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## Skill Needs in Leicestershire

An Analysis of the National Employer Skills Survey 2005

## **SKILL NEEDS IN LEICESTERSHIRE**

### **AN ANALYSIS OF THE NATIONAL EMPLOYER SKILLS SURVEY 2005**

April 2006

A report prepared for the Learning and Skills Council

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## **EXECUTIVE SUMMARY AND HEADLINE FINDINGS**

This report presents an analysis of the National Employer Skills Survey 2005 (NESS 2005) for Leicestershire Learning and Skills Council (LSC). It is one of a set of similar reports for each of the five East Midlands region local LSCs – namely Derbyshire LSC, Leicestershire LSC, Lincolnshire & Rutland LSC, Northamptonshire LSC and Nottinghamshire LSC. These are depicted in Map 1. There is also a companion report available which provides comparisons between the five local LSCs, and also between the regional and national picture. Copies of the reports can be obtained from [sandra.welsh@lsc.gov.uk](mailto:sandra.welsh@lsc.gov.uk), tel: 0845 0194187.

The focus in this particular report is on the skill needs and deficiencies in Leicestershire LSC as manifest in employers' recruitment difficulties and the reported skill gaps amongst their current workforce. Employers' responses to these skill needs and deficiencies in terms of workforce training and development are also summarised.

**Map 1: East Midlands region Learning and Skills Councils**



The headline findings from NESS 2005 for Leicestershire LSC are presented in Table 1, together with comparisons from a similar survey conducted two years ago in 2003.

**Table 1: Leicestershire LSC Headline Findings**

<b>Vacancies and recruitment problems</b>	<b>2003</b>	<b>2005</b>
% of establishments with vacancies	19.0	16.1
% of establishments with hard-to-fill vacancies	9.6	6.3
% of establishments with skill-shortage vacancies	7.6	4.5
Number of vacancies	12,000	9,700
Number of hard-to-fill vacancies	5,000	3,100
Number of skill-shortage vacancies	3,400	2,400
Vacancies as a % of employment	3.1	2.4
Hard-to-fill vacancies as a % of employment	1.3	0.8
Hard-to-fill vacancies as a % of vacancies	42.1	31.7
Skill-shortage vacancies as a % of employment	0.9	0.6
Skill-shortage vacancies as a % of vacancies	28.5	24.6
Skill-shortage vacancies as a % of hard-to-fill vacancies	67.7	77.7
<b>Skill gaps</b>	<b>2003</b>	<b>2005</b>
% establishments with skill gaps	25.4	15.9
Number of skill gaps	36,200	25,400
Skill gaps as a % of employment	9.3	6.4
<b>Training</b>	<b>2003</b>	<b>2005</b>
% of establishments with a training plan	39.5	47.4
% of establishments undertaking a formal assessment of skill needs	45.4	57.3
% of establishments providing training	58.6	64.5
Number of people in receipt of training	168,100	210,300

Note: Hard-to-fill vacancies, skill-shortage vacancies, and skill gaps are defined in the Glossary.

- Vacancies and recruitment problems in Leicestershire LSC are generally lower in 2005 as compared to 2003. This is consistent with the picture at the national level.
- A smaller proportion of employers report that they have any vacancies in 2005 as compared with two years earlier, especially vacancies that they regard as hard-to-fill, or those associated with skill-shortages amongst the applicants, and there are fewer vacancies available for those seeking work in the Leicestershire LSC labour market in 2005 than were available in 2003.
- In addition, the number of employers who report that they have any 'skill gaps' - defined as employees who are not regarded by their employers as being fully proficient at their jobs – has fallen considerably. The number of employees in Leicestershire LSC with skill gaps has fallen by around 30% in the last two years. This matches the decline in skill gaps at the national level.
- Training is becoming more widespread amongst the workforce, although around one third of employers do not provide any training for any of their employees.

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## **ACKNOWLEDGEMENTS**

The authors are grateful to the steering committee comprising Sandra Welsh (Nottingham LSC), Debbie Johnson (Lincolnshire and Rutland LSC) and Claire Parry (Leicestershire LSC) for helpful comments, suggestions and advice in the preparation of this report.

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April 2006

## **1. INTRODUCTION**

The National Employer Skills Survey for 2005 (NESS 2005) was commissioned by the Learning and Skills Council (LSC), Department for Education and Skills (DfES) and the Sector Skills Development Agency (SSDA). Its primary aim is to provide information on the extent, causes and consequences of recruitment problems and skill gaps in the labour market in England. NESS 2005 is the latest in a series of similar surveys which have been undertaken over the last few years and hence patterns and trends over time can be investigated. Early findings from NESS 2005 were published on-line by the LSC in March 2006, while the full report is due to be published in May 2006.

This report presents a preliminary analysis of NESS 2005 for the Leicestershire Learning and Skills Council area. The analysis is complemented by a sister report for the whole of the East Midlands region which provides comparisons across the five constituent LSCs – namely Derbyshire LSC, Leicestershire LSC, Lincolnshire & Rutland LSC, Northamptonshire LSC and Nottinghamshire LSC - as well as individual reports similar to this one for each of the other four separate local LSCs. The figures presented in this report provide details for Leicestershire LSC, together with comparisons with the whole of the East Midlands region, and also for England (national) where appropriate.

### **About the Survey**

The primary aim of the NESS 2005 survey is to provide the LSC and its partners robust and reliable information on the current and future skill needs of employers in England, and how these needs vary by industry, occupation, establishment size and spatially. In addition the survey collects information on the extent of employer engagement in training, whether training leading to qualifications, and to what extent training plans are formalised by the business establishment.

NESS 2005 is a sample survey of business establishments in England. It comprised a total of 74,835 telephone interviews with employers during the period May to August 2005. The unit of analysis of the survey is a single establishment employing at least two people.<sup>1</sup> Establishments were contacted and a representative of the establishment was interviewed by telephone using Computer Aided Telephone Interviewing (CATI). The respondent was typically the senior person responsible for human resources or personnel issues. In larger establishments this was usually the human resources or personnel director or manager. In smaller establishments, the respondent was normally the owner, proprietor or general manager of the company.

### **Sample Design and Weighting**

The survey sample was a quota-based stratified random sample of establishments drawn from Yell's Business Database. Approximately 5 percent of the 1.4 million establishments in England were sampled. Within the sample design, larger

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<sup>1</sup> While NESS 2003 surveyed the population of establishments with at least one employee (excluding working proprietors), (NESS 2004 and) NESS 2005 surveyed establishments with at least two people working in them (regardless of their role or position). As a consequence, the sampling base of establishments is rather different between 2003 and 2005 and hence comparisons of the number of employers are potentially misleading. However, the proportions of employers, and the numbers and proportions of employees are directly comparable between the two surveys.

establishments are over-sampled, as are establishments within particular sectors of the economy in order to compensate for their relative small numbers. In order to correct for this differential sampling to ensure that the estimates reflect the population as a whole, a weighting exercise needs to be applied to the raw survey data. This exercise provides weights for each establishment in order that when re-grossed, the estimates presented reflect the actual composition of establishments or employment at the local, regional and national level.

Results reported throughout are therefore calculated based on *weighted* or *grossed-up* estimates. The weights applied are based on either the:

- Establishment weights, which are used to provide estimates of the number or percentages of establishments; or
- Employment weights, which are used to provide estimates of the number or percentages of employees.

*Unweighted* sample numbers are also reported in the tables to give an indication of sample sizes and hence reliability of the estimates.

The size of the survey facilitates analyses to be undertaken across several dimensions at the national level. However, at the local LSC level, small sample sizes, especially for some of the smaller sectors (e.g. Agriculture or Mining) or for sectors where employment is concentrated amongst a small number of very large establishments (e.g. Utilities), prevents detailed disaggregation of the data. Throughout the report, a *threshold rule* is employed such that results are only deemed to be statistically reliable and thus can be reported if they are based on samples of 25 or more establishments. As a consequence, when analysing NESS 2005 at the local LSC level, it has proved necessary to group industrial sectors and establishment size bands in order to ensure that this reporting rule is satisfied.<sup>2</sup>

### **Structure of the Report**

This report analyses the skills situation faced by employers in the Leicestershire LSC area. The remainder of the report is structured as follows:

Section 2 details the coverage of NESS 2005 in terms of achieved sample numbers, analysed by industrial sector, size of establishment, type of organisation and unitary authority/local authority district (UA/LAD) within Leicestershire. This information provides a backdrop to the more detailed analysis which follows.

Section 3 of the report analyses the vacancies, recruitment difficulties and skill shortages as reported by establishments in the Leicestershire LSC area. In particular, different types of vacancies are distinguished:

- Hard-to-fill vacancies (HtFVs) are those vacancies classified by the respondent as being hard-to-fill; and

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<sup>2</sup> Note that this places much more restriction on the use of the NESS 2005 data at the local level, as compared to the regional or national analysis where sample numbers are, of course, much greater.

- Skill-shortage vacancies (SSVs) are defined as those hard-to-fill vacancies where applicants do not have the required skills, experience, or qualifications required to fill the post.

Section 4 analyses the situation within the establishment in terms of the skill needs and requirements of the existing employees. Skill gaps are defined as:

- the extent to which employers perceive that the employee is less than fully proficient at their current job.

Section 5 analyses the commitment of establishments to training staff, the degree to which establishments have systems in place which formalise and appraise staff training, as well as analysing the incidence of training amongst establishments in terms of provision of:

- On-the-job training;
- Off-the-job training, by means of external course and using training providers; and
- Training leading to formal qualifications.

Reasons given for not training, where applicable, are also analysed. Finally, Section 6 presents some brief conclusions.

## 2. NESS 2005 COVERAGE AND ESTABLISHMENT DETAILS

This section describes the characteristics of the achieved NESS 2005 sample in Leicestershire LSC and presents some summary information on the characteristics of establishments in the area. In total, within the East Midlands region, 5,884 establishments were sampled. Of these, 1,342 were in the Leicestershire LSC area.

Table 2 shows the total number of establishments surveyed in Leicestershire, with a breakdown by industrial sector based on a 6-fold classification of sectors derived from the Standard Industrial Classification (SIC1992) described in Annex A. This relatively coarse disaggregation is used in order to ensure that there are a sufficient numbers of establishments in each sector. As well as showing the raw sample numbers by industrial sector, Table 2 also presents estimates of the total number of establishments in Leicestershire.

**Table 2: NESS Coverage by Industrial Sector**

<b>Industry</b>	Unweighted NESS Sample	Weighted No. of Establishments	Weighted Share of Establishments (%)	Weighted No. of Employees	Weighted Share of Employees (%)
Primary Sector & Utilities	58	1,200	5	6,700	2
Manufacturing	235	3,700	14	79,600	20
Construction	92	2,000	8	17,900	4
Distribution etc	423	9,400	36	118,700	30
Business & Other Services	314	6,500	25	68,900	17
Public Services	220	3,100	12	106,300	27
<b>Total</b>	<b>1,342</b>	<b>25,800</b>	<b>100</b>	<b>398,000</b>	<b>100</b>

Base: All establishments

Weight: Establishment weights for the number of establishments; employment weights for the number of employees

Note: The grossed-up estimates of the number of establishments and employees are rounded to the nearest 100 throughout the report. Therefore column totals may not sum due to rounding.

Table 2 reveals that:

- The majority of establishments are in the Distribution, Hotels and Transport sector. This sector includes the retail and wholesale sector, hotels and catering establishments as well as establishments involved in transport and communications. In total, it accounts for 9,400 of the estimated 25,800 establishments (36 percent) in the Leicestershire LSC area.
- The Distribution sector also accounts for the biggest share of employment – around 3-in-10 workers in Leicestershire LSC are employed in this sector. Public Services (27 percent of employment) and Manufacturing (20 percent of employment) are also significant employers.
- The smallest sector is Primary and Utilities sector, which accounts for only 1,200 of the 25,800 establishments (5 percent) in the Leicestershire LSC area, and only 2 percent of employment. This sector includes agriculture, fishing and mining as well as electricity and gas.

Table 3 provides a similar analysis of the number of NESS 2005 sample respondents by size of establishment and type of organisation, and the corresponding estimates of the population of such establishments in Leicestershire LSC. The banded categories used for analysing the distribution by establishment size are chosen in order to ensure a large enough sample size in the more disaggregated analysis presented below.

