

2009

Leicester and Leicestershire BUSINESS SURVEY

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Leicester and Leicestershire Business Survey 2009

Welcome to the latest edition of the Leicester and Leicestershire Business Survey. Interviews were conducted in June 2009 and it is encouraging to see an improvement in business confidence amongst our local businesses. Whilst it is still “early days” the indications are positive and businesses appear cautiously optimistic about the future.

The balance of business optimism now stands at +7%, representing a dramatic improvement from the situation six months ago when business confidence was at a very low -53%. The manufacturing sector remains slightly less confident than the service sector. One in ten businesses now think that their market sector is growing; a further 16% report that conditions have started to pick up in their sector. Cash flow, energy and fuel costs are key concerns facing local businesses in the current climate.

In line with national and regional trends, many Leicestershire businesses report that turnover and profitability have fallen over the last 12 months. Just over half of our local businesses (55%) report that the recession has had a significant negative impact on business performance, although 39% report little change and 5% claim the recession has had a positive impact. Nearly one in three businesses have had to make staff redundant and one in five have reduced working hours for their staff. These issues are reflected in local unemployment statistics, which show an increase of nearly 7,900 Job Seekers Allowance claimants in the last twelve months.

The business survey is managed by a local research partnership comprising Leicester City Council, Leicestershire County Council, Leicestershire Chamber of Commerce and the Learning and Skills Council.

The survey is conducted by telephone with a robust sample size of 1,011 businesses across Leicester City and Leicestershire County, with at least 90 interviews in each Local Authority District.

I would like to express my thanks to all businesses that have participated in this survey and to all partners that have contributed to the project.



Caroline Boucher
Project Manager
Leicester and Leicestershire Business Survey

“ The overall picture for the economy remains difficult, but Leicestershire’s diverse business base has proved to be more resilient than much of the UK and will help us to lead in bringing recovery forward. However, the supply of credit must be both restored and sustained to strengthen sound businesses that are being held back by tight cashflow. ”

Martin Traynor, Group Managing Director, Leicestershire Chamber of Commerce.



General business conditions

- Business optimism for the next twelve months has improved from the very low levels found in October 2008 and now stands at +7%.
- Overall, 31% thought business conditions would improve compared to 24% who thought they would deteriorate over the next twelve months and 34% thought there would be little change.
- Optimism in the manufacturing sector is lower at 0% than in the service sector which stands at +9%.
- One in ten businesses (11%) thought the market sector they were in was growing and 16% that it was starting to pick up. However, 25% thought it was in decline. Manufacturing companies (30%) were slightly more likely than service sector firms (23%) to think their sector in decline.

Sales and profits

- Both sales and profit performance have declined substantially over the previous 12 months.
- A total of 26% reported an increase in turnover over the previous 12 months, with 41% reporting a decrease. 23% reported an increase in profitability and 41% a decrease.
- Businesses were more optimistic about the future than in October 2008 with 38% thinking sales would increase over the next twelve months and 17% predicting a decline. 35% predicted an increase in profits over the next twelve months and 20% a decline.

Main business concerns

- Concerns about inflation and interest rate issues have decreased since the last survey conducted in October 2008.
- Cashflow and energy prices are the issues of most concern to businesses. Red tape, business rates and petrol/diesel prices are also of great concern.
- Concerns about finding suitable staff and staff retention have continued to decline.
- Exchange rates are of great concern to exporters.

Price pressures and labour costs

- There is pressure on businesses to reduce their prices, with 20% having reduced prices in the past twelve months. 34% had increased prices with 45% saying they had not changed much.
- The main price pressures were raw material prices, increased overheads/inflation, fuel prices and increased costs from suppliers.
- The number of firms increasing wages has fallen sharply with 40% of firms reporting increases and 6% a decrease.

The recession

- 55% of companies had been negatively affected by the recession with 5% saying it had had a positive impact and 39% that it had not made much difference.
- As a result of the recession, 36% had not replaced staff who had left, 29% had made staff redundant, 24% had cut back on overtime, 19% reduced working hours and 7% reduced wages or salaries.

The workforce, skills and recruitment

- The proportion of firms recruiting staff (54%) in the previous 12 months has declined sharply since October 2008. The percentage of recruiting firms reporting difficulties has continued to decline and now stands at 19%.
- The total number of staff employed by the companies surveyed had fallen over the previous twelve months.
- The companies surveyed had made almost 2,350 staff redundant.
- There was a sharp decline in the number of firms increasing in size with 14% saying their workforce had increased, 47% that there was little change and 39% a decrease.

Skills and training

- 22% of firms agree that skill shortages are having a serious impact on their business, lower than reported in the October 2008 survey.
- 22% had spent more than their usual amount on training in the past twelve months, a decrease since the last survey. Overall, 6% had spent less, 55% their usual amount and 16% nothing.

Business planning

- 74% of businesses have a business plan ranging from 50% of those with fewer than 10 employees to almost all those with 200+ employees.
- Two in three companies plan to grow in the next 2 years, with 7% saying they plan to grow rapidly, 40% moderately and 20% slowly. 26% plan to remain much the same with 3% saying they will decline. Service sector firms (68%) were slightly more likely to be planning to grow than manufacturers (63%).

General Business Conditions

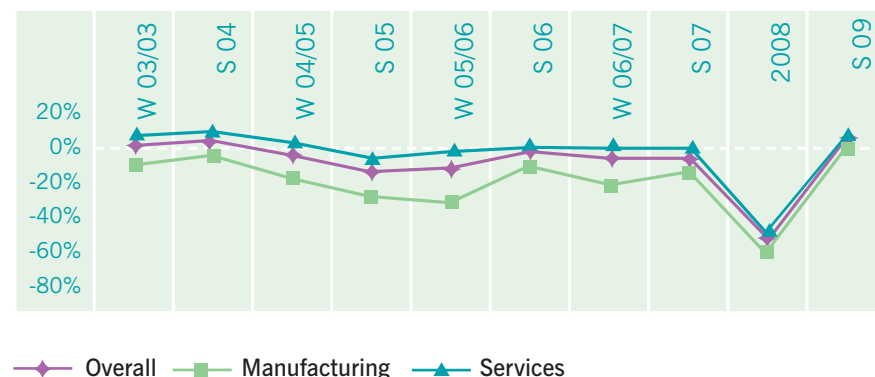
Business optimism

The level of business optimism has improved sharply since the survey conducted in October 2008 during the peak of the banking crisis. The balance of optimism* is now +7%, compared with -53% in the 2008 survey. Overall, 31% of respondents thought that general business conditions would improve over the next twelve months. However, 24% thought that they would deteriorate and 34% thought they would not change much.

Confidence has improved in both the manufacturing and service sectors and stands at 0% in the manufacturing sector, with 26% of manufacturers thinking conditions will improve, 26% thinking that they will deteriorate and 35% that they will not change much.

In the service sector, the balance is now positive at +9% with 33% thinking conditions will improve, 23% that they will get worse and 33% that they will not change much.

Figure 1: Balance of business optimism



* Throughout this report balance data will be referred to. The balance is calculated by subtracting the percentage of businesses expecting a worse situation from those expecting an improvement.

Optimism in the electrical/engineering sub-sector has improved to +4%, with 31% of firms in this sector predicting conditions will improve compared with 27% which think they will get worse. The increase in optimism in the construction sub-sector is particularly marked with 33% of firms in the construction sub-sector thinking conditions will improve and 20% that they will deteriorate, due to this sector being particularly hard hit at the start of the recession.

The level of optimism in the wholesale, retail and hospitality sector now stands at +8% and that of the financial and business services sub-sector at +15%.

