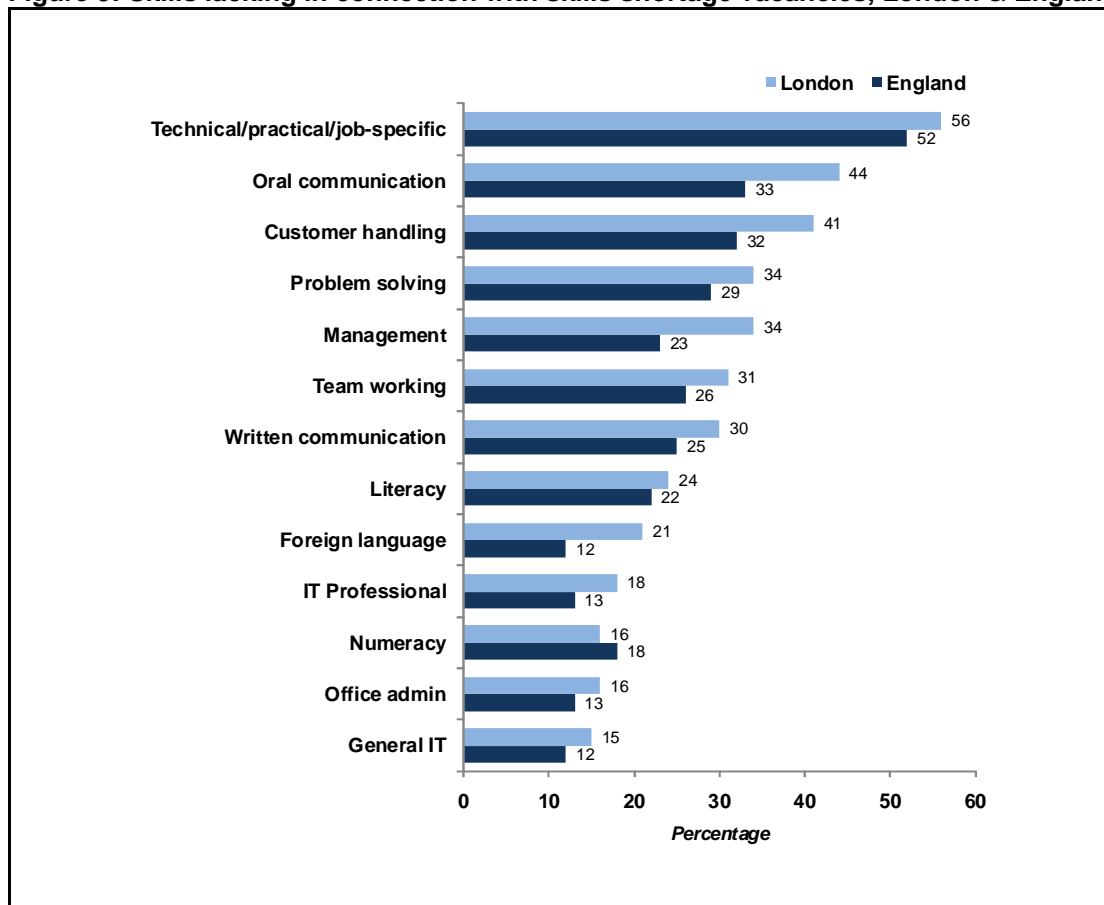
- 56% of HtFVs in London Central and 54% in London West are attributable at least in part to a low number of applicants with the required skills, higher than the regional average of 48%.
- In London North recruitment difficulties are most often attributed to a lack of work experience (42%, twice the level found in most of the other London sub-regions)
- A lack of qualifications is particularly felt in London South (14%).

3.7 Skills Lacking where Skill Shortage Vacancies Exist

Those who did not spontaneously mention that vacancies were hard-to-fill because of a lack of skills, experience or qualifications were asked a follow up prompted question. Overall, 82% of HtFVs were as a result of skills-related issues (defined as applicants lacking the required qualifications, skills or experience).

A key issue is the actual skills which employers are finding difficult to obtain in the labour market. Results are shown in Figure 9 for London and England as a whole.

Figure 9: Skills lacking in connection with skills shortage vacancies, London & England, 2007



Source: NESS07

Base: Skills shortage vacancy base, unweighted London = 2,517

Technical, practical or job-specific skills are the most frequently cited skills lacking from applicants and factor in 56% of all SSVs, a figure similar to the national average. Other frequently identified skills lacking amongst applicants are oral communication, customer handling, written communication, team working, problem solving and management skills – each cited in relation to 30% or more of SSVs.

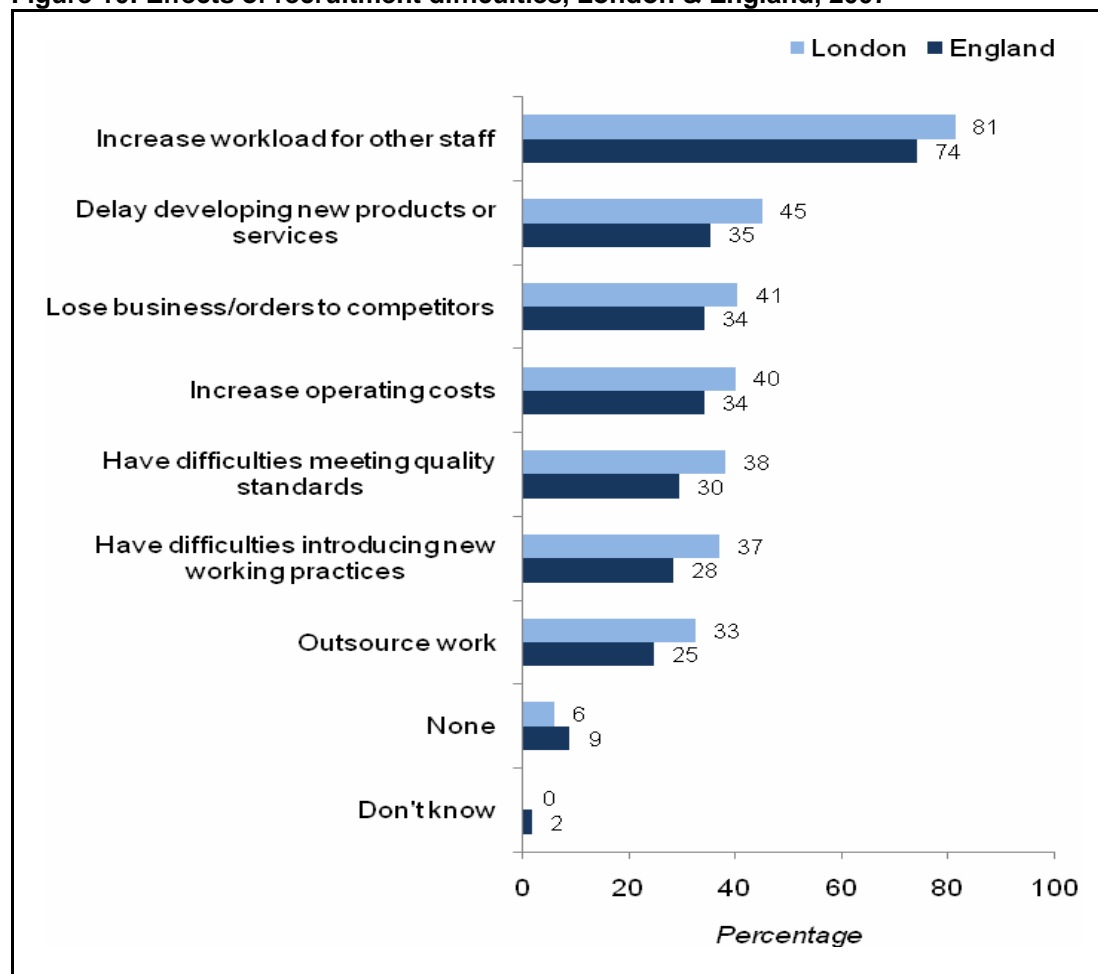
Poor literacy is identified within more SSVs in London than the average for England (24% of SSVs in London compared to 22% nationally), but numeracy shortages within fewer SSVs (16% compared with 18% nationally).

3.8 Impact of Vacancies and Recruitment Difficulties

Establishments that were experiencing recruitment difficulties were asked about the impact these recruitment problems were having on their business.

Of those establishments reporting recruitment difficulties the overwhelming effect was to increase the workload for other staff – reported by 81% of establishments with vacancies that were hard-to-fill. This is higher than the national average of 74%. Other frequently cited consequences of HtFVs were delays in developing new products, loss of business to other competitors and increasing operating costs. The data also suggests that the level of impact is also generally higher in London than the national average. Overall, the key message is that recruitment difficulties, where they exist, are more than an inconvenience and have serious performance and productivity consequences for employers.

Figure 10: Effects of recruitment difficulties, London & England, 2007



Source: NESS07. Base: All establishments with HtFVs, unweighted London = 1,207

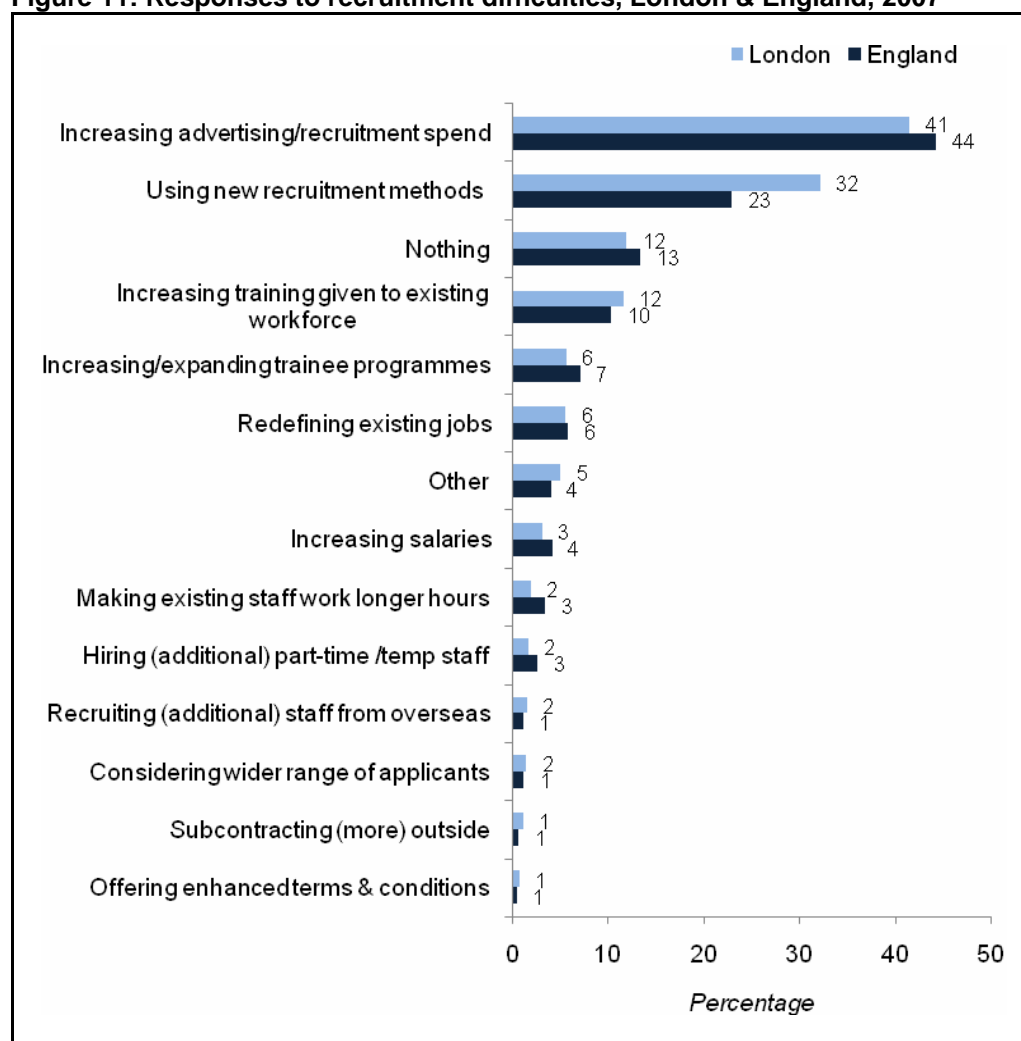
3.9 Response by Establishments to Recruitment Difficulties

The main response made by establishments to difficulties in recruitment is to increase advertising and recruitment spend. However, this response is less frequent among establishments in London than the average for England. Using new recruitment methods is also a frequently cited action (32%), and a more common response than found nationally (23%).

Relatively few employers in the region respond by increasing the training given to the existing workforce (12%) or expanding trainee programmes (6%).

'Doing nothing' is a response to recruitment difficulties cited by around one in eight employers regionally (12%), little different to the national figure (13%).

Figure 11: Responses to recruitment difficulties, London & England, 2007



Source: NESS07.

Base: All establishments with HtFVs, unweighted London = 1,207

4. SKILLS GAPS

Section Summary

Skills gaps are skills deficiencies observed by establishments amongst their existing workforce. Whilst the majority of establishments surveyed were not affected by skills gaps, 17% of establishments in London reported having skills gaps within their workforce, a rate higher than national average of 15%.

While across England the proportion of employers with skills gaps has fallen consistently from 2003 to 2007, in London the figure increased between 2005 and 2007 from 13% to 17%.

In 2007 approximately 287,300 staff were considered to not be fully proficient in their work, equating to 7% of the region's workforce - slightly up from 6% in 2005. This number represents just over a fifth of all skills gaps in England (21%), higher than the proportion of the total workforce falling within the region (18%).

Incidence of skills gaps amongst establishments increases with business size with the proportion of establishments reporting skills gaps rising from 8% of those establishments with 2 to 4 staff, to just-under one quarter (24%) for those with 5 to 24 staff. Figures rise to just under half (49%) where 200 or more staff are employed.

Skills gaps are more prevalent in occupations that are traditionally unskilled or semi-skilled. Sales and customer service occupations account for one fifth of the total number of skills gaps amongst establishments in London. Administrative occupations account for a further 17% and elementary occupations another 15%. Occupations such as managers and professionals, whilst accounting for a large proportion of the total number in employment, account for a relatively small proportion of the total number of workers identified as having skills gaps.

In terms of the types of skills establishments see as lacking amongst their staff, nationally a lack of technical and practical skills is the most frequently cited skill missing amongst workers with skills gaps and is a factor in 51% of workers described by their employers as lacking full proficiency. In London, whilst a lack of technical and practical skills is a significant issue and is reported as a factor in 44% of skills gaps, oral communication skills are more commonly reported as lacking (mentioned in connection with 57% of skills gaps in London compared with 41% nationally).

Lack of experience or staff being recently recruited is the most frequently cited reason for skills gaps and is attributed, at least in part, to 68% of all skills gaps discussed with establishments in London.

The overwhelming response by establishments in London to internal skills gaps was to either increase training activity or increase the amount spent on training, an action identified by 70% of establishments with skills gaps in the region.

4.1 Introduction

This section moves from looking at the recruitment difficulties faced by establishments, to the skills deficiencies or *skills gaps* observed by employers amongst their existing workforce. It focuses on:

- The incidence and distribution of skills gaps within the region
- The types of skills that establishments find missing from their staff
- The reasons and impact these skills gaps have
- How establishments respond to their perceived skills gaps

4.2 Incidence and Distribution of Skills Gaps

NESS07 data indicates that 17% of establishments in London were experiencing skills gaps within their workforce, higher than the national average of 15% and the second highest level amongst the English regions. This represents a rise on the 13% of establishments reporting skills gaps in 2005 and does not reflect the national picture where the proportion of establishments reporting skills gaps has remained relatively static.

The proportion of establishments within each sub-region reporting skills gaps within their workforce is in-line with the regional average, with the exception of London North where the proportion is 2 percentage points lower than the regional average. The percentage of establishments reporting skills gaps has increased across all sub-regional areas compared with 2005. London Central has seen the largest increase with figures for 2007 5 percentage points higher than 2005.

In 2007 approximately 287,300 staff were considered to not be fully proficient in their work equating to 7% of the workforce. In volume terms the number of skills gaps reported has increased by 31% from 2005 but as a proportion of the workforce figures are only marginally higher, 6% in 2005 compared to 7% in 2007.

The proportion of staff reported to have skills gaps is relatively consistent *within* the London region at between 6% and 7%.

It is useful to note here that the survey asks establishments about staff who are not *fully* proficient and so can say nothing about skills improvements that may or may not be made overtime among those who remain below full proficiency.

Table 13: Skills gaps by sub-region, London & England, 2005 & 2007

	% of establishments with any skills gaps		Number of workers not fully proficient (i.e. skills gaps) 2007	% of staff reported as having skills gaps	
	2005	2007		2005	2007
	%	%		%	%
London Central	12	17	96,425	7	7
London East	13	17	68,400	6	7
London North	13	15	17,800	4	6
London South	14	17	32,450	5	7
London West	13	17	49,075	5	7
London	13	17	287,300	6	7
England	16	15	1,361,100	6	6

Source: NESS 2005 & 2007

Base: All establishments, unweighted London = 12,077 in 2007 and 12,100 in 2005.

Note: Number of staff not fully proficient is rounded to the nearest 25.

Note: The total number of staff not fully proficient by sub-region is weighted using population data for total employment at a sub-regional level. At an overall regional level, results are grossed up using population data for the region as whole. The use of these two different sets of population data results in a discrepancy between the sum of skills gaps at sub-regional level and the total number of skills gaps for London.

The incidence of skills gaps increases with business size, with the proportion of establishments reporting skills gaps rising from 8% for those establishments with 2 to 4 staff, to just under one quarter for those with 5 to 24 staff and almost half (47%) for those with between 200 and 499 staff.

Skills gaps as a proportion of the workforce is fairly evenly distributed between the different sizes of establishments. However, the smallest establishments, those with between 2 and 4 staff, report only 4% of their staff as having skills gaps, while the largest establishments with 500 staff and over report 11% of their staff as having skills gaps.