**Table 3: NESS Coverage by Establishment Size and Type of Organisation**

<b>Size of Establishment</b>	Unweighted NESS Sample	Weighted No. of Establishments	Weighted Share of Establishments (%)	Weighted No. of Employees	Weighted Share of Employees (%)
< 5 Employees	353	13,500	52	35,200	9
5 - 24 Employees	654	9,400	36	94,500	24
25 - 99 Employees	252	2,300	9	103,400	26
100+ Employees	83	600	2	165,000	41
<b>Total</b>	<b>1,342</b>	<b>25,800</b>	<b>100</b>	<b>398,000</b>	<b>100</b>
<b>Type of Establishment</b>	Unweighted NESS Sample	Weighted No. of Establishments	Weighted Share of Establishments (%)	Weighted No. of Employees	Weighted Share of Employees (%)
Seeking A Profit	1,147	23,200	90	293,800	74
Charity / Voluntary Sector	61	600	2	11,400	3
Local Government	84	800	3	63,800	16
Central Government	23	900	4	22,700	6
Other	27	300	1	6,400	2
<b>Total</b>	<b>1,342</b>	<b>25,800</b>	<b>100</b>	<b>398,000</b>	<b>100</b>

Base: All establishments

Weight: Establishment weights for the number of establishments; employment weights for the number of employees

Table 3 shows that:

- The distribution of establishments in Leicestershire LSC is dominated by small establishments. More than half of all establishments employ fewer than 5 employees, while a further 36 percent employ between 5 and 24 employees.
- Despite their large numbers, establishments with less than 5 employees only account for 9 percent of employment.
- Large establishments employing more than 100 employees represent only around 2 percent of all establishments in Leicestershire LSC. Note, however, that they comprise 6 percent of the sample observations – this over-sampling of larger establishments is part of the sample design to ensure better coverage of total employment.
- Despite their small numbers, more than 40 percent of workers in Leicestershire LSC are employed in large establishments.
- The vast majority – 9-in-10 - of all establishments in Leicestershire LSC are profit-seeking, and three-quarters of all employment is in this type of establishment.

The Leicestershire LSC area comprises eight sub-districts. These are:

- Leicester
- Blaby
- Charnwood
- Harborough
- Hinckley and Bosworth
- Melton
- North West Leicestershire and
- Oadby and Wigston.

Table 4 presents the distribution of establishments in Leicestershire LSC by unitary authority (UA) and local authority district (LAD).

**Table 4: NESS Coverage by UA/LAD**

Local Authority District	Unweighted NESS Sample	Weighted No. of Establishments	Weighted Share of Establishments (%)	Weighted No. of Employees	Weighted Share of Employees (%)
Leicester	450	8,500	33	125,400	31
Blaby	63	1,200	5	12,600	3
Charnwood	234	4,400	17	85,600	22
Harborough	152	3,100	12	40,200	10
Hinckley and Bosworth	153	2,700	10	45,600	11
Melton	82	1,600	6	21,300	5
North West Leicestershire	157	3,400	13	52,400	13
Oadby and Wigston	51	900	4	14,900	4
<b>Total</b>	<b>1,342</b>	<b>25,800</b>	<b>100</b>	<b>398,000</b>	<b>100</b>

Base: All establishments

Weight: Establishment weights for the number of establishments; employment weights for the number of employees

Table 4 shows that:

- Leicester has the largest number of establishments – one third of the total. In contrast, Blaby, Melton and Oadby and Wigston each have fewer than 2,000 establishments.
- Leicester also has the largest share of employment with more than 3-in-10 workers in Leicestershire LSC employed in Leicester-based establishment.

### **3. VACANCIES, RECRUITMENT DIFFICULTIES AND SKILL SHORTAGES**

#### **3.1 Introduction**

This section of the report examines the recruitment difficulties faced by employers in Leicestershire LSC. First, the numbers and percentages of establishments who report having vacancies are reported together with the nature of these vacancies. NESS 2005 asks employers whether their vacancies are hard-to-fill (HtFVs), and then subsequently, the extent to which HtFVs are due to problems of skill-shortages amongst the applicants. SSVs are defined as HtFVs which are unfilled because:

- Applicants do not have the required level of skills for the post;
- Applicants do not have the necessary work experience;
- Applicants do not have the required qualifications for the post.

A summary of how vacancies differ within the sub-regions of Leicestershire is also presented. Second, the incidence of vacancies by industry, occupation and establishment size are summarised. Finally, the perceived causes of HtFVs and SSVs, the impact of SSVs on establishments, and how establishments have responded to these issues are examined.

#### **3.2 Recruitment in Leicestershire LSC and its Districts**

Table 5 shows the overall vacancy situation in Leicestershire LSC as reported in NESS 2005. The table shows the percentage of establishments who report having any vacancies and the number of vacancies, and whether these vacancies are classified by the respondents as HtFVs and/or SSVs. These figures at the LLSC level are compared to those at the regional level (i.e. for the East Midlands region as a whole) and at the national level (i.e. all establishments in England). The table also presents estimates of the number of vacancies as a percentage of employment, as well as the number of HtFVs and SSVs expressed as a percentage of total vacancies.

**Table 5: Overall Incidence and Number of Vacancies**

% of all establishments reporting			
	LLSC	Region	National
All vacancies	16.1	15.9	17.4
HtFVs	6.3	5.5	7.4
SSVs	4.5	3.7	5.2
Number of vacancies			
	LLSC	Region	National
All vacancies	9,700	39,700	573,900
HtFVs	3,100	11,800	203,600
SSVs	2,400	8,200	143,100
Vacancies as a % of employment			
	LLSC	Region	National
All vacancies	2.4	2.3	2.7
HtFVs	0.8	0.7	0.9
SSVs	0.6	0.5	0.7
HtFVs and SSVs as a % of vacancies			
	LLSC	Region	National
HtFVs	31.7	29.8	35.5
SSVs	24.6	20.6	24.9

Base: All establishments

Weight: Percentages of establishments (top panel) use establishment weights; percentages of employment use employment weights.

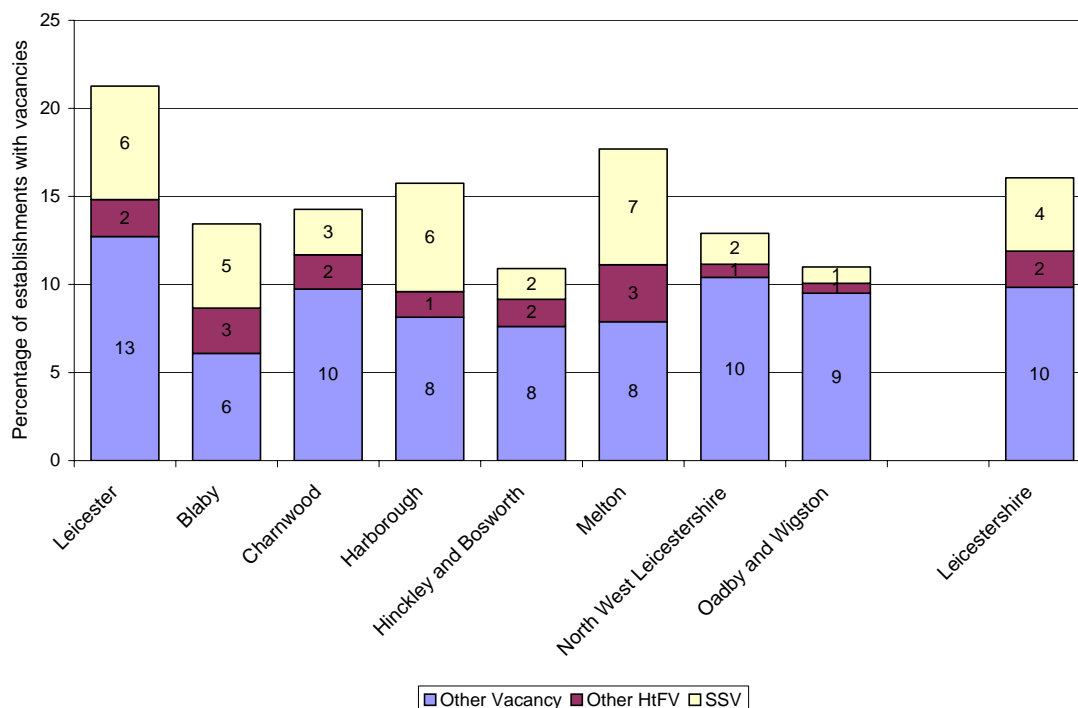
Note: Percentage of vacancies which are HtFVs or SSVs exclude responses where establishments have vacancies but do not know if they are hard-to-fill.

Table 5 indicates that:

- Around 1-in-6 establishments in Leicestershire LSC record having any vacancies. This is similar to the corresponding figure for the East Midlands region but is slightly below the national figure.
- There were an estimated 9,700 vacancies in Leicestershire LSC at the time of the NESS 2005 survey. This represented 2.4 percent of the total number of jobs. In comparison, the level of vacancies at the time of the NESS 2003 survey was 3.1 percent of total employment.
- 3,100 of the vacancies in Leicestershire LSC were classified as HtFVs, 2,400 of which were classified as SSVs.
- The incidence of HtFVs in Leicestershire LSC is about the same as elsewhere in the region. Nearly 32 percent of vacancies in Leicestershire are classified as HtFVs, as compared to 30 percent for the East Midlands region and over 35 percent nationally. The incidence of HtFVs has fallen somewhat since the NESS 2003 survey at which time they represented 42 percent of all vacancies.
- The proportion of vacancies which are due to skill-shortages in Leicestershire LSC is around one quarter. This is similar to the national figure, but somewhat higher than the regional figure which is one fifth. However, it is slightly lower than the corresponding figure for 2003 when SSVs comprised 28.5 percent of all vacancies in Leicestershire LSC.

The recruitment situation in the sub-regions of Leicestershire LSC is summarised in Figure 1. This shows the percentage of establishments reporting vacancies by type of vacancy. The stacked bars show, from top to bottom, the percentage of establishments reporting SSVs, other HtFVs which are not due to skill-shortages, and all other vacancies which are not proving hard-to-fill. The overall height of the bar shows the proportion of establishments reporting any vacancies.

**Figure 1: Proportion of Establishments with Vacancies by District**



Base: All establishments  
 Weight: Establishment weights

Note: Percentage of vacancies which are HtFVs or SSVs exclude responses where establishments have vacancies but do not know if they are hard-to-fill.

Figure 1 reveals that:<sup>3</sup>

- The proportion of establishments with vacancies varies from 11 percent in Hinckley and Bosworth to more than 21 percent of establishments in Leicester.
- The proportion of establishments with HtFVs (including SSVs) is highest in Leicester, Melton, Harborough and Blaby.
- The proportion of establishments with HtFVs is lowest in Oadby and Wigston.

<sup>3</sup> It should be noted that differences in the incidence of vacancies at the local level may be particularly affected by the employment profile of the area in terms of industrial sector, establishment size etc. The regional report examines in detail the separate effect of geography when taking into account the compositional effects of employment.

### 3.3 Recruitment by Industry

Table 6 presents a breakdown of total employment in Leicestershire LSC by broad industrial sector (see Annex A for definitions), as well as the overall number of reported vacancies analysed by type (i.e. HtFVs and SSVs).

**Table 6: Employment and Numbers of Vacancies by Industry**

Industry				
	Employed	Vacancies	HtFVs	SSVs
Primary Sector & Utilities	6,700	160	120	80
Manufacturing	79,600	1,100	370	270
Construction	17,900	310	190	130
Distribution/Hotels/Transport/etc	118,700	3,400	770	530
Business & Other Services	68,900	2,300	820	780
Public Services	106,300	2,400	800	580
<b>Total</b>	<b>398,000</b>	<b>9,700</b>	<b>3,100</b>	<b>2,400</b>

Base: All establishments

Weight: Employment weights

Notes:

1. The industrial classification is derived from an aggregation of the Standard Industrial Classification (SIC1992) categories; see Annex A for details.
2. The number of vacancies which are HtFVs or SSVs exclude responses where establishments have vacancies but do not know if they are hard-to-fill.
3. In the Primary and Construction sectors, the number of sample observations with HtFVs and SSVs are below the threshold and hence these numbers should be treated with caution.

Table 7 analyses this vacancy by sector data further, including providing comparisons with the regional and national figures. The table presents vacancy densities (i.e. the number of vacancies expressed as a percentage of employment) by sector, the proportion of vacancies which are HtFVs, and the proportion of vacancies which are SSVs.