Table 1: Percentage predicting business conditions would improve/deteriorate by company size and sector

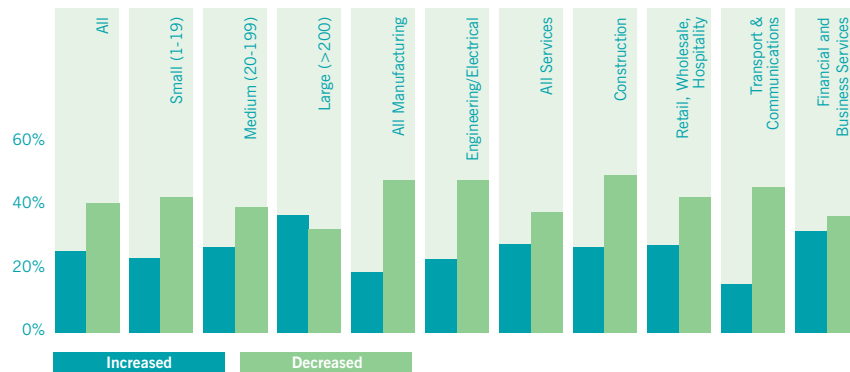
	Improve	Not change	Worse	Don't know
All	31%	34%	24%	11%
Small (1-19)	30%	33%	26%	11%
Medium (20-199)	32%	34%	23%	11%
Large (200+)	30%	38%	16%	16%
Manufacturing	26%	35%	26%	13%
All services	33%	33%	23%	11%
Engineering / electrical	31%	29%	27%	13%
Construction	33%	35%	20%	12%
Retail, wholesale and hospitality	35%	29%	27%	9%
Transport and communications	43%	33%	7%	17%
Financial and business services	33%	42%	18%	7%
Health, education and social work	24%	32%	30%	14%
Other services	24%	32%	27%	17%

Sales and Profits

Sales performance

Although optimism for the next twelve months has increased sharply, businesses have been affected by the recession with a downturn in sales. The number of firms reporting an increase in turnover in the previous 12 months has declined sharply since the last survey in October 2008 and there is now a negative balance. The balance for sales turnover stands at -15% compared with +15% in October 2008. A total of 26% reported an increase in turnover in the previous twelve months compared with 41% who reported a decrease. A total of 9% reported an increase in sales of more than 10% similar to previous surveys but 22% of companies reported a decrease of more than 10% in their sales.

Figure 2: Change in sales over the last 12 months



Small companies had suffered greater decreases in sales than larger ones with a balance of +3% for large (200+), but a negative balance of -14% for medium (20-199) and -18% for small (1-19) companies. Manufacturers were more likely than service sector firms to report a decrease in sales, with the balance for manufacturing companies at -29% compared to -10% for the service sector. The retail, wholesale and hospitality sector reported a balance of increased sales of -15% compared to a balance of -5% for the financial and business services sector.

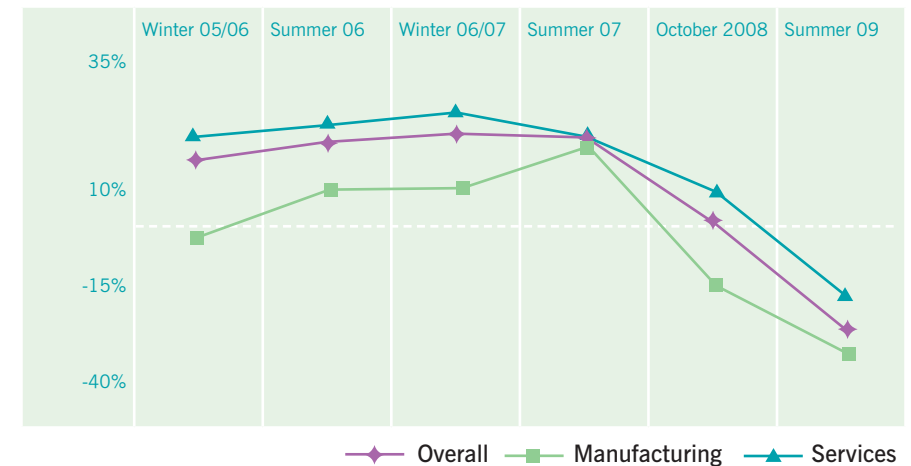
Profit performance

The position with regards to profits has also declined sharply since the survey in October 2008. The balance of businesses that reported increased profits is now at -18%. Overall, 23% reported an increase in profits and 41% a decrease, with 27% saying they were much the same. 8% reported an increase of more than 10% but 21% said their profits had declined by more than 10%.

Small firms (with fewer than 20 employees) had the worst profit performance with a balance of -22% compared with -18% for medium (20-199) firms and +13% for large firms (200+).

Manufacturers had seen a larger decline in their profits, with the balance for the manufacturing sector at -27% compared with -15% for the service sector.

Figure 3: Balance of change in profits over the last 12 months



Outlook

The outlook for sales has improved considerably since the October 2008 survey to give a balance of +21%. Overall, 38% thought sales would increase over the next twelve months, 17% that they would decrease and 39% that they would remain much the same. The manufacturing sector (at +7%) was less optimistic than the service sector (at +26%).

Overall, the outlook for profits has improved with 35% predicting an increase in profits over the next twelve months (compared with 27% in October 2008) and 20% a decline.

Export Activity

Export performance

A total of 21% of surveyed businesses are exporters of products or services, slightly higher than was found the last time this was asked in the Winter 06/07 survey. The proportion of manufacturers exporting stands at 45% and that of service sector organisations at 13%.

Table 2: Percentage of products or services exported

	None	4% or less	5-9%	10-24%	25-49%	50% or more
Manufacturing	55%	5%	6%	11%	10%	11%
Service Sector	87%	3%	2%	3%	2%	2%

In the past twelve months, 31% of exporters had increased their overseas sales and 23% reported a decrease (a balance of +7%). 44% reported that overseas sales were constant.

Figure 4: Balance of change in export sales over the past 12 months

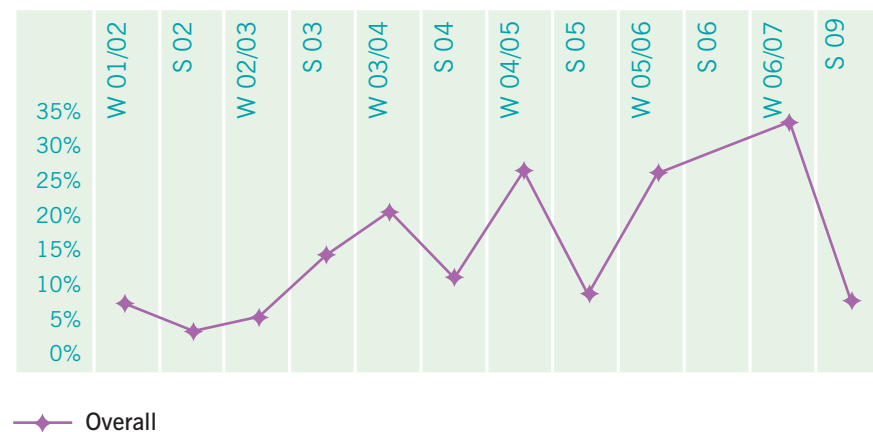


Table 3 displays regional and national comparisons, for the change in the balance of export sales in the last year to June 2009, from the Chamber of Commerce Quarterly Economic Survey. Firms were asked to think about the previous three months and state whether their overseas sales, custom or bookings increased, remained constant or decreased. Although the question varies slightly due to the timeframe over which it is asked, it provides a useful comparison for the Leicestershire figures.

Overall, the first half of the year saw the worst effects of the economic situation begin to bottom out. The volatility of exchange rates, and uncertainty about customer demand, has kept expectations lower than the sales trend suggests.