Table 14: Skills gaps by establishment size, London, 2007

Establishment size	Unweighted base	% of establishments with skills gaps	Number of skills gaps	% of staff reported as having skills gaps
2-4	3,778	8	11,650	4
5-24	5,332	24	52,650	6
25-99	2,214	37	62,450	7
100-199	414	43	32,425	7
200-499	249	47	56,725	7
500+	90	55	71,400	11
London	12,077	17	287,300	7

Source: NESS 2005 & 2007

Base: All skills gaps

Note: Figures in *italics* show a small establishment sample size 25-49

4.3 Occupational Distribution of Skills Gaps

In absolute volume terms, sales and customer service (56,800), administrative and clerical (50,200), managers (46,100) and elementary (41,750) occupations have the largest number of workers who are not fully proficient. Personal service occupations (12,380), skilled trades (11,250) and machine operatives (10,825) have the fewest skills gaps.

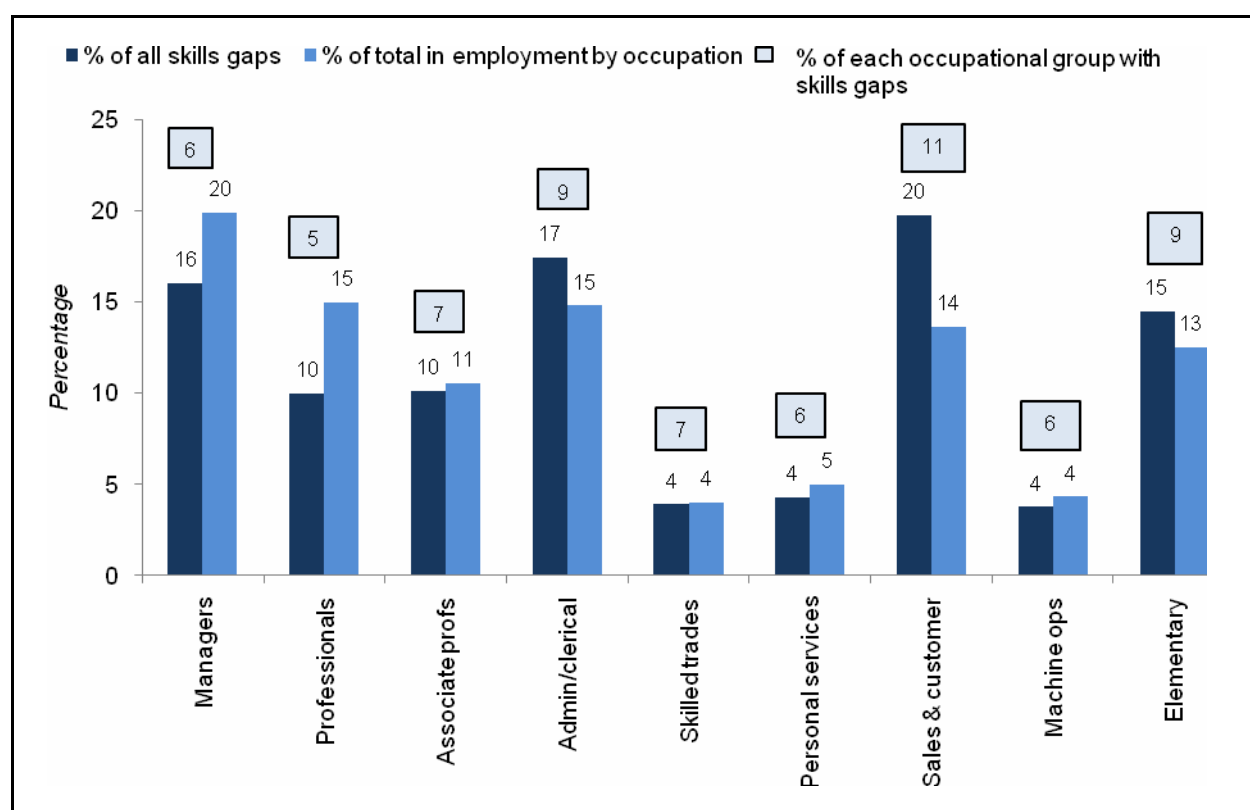
Sales and customer services, administrative and elementary occupations also have the highest *density* of skills gaps with 11% of sales and customer service, 9% of elementary and 9% of administrative staff being described as lacking proficiency.

Whilst a high number of managers have skills gaps this is largely a result of the high numbers employed in managerial occupations; as a proportion of the number employed, managers have one of the smallest proportions of skills gaps. Professionals are another occupational group with few skills gaps relative to the number employed. It is worth remembering here that these are the professions, particularly managers, to have most likely been the survey respondent.

Comparing the occupational distribution of skills gaps in the region with the occupational distribution of employment (Figure 12) shows skills gaps are more commonly found in occupations that are traditionally unskilled or semi-skilled. Sales and customer service occupations account for one fifth of the total number of skills gaps amongst establishments in London (despite accounting for just 14% of total employment in the region). Administrative occupations account for a further 17% and elementary occupations another 15% (each 2 percentage points higher than their proportion of employment).

Occupations such as managers and professionals, whilst accounting for a large proportion of the workforce, account for a relatively small proportion of the total number of workers identified as having skills gaps.

Figure 12: Skills gaps & employment by occupational group, London, 2007



Source: NESS 2007

Base: All establishments, unweighted London = 12,077

The occupational distribution of skills gaps has remained broadly consistent with the figures from 2005. Associate professionals, administrative and elementary occupations account for a larger proportion of all skills gaps in 2007 compared to 2005. Personal service occupations account for a much smaller proportion of skills gaps in 2007 compared with 2005 (4% vs. 10%).

Table 15: Distribution of skills gaps & employment, London, 2005 & 2007

Occupation	% skills gaps		% employment	
	2005	2007	2005	2007
Managers	16	16	19	20
Professionals	9	10	14	15
Associate professionals	8	10	8	11
Admin/clerical	15	17	16	15
Skilled trades	5	4	5	4
Personal services	10	4	7	5
Sales & customer	20	20	15	14
Machine operatives	5	4	4	4
Elementary	12	15	12	13
Total	100	100	100	100

Source: NESS 2005 & 2007

4.4 Sectoral Profile of Skills Gaps

The proportion of establishments within each SSC reporting skills gaps is generally higher than seen nationally, reflecting the higher rate for the region as a whole. Skills gaps are most frequently reported by establishments within the following sectors (more than a fifth did so in each case - see Table 16):

- Central Government (Government Skills)
- Skills for Justice
- Active, leisure, outdoor and playwork (SkillsActive)
- Community based learning, FE, HE and library & information industries (Lifelong Learning UK)
- Social care (Skills for Care and Development)
- Hospitality (People 1st)
- Retail (Skillsmart Retail)
- Financial sector (Financial Services)
- Passenger transport (Go Skills)

Looking at the density of skills gaps amongst SSCs (the proportion of the workforce not fully proficient) the rate is highest within:

- IT & telecommunications (e-skills UK) – 11%
- Chemical, nuclear, oil, gas, petroleum & polymer industries (Cogent) – 10%
- Retail (Skillsmart Retail) – 9%
- Hospitality (People 1st) – 9%

Both Skillsmart Retail and People 1st have larger than average skills gap density, a larger share of skills gaps than employment, and between them account for over a fifth (21%) of the London workforce that is lacking skills.

Table 16: Skills gaps by Sector Skills Council, London, 2007

	% of establishments with any skills gaps	Number of employees not fully proficient (i.e. skills gaps)	% of staff reported as having skills gaps	Share of employment	Share of all skills gaps
				%	%
Government Skills	31%	5,425	7%	2	2
Skills for Justice	25%	3,100	4%	2	1
Lifelong Learning UK	22%	7,700	6%	3	3
Skills for Care & Development	22%	7,875	7%	3	3
SkillsActive	22%	2,125	6%	1	1
Financial Services	21%	15,200	5%	8	5
Goskills	21%	7,300	5%	4	3
People 1st	21%	29,175	9%	8	10
Skillsmart Retail	21%	32,300	9%	9	11
Cogent	19%	2,075	10%	1	1
Improve	19%	1,700	6%	1	1
Automotive Skills	18%	2,725	6%	1	1
Skills for Logistics	18%	5,675	7%	2	2
SummitSkills	18%	1,850	7%	1	1
Lantra	17%	575	8%	0	0
ConstructionSkills	15%	9,000	6%	4	3
SEMTA	15%	2,575	5%	1	1
Asset Skills	14%	10,825	5%	5	4
e-skills UK	14%	15,600	11%	4	5
Proskills	14%	1,250	4%	1	0
Skills for Health	14%	13,550	6%	6	5
Skillfast-UK	13%	2,450	8%	1	1
Creative & Cultural	12%	4,000	5%	2	1
Energy & Utility Skills	11%	1,900	7%	1	1
Skillset	10%	5,850	8%	2	2
Non-SSC employers	15%	95,525	8%	29	33
Total	17%	287,300	7%	100%	100%

Source: NESS 2007

Base: All skills gaps 2007 = 25,809

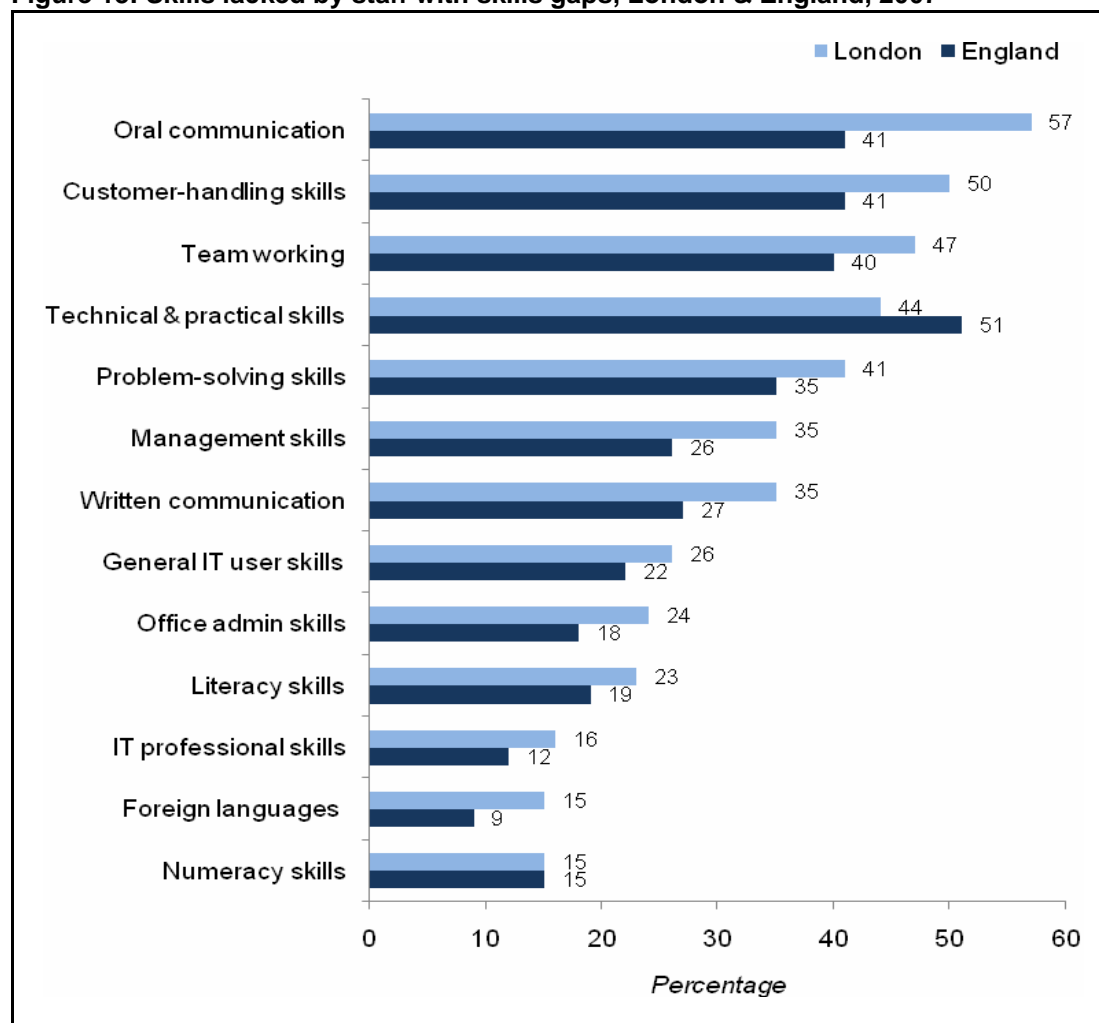
4.5 Skills lacking

Nationally a lack of technical and practical skills is the most frequently cited skill set missing amongst workers with skills gaps and is a factor in 51% of workers described as lacking full proficiency. For London, whilst a lack of technical and practical skills is a significant issue and is reported as a factor in 44% of workers described as having skills gaps, oral communication skills are by far the most prevalent 'missing' skill. A lack of oral communication skills is a factor in 57% of workers reported as having skills gaps compared to 41% nationally.

Around half of all skills gaps were attributed in part to a lack of customer handling skills (50%) and team working skills (47%).

A lack of literacy is also identified within 23% of workers with skills gaps, a figure that is higher than the national average of 19%. London has the fourth highest level of poor literacy skills amongst the English regions. This reflects the issue identified in the previous chapter with more establishments in London than the average for England suffering difficulties recruiting staff with the literacy skills they need, and these skills shortages in the external labour market therefore being translated into skills gaps within the workforce.

Figure 13: Skills lacked by staff with skills gaps, London & England, 2007



Source: NESS 2007

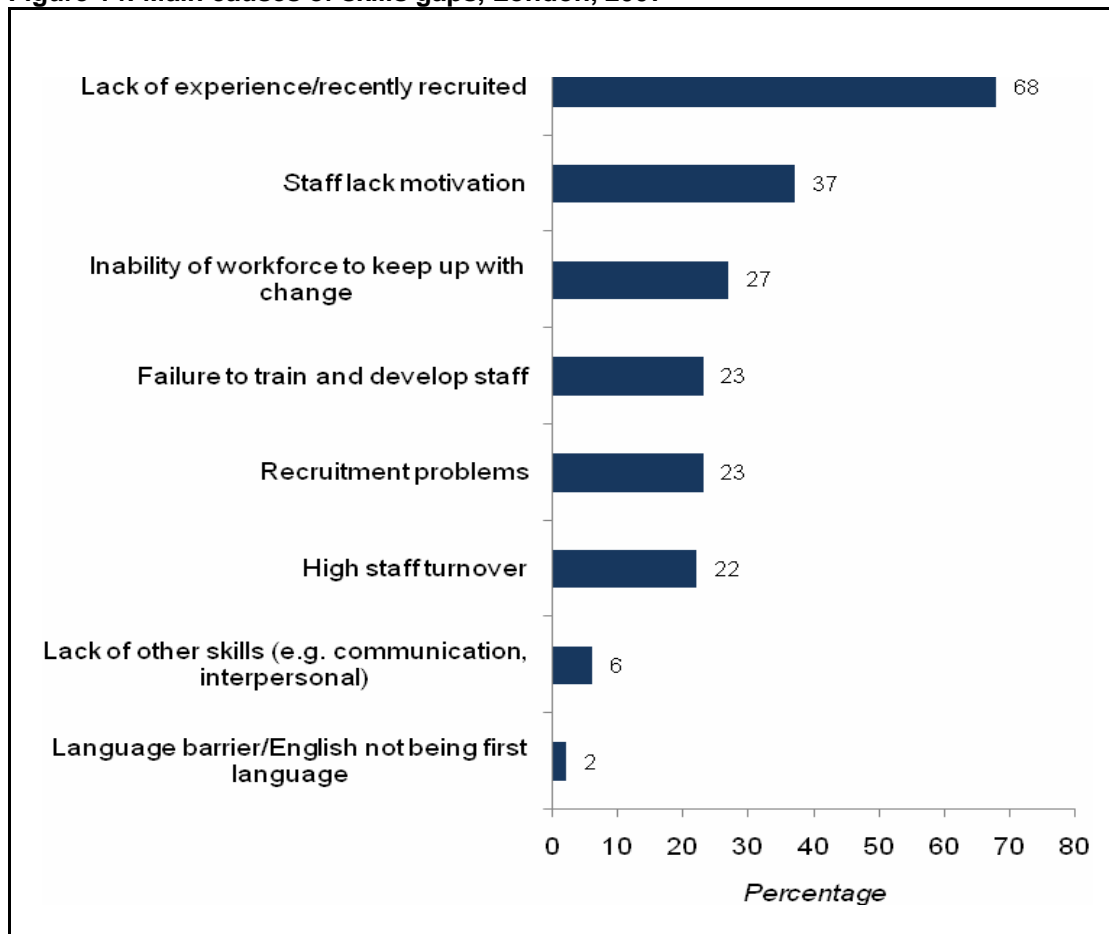
Base: All followed up skills gaps London = 20,073, England = 120,592

4.6 Reasons for Skills Gaps

Establishments were asked to identify the cause of their skills gaps. The following figures are based on the number of skills gaps themselves rather than the number of establishments with skills gaps. Survey respondents were able to give more than one reason for skills gaps and so figures will not sum to 100%.

Lack of experience or staff being recently recruited is the most frequently cited reason by establishments for skills gaps and is a factor in over two-thirds (68%) of all skills gaps. A lack of staff motivation (37%) and an inability of the workforce to keep up with change (27%) are other frequent reasons for skills gaps.