**Table 7: Vacancies and Recruitment Problems by Industry**

Industry	Vacancies as a % of employment			HtFVs as a % of vacancies			SSVs as a % of vacancies		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
Primary Sector & Util	2.4	2.2	2.1	76.2	55.6	47.4	52.3	22.0	29.2
Manufacturing	1.4	1.4	1.7	32.8	28.7	36.2	24.1	22.8	28.9
Construction	1.7	1.9	2.9	62.6	48.2	49.2	43.8	38.6	36.4
Distribution etc	2.9	2.5	2.8	22.8	28.3	35.0	15.6	18.2	21.9
Business & Other Serv	3.3	3.4	3.4	35.8	26.8	34.4	34.3	21.8	26.1
Public Services	2.3	2.1	2.3	33.0	30.1	34.0	24.0	18.4	23.8
<b>Total</b>	<b>2.4</b>	<b>2.3</b>	<b>2.7</b>	<b>31.7</b>	<b>29.8</b>	<b>35.5</b>	<b>24.6</b>	<b>20.6</b>	<b>24.9</b>

Base: All establishments

Weight: Employment weights

Notes:

1. The Industry classification is derived from an aggregation of the Standard Industrial Classification (SIC1992) categories; see Annex A for details.
2. The number of vacancies which are HtFVs or SSVs exclude responses where establishments have vacancies but do not know if they are hard-to-fill.
3. In the Primary and Construction sectors, the number of sample observations for the 'HtFVs as a % of vacancies' and the 'SSVs as a % of vacancies' columns for the LLSC are below the threshold and hence these numbers should be treated with caution.

Table 7 shows marked differences in vacancy densities by industry:

- Vacancy densities are highest in the Business and Other Services sector. This sector includes business services and financial intermediation as well as other private sector services. The first two of these categories are currently the fastest growing sectors in terms of employment in the UK. Vacancy densities are lowest in Manufacturing and Construction.
- The overall vacancy density in Leicestershire LSC is about the same as that for the whole East Midlands region, but slightly lower than for England. Across sectors, vacancy densities are very similar in Leicestershire to those in the rest of the East Midlands region.
- Recruitment problems, as measured by HtFVs, are most severe in the Primary and Utilities sector, and in Construction, where HtFVs account for 76 and 63 percent of all vacancies respectively. Recruitment problems are least problematic in Distribution etc, where HtFVs account for only 23 percent of all vacancies.
- With the exception of Distribution, recruitment problems in Leicestershire LSC are more severe than for the East Midlands for all industrial sectors. HtFVs are 32 percent of all vacancies in Leicestershire LSC, as compared to 30 percent for the East Midlands region but over 35 percent nationally.
- Skills shortages are also most pronounced in the Primary and Utilities and Construction sectors, where SSVs account for 52 and 44 percent of vacancies, respectively, in Leicestershire LSC. Problems of skills shortages are least pronounced in the Distribution sector, where SSVs account for around 16 percent of all vacancies.

- The extent of skill shortages in Leicestershire LSC is rather more severe than for the rest of the East Midlands region, but is very similar on average, to the pattern for England as a whole.

### 3.4 Recruitment by Occupation

As well gathering information on the aggregate number and type of vacancies, the NESS 2005 survey also asked respondents which occupational groups these vacancies were appropriate for, based on the nine Major Groups of the Standard Occupational Classification (SOC2000) - see Annex A for details.

Table 8 presents a breakdown of total employment in Leicestershire LSC by occupation as well as the overall number of vacancies analysed by type of vacancy (i.e. HtFVs and SSVs).

**Table 8: Employment and Numbers of Vacancies by Occupation**

Occupation				
	Employed	Vacancies	HtFVs	SSVs
Managers	61,500	80	30	20
Professionals	52,300	730	350	330
Associate professionals	25,400	1,700	630	530
Administrative	44,900	1,200	180	100
Skilled trades	32,000	1,500	410	290
Personal services	31,500	990	340	310
Sales	49,700	1,000	350	260
Operatives	33,400	1,100	220	100
Elementary	67,300	1,300	570	430
<b>Total</b>	<b>398,000</b>	<b>9,700</b>	<b>3,100</b>	<b>2,400</b>

Base: All establishments  
 Weight: Employment weights

Table 9 analyses this vacancy by occupation data further, including providing comparisons with the regional and national figures. The table presents vacancy densities (i.e. the number of vacancies expressed as a percentage of employment) by occupation, the proportion of vacancies which are HtFVs, and the proportion of vacancies which are SSVs.

**Table 9: Vacancies and Recruitment Problems by Occupation**

Occupation	Vacancies as a % of employment			HtFVs as a % of vacancies			SSVs as a % of vacancies		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
Managers	0.1	0.4	0.8	35.0	42.6	29.3	30.2	35.7	23.4
Professionals	1.4	1.9	2.2	47.2	22.2	35.7	45.4	20.7	27.9
Associate prof.	6.9	4.4	4.8	36.3	35.7	38.4	30.7	28.9	31.3
Administrative	2.7	2.3	2.3	15.1	22.3	20.3	8.6	15.4	14.7
Skilled trades	4.6	2.9	3.3	28.3	44.5	61.5	19.5	36.5	48.4
Personal services	3.1	3.8	4.0	33.9	25.8	39.3	31.7	15.8	24.7
Sales	2.1	2.0	2.9	34.2	26.5	31.2	25.3	13.4	19.8
Operatives	3.3	2.9	2.9	19.5	33.2	40.3	8.9	20.8	28.7
Elementary	2.0	2.4	2.8	42.1	26.6	31.6	32.2	13.9	16.7
<b>Total</b>	<b>2.4</b>	<b>2.3</b>	<b>2.7</b>	<b>31.7</b>	<b>29.8</b>	<b>35.5</b>	<b>24.6</b>	<b>20.6</b>	<b>24.9</b>

Base: All establishments

Weight: Employment weights

Notes:

1. Occupational categories are based on Standard Occupation Classification (SOC2000) Major Groups; see Annex A for details.
2. The number of vacancies which are HtFVs or SSVs exclude responses where establishments have vacancies but do not know if they are hard-to-fill.
3. For Managers, the number of sample observations for the 'HtFVs as a % of vacancies' and the 'SSVs as a % of vacancies' columns for the LLSC are below the threshold, and hence these numbers should be treated with caution.

Table 9 shows notable differences in vacancy densities by occupation:

- Within the Leicestershire LSC area, vacancy densities are highest amongst Associate Professionals and Skilled Trades. Vacancy densities are lowest amongst Managers and Professionals.
- The overall vacancy density in Leicestershire LSC is around the average for the East Midlands, but slightly lower than that in England as a whole. However, vacancy densities are higher in Leicestershire LSC than in the East Midlands for a number of occupational groups.
- Recruitment problems, as measured by HtFVs, are most severe amongst Professionals and Elementary occupations where HtFVs account for 47 percent and 42 percent of vacancies respectively.
- Skill shortages are worst amongst Professionals where SSVs account for 45 percent of vacancies. In addition, on average, skill-shortage problems in Leicestershire are slightly more pronounced than for the East Midlands region, although are about the same as the national average.
- Both recruitment problems and skill shortages are least problematic amongst Administrative occupations and Operatives.

### 3.5 Recruitment by Establishment Size

Table 10 analyses the distribution of vacancies by establishment size, once again

including comparisons with the regional and national figures. The table presents vacancy densities (i.e. the number of vacancies expressed as a percentage of employment) by establishment size, the proportion of vacancies which are HtFVs, and the proportion of vacancies which are SSVs.

**Table 10: Vacancies and Recruitment Problems by Size of Establishment**

Size of Establishment	Vacancies as a % of employment			HtFVs as a % of vacancies			SSVs as a % of vacancies		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
< 5 Employees	5.6	4.9	5.9	30.3	30.6	45.4	22.1	18.0	32.5
5 - 24 Employees	3.2	3.1	3.5	40.6	34.9	39.7	31.0	24.5	26.7
25 - 99 Employees	2.3	2.1	2.4	23.2	29.8	33.6	16.3	19.0	22.8
100+ Employees	1.4	1.3	1.7	29.8	22.2	24.9	26.9	18.8	19.2
<b>Total</b>	<b>2.4</b>	<b>2.3</b>	<b>2.7</b>	<b>31.7</b>	<b>29.8</b>	<b>35.5</b>	<b>24.6</b>	<b>20.6</b>	<b>24.9</b>

Base: All establishments

Weight: Employment weights

Note: The number of vacancies which are HtFVs or SSVs exclude responses where establishments have vacancies but do not know if they are hard-to-fill.

Table 10 shows that:

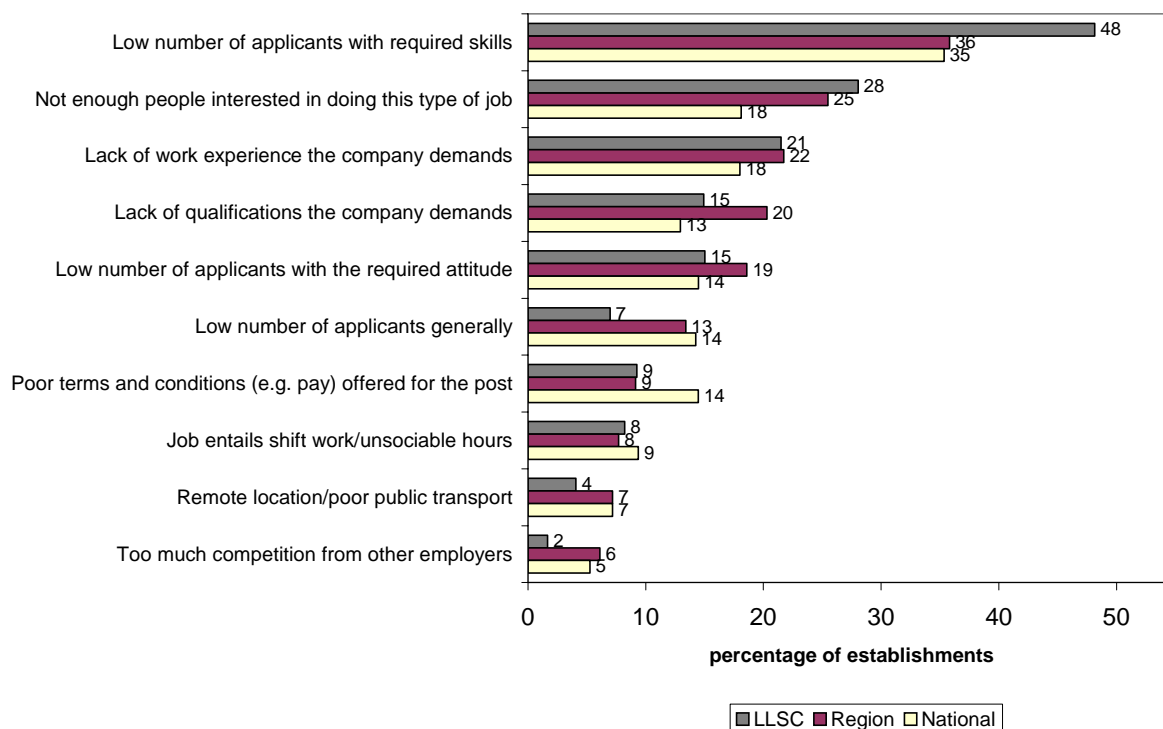
- Vacancy densities within Leicestershire LSC are four times higher in the smallest establishments (i.e. less than 5 employees) compared to the largest establishments (i.e. 100 employees or more). This phenomenon is also observed (although to a lesser degree) in the regional and national data, and is undoubtedly related to the 'indivisibility' of the workforce in small establishments.
- Vacancy densities are marginally higher in Leicestershire LSC than in the East Midlands for all size categories.
- There is no simple relationship between establishment size and the shares of HtFVs and SSVs as a proportion of all vacancies.

### 3.6 Causes of Recruitment Problems

A key question in terms of understanding the causes of recruitment problems in the Leicestershire LSC area is the reasons why establishments are finding vacancies hard-to-fill. NESS 2005 asked respondents in establishments who reported HtFVs why they thought that their vacancies were proving hard-to-fill. The reasons given relate to a whole range of causes, including quality of applicants as well as the nature of the job itself.<sup>4</sup> Figure 2 presents the top ten reasons given ranked from most to least frequent, based on responses over the whole of the East Midlands region. The chart shows the percentage of establishments with HtFVs citing these reasons as the cause of having vacancies which are hard to fill. Comparisons are made with corresponding figures for the East Midlands and for England.

<sup>4</sup> Three of the reasons given – lack of the right skills, lack of suitable work experience and lack of the required qualifications – are of particular importance of course since they are used to define SSVs.

**Figure 2: Main Causes of Hard-to-fill Vacancies**



Base: All establishments with HtFVs

Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent, based on all responses for the East Midlands region.