Table 3: Balance of change in export sales over 2008/09 for East Midlands and UK

Area	Sector	3rd Quarter 2008	4th Quarter 2008	1st Quarter 2009	2nd Quarter 2009
UK	Manufacturers	9%	-3%	0%	-22%
UK	Service Sector	0%	-16%	-17%	-2%
East Midlands	Manufacturers	2%	-3%	-15%	-9%
East Midlands	Service Sector	1%	-19%	-14%	-6%

Source: Chamber of Commerce, QES

Export outlook

Overall, 28% of exporting companies said their advanced orders had increased, 47% that they were much the same and 20% that they had decreased.

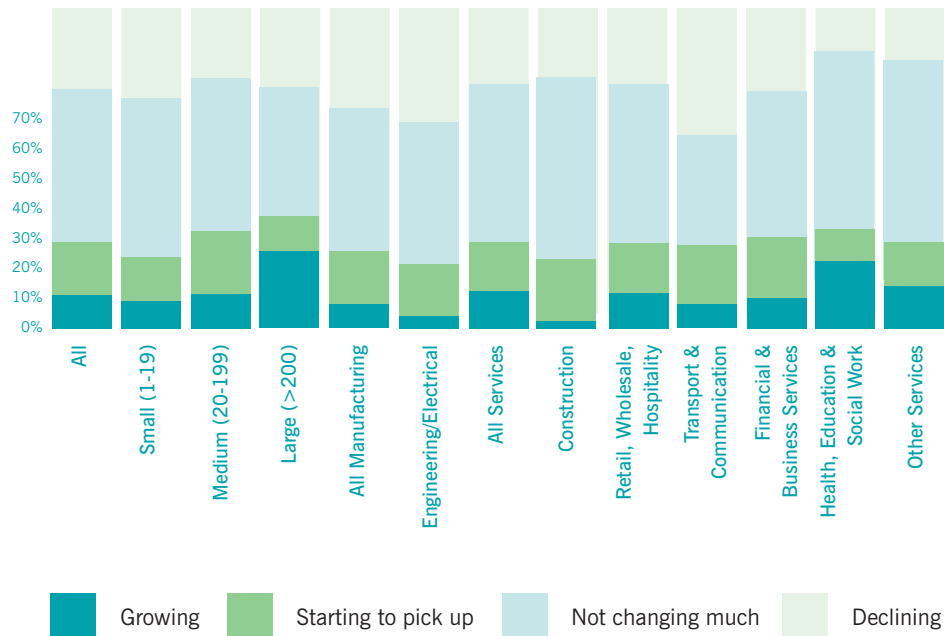
Market Conditions

One in ten businesses (11%) thought the market they were in was growing and a further 16% thought that it was starting to pick up. A quarter of companies (25%) thought it was in decline, slightly fewer than the 33% found in October 2008. 48% of firms thought their market sector was not changing much.

Large companies (24% of those with 200+ employees) were the most likely to think their sector was growing. 9% of medium sized companies (20-199 employees) thought their sector was growing with 20% saying it was starting to pick up. For small companies (<20 employees) 9% said their sector was growing and 13% that it was starting to pick up.

Manufacturing companies (30%) were more likely than service sector companies (23%) to think their market was in decline. Construction was the sector most likely to say it was starting to pick up at 19%.

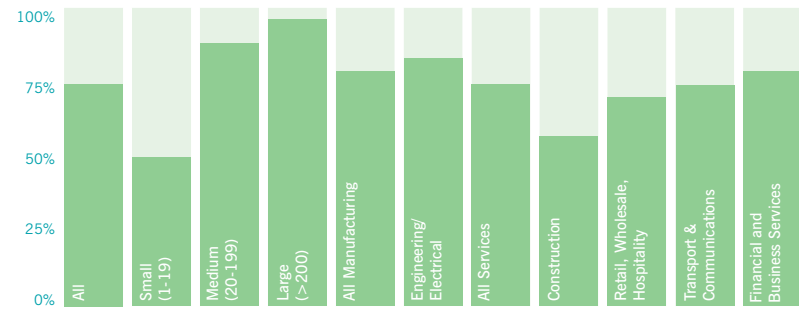
Figure 5: Percentage of firms thinking their market is growing, or declining



Business planning

A total of 74% of companies have a business plan, ranging from 50% of those with fewer than 10 staff to almost all of those with 200+ staff. Manufacturing companies (78%) were slightly more likely than service sector companies (73%) to have a business plan. The construction sub-sector firms were the least likely to have a business plan (57%).

Figure 6: Percentage of firms with a business plan





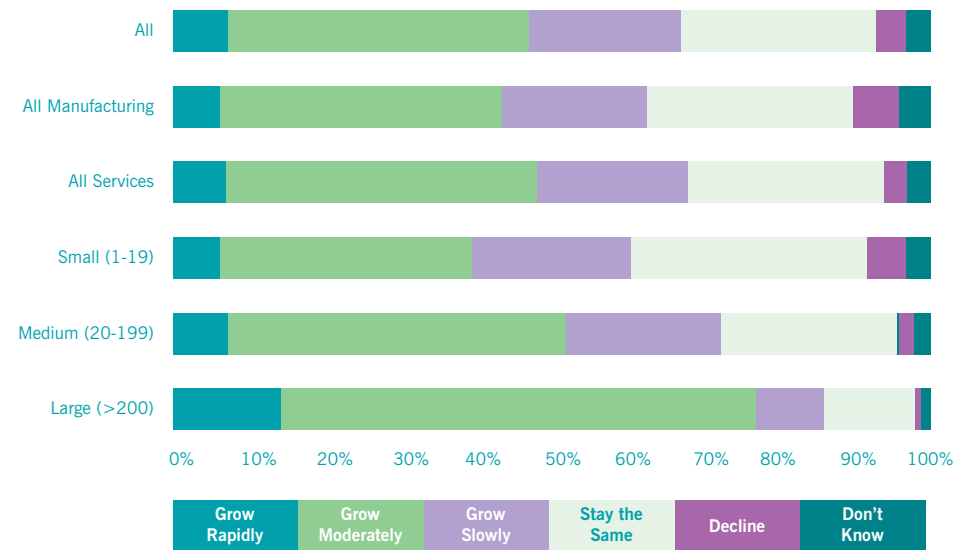
Future Growth Plans

Two in three companies (67%) plan to grow over the next two years, with 7% saying they plan to grow rapidly, 40% to grow moderately and 20% to grow slowly. 26% of firms plan to stay much the same with 3% saying they will decline. This is the same as was found in the October 2008 survey.

Manufacturing companies (63%) are slightly more likely to say they plan to grow than they did in the October 2008 survey (56%). 68% of service sector companies say they plan to grow, the same as was found in the October 2008 survey.

Larger companies are more likely than small firms to be planning to grow 86% of large (200+) compared with 72% of medium (20-199) and 61% of small (1-19) companies.

Figure 7: Future growth plans



Main Business Concerns

When businesses were asked (unprompted) what factors, if any, were causing the most concern for their company, 14% said they had no major concerns. However, a quarter of respondents (23%) said the general economic climate, the recession or the 'credit crunch'. A further 16% said they were concerned about lack of sales or orders and 13% about customer confidence, their customers 'having no money' or clients going out of business. A further 3% specifically mentioned the downturn in the housing market as their major cause for concern.

Other concerns were inflation or rising costs (4%) and cashflow or late payments (5%).

Respondents were then asked from a prompted list to rate their concern about a number of external factors on a scale of 1 to 5, where 1 is of no concern at all and 5 is of very great concern. The results are presented as mean scores.

The issues of most concern to businesses were cashflow and energy costs.

When compared to the survey conducted in October 2008 concerns about inflation and interest rates have declined sharply. The level of concern about cashflow, business generation, competition, red tape and business rates are little changed from October 2008.

Concern about exchange rates has increased with a mean rating of 4.0 for companies which export and 3.6 for the wholesale sub-sector.

Concerns about finding suitable staff and staff retention have continued to decline.

For most issues manufacturers are slightly more concerned than service sector companies.