Figure 14: Main causes of skills gaps, London, 2007



Source: NESS 2007

Base: All followed up skills gaps London = 20,073

Some reasons were more likely to be cited in connection with skills gaps for particular occupations, such as:

- *Lack of experience*: professional occupations
- *Lack of motivation*: sales and customer service, elementary and administrative occupations
- *Inability to keep up with change*: managers
- *Failure to train and develop staff*: managers
- *Recruitment problems*: professionals and sales and customer services
- *High turnover of staff*: professionals and sales and customer service occupations

4.7 Impact of Skills Gaps

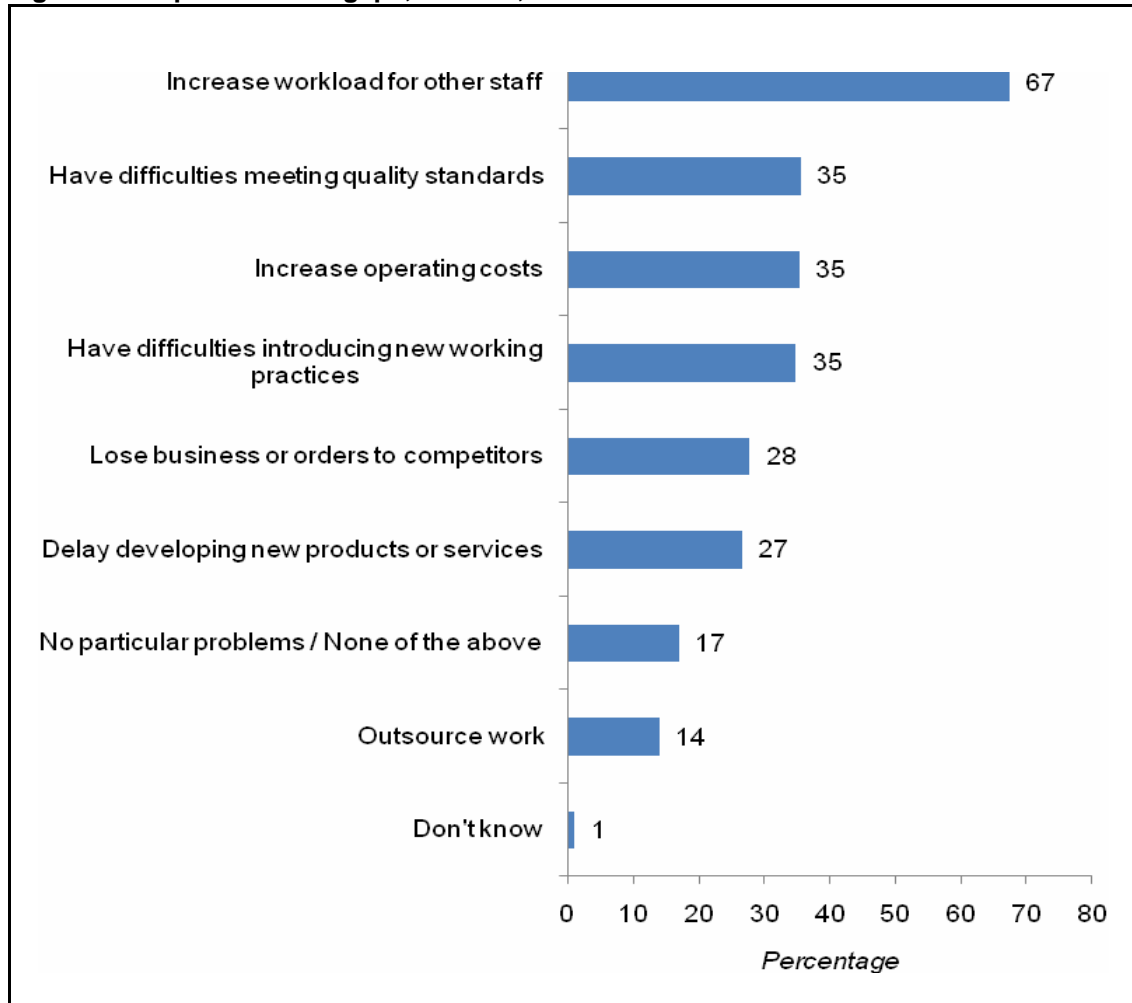
The most significant impact for establishments reporting skills gaps is an increase in the workloads for other staff; reported by over two thirds (67%) of establishments in London with skills gaps, a higher proportion than seen nationally (55%).

Over a third (35%) of establishments in each case identified increased operating costs, difficulties in meeting quality standards and difficulties in introducing new working practices as impacts of internal skills gaps.

Over a quarter of establishments (28%) identified that they were likely to lose business to competitors while a similar proportion (27%) report delays in developing new products or services as a result of skills gaps within their workforce.

17% of establishments reported that skills gaps did not impact on their business. This was a significantly lower proportion than that seen nationally (26%), suggesting that employers in London are either experiencing a greater impact on their business as a result of skills gaps, are more able to identify these impacts where they occur, or a combination of the two.

Figure 15: Impact of skills gaps, London, 2007



Source: NESS 2007

Base: All establishment with skills gaps, unweighted London = 2,762

Larger businesses have a greater tendency to report increased workloads for staff and increased operating costs as impacts of skills gaps amongst their workers than smaller sized establishments. Very small businesses (those with between 2 and 4 staff) are more likely to report delays in developing new products or services, or to state that there is no particular impact of skills gaps than larger businesses.

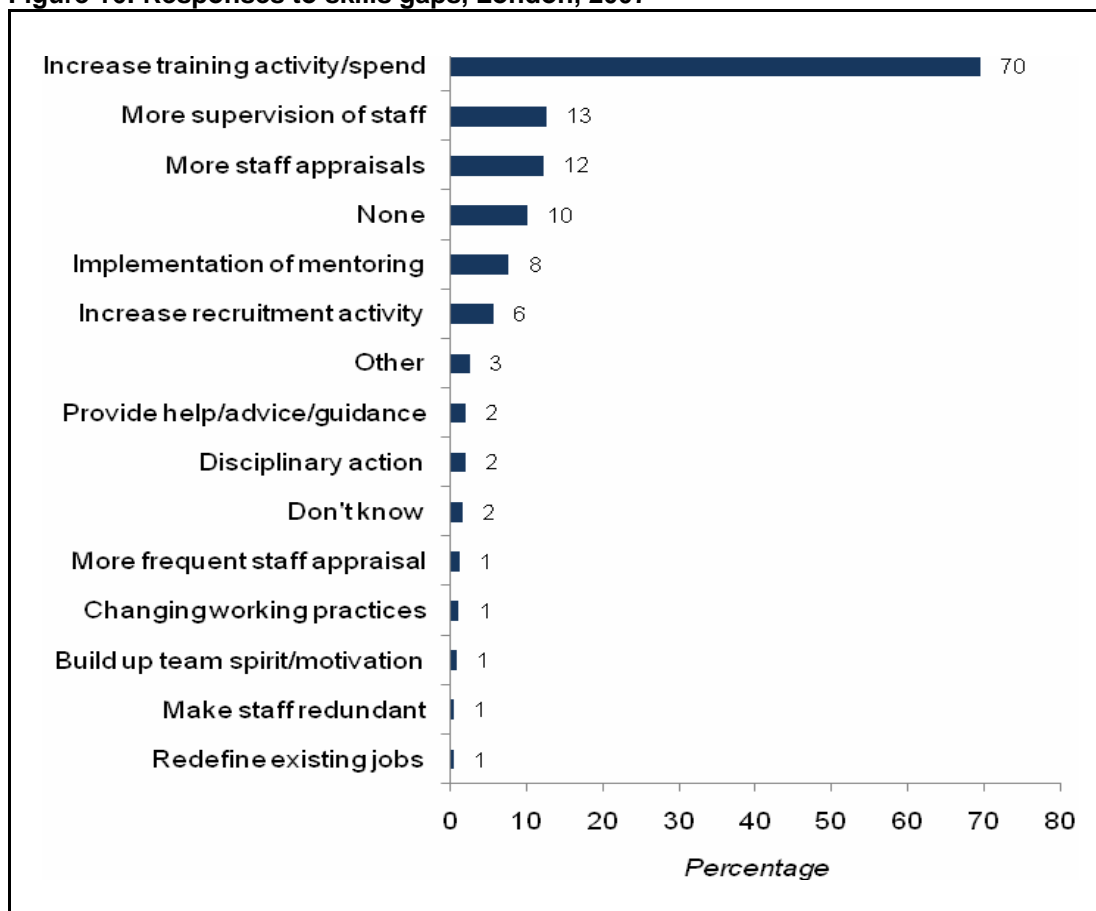
4.8 Responses to Skills Gaps

The overwhelming response by employers in London to the skills gaps within their workforce was to either increase training activity or increase the amount spent on training; an action identified by 70% of establishments with skills gaps.

13% responded to skills gaps by increasing supervision of staff and 12% introduced more staff appraisals, a pattern of response that mirrors that seen nationally.

10% of establishments respond to skills gaps by doing nothing and this is a more frequent response by very small establishments (2 to 4 workers) than larger establishments.

Figure 16: Responses to skills gaps, London, 2007



Source: NESS 2007

Base: All establishment with skills gaps, unweighted London = 2,762

5. RECRUITMENT OF YOUNG PEOPLE TO EMPLOYMENT AND APPRENTICESHIPS

Section Summary

One quarter of establishments in the region recruited a young person under 24 years old straight from education into employment. Whilst this is in-line with the national average London has a pattern of recruitment that differs from the national picture and is the only region to do so.

- Establishments in London are considerably less likely to recruit a 16 year old straight from school - 4% compared with 7% nationally - and are also less likely to recruit 17 to 18 year olds school or college leavers (9% compared with 12% nationally).
- By contrast, London is more likely to recruit graduates straight from higher education (14% compared with 10%). This situation has remained unchanged on 2005.

The likelihood of recruiting young people increases with establishment size with the smallest establishments, those employing between 2 to 4 staff, markedly less likely to recruit young people direct from education.

The majority of establishments who recruit young people reported that they were well or very well prepared for work. Perhaps not surprisingly, perceived levels of preparedness increase with the age of the recruit.

For those establishments that felt young recruits were poorly or very poorly prepared for work, oral communication skills was the most frequently cited skill lacking.

Employers in London are considerably less likely than the national average to offer Apprenticeships to staff; 9% of establishments did so compared with 14% nationally. Establishments in London also take on the fewest young apprentices as a proportion of the workforce in comparison with any other English region – 5 apprentices per 1,000 staff for 16 to 24 year olds (compared with 9 per 1,000 staff nationally).

Being able to train recruits in their own way of doing things is the most frequently given reason by establishments as to why they offer Apprenticeships.

The most frequently cited reasons why establishments do not offer Apprenticeships surround issues such as the lack of relevancy of Apprenticeships, a belief that the establishment is too small, staff already being fully trained or a preference for hiring staff that are already fully trained. A greater proportion of London employers feel that Apprenticeships are not relevant to their organisation than across England as a whole (18% compared with 15%).

5.1 Introduction

This section looks at the recruitment and skills of young people covering:

- The recruitment of young people (16-24) by establishments in the region into their first job on leaving either school, college or university
- Perceptions by establishments of the work readiness and skills of young people

It also includes analysis of engagement with and attitudes towards Apprenticeships and Advanced Apprenticeships by establishments – a new set of questions for NESS 2007.

5.2 Recruitment of Young People into Jobs

Overall one quarter of establishments in the region recruited a young person under 24 years old straight from education into employment. Whilst this is in-line with the national average, looking more specifically at the types of young people recruited shows London has a pattern of recruitment that differs from the national picture. It is the only region to do so.

- Establishments in London are considerably less likely to recruit a 16 year old straight from school, 4% compared to 7% nationally, and also less likely to recruit 17 to 18 year olds school or college leavers, 9% compared to 12% nationally.
- By contrast, London is more likely to recruit graduates straight from higher education. This situation has remained unchanged on 2005.

Table 17: Proportion of establishments recruiting young people, London & England, 2005 & 2007

	London		England	
	2005	2007	2005	2007
	%	%	%	%
Any under 24-year-olds recruited straight from education	N/A	25	N/A	26
<i>16-year-olds recruited straight from school</i>	4	4	7	7
<i>17- or 18-year-olds recruited straight from school or college</i>	9	9	11	12
<i>Under 24-year-olds recruited straight from HE</i>	13	14	9	10
Unweighted	12,100	12,077	74,835	79,018
Weighted	225,545	231,199	1,390,155	1,451,507

Source: NESS 2005 & 2007

Base: All establishments

Within the region, establishments in London South are most likely to recruit a young person aged 16 years old straight from school, although at 6% of establishments this is still below the national average. Establishments in London South are also the most likely to recruit 17 to 18 year old school or college leavers with figures in-line with the average for England.

The regional pattern of recruiting young people direct from education is in part being driven by London Central. Employers in London Central were the least likely to recruit 16, 17 or 18 year olds from school or college in comparison with the other London sub-regions. However, they are the most likely to recruit a young person under the age of 24 from higher education, just under a fifth (17%) did so - this proportion being considerably higher than the national average (10%) and the highest figure of any sub-region in England.

Table 18: Proportion of establishments recruiting of young people by sub-region, London, 2007

	London Central	London East	London North	London South	London West
	%	%	%	%	%
Any under 24 direct from education	26	26	24	26	25
16 year olds recruited straight from school	2	5	4	6	4
17-18 year olds recruited straight from college	7	10	9	12	9
Under 24 recruited straight from HE	17	12	13	12	13
Unweighted establishments	4,225	2,712	1,303	1,803	2,034
Weighted establishments	81,958	51,499	24,624	34,230	38,045

Source: NESS 2007

Base: All establishments

The likelihood of recruiting young people increases with establishment size with the smallest establishments (employing between 2 to 4 staff) markedly less likely to employ young people than the largest establishments. Looking at the figures for recruitment of any under 24 year old from higher education the proportion of establishments recruiting rises from 7% amongst those with 2 to 4 staff to 57% of establishments with 200 or more staff.

Table 19: Recruitment of young people by establishment size, London, 2007

Establishment size	Unweighted establishments	Weighted establishments	16 year-olds recruited straight from school	17-18 year-olds recruited straight from college	Under 24 recruited straight from HE
			%	%	%
2-4	3,778	123,903	2	4	7
5-24	5,332	82,641	5	13	18
25-99	2,214	18,901	7	21	34
100-199	414	3,224	11	27	50
200-499	249	1,896	17	39	57
500+	90	634	10	27	58
Total	12,077	231,199	4	9	14

Source: NESS 2007

Base: All establishments

In terms of sector, the most frequent recruiters of 16 year olds straight from school in the region, with figures above the national average of 7% (and significantly above the regional average of 4%) are:

- Leisure and Sports (Skills Active) – 11%
- Building Services Engineering (Summit Skills) – 8%
- Retail (Skillsmart Retail) – 8%

The same industries, plus the hospitality and catering industry (People 1st), are also the most likely to recruit 17 to 18 year olds straight from college/school, with between 1 in 7 and 1 in 5 employers in the region having done so.

The sectors where the incidence of recruiting young people direct from Higher Education was particularly high (above the regional average) were:

- Audio visual industries (Skillset) – 24%
- Skills for Justice – 24% (the low base size here should be noted)
- Financial services – 22%
- Leisure and sports (Skills Active) – 20%
- Central Government (Government Skills) – 20% (low base size)
- Creative and cultural – 19%
- Community based learning, FE, HE and library & information industries (Lifelong Learning UK) – 18%

These are all sectors where a high incidence of recruiting young people from HE is also observed at the national level. To some extent the overall proportion of London employers recruiting leavers from HE is driven by the profile of London establishments being skewed towards these industries that typically recruit graduates.

However, it is also the case that employers in the following sectors reported a higher incidence of recruiting graduates than was the case for their sectoral counterparts nationally:

- ConstructionSkills (14% in London compared with 8% nationally)
- Lantra (10% vs. 4% nationally)

Table 20: Recruitment of young people by Sector Skills Council, London, 2007

	Unweighted establishments	Weighted establishments	Recruited any 16 year olds direct from school	Recruited any 17 or 18 year olds direct from school/college	Recruited anyone under 24 from HE
			%	%	%
Asset Skills	630	18,247	2	7	10
Automotive Skills	425	4,494	7	9	6
Cogent	189	1,179	4	7	13
ConstructionSkills	621	13,060	5	7	14
Creative & Cultural	514	8,813	3	5	19
Energy & Utility Skills	46	1,111	2	6	4
e-skills UK	502	9,522	3	6	17
Financial Services	433	8,402	3	10	22
Goskills	238	2,392	2	6	7
Government Skills	34	647	0	6	20
Improve	133	902	5	6	11
Lantra	152	953	4	12	10
Lifelong Learning UK	430	3,141	4	11	18
People 1st	941	24,898	2	14	16
Proskills	311	2,626	4	7	7
SEMTA	279	3,378	4	7	11
Skillfast-UK	363	4,218	2	4	6
Skills for Care & Development	629	7,571	2	6	12
Skills for Health	366	6,539	1	6	10
Skills for Justice	45	881	0	11	24
Skills for Logistics	283	3,515	3	8	10
SkillsActive	288	1,671	11	22	20
Skillset	330	4,207	2	6	24
Skillsmart Retail	1,245	29,489	8	15	13
SummitSkills	235	2,448	8	15	7
Non-SSC employers	2,415	66,895	4	8	15
Total	12,077	231,199	4	9	14

Source: NESS 2007

Base: All establishments

Note: - sample size of reporting establishments below 25. Figures in *italics* show a small establishment sample size 25-49

5.2.1 Preparedness for Work

The majority of employers who recruit young people reported that they were well or very well prepared for work. Perhaps not surprisingly the proportion of establishments reporting a good level of preparedness increases with the age of the recruit; 60% of those recruiting 16 year olds considered them well or very well prepared compared with 83% of employers recruiting graduates.

Whilst the majority of establishments are satisfied with the preparedness of their young recruits, more establishments in London report that the young people they recruit are poorly or very poorly prepared for work than the national average. This difference is most marked in the case of 16 year old recruits from school with over a third (34%) of employers in the region stating they were poorly or very poorly prepared for work compared with 28% of employers nationally.

Table 21: Preparedness of young recruits, London & England, 2007

	16 year olds		17-18 year olds		Under-24 from HE	
	London	England	London	England	London	England
	%	%	%	%	%	%
Well or very well prepared	60	67	70	74	83	84
Poorly/very poorly prepared	34	28	26	21	13	11
Unweighted base	645	7,641	1,528	13,109	2,290	11,255
Weighted base	8,970	104,500	21,399	180,404	32,454	152,357

Source: NESS 2007

Base: All establishments

Within the region the analysis of establishments shows:

- Establishments in London West are more likely than those in other sub-regions to find 16, 17 and 18 year olds well or very well prepared and least likely to find graduates well or very well prepared.
- By contrast, establishments in London East are the most likely to find 16, 17 and 18 year olds poorly or very poorly prepared.