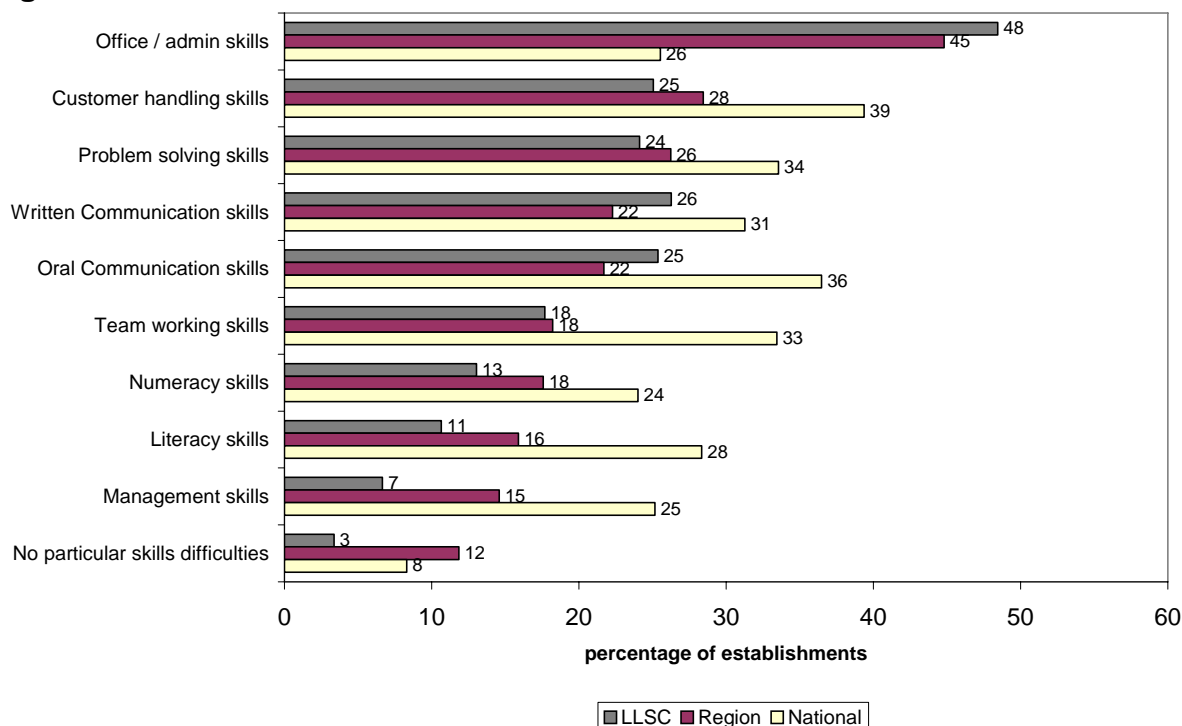
Figure 2 shows that the ‘skill-shortage’ reasons used to define SSVs account for three of the five most frequently cited reasons for establishments having hard-to-fill vacancies in Leicestershire LSC. Other frequently cited reasons not relating to skill shortages were (in order of relative importance):

- A lack of people interested in doing the kind of work for which vacancies existed; and
- A lack of people with the right attitude.

These reasons suggest that HtFVs also arise in part due to the (perceived) unattractiveness of the job, rather than just because the applicants are of poor quality. Figure 2 also suggests that the reasons given in Leicestershire LSC are by and large similar to those given in the East Midlands region and in England more generally. The exception is that employers cite the lack of applicants with the required skills as being particular issue in Leicestershire LSC – almost half cited this as a causal factor for HtFVs.

With respect to the vacancies which arise due to skill shortages, the NESS 2005 survey also seeks to establish which skills in particular were lacking amongst applicants. Figure 3 shows the percentage of establishments reporting skills shortage vacancies citing various skills as being difficult to obtain.

**Figure 3: Skills Difficult to Obtain**



Base: All establishments with SSVs  
 Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent, based on all responses for the East Midlands region.

Figure 3 shows that the skills which were most difficult to obtain from applicants were:

- Office and Administration Skills;
- Written communication skills;
- Customer handling skills;
- Oral communication skills; and
- Problem solving skills.

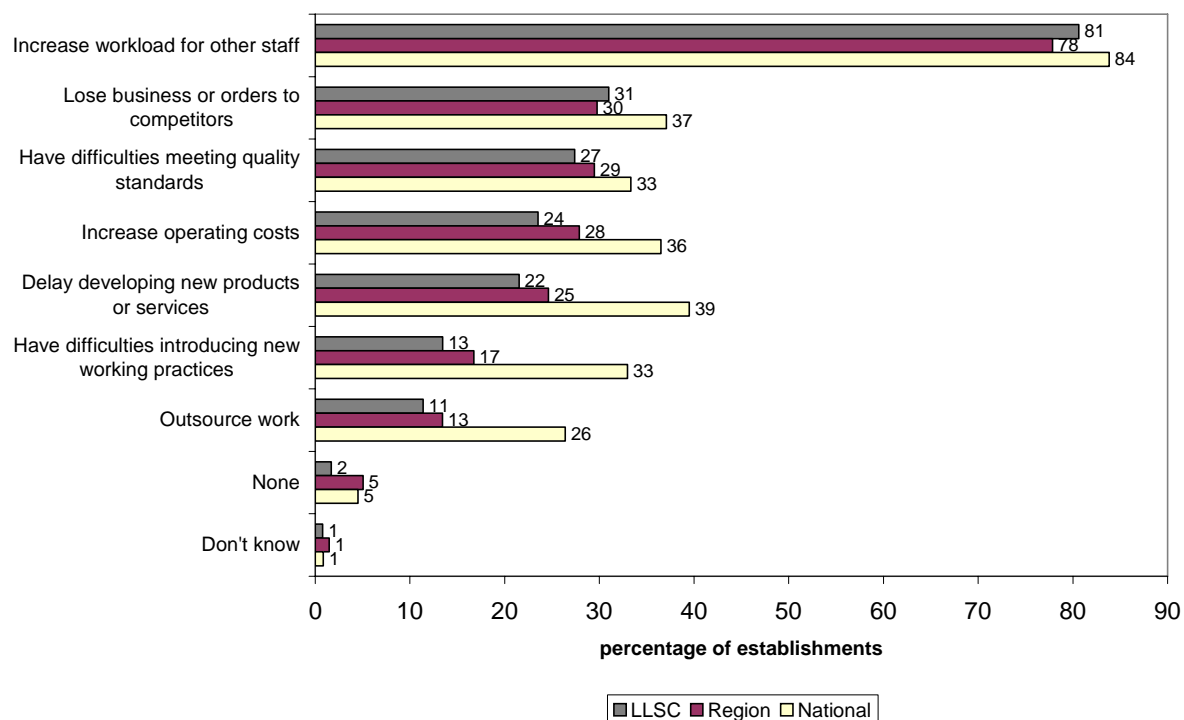
These responses reflect a combination of both ‘hard’ and ‘soft’ skills shortages. A whole range of skills are commonly cited as being lacking, rather than one or two key skills. This in part probably reflects the heterogeneity of skill needs across different types of employers and sectors. The skills cited as lacking in general reflect those cited elsewhere in the East Midlands region and in England, although management, literacy and numeracy skills are apparently relatively well-provided in Leicestershire LSC.

### 3.7 Impact and Responses to Skill Shortages

Recruitment problems can have an adverse impact on the performance of establishments, both as and when they occur and in the future. The problem of skills shortages is that they potential inhibit organisations which are striving to grow their businesses via expanding their workforces and/or replacing key members of staff.

Figure 4 shows the impact of skill shortages as expressed by those establishments with SSVs.

**Figure 4: Impact of Skill-shortage Vacancies**



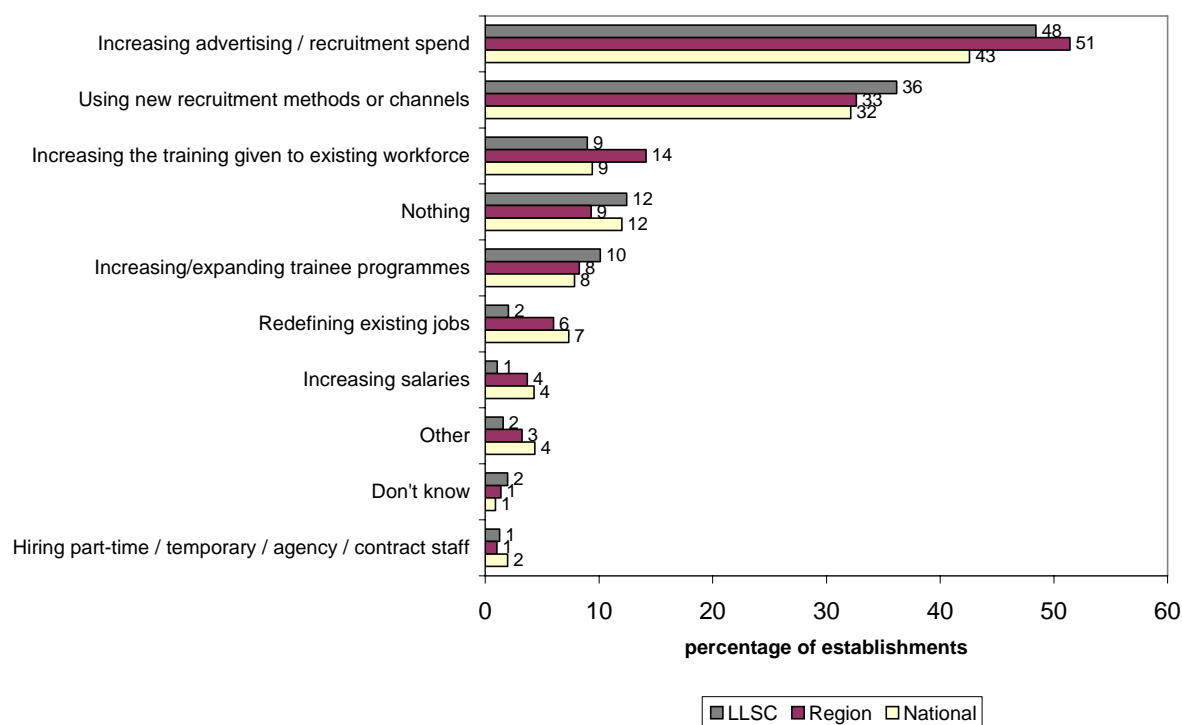
Base: All establishments with SSVs  
 Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent, based on all responses for the East Midlands region.

Figure 4 shows that by far the most common impact of skill shortages was to increase the workload for existing staff. Second to this was a range of other impacts. The most frequently expressed of these for the Leicestershire LSC, in order of relative importance were: loss of business to competitors; difficulties meeting quality standards; increased operating costs and delay developing products. Once again, it is the case that responses for Leicestershire LSC are similar to those given regionally and nationally, and are also similar to those given in NESS 2003.

The consequence of a skills shortage due to a lack of suitably qualified or experienced applicants is that vacant posts are left unfilled, possibly over an extended period of time. As the previous figure shows, this is potentially costly and damaging to the establishment. Thus, one would expect establishments with SSVs to respond in an attempt to minimise the potential costs. Figure 5 shows the most commonly cited responses to SSVs in NESS 2005.

**Figure 5: Responses to Skill-shortage Vacancies**



Base: All establishments with SSVs  
 Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent based on responses for the East Midlands region.

Figure 5 shows that the most common responses to SSVs are:

- Increased advertising on recruitment; and
- The use of new recruitment methods.

However, approximately 1-in-8 of establishments with SSVs in Leicestershire LSC report that they did absolutely nothing in response. This may indicate that these establishments feel somewhat powerless to deal with this problem.

### 3.8 The Recruitment of Young People

In 2005, a new set of questions was incorporated for the first time into the NESS surveys relating to the experiences of establishments in recruiting young people. Establishments were asked whether or not they had recruited young people in the previous 12 months and, if so, how they felt about young peoples' preparation for work. These questions were asked separately with respect to:

- School leavers aged 16 years old;
- 17–18 year old post-compulsory school or college leavers; and
- 19–24 year old leavers of university or higher education.

Table 11 summarises the responses to these questions.

**Table 11: Recruitment of Young People and their Preparation for Work**

	16 year old school leavers			17-18 year old Post Compulsory school/college leavers			19-24 year olds leaving University/HE		
<b>Recruiting</b>	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
% Which have recruited	8.1	8.3	7.4	11.9	11.4	11.2	11.6	9.3	9.5
<b>Were they:</b>									
<b>%</b>	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
Very well prepared	23.7	16.1	14.2	15.8	15.9	14.7	20.7	26.9	25.9
Well prepared	45.1	47.3	46.1	54.6	55.7	53.9	59.7	55.5	55.4
Poorly prepared	20.2	23.6	23.0	13.0	16.6	18.7	12.3	8.8	9.8
Very poorly prepared	4.2	6.7	7.6	6.2	5.1	4.9	2.3	2.2	2.2
Don't know	6.9	6.3	9.1	10.4	6.7	7.8	5.0	6.6	6.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Base: Upper panel (percent recruiting): All establishments; lower panel (preparation for work): Establishments recruiting young people.