Table 3: Business concerns mean score ranked by order of importance

Factor	All Summer 2009	All October 2008	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Cashflow	3.7	3.7	4.0	3.6	3.6	3.7	3.6
Energy costs	3.7		3.9	3.7	3.5	3.9	4.1
Red tape	3.6	3.6	3.7	3.5	3.5	3.6	3.6
Business rates	3.5	3.6	3.6	3.4	3.4	3.5	3.5
Petrol/diesel	3.4		3.6	3.4	3.4	3.5	3.7
Competition	3.3	3.3	3.3	3.3	3.2	3.4	3.4
Business generation	3.3	3.3	3.5	3.3	3.3	3.4	3.5
Inflation	3.1	3.9	3.1	3.2	3.0	3.2	3.6
Interest rates	3.0	3.5	3.2	2.9	2.9	3.2	3.2
Exchange rates	2.7	2.5	3.4	2.4	2.5	2.8	3.5
Finding staff	2.5	2.8	2.6	2.4	2.3	2.6	2.9
Access to finance	2.4	n/a	2.7	2.3	2.5	2.5	2.2
Staff retention	2.0	2.4	2.0	2.0	1.9	2.2	2.4

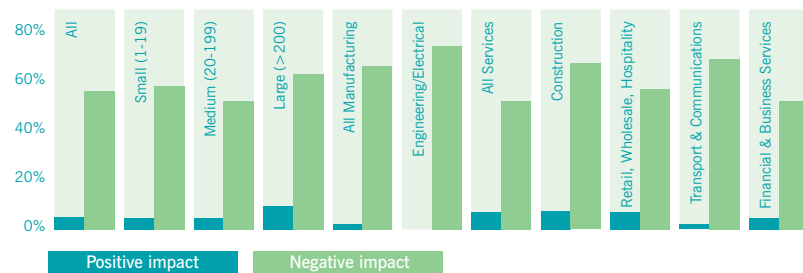
Table 4: Percentage of firms rating selected concerns as 4 or 5

	Summer 06	Winter 06/07	Summer 07	October 08	Summer 09
Interest rates	23%	22%	37%	48%	36%
Inflation	25%	22%	32%	63%	38%
Cashflow	26%	33%	37%	57%	56%
Fuel/energy prices	54%	55%	52%	76%	
Energy prices					57%
Petrol diesel prices					50%
Red tape	53%	54%	55%	54%	53%
Business generation	43%	34%	32%	43%	45%
Finding suitable staff	40%	50%	37%	31%	22%

Impact of the Recession

More than half the companies (55%) said they had been affected negatively by the recession, with manufacturers being harder hit than service sector companies (65% of manufacturers compared with 51% of service sector companies). 39% said they had not been affected and 5% said the impact of the recession had been positive. This included businesses whose sales had increased and those who had been forced to become more efficient which they considered a positive outcome.

Figure 8: Impact of the recession



Businesses were asked to say what changes, if any, they had made due to the current economic climate.

A total of 29% said they had not made any changes, a lower proportion than in October 2008. Manufacturers (22%) were less likely than service sector companies (32%) not to have made any changes.

However just over a quarter of businesses (27%) said they had cut costs or 'tightened their belts' and 25%, rising to 35% of manufacturing companies, said they had reduced staff levels or made staff redundant.

The main actions taken were:

- cut costs (27%)
- reduced staffing levels (25%)
- new or enhanced marketing activities (6%)
- reduced working hours or overtime (6%)
- reduced prices (4%)
- developed new products or services (4%)

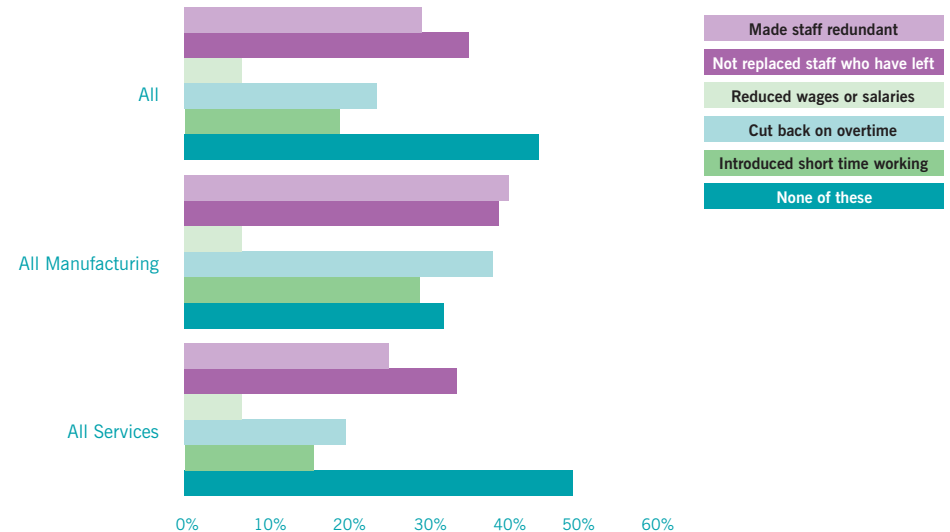
When asked specifically if they had made a number of changes, one in three companies (35%) said they had not replaced staff who had left and 29% had made staff redundant. 24% had cut back on overtime, 19% had introduced short time working (reduced hours) and 7% had reduced wages or salaries. Manufacturing companies were more likely than the service sector to have cut back on the number of workers, hours or pay.

40% of manufacturers had made staff redundant, 39% had not replaced staff who had left and 38% had cut back on overtime. 42% of the construction sub-sector had made staff redundant. 39% of companies in the transport and communications sub-sector and 37% of those in financial and business services had made staff redundant. The level of redundancies in the wholesale, retail and hospitality sector was lower at 21%. Also only 3% in the health and education sector.

The companies surveyed have made almost 2,350 staff redundant in the previous twelve months, 1,275 in the manufacturing sector and 1,075 in the service sector.

Larger companies were more likely than small companies to have undertaken all these actions, with for example, 52% of large (200+) having made staff redundant compared to 34% of medium sized companies (20-199) and 22% of small companies (<20 staff).

Figure 9: Actions taken as a result of the recession



When businesses feel they will recover from impact of recession

Companies which said they had been affected in a negative way by the recession were asked when they thought they might recover. One in three of these companies (31%) said they did not know and 3% thought it would never pick up. 6% said things were starting to pick up and 12% thought it would improve by the end of 2009, 15% thought it would improve within 12 months, 8% said 'next year' and 9% thought it would improve by the end of 2010. A further 12% thought it would be within two years and 4% within three years.

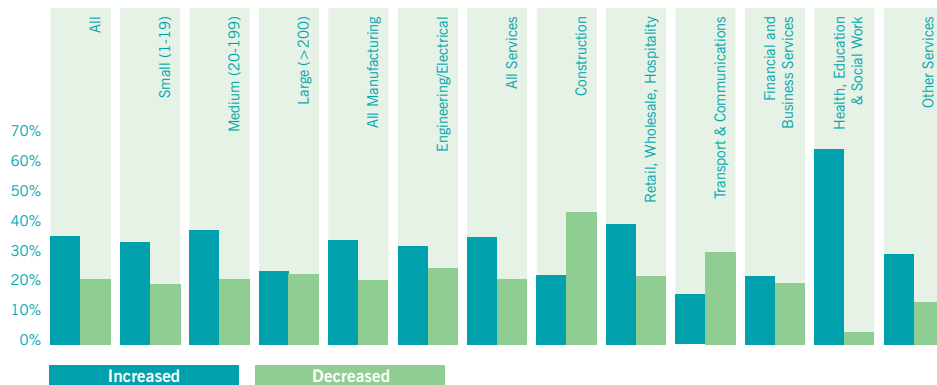
Price Pressures

Prices

Pressure on prices is lower than found in previous surveys. One in three businesses (34%) had increased their prices over the previous 12 months with 20% saying they had decreased them and 45% saying they had not changed much. This means fewer companies had raised their prices than in October 2008 when 47% had increased prices and 9% decreased them.