Table 22: Preparedness of young recruits by sub-region, London, 2007

	16 year olds		17-18 year olds		Under 24 from HE	
	Well or very well prepared	Poorly or very poorly prepared	Well or very well prepared	Poorly or very poorly prepared	Well or very well prepared	Poorly or very poorly prepared
	%	%	%	%	%	%
London Central	62	33	71	24	86	10
London East	56	38	65	29	84	12
London North	62	27	70	27	79	16
London South	59	36	71	27	83	13
London West	68	30	74	22	78	18
London	60	34	70	26	83	13

Source: NESS 2007

Base: All establishments

5.2.2 Ways in which young people are poorly prepared for work

Looking at the skills that employers reported to be lacking amongst the young people they felt were poorly or very poorly prepared for work shows:

- 16 year old school leavers were most commonly reported to be lacking oral communication skills and lack of life and/or experience of the working world.
- Oral communication and customer service skills were found to be most frequently lacking amongst 17 and 18 year olds who employers felt were poorly or very poorly prepared for work.
- For young graduates a lack of technical or job specific skills were cited by 31% of establishments who recruited graduates and felt they were not well prepared for work (compared with just over one in ten – 11% - of those recruiting 16 year olds direct from school or college).
- Oral communication skills was one of the most frequently cited skills lacking by young people across all three educational outputs.
- Unsurprisingly a lack of life and/or experience of the working world is commonly felt by establishments to be one of the main reasons why a young person is not prepared for work.
- A lack of literacy and/or numeracy skills are observed by relatively few establishments; 9% and 7% respectively 16 year olds and 5% and 6% respectively for 17-18 year olds. For young graduates the proportion is smaller still at 6% and 3% respectively.

Table 23: Skills lacking amongst young recruits who were observed to be poorly or very poorly prepared for work, London, 2007

	16 year old school leavers	17-18 year old school or college leavers	Under 24 year old HE leavers
	%	%	%
Oral communication skills	21	19	16
Lack of life/working world experience	17	13	18
Customer service skills	12	15	14
Social/people skills	12	12	10
Lack of motivation	11	13	8
Work ethic/poor attitude to work	11	12	9
Time keeping skills	11	11	7
Technical & practical/job specific skills	11	13	31
Poor education/general knowledge	10	4	6
Literacy skills	9	5	6
Experience (inc. business, practical)	7	10	13
Numeracy skills	7	6	3
Common sense	7	10	4
Discipline	6	3	2
Poor attitude	6	7	2
Confidence	5	2	1
Written communication skills	5	4	8
Office/admin skills	4	3	4
Personal appearance	3	1	1
Responsibility	2	2	1
Initiative	2	2	1
Basic IT/computer skills	2	3	5
Organisational skills	2	3	2
Interview skills	1	*	*
Team working skills	1	1	2
Working long hours/hard work	*	1	1
Weighted establishment base	3,082	5,458	4,102
Unweighted establishment base	230	375	260

Source: NESS 2007

Base: All establishments that have recruited each group of young person who say some of the recruits were poorly/very poorly prepared.

Note: A "*" denotes a finding of less than 0.5% and greater than 0.

5.3 Apprenticeships

NESS 2007 saw the introduction of a new set of questions relating to the use by employers of Apprenticeships (Level 2) and Advanced Apprenticeships (Level 3) (referred to generically as Apprenticeships throughout this section), with a focus on those for which employers or a training provider working on their behalf had received government funding.

The following analysis examines the use of Apprenticeship programmes by establishments in London looking at the recruitment of young people into Apprenticeships and the reasons for establishments either offering or not offering Apprenticeships.

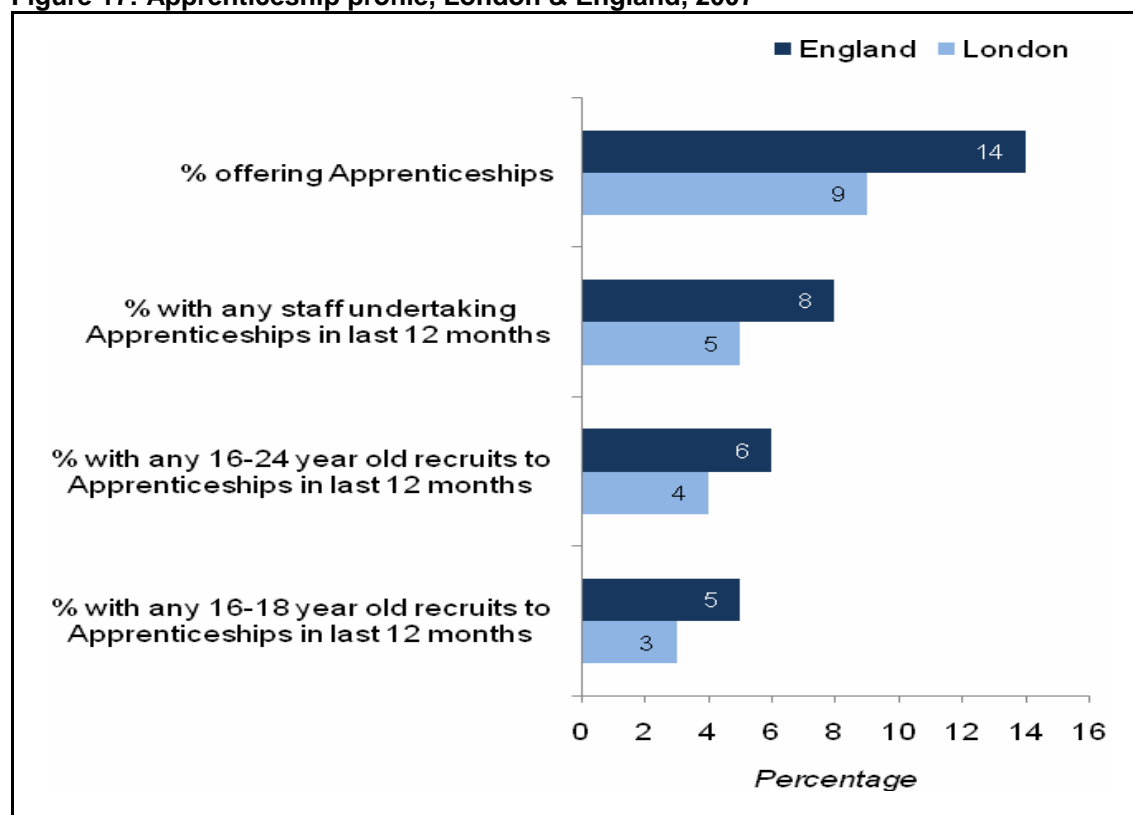
5.3.1 Apprenticeship profile

NESS07 indicates that 9% of establishments in London offer Apprenticeships to staff, considerably lower than national average of 14% and the lowest level amongst the English regions. One in twenty (5%) had staff actually undertaking an Apprenticeship at any point in the last 12 months to the survey date.

In terms of young people and Apprenticeships, a lower proportion of establishments in the region recruit young people (16-24) to Apprenticeships than the national average, 4% in London compared with 6% nationally.

Establishments in London also take on the fewest young apprentices as a proportion of the workforce in comparison with the other English regions – 5 apprentices per 1,000 staff for 16 to 24 year olds (compared with 9 per 1,000 nationally).

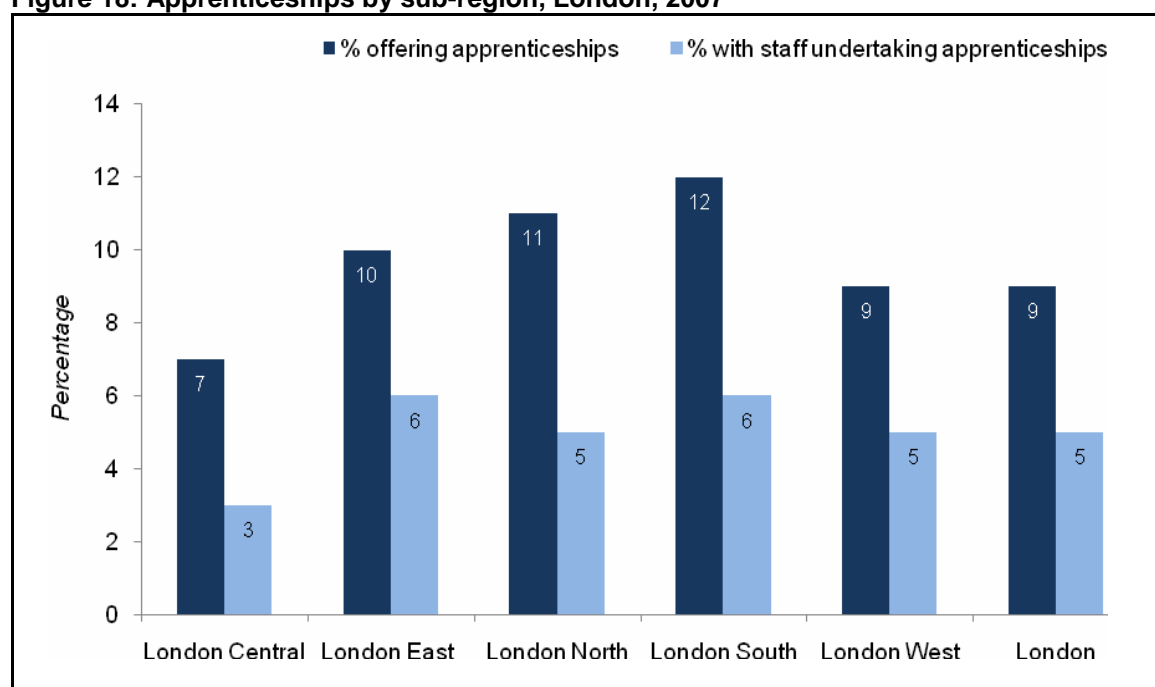
Figure 17: Apprenticeship profile, London & England, 2007



Source: NESS 2007
Base: All establishments

Within the region London South (12%), North (11%) and East (10%) have the largest proportion of establishments offering Apprenticeships (although all are still below the national average of 14%). London Central has the smallest proportion offering Apprenticeships at just 7%. Looking at the percentage of establishments with staff actually undertaking Apprenticeships in the last 12 months shows little variation across the sub-regional areas with the exception of London Central where just 3% of establishments have staff undertaking Apprenticeships.

Figure 18: Apprenticeships by sub-region, London, 2007



Source: NESS 2007
Base: All establishments

Reflecting the national picture, the likelihood of establishments offering Apprenticeships and having staff that have undertaken Apprenticeships increases with establishment size. The proportion of establishments offering Apprenticeships rises from 8% in the smallest establishments (with 2 to 4 workers) to just under a fifth (19%) of those with 200 or more staff.

Table 24: Apprenticeships by establishment size, London, 2007

	Unweighted establishments	Weighted establishments	% of establishments offering	% of establishments with staff undertaking
2-4	3,778	123,903	8%	3%
5-24	5,332	82,641	10%	6%
25-99	2,214	18,901	13%	9%
100-199	414	3,224	17%	10%
200-499	249	1,896	18%	11%
500+	90	634	22%	16%
London	12,077	231,199	9%	5%

Source: NESS 2007
Base: All establishments

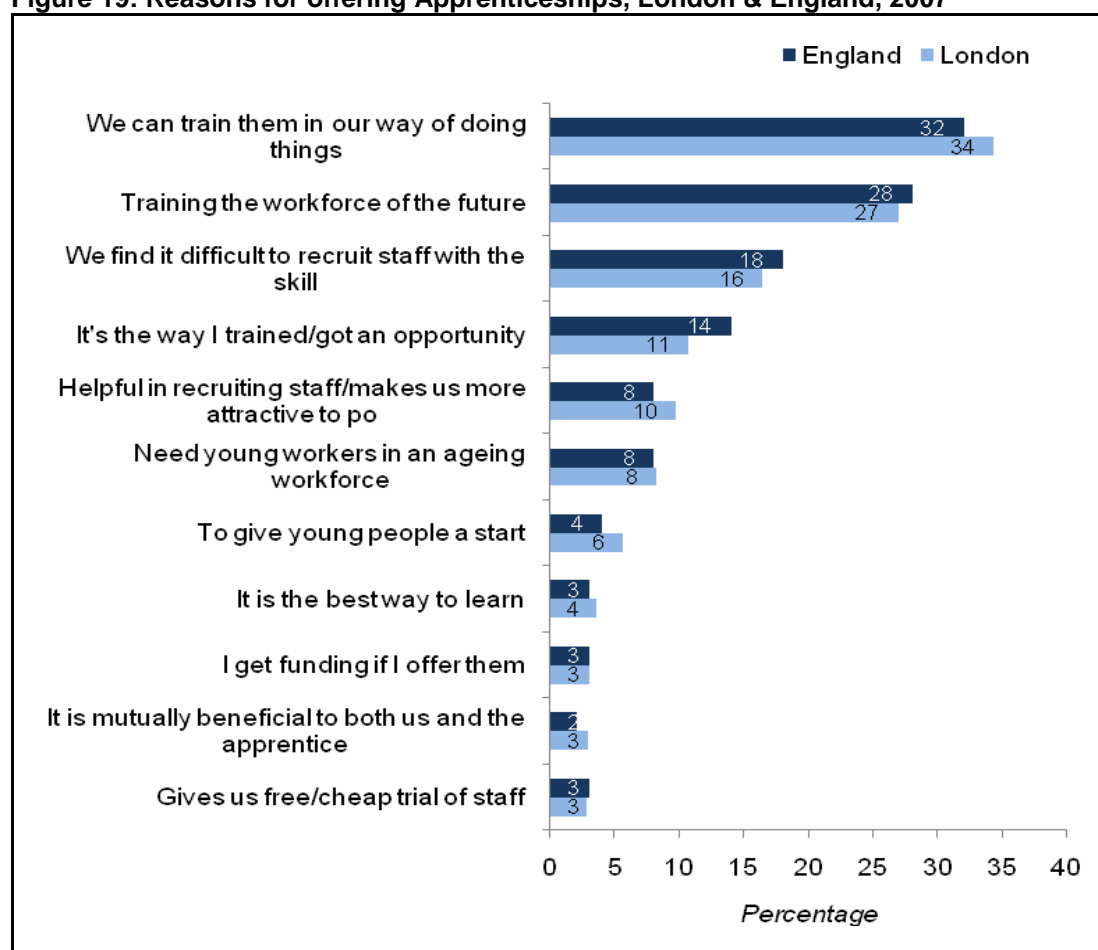
5.3.2 Reasons for offering Apprenticeships

Being able to train recruits in their own way of doing things was the most frequently given reason for offering Apprenticeships – mentioned by over a third of employers (34%).

Providing training for their future workforce is the next most commonly cited reason for offering Apprenticeships (27%). Difficulty in recruiting staff with the right skills (skills shortage vacancies) was a factor in the decision to offer Apprenticeships by 16% of employers in the region.

The proportion of establishments in the region reporting each reason for offering Apprenticeships was broadly in-line with the national averages.

Figure 19: Reasons for offering Apprenticeships, London & England, 2007



Source: NESS 2007

Base: All establishments offering Apprenticeships. London unweighted = 1,316. England unweighted = 12,669

5.3.3 Reasons for not offering Apprenticeships

The most frequent reasons given by establishments as to why they do not offer Apprenticeships surround issues such as the lack of relevancy of Apprenticeships, a belief that their establishment is too small, staff already being fully trained, a preference for hiring staff that are already fully trained and/or that the jobs within the establishments do not require staff to be particularly highly skilled.

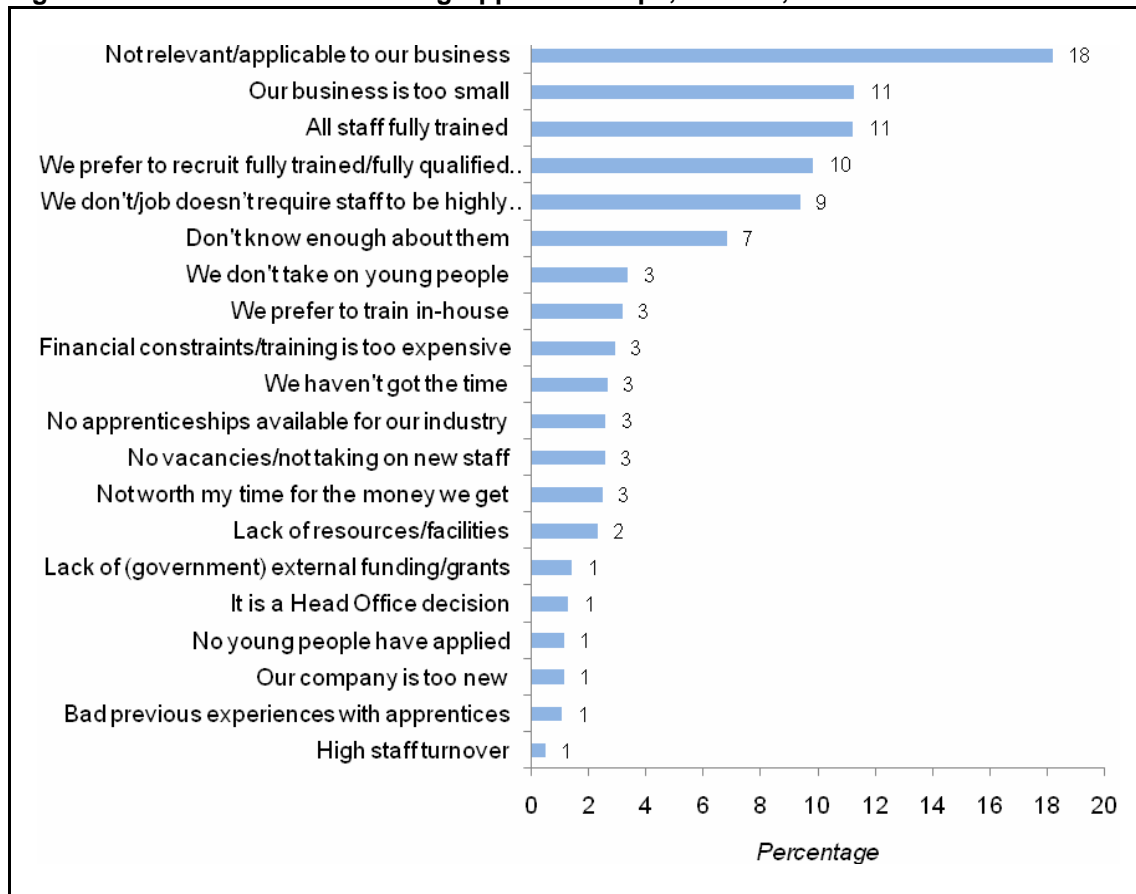
A higher proportion of London employers cite a lack of relevancy than is the case across England as a whole; 18% in London compared to a national average of 15%. Apprenticeships either not being relevant, not applicable to the business or in general not required, is of key importance as it suggests either one of two things:

- Either businesses need to be made better aware of the potential benefits of Apprenticeships and how they may be relevant to their business, as whilst few cite that they do not know enough about Apprenticeships it is possible that those who report a lack of relevancy of Apprenticeships are least likely to have clear information on them, and/or;
- Apprenticeships need to be made more applicable for certain businesses.