Weight: Establishment weights

Table 11 shows that:

- Only a minority of establishments in Leicestershire LSC recruited young people in the previous year.
- The recruitment patterns in Leicestershire LSC are similar to those in the rest of the East Midlands region and across England more generally, although there is a slightly greater tendency for employers in Leicestershire LSC to recruit 19-24 year olds leaving University or other HE.
- Young people were generally found to be 'well prepared' for work (the modal category of response for all three age bands). Only a very small proportion of young people were found to be 'very poorly prepared' for work.
- University or higher education leavers (aged 19–24 years) were found to be best prepared for work, with 80 percent of this category being found to be either 'very well prepared' or 'well prepared' for work in Leicestershire LSC. University or higher education leavers were almost never found to be poorly prepared for work.

### 3.9 Summary

This section has considered the situation of establishments in the Leicestershire LSC area with respect external skill shortages. These skill shortages manifest themselves in establishments having vacancies which are either hard-to-fill (HtFVs) or, more particularly, for which there are insufficient well-qualified or experienced applicants. The latter are termed skill-shortage vacancies (SSVs).

Evidence from the NESS 2005 survey suggests that the proportion of jobs unfilled in Leicestershire LSC has fallen since 2003, and represent a smaller proportion of

employment than either regionally or nationally. Moreover, the incidence of recruitment problems has also decreased significantly, with less than one third of all vacancies in 2005 classified by respondents as being HtFVs. Of these, more than three-quarters are due to skill shortages amongst the applicants in Leicestershire LSC, and this proportion is rather higher than at the regional or national level, where approximately two-thirds of hard-to-fill vacancies are due to skill-shortages.

Together these findings suggest that skill shortage problems are slightly more pronounced in Leicestershire LSC than elsewhere regionally, or in the country as a whole.

## **4. SKILL GAPS**

### **4.1 Introduction**

In contrast to the previous section which examined employers' external recruitment difficulties, this section examines problems of skill deficiency amongst existing employees in Leicestershire LSC. Potentially, this is a more important consideration for employers since the size of the existing workforce is many times greater than the number of unfilled vacancies

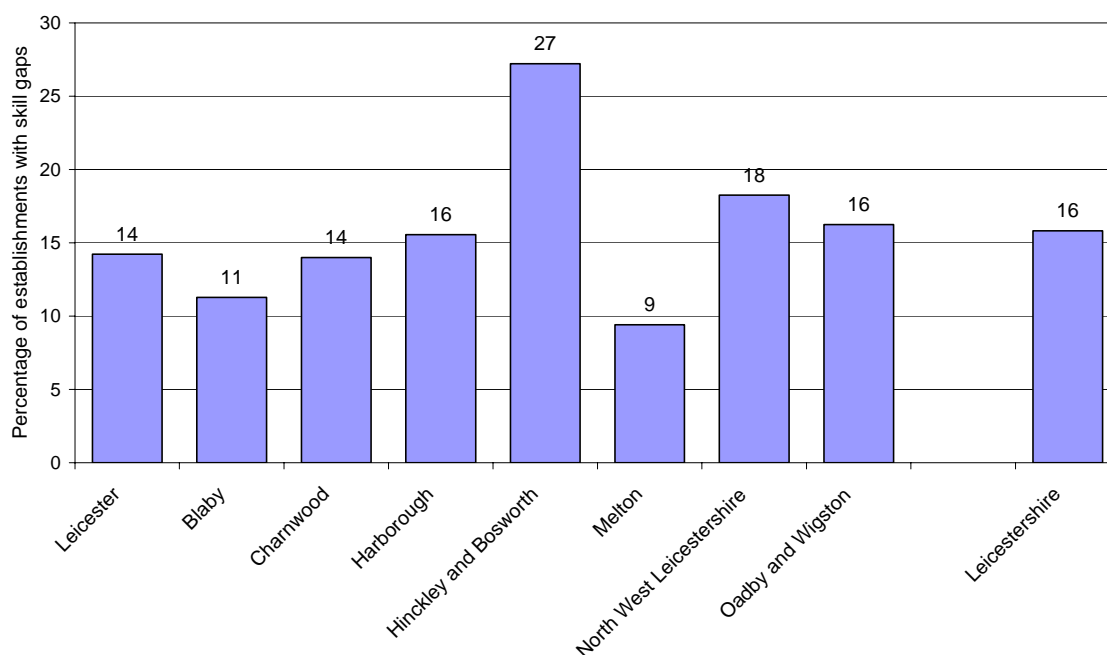
A lack of proficiency of existing members of staff is described as a 'skill gap'. More precisely, a skill gap occurs within an establishment when, in the opinion of their employer, staff are not fully proficient to meet the requirements of their job role. Clearly, this measure is somewhat subjective. The NESS questionnaire asks the respondent whether or not their establishment has skill gaps amongst employees. If so, they are subsequently asked to estimate the number of skill gaps (i.e. number of employees lacking full proficiency) by occupation.

This section first examines how the incidence of skill gaps varies across the sub-regions of Leicestershire LSC. The incidence of skill gaps is then analysed by industry, occupation and establishment size, consistent with the analysis of recruitment difficulties in the previous section. Finally, the perceived causes of skill gaps, their impact and how establishments have responded in tackling problems caused by skill gaps are examined.

### **4.2 Skill Gaps in Leicestershire LSC and its Districts**

Figure 6 summarises the number of establishments reporting any skill gaps in each of the eight districts in Leicestershire LSC.

**Figure 6: Incidence of Skill Gaps by UA/LAD**



Base: All establishments  
 Weight: Establishment weights

Figure 6 reveals that:

- There is considerable variation across the districts in Leicestershire LSC, with between 9 and 27 percent of establishments reporting some skill gaps amongst their staff, with an overall figure for Leicestershire LSC of 16 percent.
- The reported incidence of skill gaps is highest in Hinckley and Bosworth LADs, with more than one quarter of establishments reporting that not all of their staff were fully proficient.
- In contrast, the incidence of skill gaps is lowest in Melton and Blaby with 9 and 11 percent of establishments reporting skill gaps respectively.

### 4.3 Skill Gaps by Industry

The incidence of skill gaps may depend very much on the type of establishment surveyed. A reported skill gap in one particular setting may relate to a lack of very specific technical expertise in relation to the required job role, whereas elsewhere the existence of a skill gap may reflect a more general lack of awareness of company procedures and products. The incidence and the number of skill gaps is therefore likely to vary considerably across industrial sectors.

Table 12 summarises the number of skill gaps in Leicestershire LSC by broad industrial sector. The first panel of the table shows the share of employment by industry, while the second shows the share of skill gaps. Their ratio – skill-gap density - is presented in the third panel. This density measure reveals the industries

where skill gaps are disproportionately high. Comparative statistics are also provided for the East Midlands region and for England as a whole.

**Table 12: Skill Gaps by Industrial Sector**

Industry	% share of total employment			% share of all skill gaps			skill gaps density		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
Primary Sector & Util	1.7	2.1	1.6	0.3	1.5	1.3	1.3	4.5	4.8
Manufacturing	20.0	19.4	13.4	31.4	22.5	14.5	10.0	7.1	6.4
Construction	4.5	4.9	4.0	2.0	5.5	3.7	2.8	7.0	5.4
Distribution etc	29.8	30.4	30.1	25.7	30.7	37.1	5.5	6.2	7.3
Business & Other Serv	17.3	16.1	23.6	22.2	15.2	21.2	8.2	5.8	5.3
Public Services	26.7	27.2	27.3	18.4	24.6	22.2	4.4	5.6	4.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>6.4</b>	<b>6.1</b>	<b>5.9</b>

Base: All establishments

Weight: Employment weights

Note: The industrial classification is derived from an amalgamation of Standard Industrial Classification (SIC) categories; see Annex A for details.

Table 12 shows that:

- The overall density of reported skill gaps is around 6 percent of employment. This figure is very marginally higher in Leicestershire LSC than in the rest of the East Midlands region or for England as a whole.
- Reported skill gaps are disproportionately high within Leicestershire LSC in the Manufacturing sector and in Business and Other Services.
- Reported skill gaps are disproportionately low within Leicestershire LSC in the Primary and Utilities sector and in Construction.

#### 4.4 Skill Gaps by Occupation

The density of skill gaps may also vary across occupations due to the nature of the job tasks involved. Table 13 summarises the density of skill gaps by SOC major group. The first panel of the table shows the share of employment by occupation, while the second shows the share of skill gaps. Their ratio – skill-gap density - is presented in the third panel. This density measure reveals the occupations where skill gaps are disproportionately high. Comparative statistics are also provided for the East Midlands region and for England as a whole.

**Table 13: Skill Gaps by Occupation**

Occupation	% share of total employment			% share of all skill gaps			skill gaps density		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
Managers	15.5	15.8	16.6	11.8	11.8	11.4	4.9	4.5	4.0
Professionals	13.1	12.6	10.8	10.4	13.1	6.7	5.1	6.3	3.6
Associate prof.	6.4	5.7	8.1	6.9	5.3	6.5	6.9	5.6	4.7
Administrative	11.3	12.5	14.1	10.2	9.6	11.6	5.8	4.7	4.8
Skilled trades	8.0	8.2	7.2	7.2	9.2	7.7	5.7	6.8	6.3
Personal services	7.9	7.3	7.6	4.8	5.9	8.8	3.9	4.9	6.9
Sales	12.5	12.0	13.0	18.7	15.0	19.2	9.6	7.6	8.7
Operatives	8.4	9.0	7.7	16.1	11.1	8.5	12.3	7.5	6.4
Elementary	16.9	16.9	15.0	13.9	19.0	19.7	5.2	6.8	7.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>6.4</b>	<b>6.1</b>	<b>5.9</b>

Base: All establishments

Weight: Employment weights

Table 13 reveals that:

- Reported skill gaps are disproportionately high in Sales occupations and amongst Operatives.
- This pattern of skill gaps being more prevalent in Sales and Operatives also applies at the regional and national level, but is particularly pronounced in Leicestershire LSC.

#### 4.5 Skill Gaps by Establishment Size

Table 14 examines the variation in skill gaps by size of establishment. As previously, the first panel of the table shows the share of employment by establishment size, while the second shows the share of skill gaps. Their ratio – skill-gap density - is presented in the third panel. This density measure reveals the establishment size bands where skill gaps are disproportionately high. Comparative statistics are also provided for the East Midlands region and for England as a whole.

**Table 14: Skill Gaps by Size of Establishment**

Size of Establishment	% share of total employment			% share of all skill gaps			skill gaps density		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
< 5 Employees	8.8	9.1	8.9	7.5	7.3	5.9	5.4	4.9	3.9
5 - 24 Employees	23.7	24.3	23.5	22.2	25.2	24.7	6.0	6.4	6.2
25 - 99 Employees	26.0	26.0	25.4	21.3	28.0	26.6	5.2	6.7	6.2
100+ Employees	41.4	40.6	42.2	49.0	39.5	42.8	7.5	6.0	6.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>6.4</b>	<b>6.1</b>	<b>5.9</b>

Base: All establishments

Weight: Employment weights

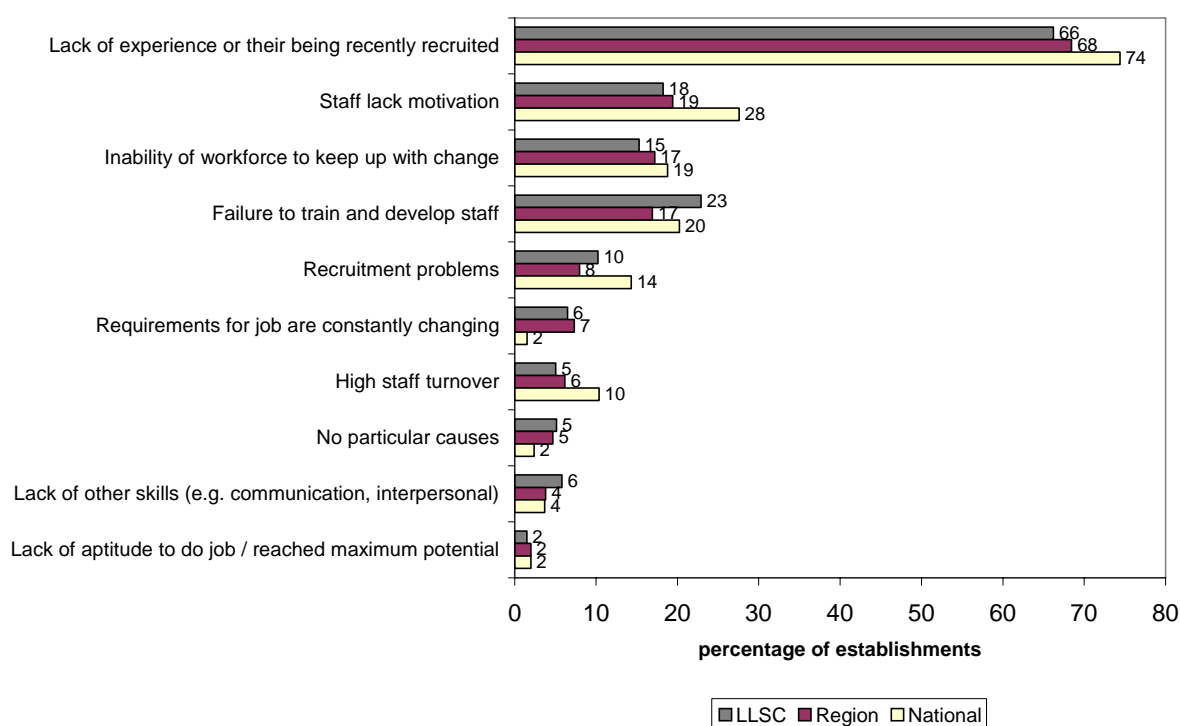
Table 14 shows that:

- There is no clear pattern in the variation of skill gaps across establishment size bands within Leicestershire LSC.