There was little difference between manufacturers and service sector companies with the sub-sector most likely to reduce prices being construction (42%).

Figure 10: Percentage of businesses reporting change in prices by sector



Pressure on prices

A third of businesses had increased their prices, the main reasons being increased raw material prices (8% of all companies and 12% of manufacturing); inflation/annual increase (6% of all firms), rising overheads (5% of all firms), suppliers increasing their prices (5% of all firms) and exchange rates (5%).

Overall, 20% had reduced their prices and the main reasons for this were to increase sales, market pressures or that their competitors had reduced prices.

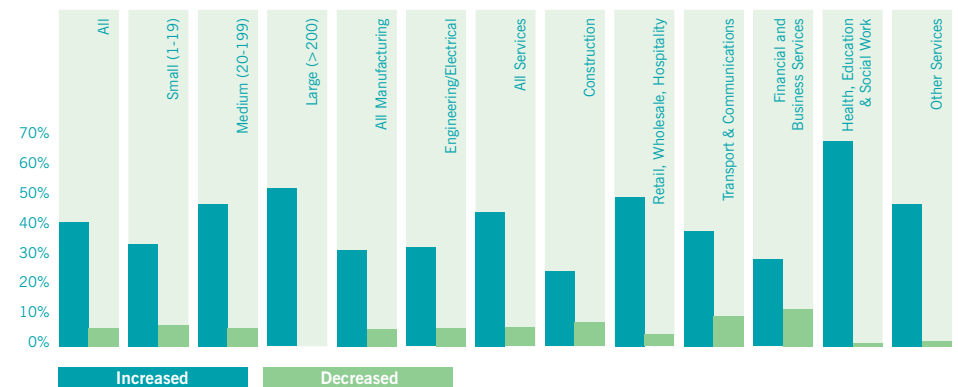
Labour costs

Pressure on wage rates has decreased markedly with 40% of firms reporting increases over the past 12 months, whilst 6% report decreases (compared with 71% who had reported increases in October and 2% a decrease). Small firms (1-19 employees) were less likely than larger firms to have raised their wages (33% of small businesses; 46% medium-sized businesses and 51% of large businesses).

Manufacturing companies (31%) were far less likely to have increased wages than service sector companies (43%).

The sub-sectors least likely to have increased wages were construction (24%) and financial and business services (28%).

Figure 11: Percentage of businesses reporting a change in wage rates



The Workforce

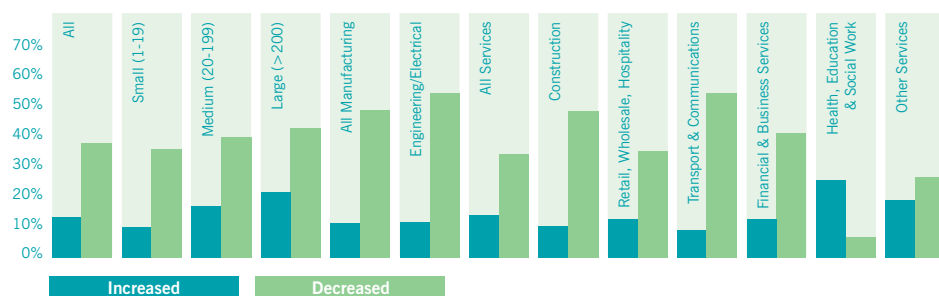
The local ILO unemployment rate* for the Leicestershire sub-region was 6.5%, slightly above the national rate of 5.5%. The rate for the County area is 4.5% and that for Leicester City is 11.9%. The number of Leicester and Leicestershire residents claiming Job Seekers Allowance in June 2009 was 24,174, increasing by 11,685 over 12 months.

Workforce growth

There was a sharp fall in the number of firms saying their workforce had increased over the previous twelve months compared to October 2008. 14% said that their workforce had increased and 47% of firms reported no change but 39% said their workforce had decreased. Manufacturers (50%) were more likely than service sector companies (35%) to say their workforce had decreased in number. 49% of companies in the construction sub-sector and 55% of those in transport and communication had lost staff.

Smaller companies were less likely to have increased in size, (10% of those with 1-19 staff compared with 17% of those with 20-199 staff and 22% of those with 200+ employees).

Figure 12: Workforce change over the past six months



* Resident-based unemployment rates International Labour Organisation (ILO) definition (September 2008)

Staff turnover

The companies surveyed had recruited for a total of just over 4,600 jobs and a total of about 5,800 people had left these organisations, a net decrease of about 1,225 in the past twelve months. There was a decrease in total employment in the manufacturing sector of just over 1,000 and of about 200 in the service sector. The firms in the health, education and social work sector have seen the net highest gain (210). The true situation could be much worse than this as firms which had ceased trading altogether are not included in the sample. This could be a particular issue for the retail sub-sector, where a number of high profile retailers have ceased trading.

Overall, almost 2,350 staff had been made redundant, about 1,275 in manufacturing and 1,075 in the service sector. The sectors which had made the most staff redundant relative to the levels of employment in the sector were manufacturing and the construction sector.

Table 5: Actual changes in workforce by sector

	All	Manu- facturing	All services	Cons- truction	Retail, wholesale & hospitality	Transport & Communica- tions	Financial & business services	Health & education	Other services
Recruited	4,601	773	3,828	90	1,885	306	731	623	192
Left	5,824	1,805	4,019	262	1,653	465	969	503	168
Balance	-1,223	-1,032	-191	-172	232	-159	-238	120	24
Redundancies	2,348	1,280	1,068	196	270	130	434	32	5
Redundancies per 1000 employees	45	81	29	132	37	18	60	9	4

Table 6: Actual changes in workforce by geography

	All	City	County	Urban	Rural
Recruited	4,601	2,022	2,578	4,101	500
Left	5,824	2,217	3,607	5,292	533
Balance	-1,223	-195	-1,029	-1,191	-33
difference per 1000 employees	-24	-10	-31	-25	-7
Redundancies	2,348	887	1,462	2,160	189
Redundancies per 1000 employees	45	47	44	45	42

Outlook

The outlook for the next 12 months is slightly better than it was in October 2008. Just under a quarter of firms surveyed (23%) expect the size of their workforce to increase during this time but 7% expect their workforce to decrease and 65% expect it to stay the same.

Recruitment

A total of 54% of firms surveyed have recruited staff in the last twelve months, far lower than found in previous surveys (70% in October 2008). The percentage recruiting ranged from 36% of firms with fewer than 20 staff to 70% of those with 20-199 staff and 86% of firms with 200+ employees.

79% of those companies which had taken on staff had recruited full-time employees, whilst 44% recruited part-time employees. In line with previous findings, manufacturing firms were less likely to have taken on part-time employees (12%, compared with 52% of service sector firms). The wholesale, retail and hospitality and the education, health and social work sub-sectors were the most likely to have recruited part-time staff.

The majority of recruiting companies (87%) had taken on permanent employees, whilst 17% had taken on temporary staff and 5% staff on fixed term contracts.

Type of staff recruited

8% of recruiting companies had employed apprentices. A total of 30% of recruiting companies had employed other young people under 19, with the service sector (34%) twice as likely as manufacturers (16%) to have done so. Half of the businesses in the retail, wholesale and hospitality sector had recruited other young people under 19.

23% of companies had recruited someone who had graduated in the past five years. Larger companies were more likely than small companies to have recruited graduates ranging from 10% of firms with fewer than 20 staff to 25% of those with 20-199 staff and 56% of firms with 200+ employees. The finance and business services sub-sector was the most likely to have taken on graduates (42%).

One in three companies (31%) had recruited someone aged over 50, 44% had recruited someone from a black or minority ethnic group, 44% an unemployed person and 25% a lone parent.