Businesses feeling that they are 'too small' to offer Apprenticeships is cited by just over 1 in 10 (11%) of establishments as a reason for not offering Apprenticeships. However, smaller establishments actually recruit a larger number of Apprentices relative to the number of people they employ than larger establishments. It is likely that small businesses in the region would benefit from better communication of the benefits of Apprenticeships.

Funding is not seen by establishments as a key reason for not offering Apprenticeships with issues such as lack of public funding, internal resources/facilities or a lack of time mentioned by relatively few establishments.

Figure 20: Reasons for not offering Apprenticeships, London, 2007



Source: NESS 2007

Base: All establishments not offering Apprenticeships. London unweighted = 10,493

6. TRAINING AND WORKFORCE DEVELOPMENT

Section Summary

67% of establishments in the region had provided training in the 12 months prior to the survey being conducted, a proportion in-line with the national average. 35% had provided both on and off-the job training, 12% off-the-job only and 20% on-the-job only. One third of establishments do not provide any training for their staff.

The proportion of London establishments providing any training has risen year-on-year, from a base of 55% in 2003.

The propensity to train staff is highest within London Central where 69% of establishments had provided training (of any type) to their staff in the last 12 months.

Establishments in London reported training just over 2.6 million staff in the 12 months prior to the 2007 survey date, equating to 67% of the workforce, a figure that is both up on the results for 2005 (58%) and is 4 percentage points above the national average (63%).

The propensity to train increases with establishment size from 53% of establishments in London with between 2 and 4 staff to 100% of establishments with 500 or more staff. Nearly half (47%) of the smallest businesses, those with 2 to 4 staff, do not train compared to only 7% of those establishments with 25 to 99 staff.

By occupation, personal service and professional occupations are the most likely to receive off-the-job training, with 55% of personal service staff and 52% of professionals in receipt of such training. This compares with only 15% of those employed as machine operatives.

Turning to on-the-job training, 73% of staff working within sales occupations and 61% within professional occupations had received on-the-job training in the last 12 months. Again, machine operatives receive the least amount of training relative to their workforce size with just 30% of those employed having received on-the-job training.

Establishments in London funded or arranged a total of approximately 38 million days of training in the 12 months prior to the NESS07 survey date. This equates to 10 days per employee in London and matches the national average.

Employers in London that train were the least likely of any region to train to qualifications or specifically NVQs (only 18% of London employers that train had had any staff undertake an NVQ in the last 12 months compared with 27% nationally).

Of the total number of establishments that had provided training in the last 12 months, just under a fifth (19%) had used further education (FE) colleges to provide teaching or training, the lowest proportion of the English regions and considerably lower than the national average of 26%.

Total training expenditure by London employers over the last 12 months was £8.1bn. In real terms (factoring in inflation) this represents an increase of 32% from the 2005 figure, which is greater than the real increase across England as a whole (10 per cent).

6.1 Introduction

The provision and support by establishments of training and development is a central input to the improvement of skills amongst staff. NESS seeks to provide information on the training behaviour of employers which is explored in this section as follows:

- How many and which establishments are providing training
- How many workers are being provided for and what are their characteristics
- The type of training taking place
- The infrastructure and assessment processes in place
- Expenditure on training
- Reasons for not providing training
- Barriers to providing more training
- Engagement and satisfaction with external training providers
- Rating of government support for training
- Awareness of Train to Gain

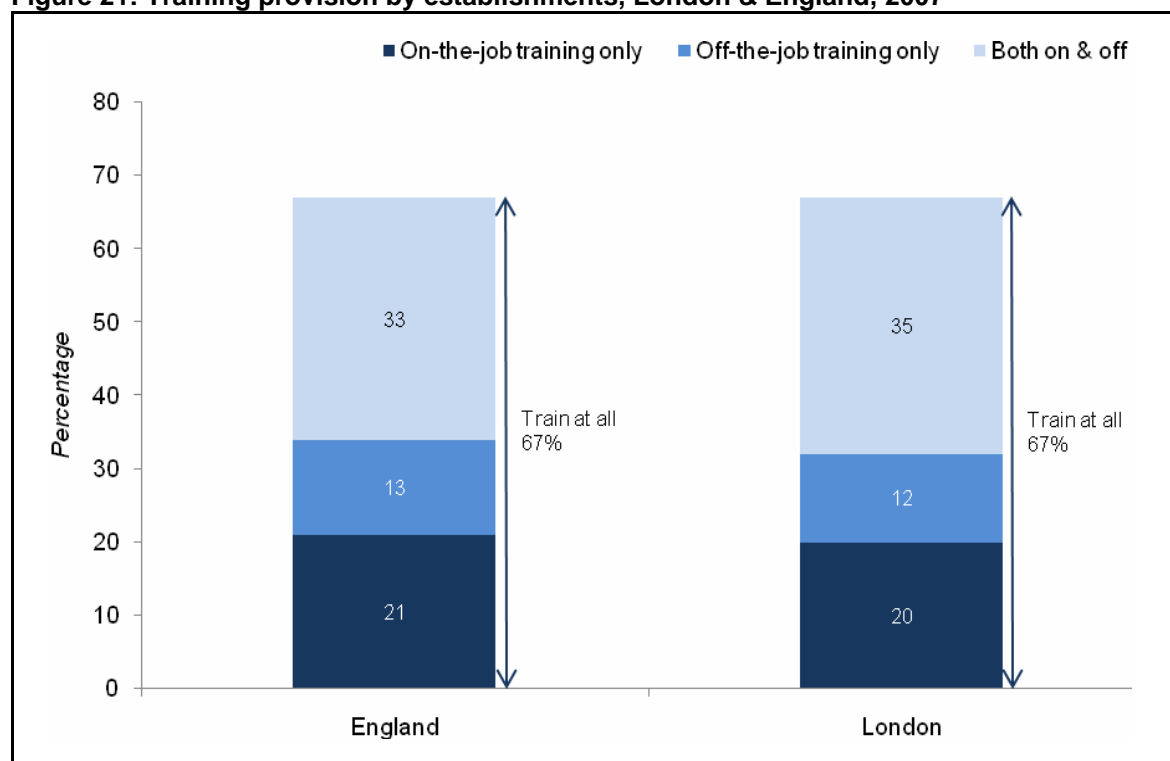
Reference is made throughout the section to training being delivered on and off-the-job. These refer to and were explained to employers as:

- Off-the-job training and development takes place away from the individual's immediate work position, whether on the employer's premises or elsewhere
- On-the-job and informal training and development is any other training and development activities that would be recognised as training by staff, not the sort of learning by experience which could take place all the time

6.2 Provision of Training

Over two thirds (67%) of London establishments had provided training in the 12 months prior to the survey being conducted, a proportion in-line with the national average. 35% had provided both on and off-the job training, 12% off-the-job only and 20% on-the-job only. One third of establishments provided no training for their staff.

Figure 21: Training provision by establishments, London & England, 2007



Source: NESS 2007

Base: All establishments, unweighted London = 12,077, England = 79,018

The proportion of establishments that provided training for their staff in last 12 months has risen from 62% in 2005 to 67% in 2007. The proportion providing solely on-the-job training has fallen by 4 percentage points and there has been a corresponding increase in the percentage of establishments providing *both* on and off-the-job training. Nationally, figures have remained relatively static with a small increase in the provision of on-the-job training only.

Table 25: Trends in training provision by establishments, London & England, 2005 & 2007

	London		England	
	2005	2007	2005	2007
	%	%	%	%
Train at all	62	67	65	67
On-the-job training only	24	20	19	21
Off-the-job training only	12	12	13	13
Both on & off	26	35	33	33
Unweighted establishments	12,100	12,077	74,835	79,018

Source: NESS 2005 & 2007

Base: All establishments

Amongst the London sub-regions the figures for establishments providing training are fairly uniform. The propensity to train staff is highest within London Central where 69% of establishments had provided training (of any type) to their staff in the last 12 months.

Table 26: Training provision by sub-region, London, 2007

<i>Row percentages</i>	Unweighted establishments	Train both off and on-the-job	Train off-the-job only	Train on-the-job only	Train at all	Do not train
London Central	4,225	36%	13%	20%	69%	31%
London East	2,712	36%	13%	17%	66%	34%
London North	1,303	33%	11%	21%	65%	35%
London South	1,803	34%	12%	20%	66%	34%
London West	2,034	33%	10%	22%	65%	35%
London	12,077	35%	12%	20%	67%	33%

Source: NESS 2007

Base: All establishments

Establishments in London reported training a total of 2,604,980 staff in the last 12 months, equating to 67% of the workforce, a figure that is both up on the results for 2005 (58%) and is 4 percentage points higher than the national average (63%).

6.2.1 Establishment size

The propensity to train rises with establishment size from 53% of establishments in London with between 2 and 4 staff to 100% of establishments with 500 or more staff. Nearly half (47%) of the smallest businesses do not provide any training compared with only 7% of those establishments with 25 to 99 staff.

Establishments with between 2 and 4 staff also train the fewest people both in absolute volume terms and as a proportion of their workforce.

Table 27: Training provision by establishment size, London, 2007

	2-4	5-24	25-99	100-199	200-499	500+	Total
	%	%	%	%	%	%	%
Any training	53	80	93	96	98	100	67
Do not train	47	20	7	4	2	0	33
Total	123,903	82,641	18,901	3,224	1,896	634	231,199
Unweighted	3,778	5,332	2,214	414	249	90	12,077

Source: NESS 2007

Base: All establishments

Note: - sample size of reporting establishments below 25.

6.2.2 Occupations

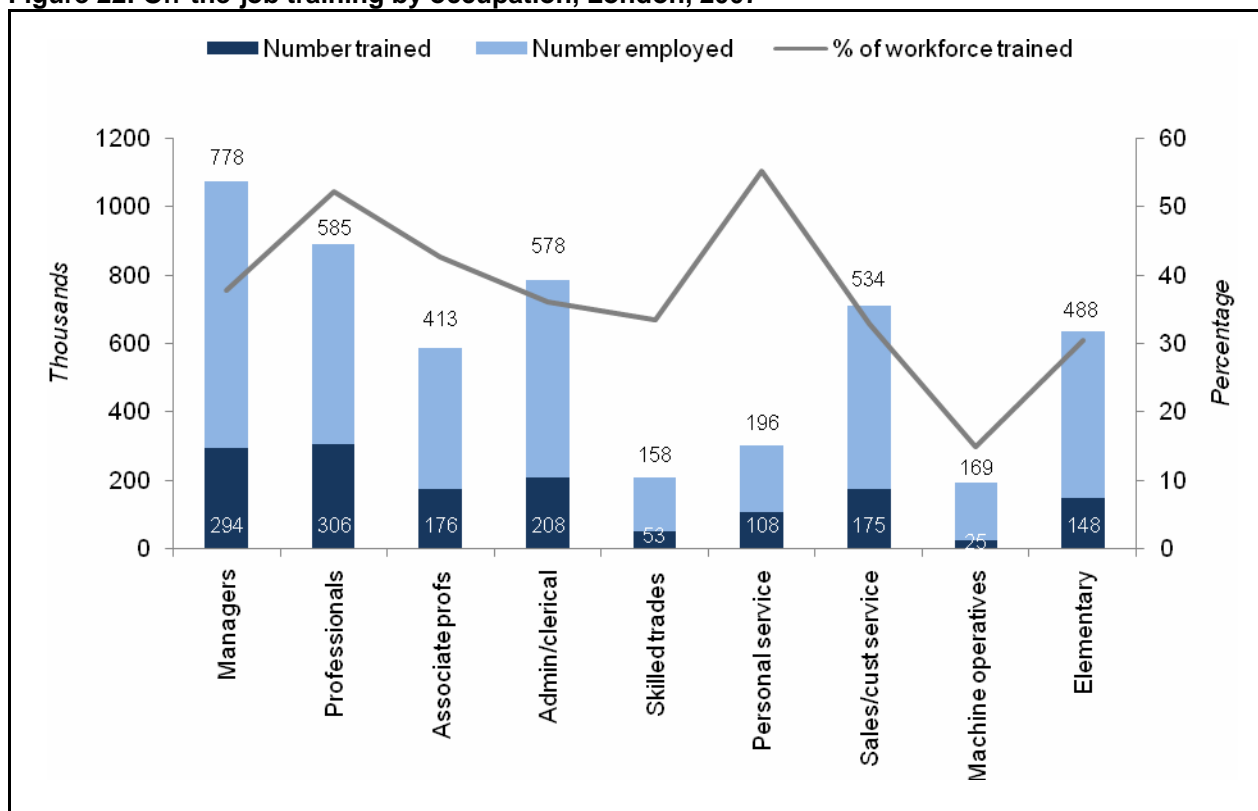
This section of the report looks at training provision in London by occupation looking first at off-the-job training, followed by on-the-job training, in the 12 months prior to the NESS07 survey being conducted.

Off-the-job training

In absolute volume terms more managers and professionals receive off-the-job training compared to any other occupational group. Just fewer than 600 thousand managers and professionals received off-the-job training in the last 12 months, representing 40% of the total number of staff trained off-the-job in London.

Looking at the number trained in each occupation relative to the total number of staff employed shows that personal service and professional occupations are most likely to receive off-the-job training, with 55% of personal service staff and 52% of professionals in receipt of off-the-job training. This compares with just 15% of those working as machine operatives receiving any off-the-job training (at a national level almost a quarter – 24% - of machine operatives receive some off-the-job training).

Figure 22: Off-the-job training by occupation, London, 2007



Source: NESS 2007

Base: All establishments, unweighted = 12,077

On-the-job training

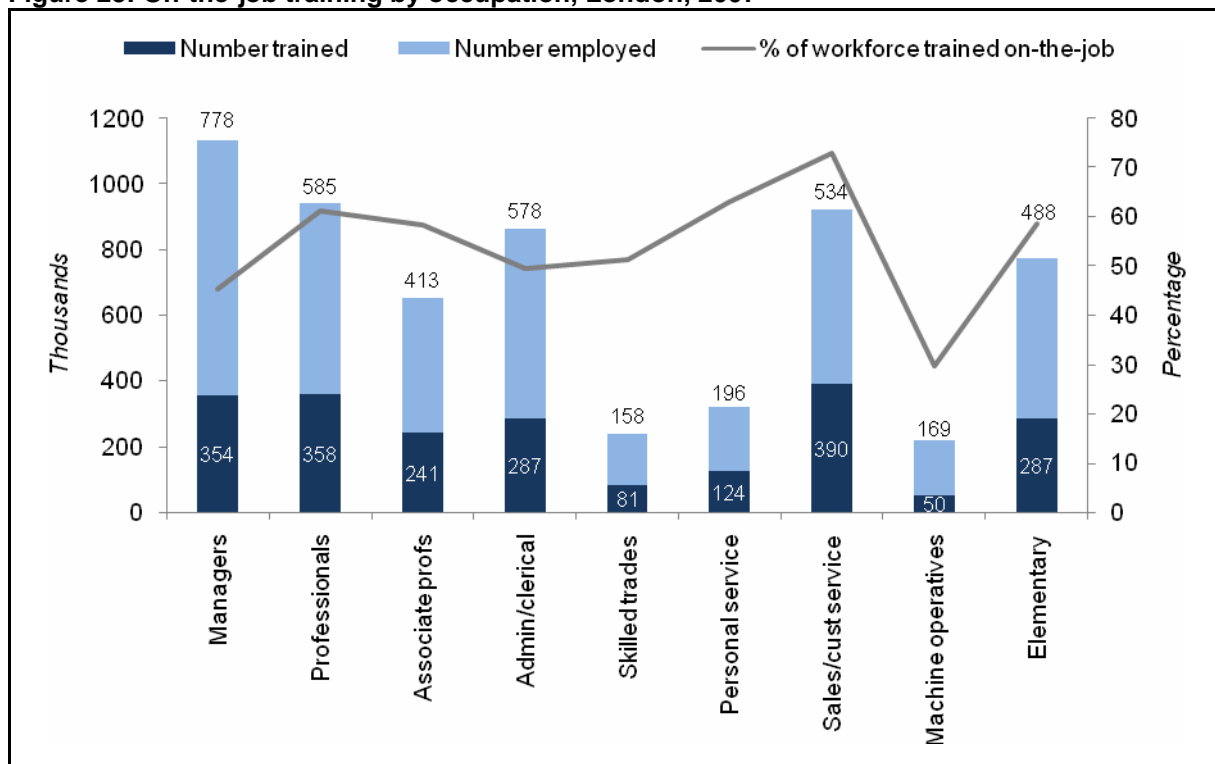
Sales and customer service staff and professionals are the most likely to receive on-the-job training both in absolute volume terms and as a proportion of the total workforce employed in these occupations. Almost three-quarters (73%) of staff working within sales occupations and 61% within professional occupations had received on-the-job training in the last 12 months.

Whilst in volume terms a large number of managers received on-the-job training – just over 350,000 - as a proportion of the total managerial workforce this equates to only 46%.

Just 3 in 10 workers employed in machine operative roles had received on-the-job training in the 12 months prior to the survey being conducted.

As with off-the-job training, the proportion of machine operatives receiving on-the-job training in London is significantly less than is the case across England as a whole (43%). Conversely, the proportion of sales and customer services staff receiving on-the-job training in London is particularly high (73% compared with 61% nationally).