#### 4.6 Causes of Skill Gaps

Establishments experiencing skill gaps were asked for the main reasons why they thought that their employees were not fully proficient. Figure 7 shows the responses given by establishments who reported skill gaps.

**Figure 7: Reasons for Skill Gaps**



Base: All establishments with skill gaps  
 Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent based on responses for the East Midlands region.

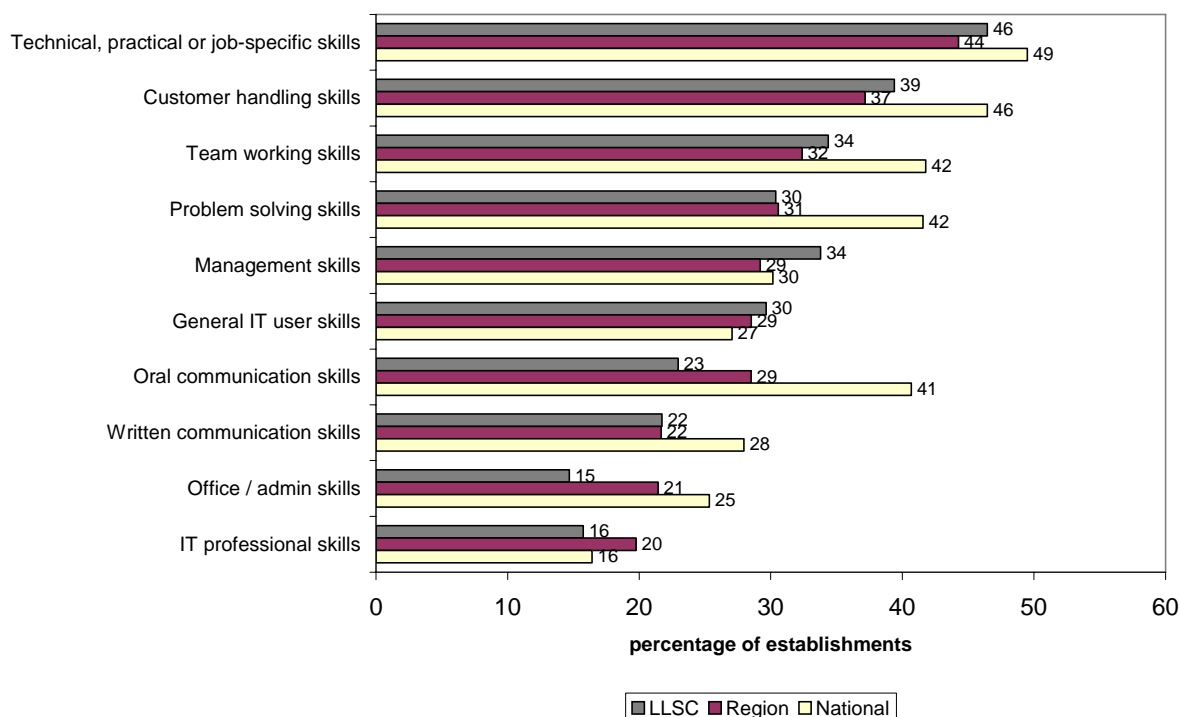
Figure 7 shows:

- The vast majority of establishments with skill gaps said that these were caused by a lack of experience amongst newly recruited staff. This suggests that these skill gaps are only temporary (unless high staff turnover is particularly endemic in such establishments). This reason was also cited as the main reason for skill gaps at the regional and national level, and by a similar proportion of establishments with skill gaps.
- The only other reason for skill gaps cited by more than 1-in-5 of establishments with skill gaps in Leicestershire LSC was a failure to train and develop staff.

- Reasons given for skill gaps in Leicestershire LSC correlate closely with those given in the East Midlands region as a whole and in England more generally.

Establishments who reported skill gaps were questioned further on specifically which skills they thought needed to be improved. Generally, skill problems amongst the existing workforce can be classified into two broad types: (1) technical skills which are intrinsic to the job – management for managers, technical skills for technicians, etc; and (2) generic skills, whether ‘hard’ skills underpinning business activities such as numeracy, foreign languages, problem solving etc; or ‘soft’ skills such as relationships with colleagues and customers (communication, teamwork etc). Figure 8 shows the responses by establishments who reported that they had some skill gaps.

**Figure 8: Skills Which Need Improving amongst Non-Proficient Staff**



Base: All establishments with skill gaps  
 Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent based on responses for the East Midlands region.

Figure 8 shows:

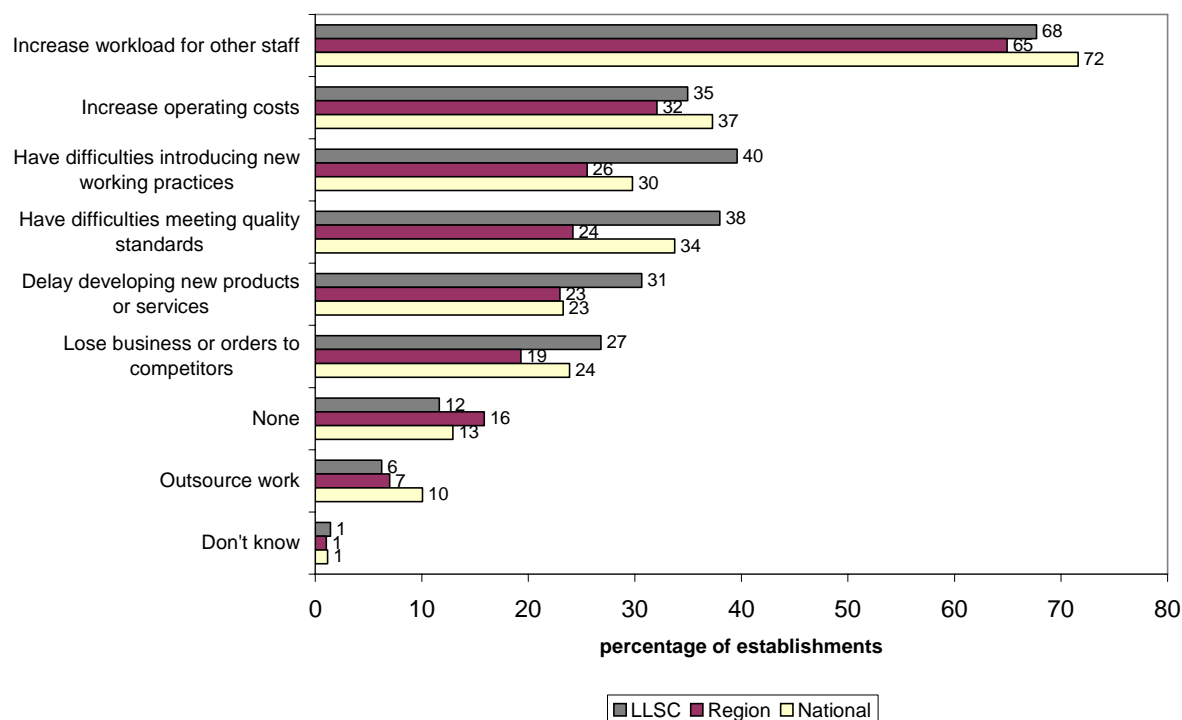
- A wide range of skill deficiencies were cited, each attracting a relatively high proportion of responses. The most frequently cited are technical or specific skills required for the job.
- The only other hard skill frequently cited as lacking was management skills.
- However, there is also a significant need for more generic, or soft, skills, including customer handling skills, problem solving skills, and team working skills.

- Skills which need improving amongst existing staff show a close correlation with those cited in relation to the reasons for the existence of SSVs as presented in Figure 3.
- The skills cited as needing to be improved in Leicestershire LSC are similar to the rest of the East Midlands region. However, the national situation is rather more acute, with greater proportions of establishments citing different skills - especially generic skills – which need improving amongst their existing workforces.

#### 4.7 Impact and Responses to Skill Gaps

The previous section reported the impact of external skills shortages (SSVs) amongst establishments in Leicestershire LSC (see Figure 4). Figure 9 repeats this analysis for internal skill shortages (skill gaps).

**Figure 9: Impact of Skills Gaps**



Base: All establishments with skill gaps  
 Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent based on responses for the East Midlands region.

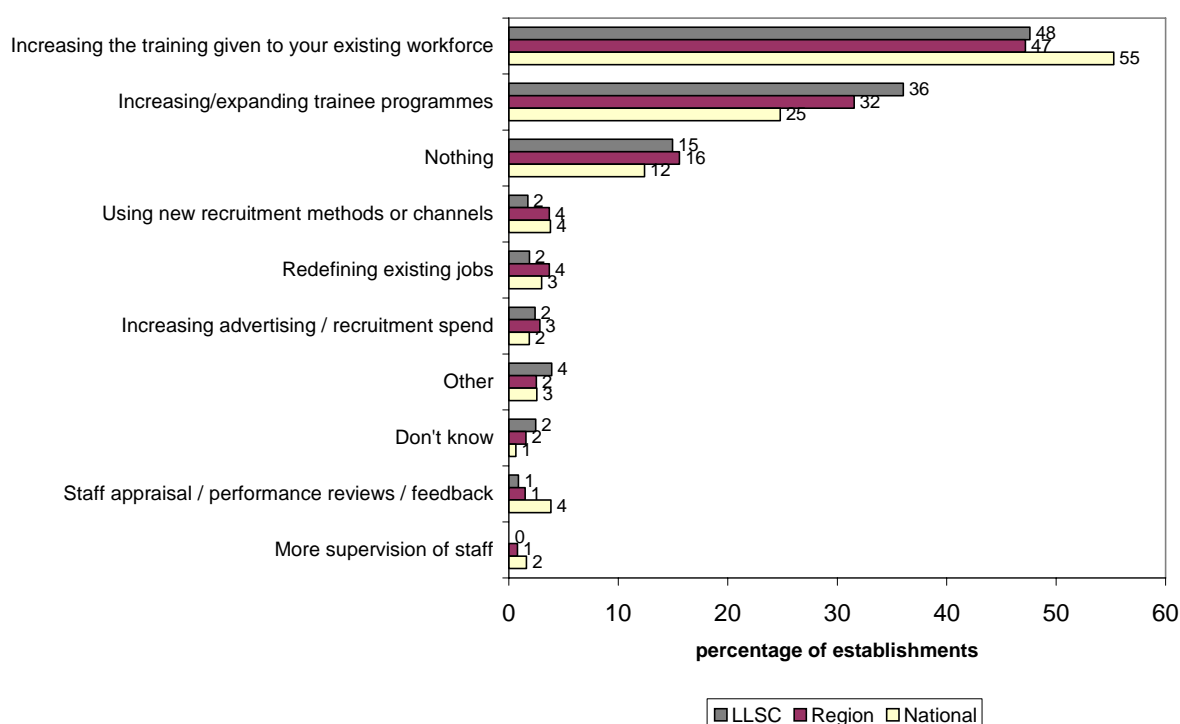
Figure 9 shows that amongst the responses given:

- The most frequently cited impact of skill gaps was that it increased the workload for existing staff. More than two-thirds of establishments with skill gaps in Leicestershire LSC reported this as one of the consequences. This was also the main impact of external skill shortages as recorded by the incidence of SSVs.

- Other frequently cited impacts were: difficulties in introducing new working practices; difficulties in meeting quality standards; increased operating costs; and delay in developing or introducing new products and services. These reasons again closely correlate to the impact of SSVs as analysed in Figure 4.
- This analysis therefore suggests that internal and external skill shortages have similar consequences for establishments.
- The impact of skill gaps in Leicestershire LSC is similar to that at the regional and national level.

Finally, Figure 10 analyses establishments' responses to internal skill gaps.