Fewer than one in ten companies were aware that they had recruited people with disabilities (7% someone with a physical disability, 6% someone with a learning disability, 2% someone with mental health problems and 2% someone on Incapacity Benefit). 3% said they had employed ex-offenders. 14% had employed migrant workers and 16% placements from companies making redundancies. Larger companies were more likely to have recruited all these categories of staff than were small companies.

Table 7: Type of staff recruited

	All	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
People from a black or minority ethnic group	44%	46%	44%	22%	51%	85%
Unemployed people	44%	52%	41%	33%	45%	70%
People with no or low level qualifications	43%	41%	43%	30%	47%	68%
People aged over 50	31%	31%	31%	15%	33%	75%
Young people <19 not on formal apprenticeships	30%	16%	34%	22%	33%	42%
People who have graduated in past 5 yrs	23%	15%	25%	10%	25%	56%
Apprentices	8%	9%	8%	5%	8%	19%
People with a physical disability	7%	6%	7%	2%	6%	30%
People with a learning disability	6%	2%	7%	2%	5%	22%
Ex offenders	3%	3%	2%	1%	3%	6%
People with mental health problems	2%	-	2%	1%	2%	9%
People on Incapacity Benefit	2%	1%	3%	1%	2%	10%
Lone parents	25%	13%	28%	13%	28%	56%
Migrant workers	14%	16%	13%	6%	14%	42%
Placements from companies making redundancies	16%	22%	14%	5%	19%	33%

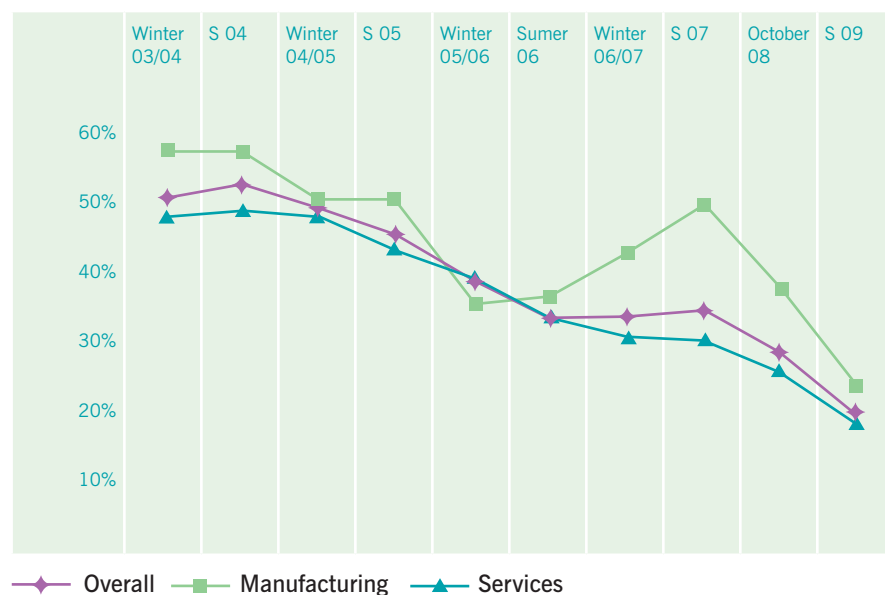
Note: Figures based on those companies who had recruited staff in the previous twelve months

Recruitment Problems

The percentage of firms experiencing recruitment difficulties continues to decline and now stands at 19% (of recruiting companies). This means that 10% of all companies surveyed had experienced difficulties with recruiting staff. Manufacturers (23%) were slightly more likely than service sector companies (18%) to report recruitment difficulties.

Recruitment was still more of a problem for the engineering/electrical sub-sector than others with 35% of recruiting firms having difficulties finding suitable staff.

Figure 13: Proportion of recruiting companies experiencing difficulties



Areas of recruitment difficulty

Overall, firms have had the greatest difficulty recruiting associate technical and professional occupations (38% of those reporting recruitment difficulties) and skilled craft occupations (22%). Manufacturing firms experienced particular problems with skilled craft occupations (42% of those reporting difficulties). Plant and machine operatives (38%) were also problematic for manufacturers. Problem occupations were more widespread in the service sector.

The occupations which were mentioned most often were care assistants and sales representatives.

Table 8: Percentage of businesses reporting recruitment difficulties by occupation (multiple responses possible)

	All	Manufacturing	Services
Associate technical and professional	38%	33%	38%
Craft and related occupations	22%	42%	15%
Personal services	18%	-	23%
Other low skilled occupations	14%	4%	17%
Clerical and secretarial	12%	4%	14%
Plant & machine operatives	12%	38%	5%
Managers and administrators	10%	8%	10%
Professional occupations/services	6%	-	8%

Note: percentages refer to firms experiencing recruitment difficulties (Standard Occupational Classification 2000). Results based on only 102 responses.

Reasons for recruitment difficulties

The main reasons why companies found it hard to recruit staff were:

- lack of applicants with the necessary skills (reported by 57% of those experiencing recruitment difficulties);
- low numbers of applicants with the necessary qualifications (45%);
- low number of applicants with the required attitude, motivation or personality (40%);
- lack of applicants with the necessary experience (39%);
- other reasons, such as low pay, location (18%).

(Note: some companies gave more than one response; base the 102 companies reporting recruitment difficulties).

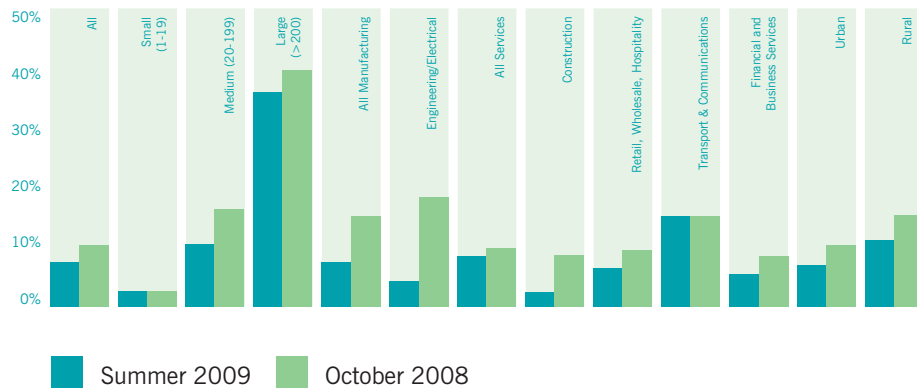
Migrant Workers

14% of recruiting companies had recruited migrant workers in the previous twelve months, this equates to 7% of all companies, slightly lower than was found in October 2008.

Migrant workers have been recruited across all sectors with the highest being in health, education and social work (23%). The level of recruitment of migrant workers was similar for the manufacturing (7%) and service (8%) sectors.

Larger companies were more likely than small firms to have recruited migrant workers in the past 12 months with 37% of those with 200 or more staff having done so, compared with 10% of medium (20-199) employees and 2% of small (1-19 employees) companies.

Figure 14: Percentage of firms recruiting migrant workers in the past twelve months



Migrant workers came from all corners of the globe but in the past twelve months the proportion from Eastern Europe has decreased. 49% of recruiting companies had recruited Polish workers and 76% workers from Eastern Europe.