Figure 23: On-the-job training by occupation, London, 2007

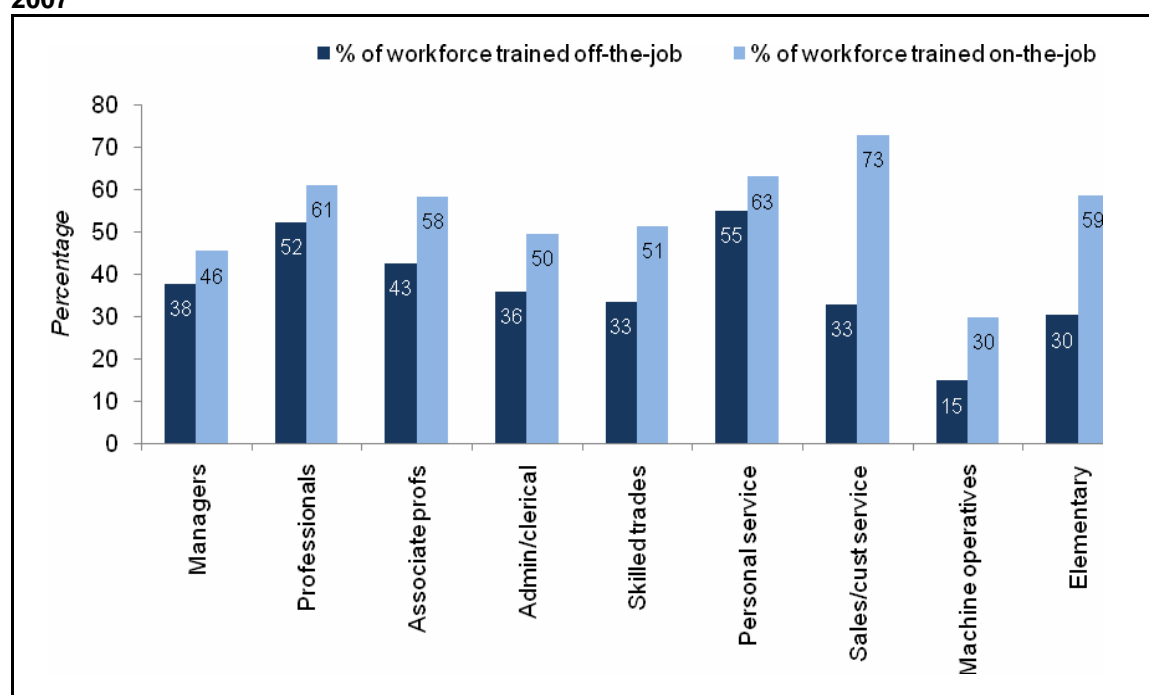


Source: NESS 2007

Base: All establishments, unweighted = 12,077

Comparing the proportion of the workforce in each occupational group who had received off-the-job training to the proportion receiving on-the-job training (Figure 24) shows that sales and customer services occupations and elementary staff are significantly more likely to receive on-the-job than off-the-job training.

Figure 24: Proportion of workforce trained off-the-job and on-the-job by occupation, London, 2007



Source: NESS 2007

Base: All establishments, unweighted = 12,077

6.2.3 Training activity by sector

Reflecting the national pattern, within London primarily public service dominated sectors tend to see the largest proportion of establishments providing training. 94% of establishments in Government Skills, 81% in Skills for Health, 87% in Lifelong Learning UK , 82% in Skills for Justice and 90% in Skills for Care and Development provided training (of any kind) in the last 12 months.

There are a number of sectors in addition to those mentioned above that are particularly likely to provide training for staff. In the following sectors at least three-quarters of establishments have funded or arranged some training in the last 12 months:

- Financial services – 81%
- Leisure, outdoor and playwork (Skills Active SSC) – 76%
- Environmental and land-based industries (Lantra SSC) – 76%
- Energy and utility (electricity, gas, waste management & water industries) – 75%, though figures for this industry are fairly small and so should be treated with some caution.

Table 28 below shows the proportion of establishments providing any training as well as the proportion of staff trained in the last 12 months.

Although having an incidence of providing any training which is just above average (69%), e-skills UK has the highest proportion of staff in receipt of training of any sector (85%). Similarly, People 1st (hospitality and catering) has an incidence of training in line with the regional average but has provided some training for three-quarters of the workforce.

Table 28: Proportion of establishments providing training and proportion of staff trained by SSC, London, 2007

	% of establishments providing any training in last 12 months	% staff trained in last 12 months
	%	%
Asset Skills	70	62
Automotive Skills	59	49
Cogent	65	64
ConstructionSkills	67	57
Creative & Cultural	59	60
Energy & Utility Skills	75	67
e-skills UK	69	85
Financial Services	81	74
Goskills	57	48
Government Skills	94	80
Improve	64	63
Lantra	76	67
Lifelong Learning UK	87	65
People 1st	67	75
Proskills	53	33
SEMTA	53	39
Skillfast-UK	40	33
Skills for Care & Development	90	83
Skills for Health	81	65
Skills for Justice	82	69
Skills for Logistics	64	63
SkillsActive	76	69
Skillset	65	54
Skillsmart Retail	59	67
SummitSkills	73	48
Non-SSC employers	67	67
London	67	67

Source: NESS 2007

Base: All establishments, unweighted = 12,077

Note: Energy and Utility, Government Skills, and Skills for Justice have sample sizes of between 25 and 49 and so should be treated as small samples.

Only a third of workers had received training in establishments covered by Proskills (process & manufacturing: coatings, extractives, glass, building products and printing) and Skillfast-UK (apparel, textiles, footwear and related industries).

6.3 The Nature of Training Activity

Establishments in London funded or arranged a total of 38 million days of training in the 12 months prior to the NESS07 survey. This equates to 10 days per worker in London, in-line with the national average.

Figures have increased from 2005 to 2007 with the average number of training days per worker rising from 8 in 2005 to 10 by 2007.

Table 29: Days training funded by establishments, London & England, 2005 & 2007

	England		London	
	2005	2007	2005	2007
Days training per capita	8	10	8	10
Days training per trainee	12	16	14	15
Days off-the-job training per off-the-job trainee	6	7	8	6
Days on-the-job training per on-the-job trainee	11	14	11	13
Unweighted establishments	74,835	79,018	12,100	12,077
Weighted establishments	1,390,155	1,451,507	225,545	231,199

Source: NESS 2007

Base: All establishments

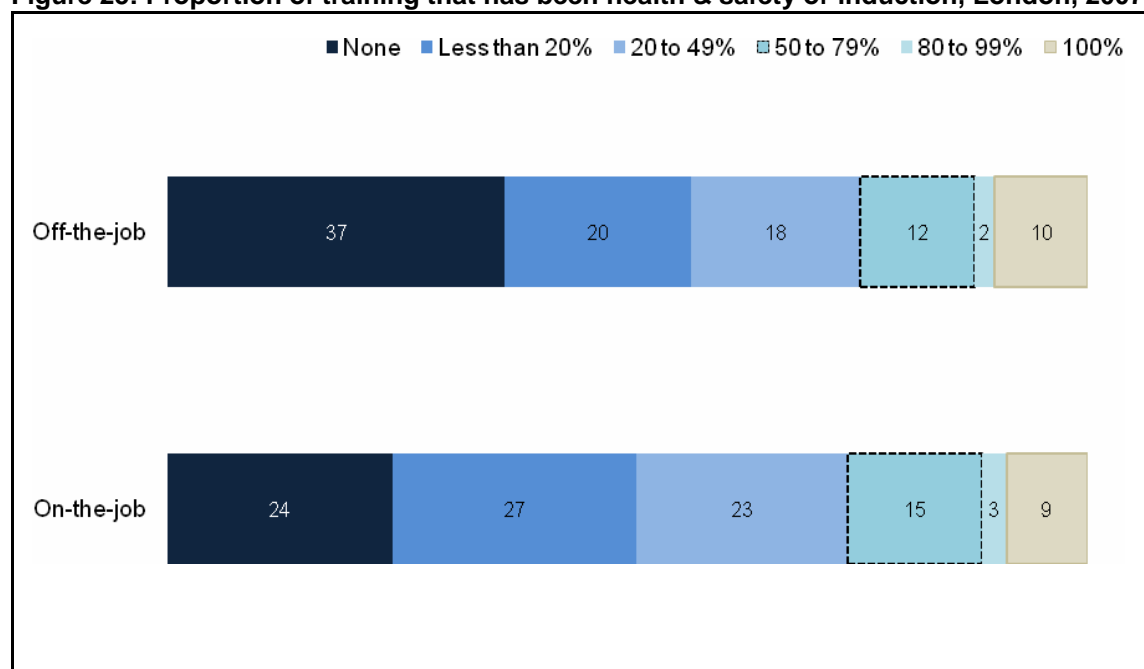
Despite an increase in London employers funding or arranging any off-the-job training for employees since 2005, the average number of days off-the-job training provided to off-the-job trainees has decreased (from 8 days in 2005 to 6 days in 2007). By contrast, there has been a slight increase in the number of days of off-the-job training that off-the-job trainees have received nationally (from 6 days in 2005 to 7 days in 2007).

6.3.1 Health & safety & induction training

Whilst health and safety and induction training are important in enabling both the safe functioning of workplaces and the integration of workers, these types of training are not specifically focussed on skills development or enhancing productivity. There may of course be some impact on productivity as a result of improved health and safety and good induction processes enhancing but this type of training is in the main delivered as a result of legislative requirement.

A comparatively small proportion of establishments (10%) reported that all the training they had provided was health and safety or induction related suggesting that for most establishments skills development is a factor in training. This is similar to the proportion seen nationally (11%).

Figure 25: Proportion of training that has been health & safety or induction, London, 2007



Source: NESS 2007

Base: All establishments providing each type of training.

Note: For simplicity, the proportions answering 'don't know' (c. 5 per cent in each case) are not shown.

6.3.2 Training towards qualifications

Employers in London that train are the least likely of any region to train to qualifications or specifically NVQs. For example only 18 per cent of London employers that train had had any staff undertake an NVQ in the last 12 months compared with 27 per cent nationally.

Of the 2,604,980 workers in London who had received training in the 12 months to the NESS07 survey date, 9% had trained towards a nationally recognised qualification and 3% had trained towards a National Vocational Qualification (NVQ). This is half the level across England as a whole (6%).

Level 2 and 3 training remains the training most frequently offered by employers. Of the total number of employers in the region:

- 1% has staff training towards Level 1 in the 12 months prior to the NESS07 survey date
- 5% has staff training towards Level 2
- 5% Level 3
- 1% Level 4

6.4 Training Infrastructure

This section reports on the training infrastructure of establishments in the region examining the propensity of establishments to have business plans, training plans and training budgets, as well as exploring training expenditure.

6.4.1 Business plans, training plans & budgets

In terms of the training infrastructure in place establishments in London broadly reflect the national picture. Nearly three fifths (59%) of businesses have formal business plans in place that specify objectives for the coming year. Overall 46% have a training plan and 37% have a budget for training expenditure, figures that both represent an increase from 2005 for London employers (the former is below the national average, the latter above it, each by 2 percentage points).

Table 30: Establishments with a formal written business plan, training plan and budget for training expenditure, London & England, 2005 & 2007

	London		England	
	2005	2007	2005	2007
	%	%	%	%
Have a formal business plan specifying objectives for the coming year	59	59	55	57
Have a training plan specifying in advance the level and type of training employees will need in coming year	45	46	45	48
Have a budget for training expenditure	35	37	33	35
Unweighted establishments	12,100	12,077	74,835	79,018
Weighted establishments	225,545	231,199	1,390,155	1,451,507

Source: NESS 2005 & 2007

Base: All establishments

The propensity to have a training infrastructure in place, whether that is a business plan, a training plan or a budget for training expenditure, increases with business size. This increase is most marked in the case of having a training budget, with just under a quarter (24%) of the smallest employers in the region having a training budget compared with 94% of the largest (with 500 or more staff).

Table 31: Establishments with a formal written business plan, training plan and budget for training expenditure, London, 2007

	2-4	5-24	25-99	100-199	200-499	500+	Total
	%	%	%	%	%	%	%
Has business plan that specifies the objectives for the coming year	50	65	80	89	90	92	59
Has training plan that specifies in advance the level and type of training employees will need in the coming year	33	56	75	81	83	81	46
Has a budget for training expenditure	24	45	71	83	88	94	37
Unweighted establishments	3,778	5,332	2,214	414	249	90	12,077
Weighted establishments	123,903	82,641	18,901	3,224	1,896	634	231,199

Source: NESS 2007

Base: All establishments

6.4.2 Training expenditure

As in 2005 a follow up survey to measure expenditure on training was conducted among establishments who reported during the main NESS07 survey that they had funded or arranged training in the previous 12 months. Information on training expenditure was collected from 1,077 establishments in London.

Expenditure on training by establishments in the region is estimated at £8.1 billion in the 12 months to the 2007 survey date, equating to 21% of the total expenditure nationally, slightly higher than London's share of employment (18%).

The region has seen a 39% increase in expenditure on training from the 2005 survey. This is equivalent to 32% in real terms⁴, more than the real increase across England as a whole (10%).

At £2,075 London has the highest spend on training per employee of the English regions.

Table 32: Training expenditure by establishments, all regions & England, 2007

	Unweighted base	Weighted base	Total	% change in expenditure from 05	Share of total expenditure	Share of all employment	Training spend per employee
					%	%	
Eastern	802	108,886	£3,747m	-	10	10	£1,625
East Midlands	642	81,282	£2,470m	+1%	6	8	£1,350
London	1,077	153,870	£8,055m	+39%	21	18	£2,075
North East	643	39,504	£2,015m	+44%	5	5	£2,000
North West	820	121,778	£5,655m	+17%	15	13	£1,950
South East	1031	172,487	£6,113m	+1%	16	16	£1,700
South West	794	110,505	£3,478m	+24%	9	10	£1,600
West Midlands	636	95,930	£3,654m	+29%	9	10	£1,575
Yorkshire & the Humber	745	89,847	£3,461m	+1%	9	10	£1,575
England	7,190	974,091	£38,648m	+16%			£1,736

Source: NESS 2007

Base: All establishments reporting they had funded or arranged training

Establishments in London spend just under half (47%) of their training budgets on off-the-job training, a figure in-line with the national average.

⁴ Inflation is calculated using the Consumer Prices Index (CPI) for August 2005 to August 2007. The total compound inflation over this period is 5.3 per cent.

Table 33: Off-and-on-the-job training expenditure, all regions & England, 2007

	Training expenditure			% of training spend in region accounted for by off-the-job training
	Total	Off-the-job training	On-the-job training	
				%
Eastern	£3,747m	£2,000m	£1,746m	53
East Midlands	£2,470m	£1,169m	£1,301m	47
London	£8,055m	£3,757m	£4,298m	47
North East	£2,015m	£1,110m	£905m	55
North West	£5,655m	£2,594m	£3,060m	46
South East	£6,113m	£2,501m	£3,612m	41
South West	£3,478m	£1,767m	£1,711m	51
West Midlands	£3,654m	£1,686m	£1,786m	51
Yorkshire & the Humber	£3,461m	£1,590m	£1,871m	46
England	£38,648m	£18,358m	£20,290m	47

Source: NESS 2007

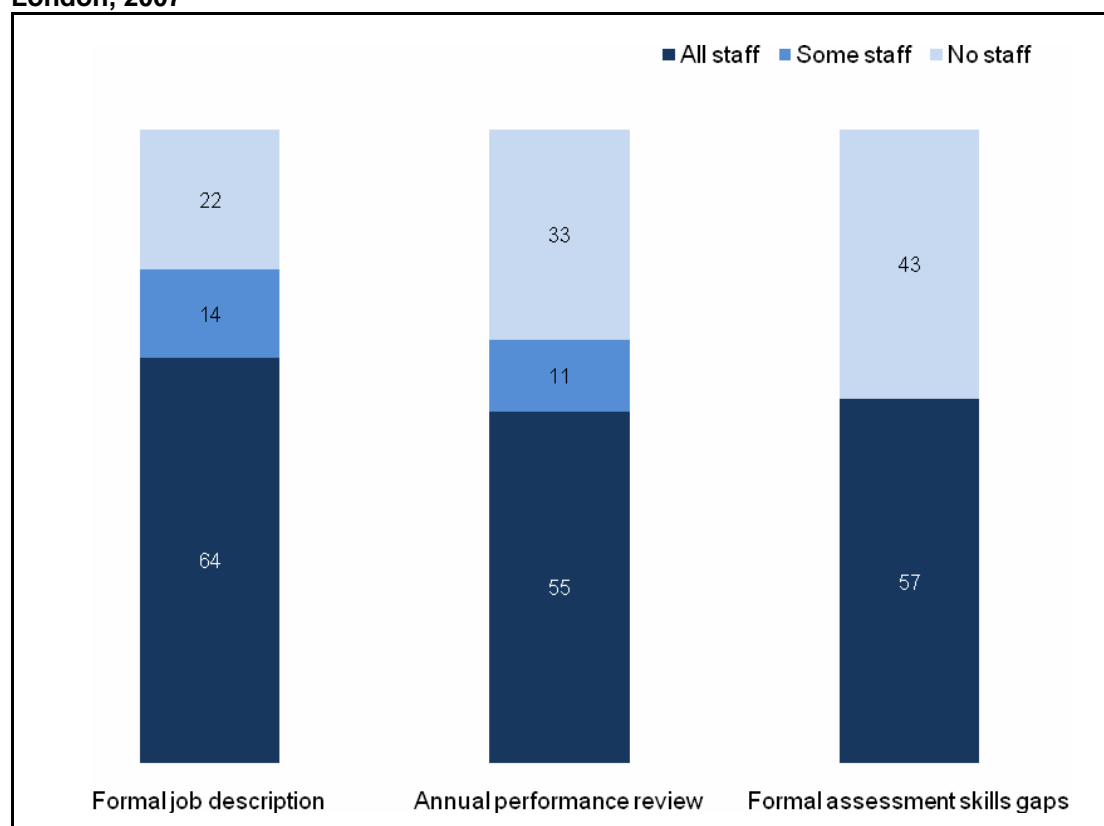
Base: All establishments reporting they had funded or arranged training

6.5 Assessment Infrastructure

This section looks at the human resource practices of establishments in London, examining the propensity of establishments to use job descriptions, annual performance reviews and assessments of skills needs.

The majority of establishments in the region have some form of assessment process in place. 64% of establishments have job descriptions for all of their staff and 55% have annual performance reviews for all of their staff. 57% utilise formal assessment processes to establish whether individual workers have gaps in their skills. These proportions are in-line with the national average although London has a smaller proportion of establishments not using annual performance reviews, 33% as opposed to 37% nationally.

Figure 26: Proportion of establishments with job descriptions & annual performance reviews, London, 2007



Source: NESS 2007

Base: All establishments

Notes: Employers were asked what percentage of staff had a formal APR and/or had a job description. In terms of assessing skills gaps, they were simply asked whether they did so or not. It is possible that those stating that they did not assess skills gaps were indicating that they did not do so for all staff, as a matter of routine, rather than that they never assess skills gaps (of individuals). It is also possible that those who said that they did assess skills gaps did not do so universally.