**Figure 10: Responses to Skills Gaps**



Base: All establishments with skill gaps

Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent based on responses for the East Midlands region.

Figure 10 shows that:

- The most common response of establishments to skill gaps is to provide further training for existing staff. Around half of all establishments with skill gaps respond in this fashion.
- Another course of action commonly cited was to increase the size of their trainee programmes – more than one-third of establishments with skill gaps did this.
- 15 percent of establishments with skill gaps in Leicestershire LSC reported that they were doing nothing to tackle these skill gaps.

- The responses in Leicestershire LSC are similar to those employed elsewhere in the East Midlands region and at the national level.

#### **4.8 Summary**

Whereas the previous section examined the issue of recruitment difficulties and their impact, the focus of this section of the report has been on the lack of skills proficiency amongst existing staff.

There is a great deal of variation in the level of skill gaps reported across industrial sectors and occupations. A greater proportion of staff in Manufacturing and in Business and Other Services, and in Sales and Operatives occupational groups are regarded by their employers as not being fully proficient. A wide range of skills were cited as the reason why employees were considered not to be fully proficient, including job-specific and technical skills, but also a wide variety of generic or soft skills.

In Leicestershire LSC, as elsewhere in the East Midlands region and nationally, skill gaps arise primarily due to a lack of experience amongst the workforce. This finding emphasises the importance of learning-by-doing in developing job proficiency. It could be argued that establishments can do little to alleviate such instances of skill gaps, other than attempting to avoid excessive staff turnover. However, the latter was not separately cited particularly often as a causal factor leading to skill gaps.

Skill gaps were found to have a detrimental effect on establishments particularly in terms of increased workload for existing staff, increasing costs, loss of business, as well as leading to other difficulties such as meeting quality standards and delaying the introduction of new products or practices.

As expected, the response of most establishments to skill gaps is to increase the training given to their existing workforce, although a sizeable proportion also reacted by increasing training schemes for new staff.

## **5. WORKFORCE TRAINING AND DEVELOPMENT**

### **5.1 Introduction**

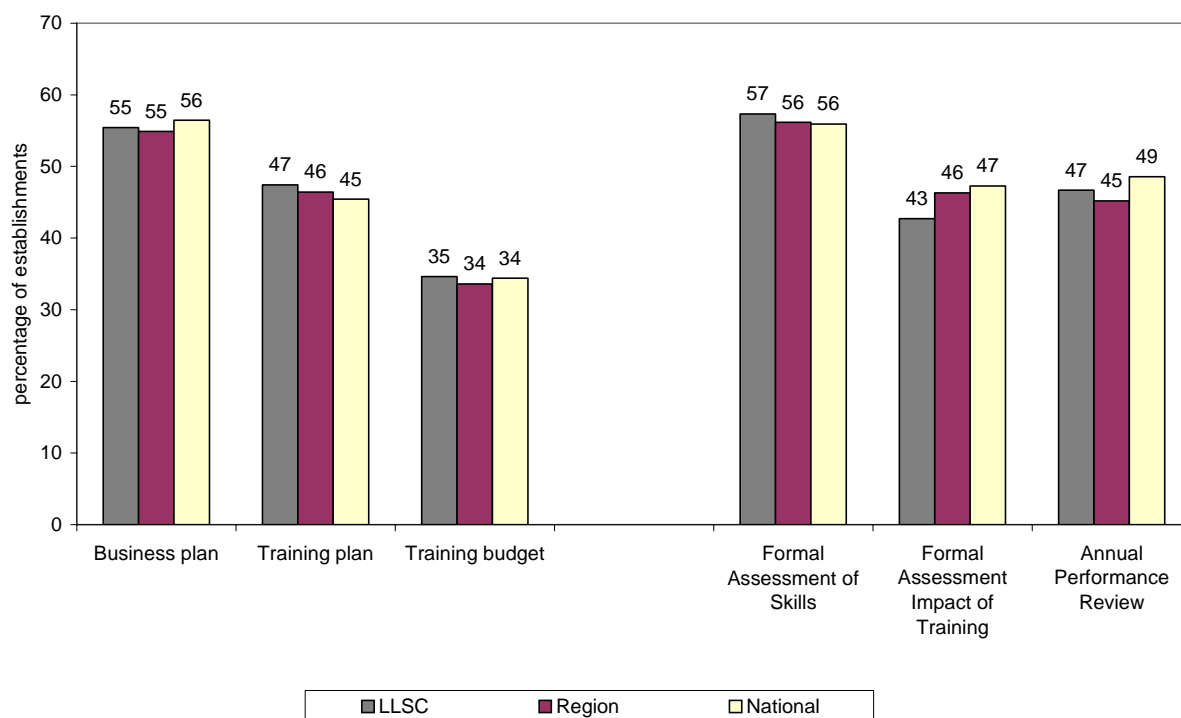
The analysis and discussion in the previous two sections has focused on skill shortages and deficiencies, whether due to problems in recruiting new staff with the right skills, experience and qualifications, or due to the lack of full proficiency amongst the existing workforce. This section examines one of the main responses of employers to these skill deficiencies, specifically, the provision of training.

Various aspects of employer engagement in training and staff development are analysed. The first subsection examines the extent to which establishments formalise their training activities and incorporate training into their wider business planning. This is followed by an investigation into the extent of training provision offered by establishments, in terms of the incidence of any training at the establishment, the extent of training provision (in terms of the number of days of training provided), the type of training received, and whether it is 'formalised' in that it leads to recognised qualifications. The extent of training by industry and by establishment size is also analysed. Finally, the reasons why some establishments do not provide any training and, where applicable, why establishments do not use training providers such as FE colleges are summarised.

### **5.2 Employer Engagement in Planning and Skills Assessment**

Figure 11 examines the extent to which establishments engage in making training plans and formally assessing the impact of training. It is separated into two parts. First, it shows the incidence of planning amongst firms: (1) whether the establishment has a business plan (not necessarily relating to training); (2) whether the establishment has a formal training plan; and (3) whether the establishment has a budget specifically allocated for training purposes. Second, the figure also shows other aspects of planning and assessment related to training and its impact: (1) whether a formal assessment of skill needs is undertaken within the establishment; (2) whether there is a formal assessment of the impact of training; and (3) whether there is an annual performance review (APR) for employees with respect to their performance and related training needs.

**Figure 11: Employer Engagement in Business Planning and Training**



Base: All establishments  
 Weight: Establishment weights

Note: The percentage figure for annual performance review (APR) relates to the percentage of establishments who said that *all* staff received an APR.

Figure 11 reveals that:

- Just over half of employers in Leicestershire LSC report that they have a formal business plan. Less than half of employers formalise their training plans and only just over one-third have a specific training budget.
- Over half of employers in Leicestershire LSC formally assess the skills of their staff. However, rather fewer than half providing any training report that they formally assess its impact. A similar proportion of establishments have an annual performance review of staff.
- Employers' engagement in all of these activities is similar in Leicestershire LSC to the wider regional and national incidence, and is also similar to that reported in NESS 2003.

### 5.3 Training Provision

Table 15 reports the incidence of training of different types (off-the-job training and on-the-job training) in the previous 12 months. The table summarises the incidence of training in Leicestershire LSC, the number of establishments providing any training, the number of staff in receipt of training, and the number of days training they each received on average. Comparisons are made throughout with the regional and national incidence and extent of training provision.

**Table 15: Incidence of Training and Number of Training Days**

Training Incidence (% of establishments)	LLSC	Region	National
	Train both off and on-the-job	31	32
Train off-the-job only	12	12	13
Train on-the-job only	22	22	19
No training given	35	34	35
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
Establishments	LLSC	Region	National
Number of Establishments Offering Training (thousands)	17	76	901
Numbers	LLSC	Region	National
Number of staff trained over past 12 months (thousands)	210	959	12,079
Percentage of staff trained	53	55	56
Days	LLSC	Region	National
Total days training (million)	3.0	13.5	165.1
Mean days training per Employee	7.6	7.8	7.7
Mean days training per Employee receiving training	14.3	14.1	13.7

Base: All establishments

Weight: Establishment weights for top two panels; employment weights for bottom two panels

Table 15 shows the following:

- Around two-thirds of establishments provided some training for at least some of their staff in the previous 12 months, while one third provided no training at all. These proportions are the same as the regional and national incidence of training provision.
- On-the-job training provision is more common than off-the-job training provision, although almost one third of all establishments (and half of all establishments providing at least some training) provide both on-the-job and off-the-job training.
- On average, employees in Leicestershire LSC were given more than 7.5 days of training in previous 12 months, or an average of more than 14 days for each employee in receipt of some training. This rate of training provision is similar to both the regional and national rates.

The analysis of employers' engagement in planning and assessing training needs, as well as their provision of different types of training reveals a mixed pattern, and some employers apparently do not plan nor provide any training of any of their staff. It is interesting to investigate whether training provision differs systematically across types of establishment. This may enable policy to be focussed on certain specific establishment types which appear to be less engaged in training activity. Table 16 and Table 17 therefore summarise the extent of training (as measured by the proportion of the workforce in receipt of training in the previous 12 months), by sector and by establishment size respectively. Three aspects of training provision are

examined:

- On-the-job training provision;
- Off-the-job training provision; and
- Training leading to recognised qualifications.

Clearly, these three dimensions of training are not necessarily mutually exclusive in term of any individual's receipt of training, but are analysed for the establishment as a whole.

Table 16 reports the proportion of the workforce in receipt of training by industrial sector.

**Table 16: Workforce Training by Industrial Sector**

Industry	On the Job Training (% of workforce)			Off the Job Training (% of workforce)			Training to Qualifications (% of workforce)		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
Primary Sector & Util	37.0	39.7	33.6	32.4	26.8	30.7	10.3	10.3	10.5
Manufacturing	28.8	33.6	36.7	19.8	23.5	26.5	5.2	6.9	7.9
Construction	34.0	29.7	34.7	21.4	30.5	33.2	10.3	13.1	15.7
Distribution etc	55.3	50.8	50.1	24.2	25.5	26.2	8.2	7.8	8.1
Business & Other Serv	49.1	51.5	51.4	32.5	34.7	36.8	13.1	12.0	11.4
Public Services	59.1	64.6	59.1	44.1	55.0	51.8	12.8	13.9	15.8
<b>Total</b>	<b>48.7</b>	<b>49.2</b>	<b>50.2</b>	<b>30.1</b>	<b>34.0</b>	<b>35.8</b>	<b>9.8</b>	<b>10.9</b>	<b>11.2</b>

Base: All establishments

Weight: Employment weights

Note: The industry classification is derived from an amalgamation of Standard Industrial Classification (SIC) categories: see Annex A for details.

Table 16 shows:

- On-the-job training is the most common form of training provision. NESS 2005 reveals that almost half of the workforce in the Leicestershire LSC area received this form of training in the previous 12 months.
- Only around 1-in-10 of the workforce is in receipt of training which leads to formal qualifications.
- There is a marked difference in the level of training provided by industry. Both on- and off-the-job training is most common in the Public Services sector. In contrast, the Manufacturing and Construction sectors report very low rates of both on- and off-the-job training in Leicestershire LSC, somewhat lower than the regional and national averages for these two sectors.
- Training leading to formal qualifications is very infrequently observed in Manufacturing or in Distribution, Hotels & Transport. The patterns observed here are similar to the regional and national averages.

Table 17 reports the proportion of the workforce in receipt of training by establishment size band.