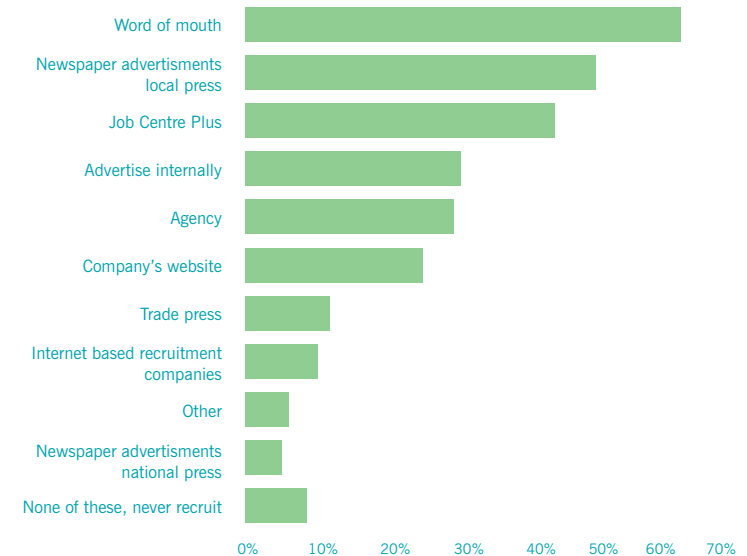
Companies had generally not been affected by migrant workers returning home, with only 2% of respondents saying this had a negative impact.

Recruitment methods

The most frequently used recruitment methods were word of mouth (63%) and newspaper advertisements in the local press (51%). 45% used Job Centre Plus, 31% advertised internally and 26% advertised on their company's website. 31% used a recruitment agency, 12% used trade press, 5% newspaper advertisements in the national press and 10% internet based recruitment companies.

The practice within the manufacturing and service sectors was broadly similar, but manufacturers were slightly more likely to use an agency and the service sector to advertise internally.

Figure 15: Recruitment methods used



Awareness of Job Programmes

Access to Work Scheme

Half the companies (49%) were aware of the Access to Work Scheme with awareness being higher amongst larger companies (71% of those with 200 or more staff, compared with 57% of medium (20-199 employees) and 40% of small (1-19 employees) companies). The level of awareness was similar for manufacturing and for service sector companies.

67% of those who had heard of the scheme said they understood how it worked.

Local Employment Partnership

A quarter of businesses (25%) said they had heard of the Local Employment Partnership operating in Leicester/Leicestershire. Again larger companies were more likely to have heard of this (41% of those with 200 or more staff, compared with 30% of medium (20-199 employees) and 19% of small (1-19 employees) companies).

7% of all respondents said they were signed up to a Local Employment Partnership.

Figure 16: Awareness of local employment programmes



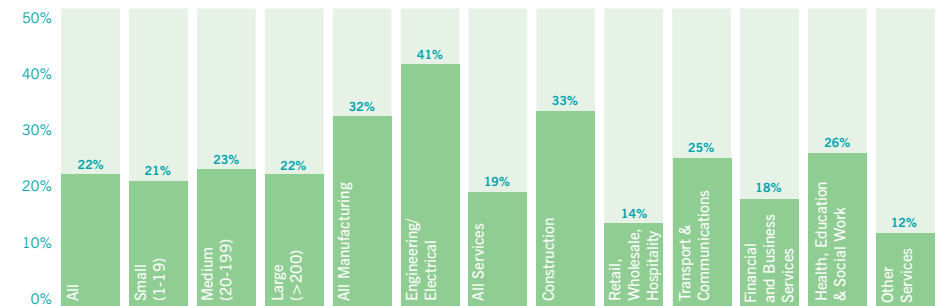
Skill Shortages

Skill Shortages

The number of firms reporting skills shortages* has decreased since the Summer 2007 survey. Overall, 22% of firms surveyed agreed that skill shortages were having a serious impact on their business with 66% disagreeing.

In manufacturing there was a higher proportion of firms reporting skills shortages (32%) than in the service sector (19%). The electrical/engineering sub-sector was particularly concerned (41%).

Figure 17: Proportion of firms agreeing that skills shortages are having a serious impact on their business

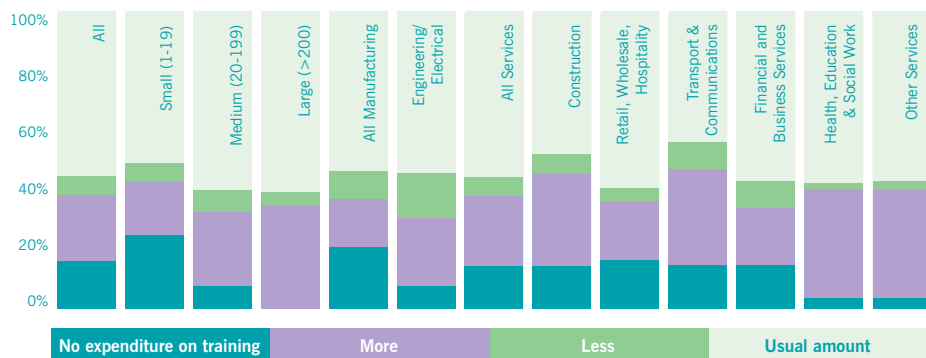


* Skills shortages: vacancies or existing roles where the workforce do not have the required skills, experience or qualifications.

Expenditure on training

22% of firms surveyed said they had spent more than their usual amount on training in the past twelve months, whilst only 6% had spent less. A total of 55% had spent their usual amount, whilst 16% said they had spent nothing. 31% of companies with fewer than ten staff spent nothing on training. Businesses were spending slightly less on training than they had in October 2008.

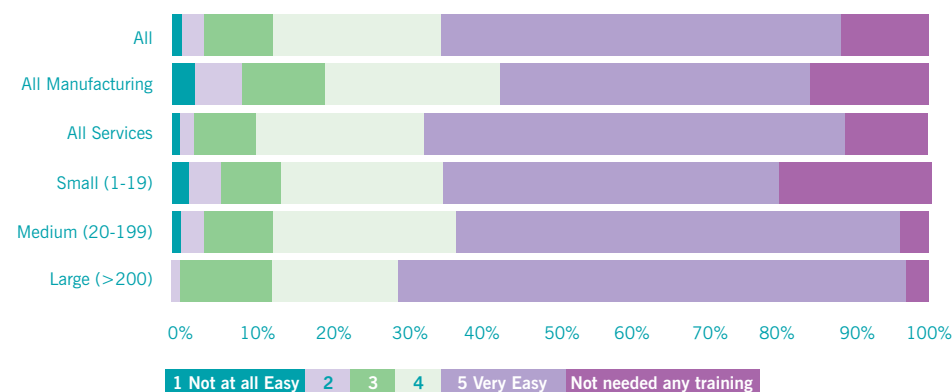
Figure 18: Change in expenditure on training over the past 12 months



Accessing training

A total of 4% of companies said they found difficulty with accessing the training they needed for their staff (rating 1 or 2 on a five point scale where 1 is not at all easy and 5 is very easy). 9% rated this as 3 and 74% as 4 or 5, with 12% saying they did not need to access any training. Manufacturing companies found it slightly more difficult to access the training they needed than service sector companies.

Figure 19: Ease of accessing training for their staff



The main problems encountered were with finding courses for their specific sector.