As with the likelihood of having business plans, training plans and training budgets, the propensity for establishments to have in place formal assessment processes increases with business size.

6.5.1 Assessing the impact of training

Of those establishments who had funded or arranged training in the 12 months to the 2007 NESS survey date, 67% reported that they formally assessed the impact of training at least some of the time.

The likelihood of assessing the impact of training rises with establishment size. For those establishments with between 2 to 4 workers 59% formally assess the impact of training. This rises to 82% of those with 200 to 499 workers.

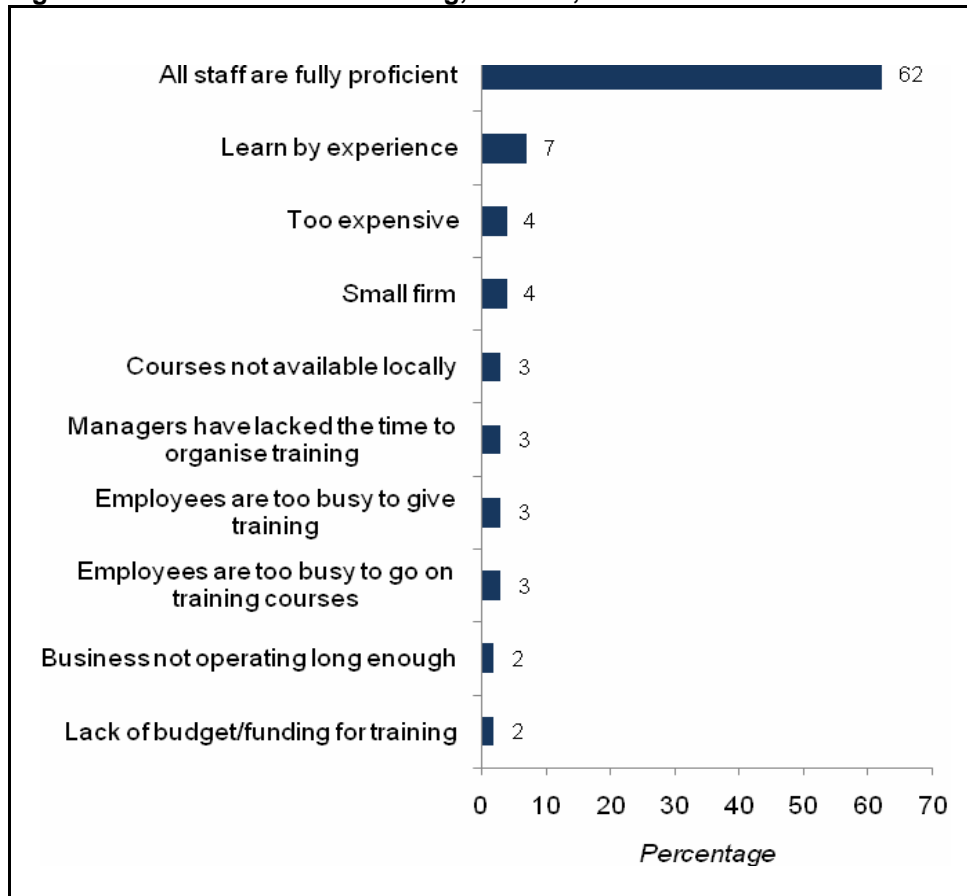
6.6 Reasons for Not Providing Training

A third of London establishments do not provide training for their staff and the significant majority (62%) cited this is as a result of staff within their establishments being fully proficient.

Staff learning as they go/learning through experience was reported by 7% of establishments as a reason for not providing training.

Relatively few employers cite issues relating to problems of training supply, such as the courses employers want not being available locally (3 per cent) or external courses being too expensive (4 per cent).

Figure 27: Reasons for non-training, London, 2007



Source: NESS 2007

Base: All establishments that do not train unweighted London = 3,028

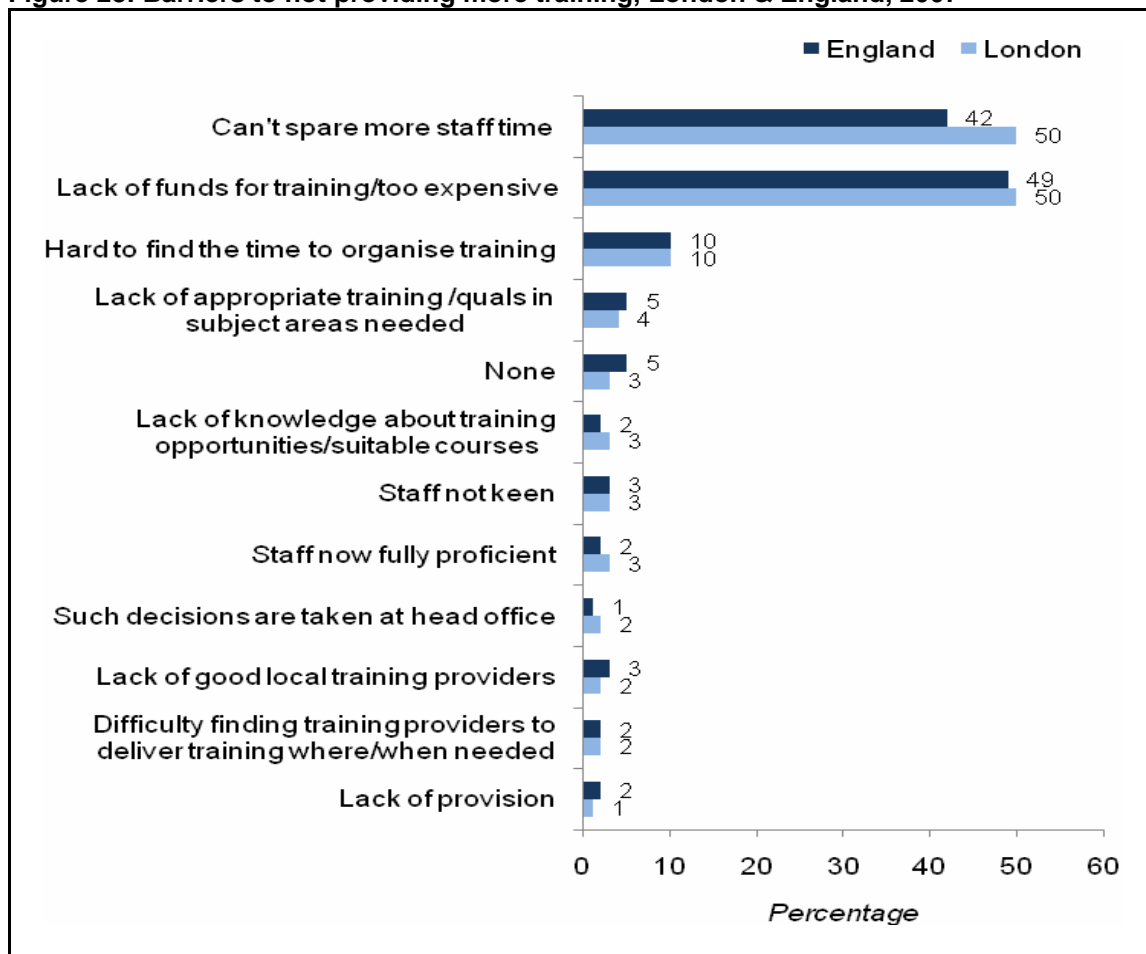
6.7 Barriers to providing more training

Of the total number of establishments that had provided training to their staff just under half (49%) reported that they would have liked to provide more training in the last 12 months.

Of these employers, pressure on time availability of staff and issues around funding training were the primary factors for these establishments in not providing more training (each mentioned by half the employers that would have liked to train more).

Not being able to spare staff time was mentioned by a greater proportion of establishments in London than the average for England as a whole (42%). Further time pressure issues in terms of the time required to organise training is a factor for around 10% of establishments who would have liked to provide more training.

Figure 28: Barriers to not providing more training, London & England, 2007



Source: NESS 2007

Base: All establishments that would like to have provided more training in the 12 months to the survey date, unweighted London = 4,538, England = 12,924

6.8 Engagement and Satisfaction with Further Education Colleges (FE) and Other Providers

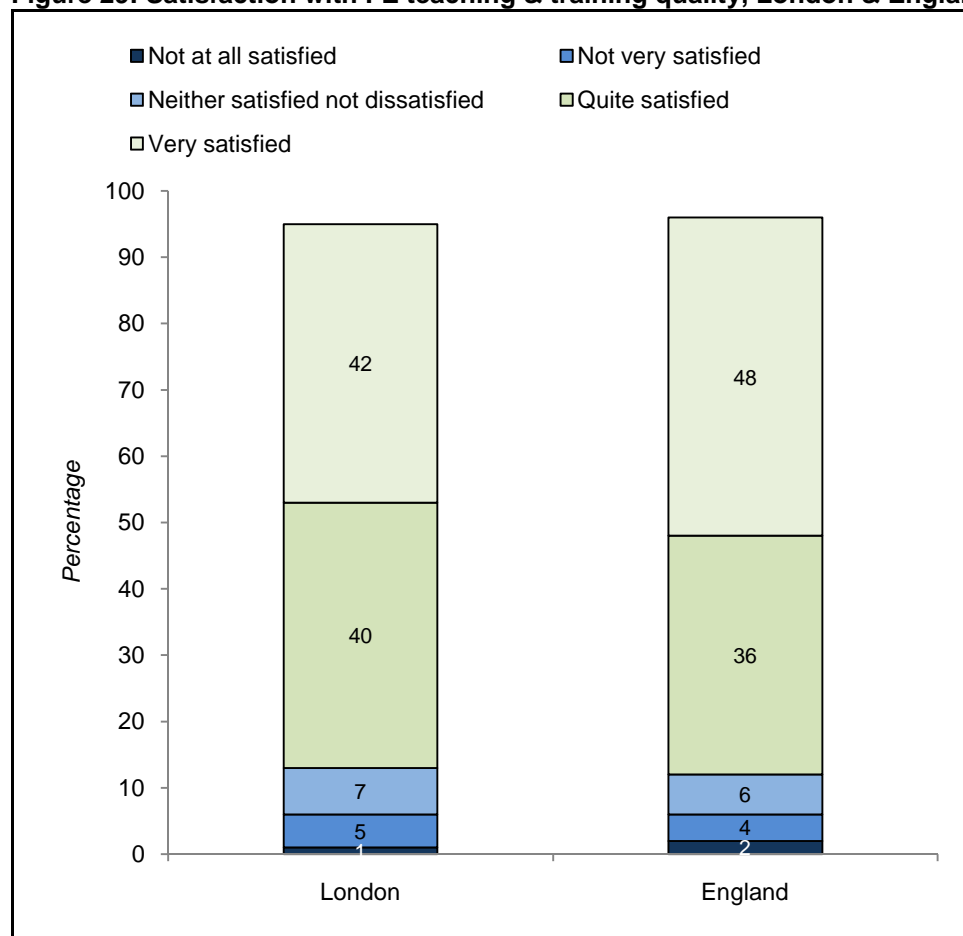
6.8.1 Use of further education colleges

Of the total number of establishments who had provided training in the 12 months prior to the NESS07 survey being conducted, just under a fifth (19%) had used further education (FE) colleges to provide teaching or training, the lowest proportion of the English regions and considerably lower than the national average of 26%. This also represents a decrease from the proportion of London employers using FE colleges to provide training in 2005 (21%).

The use of FE colleges for either teaching or training does vary by the size of the business with the smallest businesses least likely to use FE colleges. Only 14% of establishments employing between 2 to 4 workers had used FE colleges in the 12 months to the NESS07 survey date compared to 48% of establishments with 500 or more workers.

In terms of the satisfaction of the FE provision, the overwhelming majority of establishments in London using FE colleges were satisfied with the quality of teaching or training services provided by the FE colleges with 82% either very or quite satisfied. That said, the proportion stating that they were 'very satisfied' was smaller in London (42%) than the national average (48%).

Figure 29: Satisfaction with FE teaching & training quality, London & England, 2007



Source: NESS 2007

Base: All establishments providing training, unweighted London = 8,931

6.8.2 Barriers to engaging with further education colleges

Despite the high level of satisfaction amongst those establishments who do use FE colleges for teaching or training, 81% of establishments in London that train do not use FE for their training activities. The smaller the establishment, the more likely they are not to use FE – 85% of businesses with between 2 to 4 workers compared to 51% of establishments with between 200 and 499 workers.

The lack of relevancy of courses (39%) and a preference for training staff in-house (24%) are the two most frequently cited reasons for not using FE for training activities. The lack of relevancy is most frequently reported by smaller establishments and the preference of training in-house by the larger establishments.

The view that there is no need for training or that their staff are already fully proficient is reported by approximately 11% of establishments who do not use FE.

Figure 30: Reasons for not using FE colleges for teaching or training, London & England, 2007



Source: NESS 2007

Base: All establishments not using FE for training/teaching activities, unweighted London= 6,805, England = 40,492

6.8.3 Use of other training providers

Of the total number of establishments who had provided training in the last 12 months, over half (54%) had used other training providers, such as external consultants or private training providers, to provide teaching or training. The use of other training providers rises with business size from 46% amongst the smallest businesses with 2 to 4 workers to 76% of businesses with 200 to 499 workers.

In terms of the satisfaction with the teaching or training of other training providers over 93% were either quite or very satisfied, higher than that for FE colleges at 82%.

Approximately 7% of establishments who trained their staff in the 12 months to the survey date used universities to provide teaching or training. As with FE colleges and other training providers, the use of universities to deliver training increases with size of establishment (from 4% of establishments with less than 5 staff in London that provide any training using them, to approaching half – 45% - of establishments with 500 or more staff that train).

6.9 Government Support for Training

In a new set of questions for NESS 2007 asked employers about their attitudes to areas in which government might provide support to employers in developing their workforce. The following six areas of support were discussed:

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

Establishments were asked how important they thought it was that the government provides this support, and how successful they thought the government was at doing so, giving scores from 1 (“not at all important” / “the government is doing extremely badly”) to 10 (“essential” / “the government is doing an excellent job”). Comparing these measures gives an indication of how well the performance of government is in-line with the importance employers attach to these areas of support.

In general, almost all of the 6 areas of government support were rated as important by establishments in the region. Specifically establishments reported the following:

- Establishments considered the ability for young people to leave compulsory education prepared for work the most important area for government support. 45% of establishments in the region rated this area as ‘essential’ (10 out of 10) and overall, this area received the highest overall mean score of 8.1 out of 10.
- Funding for training staff was rated by half of establishments as being an 8, 9 or essential mode of support for government.
- Help in understanding and meeting training needs was reported as essential by one fifth of establishments. A further 21% rated this area of support between an 8 and 9.

- 22% of establishments rated a national system of vocational qualifications to accredit achievement in learning as essential. Teamed with 8 and 9 ratings this figure rises to 46%.
- Fewer establishments felt that good quality training provision through FE colleges was essential and this likely reflects the lack of use of FE by 81% of those establishments who train. 39% of establishments rate this area of support at 8 or more.
- Good quality training provision through universities rated as least essential by establishments with only 34% rating it at an 8 or more. 23% rate this area of support at between a 1 and 2. Given the greater likelihood of the use of universities for teaching or training amongst larger establishments, it is likely that those who do rate this area of support as essential are larger employers.

Table 34: Establishment importance rating of areas of government support, London, 2007

	NESS 07			
	London		National	
	Importance	Rating	Importance	Rating
Young people leaving compulsory education who are well prepared for work	8.1	4.5	7.9	4.5
Providing funding for training your employees	6.8	4.0	7.0	4.1
A national system of vocational qualifications to accredit achievement in training	6.7	4.7	6.6	4.7
Help in understanding and meeting your training needs	6.3	4.0	6.5	4.1
Good quality training provision through FE colleges for your existing workforce	6.1	4.4	6.2	4.4
Good quality training provision through universities for your existing workforce	5.7	4.4	5.3	4.2

Source: NESS 2007

Base: All establishments, unweighted 12,077

In terms of performance, the provision of a national system of vocational qualifications to accredit achievement in training was the area of support establishments in London rated most highly in terms of Government performance. This area of support had an overall mean score of 4.7.

The provision by Government of funding for training staff and of help understanding and meeting training needs were considered to be the weakest areas of support. These areas rated an average score of 4.1.

6.9 Train to Gain

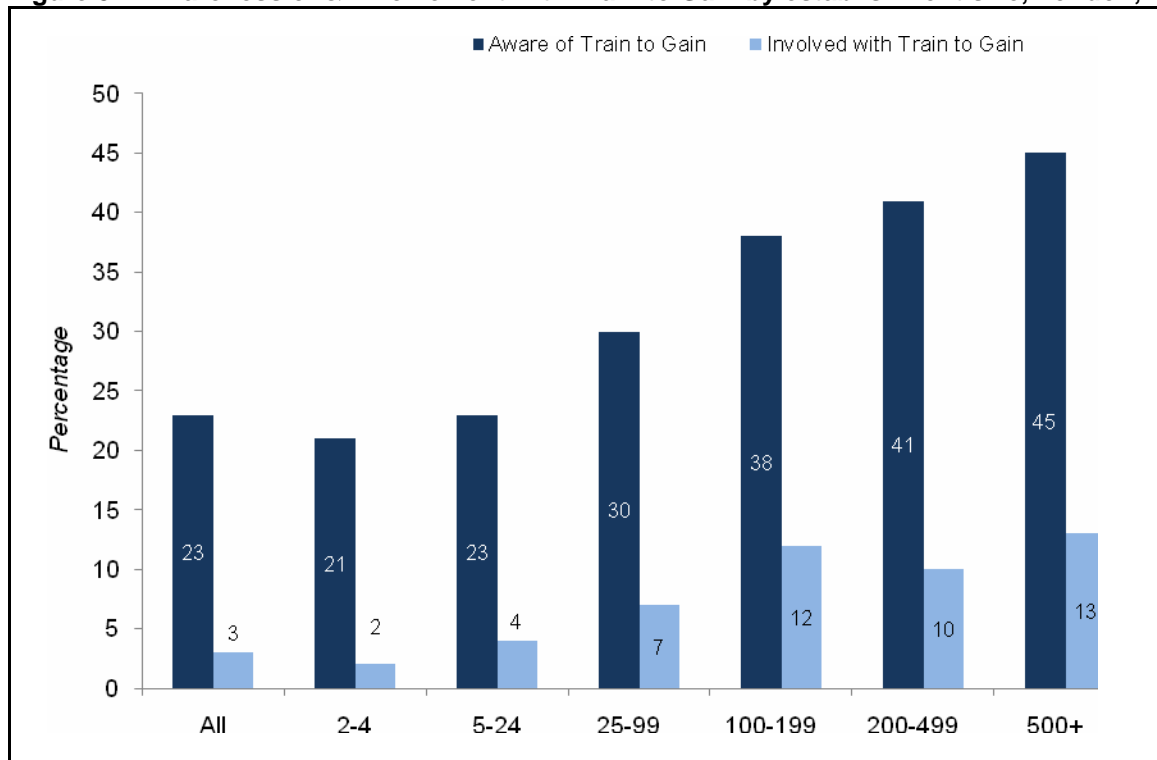
NESS for the first time in 2007 asked establishments about their awareness and involvement with Train to Gain. Interviews with establishments were conducted before the launch of the “*Our Future. It’s in our hands*” marketing campaign which may have had a subsequent impact on awareness of Train to Gain amongst employers.