**Table 17: Workforce Training by Size of Establishment**

Size of Establishment	On the Job Training (% of workforce)			Off the Job Training (% of workforce)			Training to Qualifications (% of workforce)		
	LLSC	Region	National	LLSC	Region	National	LLSC	Region	National
< 5 Employees	31.8	31.1	31.2	21.3	23.0	23.9	11.0	12.3	10.5
5 - 24 Employees	44.8	48.5	47.6	31.2	31.8	33.4	14.3	14.0	13.5
25 - 99 Employees	42.7	50.7	54.9	30.8	36.4	40.0	12.2	13.5	12.6
100+ Employees	58.2	54.8	52.8	30.8	38.4	37.7	5.5	5.5	9.5
<b>Total</b>	<b>48.7</b>	<b>49.2</b>	<b>50.2</b>	<b>30.1</b>	<b>34.0</b>	<b>35.8</b>	<b>9.8</b>	<b>10.9</b>	<b>11.2</b>

Base: All establishments

Weight: Employment weights

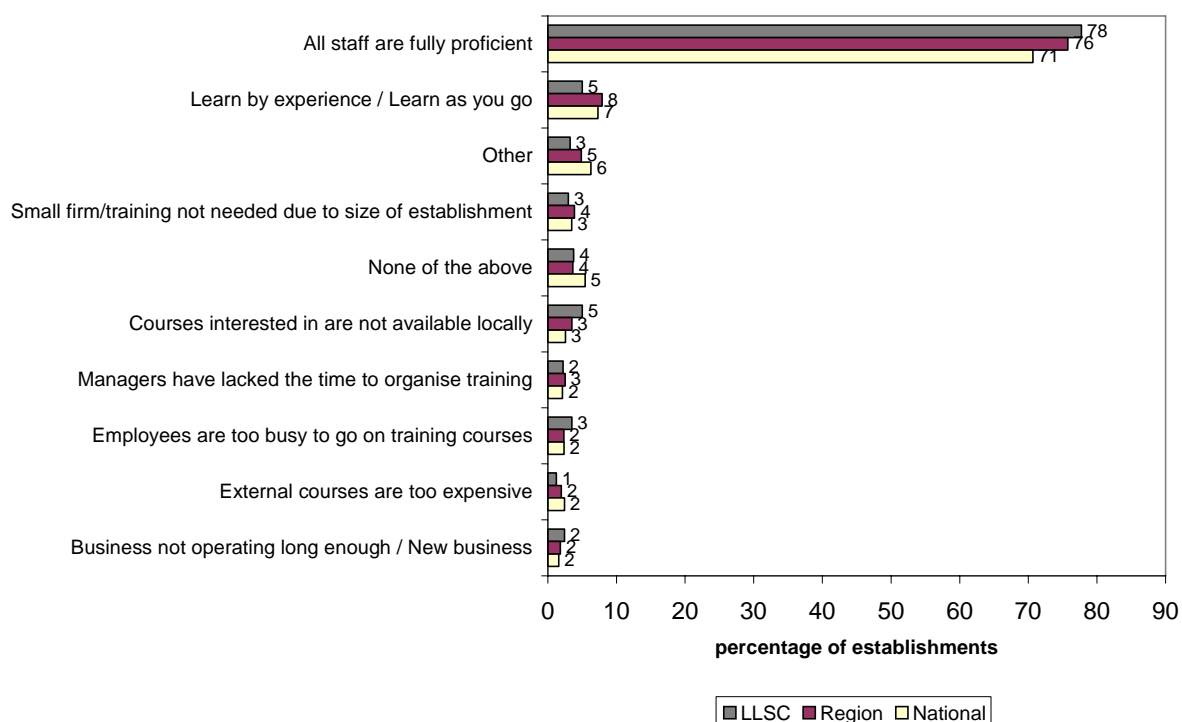
Table 17 reveals:

- With the exception of the smallest establishments (those with fewer than 5 employees), on-the-job and off-the-job training rates are similar across establishment size bands.
- In contrast, the provision of training leading to qualifications is rather higher amongst smaller firms.

#### **5.4 Reasons for not Training**

As revealed above, in Leicestershire LSC approximately one third of all establishments did not provide any form of training for their employees in the previous 12 months. For these establishments, the NESS 2005 survey asked why they did not provide any training. Figure 12 summarises the responses.

**Figure 12: Reasons for Not Training Employees**



Base: Establishments which did not undertake any training  
 Weight: Establishment weights

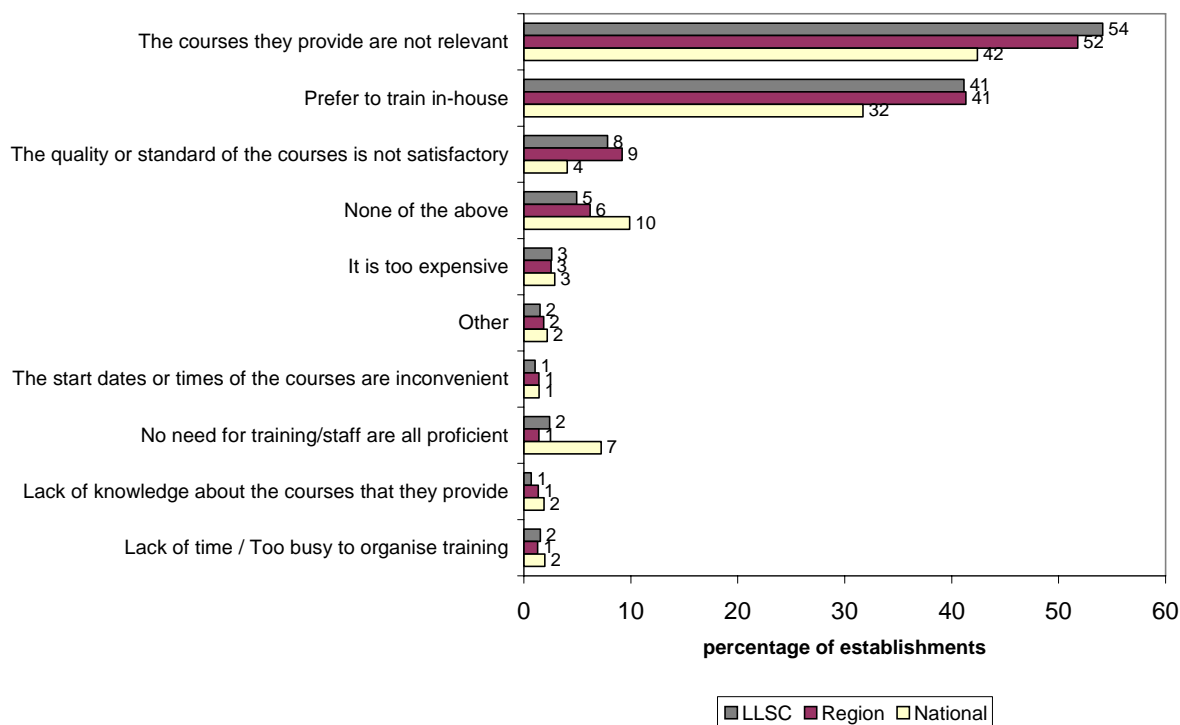
Note: The top ten responses are shown, ranked from most to least frequent based on responses for the East Midlands region.

Figure 12 shows that:

- The vast majority – more than three-quarters - of establishments who did not train any of their employees in the previous 12 months stated that they did not do so because all staff were fully proficient in their jobs. Other potential reasons were cited very infrequently by any of the respondents.
- A similar pattern is observed across the East Midlands region and nationally.

As well as those employers who did not provide any training, many employers chose not to use training providers and/or the services of training providers such as FE colleges. The reasons for this are explored in Figure 13.

**Figure 13: Reasons for Not Using Teaching/Training/FE Services**



Base: Establishments which did not use teaching services of external trainers/colleges  
 Weight: Establishment weights

Note: The top ten responses are shown, ranked from most to least frequent based on responses for the East Midlands region.

Figure 13 shows that:

- Amongst establishments who did not use teaching services of external trainers/colleges, more than half stated that the courses on offer did not provide relevant training.
- The other main reason cited for not using teaching services of local colleges was that establishments prefer to train their staff in-house – more than 40 percent cited this as a reason.
- Less than 10 percent of establishments raised objections in terms of the quality of local teaching/training provision.

## 5.5 Summary

The provision of training by employers is obviously of primary importance in resolving the skill deficiencies of existing staff, as well as further developing their capabilities. The analysis in this section reveals that around one third of employers provide no training at all for any of their staff. Even in those establishments providing some training, not all employees receive training. On average, just over half of all employees receive some training per annum. The patterns and extent of training in Leicestershire LSC is, in general, similar to that observed elsewhere in the East Midlands and in England as a whole.

Where no training is provided, employers state that this is because their staff do not require training since they are already fully proficient in their jobs – that is, there are no skill gaps.

Finally, the main reasons why employers do not use external training providers such as FE colleges is that either they regard the courses on offer as not being relevant, and/or they prefer to do their training in-house.

## **6. CONCLUSION**

This report has provided a quantitative assessment of skill needs in Leicestershire LSC area in 2005 using the NESS 2005 survey. Skill needs are summarised by external measures – HtFVs and, especially, SSVs – and internal measures – skill gaps. The perceived reasons for, and employers' responses to, both external and internal skill needs are also reported. Finally, the degree to which these skill needs are being resolved by employers' training provision is also analysed.

The NESS 2005 survey reveals that, as compared to the 2003 survey, overall vacancy rates have decreased, both in Leicestershire LSC and in the East Midlands region as a whole. Moreover, the incidences of HtFVs have also decreased significantly, as have reported skill gaps amongst existing staff. All of these suggest that employers' recruitment problems have eased in the last few years. However, it should be noted that since such figures reflect the interaction of the demand and supply for skills, this may reflect a general weakening of labour market conditions in the region, in terms of less overall demand for skilled labour relative to its supply, rather than reflecting an improved level of skills amongst new entrants. Further analysis of the local labour market is clearly required in order to distinguish between these two rather different scenarios.

The report highlights the fact that important and systematic differences exist across industry, occupation and establishment size in the occurrence of recruitment problems, skill shortages, skill gaps and training provision in Leicestershire LSC. However, in general, these differences are very similar to those observed elsewhere in the East Midlands region, and also across England more generally. This suggests that there are no specific problems with regard to recruitment, or skill needs which are particularly pronounced in Leicestershire LSC.

## **GLOSSARY AND ABBREVIATIONS**

<b>Density of vacancies</b>	vacancies expressed as a percentage of employment
<b>DfES</b>	Department for Education and Skills
<b>Establishment-based measures</b>	provide an estimate of the total number or percentage of establishments reporting a given skill deficiency
<b>Employee-based measures</b>	provide an estimate of the total number or percentage of employees reporting a given skill deficiency by weighting the establishment data by the total number of employees at the establishment
<b>Hard-to-fill vacancies (HtFVs)</b>	those vacancies classified by the respondent as hard-to-fill
<b>Local Authority District (LAD)</b>	local authority administrative area
<b>LSC</b>	the national Learning and Skills Council
<b>Local Learning and Skill Council (LLSC)</b>	refers to the areas covered by the 47 local arms of the Learning and Skills Council
<b>National Employer Skills Survey 2005 (NESS 2005)</b>	provides comparative data for England relating to vacancies, HtFVs, SSVs and training activity. NESS 2005 was funded by the LSC in partnership with the SSDA and DfES. Approximately 75,000 interviews were conducted to provide robust statistical estimates of a variety of skill measures at both a local and sectoral level
<b>Recruitment problems or recruitment difficulties</b>	refer to either hard-to-fill vacancies (HtFVs) or skill-shortage vacancies (SSVs)
<b>SIC</b>	Standard Industrial Classification
<b>Skill gaps or internal skill gaps</b>	the extent to which employers perceive their employees as not being fully proficient at their jobs
<b>Skill deficiencies</b>	refer to the sum of skill gaps and skill-shortage vacancies
<b>Skill-shortage vacancies (SSVs)</b>	defined as hard-to-fill vacancies which were skill related where at least one of the following causes was cited by the respondent: low number of applicants with the required skills, lack of work experience the company demands or lack of qualifications the company demands
<b>SOC</b>	Standard Occupational Classification
<b>SSDA</b>	Sector Skills Development Agency

<b>Unitary Authority (UA)</b>	unitary authority administrative area
<b>Weighting</b>	is undertaken to adjust for sample design and non-response to ensure that the survey results are representative of the population of employers or employees
<b>Weighted base</b>	refers to the base for percentages
<b>Unweighted base</b>	refers to the raw survey data

## ANNEX A: Definitions of Industries and Occupations

**Table A1: Standard Industrial Classification (SIC92) sectors used for local LSC reporting**

	<b>Industry</b>	<b>Section</b>	<b>Division(s)</b>
<b>1</b>	<b>Primary Sector &amp; Utilities</b> Agriculture, etc Mining and quarrying Electricity, gas and water	AB C E	1-5 10-14 40, 41
<b>2</b>	<b>Manufacturing</b>	D	15-37
<b>3</b>	<b>Construction</b>	F	45
<b>4</b>	<b>Distribution/Hotels/Transport/etc</b> Retail and wholesale Hotels and catering Transport, storage and communication	G H I	50-52 55 60-64
<b>5</b>	<b>Business &amp; Other Services</b> Financial intermediation Business services Miscellaneous services	J K O, P, Q	65-67 70-74 90-99
<b>6</b>	<b>Non Marketed Services</b> Public administration and defence Education Health and social work	L M N	75 80 85

**Table A2: Standard Occupational Classification (SOC2000) – Major groups**

	<b>Title</b>	<b>Abbreviation</b>
1	Managers and senior officials	Managers
2	Professional occupations	Professionals
3	Associate professional and technical occupations	Associate prof.
4	Administrative, clerical and secretarial occupations	Administrative
5	Skilled trades occupations	Skilled trades
6	Personal service occupations	Personal service
7	Sales and customer service occupations	Sales
8	Transport and machine operatives	Operatives
9	Elementary occupations	Elementary