Of the total number of establishments in London 23% reported that they were aware of Train to Gain. 3% reported that they had had some involvement with Train to Gain in the last 12 months (‘involvement’ includes having any contact with a Skills Broker).

Both awareness of and involvement with Train to Gain among London employers was below the national average (28 per cent and 4 per cent respectively), indeed it was lower for both measures than any other region.

The likelihood of awareness of or involvement with Train to Gain is heavily dependent on business size. Of those establishments with 2 to 4 workers only 21% are aware of Train to Gain and only 2% involved with the programme. This compares 45% of those with 500 or more workers having awareness of Train to Gain and 13% being involved.

Figure 31: Awareness of & involvement with Train to Gain by establishment size, London, 2007



Source: NESS 2007

Base: All establishments, unweighted 12,077

ANNEX A – CITY STRATEGY PILOT AREAS

The following table summarises key findings for the two City Strategy Pilot Areas.

Table A.1 NESS07 headline findings by City Strategy Pilot Area

	London 2007	City Strategy Pilot West	City Strategy Pilot East
Total establishments	231,199	38,045	25,854
Share of region's total number of establishments		16%	11%
Total employment	3,899,801	657,116	482,694
Share of region's employment		17%	12%
Recruitment problems			
% of establishments with any vacancies	21%	19%	21%
% of establishments with any hard-to-fill vacancies	8%	7%	9%
% of establishments with skill-shortage vacancies (SSVs)	7%	6%	7%
% of all vacancies which are SSVs	26%	25%	21%
Number of vacancies	126,875	18,087	17,360
Number of SSVs	32,850	4,526	3,604
Number of SSVs per 1,000 employees	8	7	7
Skill gaps			
% of establishments with any staff not fully proficient	17%	17%	16%
% of staff not fully proficient	7%	7%	8%
Training			
% of establishments training staff over the last 12 months	67%	66%	66%
% providing off-the-job training in the last 12 months	47%	44%	48%
% of those training using an FE college	19%	20%	21%
% of establishments with a training plan	46%	45%	49%
% of establishments with a budget for training	37%	35%	40%

City Strategy Pilot East

The City Strategy Pilot East area covers slightly fewer than 26,000 establishments employing 2 or more staff – 11% of London’s total – and they employ 480,000 individuals (12% of the total London workforce).

The profile of these establishments by size and sector broadly mirrors the profile of London establishments as a whole, although there are some small differences observed:

- Employers in the area are slightly more likely to operate in industries covered by Skillfast-UK, ConstructionSkills and Skills for Care & Development SSCs;
- And are slightly less likely to be covered by Skillsmart Retail SSC than is the case London-wide.
- In general, employers in the East are more likely to be covered by the SSC network; 27% fell into the ‘non-SSC employers’ category compared with 29% regionally.
- The City Strategy Pilot East area includes a greater number of organisations operating in the voluntary or charity sector (11% vs. 8% regionally), and a correspondingly smaller proportion of profit-seeking establishments (83% vs. 87% regionally).

Recruitment problems

The incidence of employers in the City Strategy Pilot East area reporting vacancies, hard-to-fill vacancies and skill-shortage vacancies is very similar to the regional average (21%, 9% and 7% respectively).

However, whilst the incidence of reporting at least one vacancy is comparable to the national average, there is a significant amount of recruitment activity reported in the area as compared with employment levels. The volume of current vacancies (in absolute numeric terms) is just under 17,500. This represents 14% of all London’s vacancies, whereas the area accounts for just 12% of all employment.

Despite higher than average levels of recruitment activity, employers in City Strategy Pilot East report having fewer problems finding suitably skilled candidates to fill these vacancies compared with London employers as a whole. Just over a fifth (21%) of vacancies in the area are described as being hard-to-fill because applicants do not have the required skills, qualifications or experience compared with over a quarter (26%) regionally.

By occupation, the proportion of all vacancies which are described as skill-shortage vacancies for managers and senior officials (39%) and machine operatives (51%) is significantly higher than the regional average (26% and 24% respectively). Conversely, employers in the area report a lower proportion of skill-shortage vacancies in relation to vacancies for professionals (21%); associate professionals (12%) and skilled trades staff (25%). In this respect the City Strategy Pilot East area differs quite substantially from both the regional and national picture.

Internal skills difficulties and training

Skills gaps were reported by 16% of employers in the City Strategy Pilot East area; a slightly smaller proportion than the London-wide figure (17%) but still higher than the national average (15%). The proportion of the workforce in the area considered to be not fully proficient was 8% (compared with 7% across London as a whole). This represents 14% of the total number of skills gaps in London; higher than the proportion of employees falling within the area (12%).

In summary, despite employers in the City Strategy Pilot East area being generally less likely to encounter skills-related problems when recruiting, they are more likely to identify skills difficulties among their existing workforce.

Turning to the training offered to staff, two thirds (66%) of employers in the City Strategy Pilot East area provide any training, and approaching half (48%) provide off-the-job training to at least some staff. These figures are broadly in line with London as a whole.

However, where employers have provided training for staff, they are more likely than employers London-wide to have used an FE college to deliver this training (21% vs. 19%). Employers using FE colleges to deliver training reported high levels of satisfaction with them (82% were 'very' or 'quite' satisfied).

Employers in the City Strategy Pilot East area are significantly more likely than London employers generally to have processes in place to facilitate training; almost half (49%) have a training plan and two in five (40%) have a dedicated budget for training.

City Strategy Pilot West

Around one in six (16%) of all London establishments are located in the City Strategy Pilot West area. This equates to just over 38,000 establishments between them, which employ around 660,000 staff.

As with the City Strategy Pilot East area, the size profile of these establishments matches that seen regionally. However, there are some small differences by sector:

- The City Strategy Pilot West area is less likely to contain employers operating in the Financial Services or Asset Skills SSC sectors than is the case for London as a whole.
- Conversely, it has a slightly higher proportion of employers covered by Skills for Logistics and Skillsmart Retail SSCs than can be seen regionally.
- Establishments located in the City Strategy Pilot West area are more likely to be profit-seeking (91% vs. 87% regionally), and correspondingly less likely to be in the voluntary or charity sector (5% vs. 8% regionally).

Recruitment problems

Employers in the City Strategy Pilot West area were less likely than employers London-wide to report any vacancies (19%), hard-to-fill vacancies (7%) or skill-shortage vacancies (6%). Furthermore, their share of both all vacancies and skill-shortage vacancies in the region was 14%; less than their share of all employment (17%).

However, although there is less recruitment activity in the area compared with the regional picture, where vacancies did occur these were no less likely to be hard-to-fill for skills-related reasons; skill-shortage vacancies account for a quarter of all vacancies in the City Strategy Pilot West area (compared with 26% regionally).

As with employers in the City Strategy Pilot West area, where vacancies arise for machine operatives, problems recruiting appropriately skilled individuals seem particularly prevalent (40% of all vacancies for this occupational group are skill-shortage vacancies). Employers in the area also encounter more skills-related difficulties filling administrative and secretarial vacancies than is the case either regionally or nationally (21% of all such vacancies are described as skill-shortage vacancies, compared with 14% regionally and 12% nationally).

Where skill-shortage vacancies do exist, written communication skills are at more of a premium in the area than is the case regionally (mentioned in connection with almost half – 48% - of all SSVs in the area compared with 30% regionally).

Internal skills difficulties and training

In terms of internal skills gaps, City Strategy London West employers mirrored the regional picture, with 17% of employers reporting skills gaps and 7% of the workforce being described as lacking full proficiency. In total just over 49,000 staff in the area were identified as not having all the skills they needed to do their job to the required level – this represents 17% of all of London's skills gaps (a share that is in line with the area's share of employment).

Despite employers in the area reporting particular problems finding suitably skilled machine operative and administrative staff, these external skills difficulties appeared not to translate into internal skills gaps, with 4% of all machine operative staff described as not being fully proficient (compared with 6% regionally) and 10% of all administrative staff reported as having skills gaps (compared with 9% regionally). Internal skills gaps were more likely to be reported in connection with associate professional staff employed within the area – 11% were perceived to be lacking the necessary skills compared with 7% of all associate professionals employed in London.

Employers in the City Strategy London West area were less likely to have training plans (45% vs. 46%) and budgets (35% vs. 37%) in place than London as a whole. Although the proportion – two-thirds – providing any training is in line with the regional average, they are less likely to provide any off-the-job training for staff (44% compared with 47% regionally).

ANNEX B – THE IMPACT OF FINANCE AND BUSINESS SERVICES

This annex discusses the extent to which the finance and business services sector impacts on the overall findings for London (particularly with respect to where these differ significantly from the national averages).

Table B.1 shows the headline findings for London as a whole, compared with London when those employers operating in the finance and business services sectors are excluded.

Table B.1 NESS07 headline findings excluding finance and business services

	London 2007	All excluding finance and business services
Total establishments	231,199	154,325
Total employment	3,899,801	2,672,106
Recruitment		
% of establishments recruited 16 year olds	4%	5%
% of establishments recruited 17 - 18 year olds	9%	11%
% of establishments recruited from University	14%	13%
% of establishments offering Apprentices	9%	11%
Recruitment problems		
% of establishments with any vacancies	21%	20%
% of establishments with any hard-to-fill vacancies	8%	8%
% of establishments with skill-shortage vacancies (SSVs)	7%	6%
% of all vacancies which are SSVs	26%	26%
Number of vacancies	126,875	80,002
Number of SSVs	32,857	20,521
Number of SSVs per 1,000 employees	8	8
Skill gaps		
% of establishments with any staff not fully proficient	17%	18%
% of staff not fully proficient	7%	7%
Training		
% of establishments training staff over the last 12 months	67%	66%
% providing off-the-job training in the last 12 months	47%	46%
% of those training using an FE college	19%	22%
% of those training with staff training towards an NVQ over the last 12 months	18%	23%
% of establishments with a training plan	46%	48%
% of establishments with a budget for training	37%	37%
% of establishments heard of Train to Gain	23%	25%
% of establishments involved with Train to Gain in the last 12 months	3%	4%

When the finance and business services sector is removed from the base of all London employers, changes to the overall picture for the region are minimal.

In terms of recruitment problems, the proportion of employers (excluding finance and business services) reporting that they have vacancies, hard-to-fill vacancies and skill-shortage vacancies is comparable to London as a whole. Likewise, the proportion of vacancies that are hard-to-fill for skills-related reasons remains identical (26% in both cases), as does the number of SSVs per 1,000 employees (8 in both cases).

Nor does removing the finance or business services sector impact on the reported incidence or density of skills gaps for London. All London employers excluding this sector report that 7% of the workforce lack full proficiency – an identical proportion to that seen when the sector is included.

Removing the finance and business services sector does however impact on findings relating the recruitment of young people direct from education and propensity to offer Apprenticeships. A greater proportion of London employers not operating in finance and business services reported that they offered Apprenticeships to staff (11% compared with 9% regionally when the finance and business services sector is included) – although this is still significantly smaller than the national average (14%).

Similarly, more employers in London who are not engaged in finance and business services recruit 16 to 18 year olds direct from school or college - 16 per cent as compared to 13 per cent in London as a whole. The proportion of employers recruiting University graduates however remains constant (13 per cent excluding finance and business services employers compared to 14 per cent in London as a whole).

Excluding the finance and business services sector also has a positive effect on London employer's awareness and use of the Train to Gain service, and their engagement with FE colleges. Over a fifth (22%) of non-finance and business services employers in London that train had used an FE college to do so in the last 12 months. A quarter (25%) had heard of Train to Gain and 4% had been involved with the service in the last 12 months (the latter matching the national average).

ANNEX C – SECTOR DEFINITIONS

Sector analysis of NESS07 defines sectors in a manner consistent with sector skills council (SSC) definitions of the sectors they cover. The SSCs are defined by Standard Industrial Classification (SIC) – a number which is assigned to each establishment to describe business activity. The SSCs are listed in the following table together with a description of the sector. Estimates for April 2007 suggest that nationally 89 per cent of the workforce were covered by an SSC. A process of sector integration is taking place in the Skills for Business network which will take the network's coverage of the UK workforce to an estimated 95 per cent. The category 'Non-SSC employers' represents those SICs not allocated to an SSC at the time of the study.

SSCs are ordered in the table below according to where the 'core' of the industry which the SSC represents falls, running through from primary, manufacturing to service sectors.

Table C.1: Sector skills council names and description.

SSC Name	Description
Lantra	Environmental and land-based industries
Cogent	Chemicals, nuclear, oil and gas, petroleum and polymer industries
Proskills UK	Process and manufacturing of extractives, coatings, refractories, building products, paper and print
Improve Ltd	Food and drink manufacturing and processing
Skillfast-UK	Apparel, footwear and textile industry
Semta	Science, engineering and manufacturing technologies
EU-skills	Electricity, gas, waste management and water industries
ConstructionSkills	Development and maintenance of the built environment
SummitSkills	Building services engineering (electro-technical, heating, ventilating, air conditioning, refrigeration and plumbing)
Automotive Skills	Retail motor industry
Skillsmart Retail	Retail industry
People 1 st	Hospitality, leisure, travel and tourism
GoSkills	Passenger transport
Skills for Logistics	Freight logistics industry
Financial Services Skills Council	Financial services industry

SSC Name	Description
Asset Skills	Property, housing, cleaning and facilities management
e-skills UK	IT, telecoms and contact centres
Government Skills	Central government
Skills for Justice	Custodial care, community justice and police
Lifelong Learning UK	Community-based learning and development, further education, higher education, library and information services, work-based learning
Skills for Health	NHS, independent and voluntary health organisations
Skills for Care and Development	Social care including children, families and young children
Skillset	Broadcast, film, video, interactive media and photo imaging
Creative & Cultural Skills	Arts, museums and galleries, heritage, crafts and design
SkillsActive	Sport and Recreation, health and fitness, playwork, the outdoors and caravans.
Non-SSC employers	All sectors not covered by an SSC at this point in time, spread across manufacturing and service sectors (including, for example, business services activities such as management consultancy or market research, wholesale of goods and the manufacture of pulp or paper products)

ANNEX D: DESCRIPTIONS OF OCCUPATIONAL CATEGORIES

<p>Managers: This covers occupations where the main tasks consist of direction and co-ordination of organisations and businesses, including internal departments / sections. It excludes supervisors. For the police it covers inspectors and above.</p>
<p>Professionals: Professional occupations will almost always require a degree or equivalent formal qualification. It includes high-level occupations in the natural, life and social sciences, engineering, humanities and related fields where job-holders will either be practically applying extensive theoretical knowledge; increasing the stock of knowledge through research or communicating knowledge by teaching. Examples include: professional engineers, software and IT professionals, accountants, chemists and scientific researchers, solicitors and lawyers, economists, architects, actuaries, doctors, psychologists, teachers, social workers, librarians.</p>
<p>Associate professional and technical occupations: They will usually require an associated high level vocational qualification, often involving substantial period of full time training or further study. Main tasks require experience and knowledge to assist in <i>supporting</i> professionals or managers. Examples include: science and engineering, lab, IT and accounting technicians, insurance underwriters, finance and investment analysts and advisers, writers/journalists, buyers, sales reps, estate agents, train drivers/pilots, graphic designers, fitness instructors, nurses, junior police/fire/prison officers, therapists, paramedics, community workers, careers advisors, health and safety officers, housing officers.</p>
<p>Administrative and secretarial occupations: They undertake general admin, clerical, secretarial work and perform a variety of specialist client-orientated clerical duties. Examples include: secretaries, receptionists & PAs, telephonists, book-keepers, credit controllers/wage clerks, assistants / clerks, market research interviewers, pension and insurance clerks, civil service executive officers.</p>
<p>Skilled trades occupations: They require a substantial period of training. Main tasks involve the performance of complex physical duties that normally involve initiative, manual dexterity and other practical skills. Examples include farmers, electricians, motor mechanics, machine setters/tool makers, TV engineers, plumbers, carpenters, plasterers, printers, chefs, butchers, furniture makers.</p>
<p>Personal service occupations: These involve the provision of service to customers whether in a public protective or personal care capacity. Main tasks usually involve the care of the sick, elderly and children and the provision travel care and hygiene services. These job-roles generally require a good standard of general education. Examples include: care assistants, nursery nurses, childminders, travel agents, sport / leisure assistants, hairdressers and beauticians, ambulance staff, pest control officers, dental/ veterinary nurses, and caretakers.</p>
<p>Sales and customer service occupations: These require knowledge and experience necessary to sell goods and services, accept payment and replenish stocks, provide information to potential clients and additional services to customers after the point of sale. Examples include sales assistants and retail cashiers, telesales, call centre agents, customer care occupations</p>
<p>Process, plant and machine operatives: They require knowledge and experience to operate vehicles and other machinery, and monitor industrial and plant equipment, or to assemble products. Most will not have a particular standard of education but will usually have formal experience related training. It includes plant and machine operators plus routine operatives (sorters, assemblers) and HGV, van, fork lift, bus, taxi drivers (train drivers are not included)</p>
<p>Elementary occupations: Perform mostly routine tasks usually involving use of simple hand held tools and in some cases physical effort. Most do not require formal educational qualifications. Examples include labourers, packers, goods handling and storage staff, security guards, cleaners, bar staff, shelf fillers, kitchen/catering assistants, waitresses, postal workers.</p>

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© LSC May 2008

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This publication is available in electronic form on the Learning and Skills Council website:
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Publication reference: LSC-P-LOR-080009