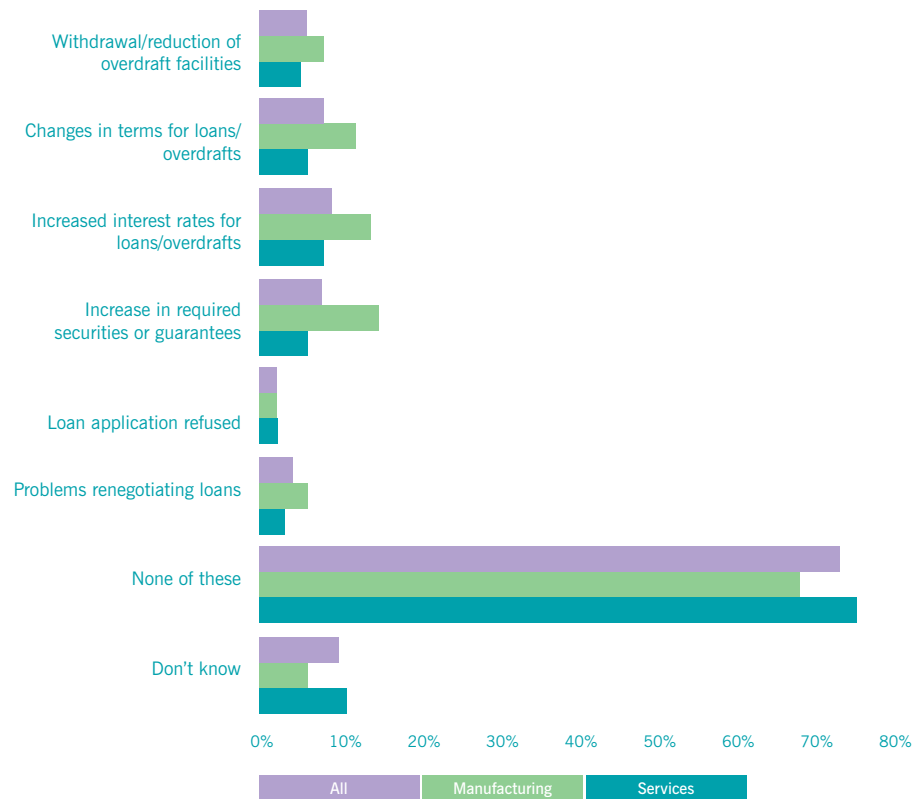
Access to Finance

Access to finance

A total of 16% had experienced problems with accessing finance in the previous twelve months. One in ten respondents did not know, mainly because financial affairs were not dealt with at their site. Manufacturers (25%) were more likely to have encountered problems than the service sector (13%).

6% had overdraft facilities withdrawn or reduced, 8% had the terms and conditions of loans or overdrafts changed, 9% had to pay increased interest on loans or overdrafts, 8% had to find increased securities or guarantees, 2% had loan applications refused and 4% had encountered problems renegotiating loans.

Figure 20: Problems with accessing finance



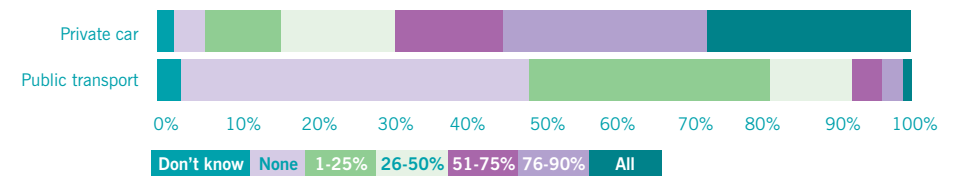
Transport Issues and Staff Parking

How staff travel to work

The majority of employees travel to work by car. Overall, no employees travel to work by public transport in 46% of businesses. All the staff travel to work by private car in 27% of companies and more than 75% in a further 27% of companies. For 72% of construction sector companies all staff travel by car.

More employees travel to work by public transport to companies based in Leicester. Fewer employees travel to work by public transport to businesses based in Melton and Hinckley and Bosworth Districts. More employees travel to work by public transport to education/health sector businesses.

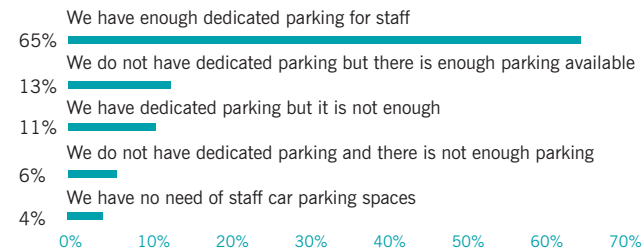
Figure 21: Proportion of staff travelling to work by public transport or private car in each company



Staff parking

Access to parking for staff was not a problem for many companies. 65% of businesses said they had enough dedicated parking for their staff, 13% said that they did not have dedicated parking but there was enough parking available and 4% said they had no need of staff parking. A total of 18% of businesses said they did not have enough staff parking. Urban businesses (22%) were more likely than rural (5%) to say they did not have enough staff car parking. Businesses located in Leicester City (22%) were slightly more likely than those in the rest of the County (15%) to have insufficient parking for their staff.

Figure 23: Availability of parking for employees



Traffic and roads

Respondents were then asked from a prompted list to rate their concern about a number of traffic and road issues, where 1 is of no concern at all and 5 is of very great concern.

Concern about traffic congestion was rated as 4 or 5 by 25% of business. One in five businesses (22% rating of 4 or 5) were concerned about the availability of on-street parking, this being of most concern to retailers and to businesses located in Leicester. Retailers (35% rating this 4 or 5) were the most concerned. 13% of businesses were concerned (rating 4 or 5) about the condition of the roads. 22% of businesses considered road works to be a problem. Transport issues caused employees problems getting to or from work in 10% of businesses. Deliveries could be a problem for 13% of businesses and distributing products for 9%.

Table 9: Extent to which road and public transport issues are a concern for the business, % rating issue 4 or 5 on five point scale

	All	Manufacturing	Services	Urban	Rural	City	County
Traffic congestion	25	26	25	27	12	26	25
Availability of on-street public parking	22	15	24	23	8	29	18
Condition of the roads	13	14	12	13	11	12	13
Roadworks	22	20	23	23	11	22	22
Employees getting to and from work by car	10	10	10	10	10	13	9
Deliveries of supplies or raw materials	13	12	13	14	6	18	10
Distribution of your products	9	10	8	9	3	10	8

Public transport

Businesses were asked to say, again on a scale of 1 to 5, the extent to which public transport could be a problem for their employees. Public transport was of more concern for rural businesses with 36% saying services to their premises was a problem (rated 4 or 5) compared to 10% of urban companies and 13% overall.

14% of companies said the frequency of services was a problem, 9% the cost and 18% availability of services early in the morning or during the evening (increasing to 33% for health and education/businesses) .

Table 10: Extent to which public transport is a problem for employees getting to and from work, % rating issue 4 or 5 on five point scale

	All	Manufacturing	Services	Urban	Rural	City	County
Public Transport - services to premises	13	14	12	10	36	9	15
Public Transport - frequency	14	14	14	12	39	9	17
Cost of services	10	8	10	9	17	12	8
Early morning evening services	18	14	20	16	39	16	19

Leicester and Leicestershire as Places to do Business

Views on how good Leicester City and Leicestershire County are as places to do business were mixed. On a five point scale where 1 is not very good and 5 is very good, Leicester was rated as 3.5 and Leicestershire as 3.7. This is an improvement from October 2008.

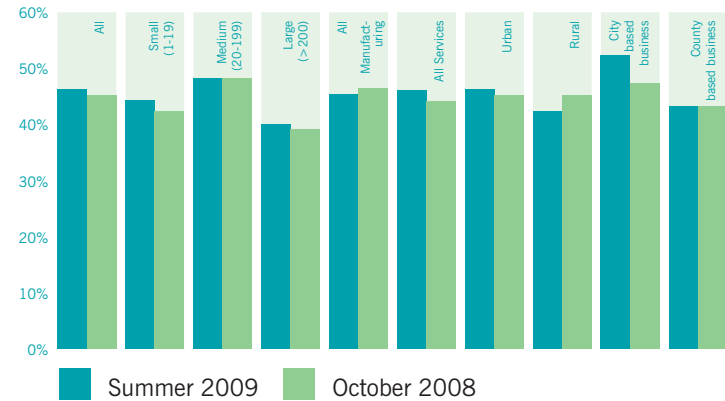
44% of businesses in the City thought Leicester City rated 'good' (4 or 5) and 9% not very good (1 or 2). 17% of companies said that they did not know. The findings for the County were slightly better with 53% of County-based companies rating the County 4 or 5 and 7% 1 or 2, with 9% saying they did not know. There was little difference between manufacturing and service sector companies.

Table 11: How good Leicester City and Leicestershire County are as places to do business

	City			County		
	All	Manufacturing	Services	All	Manufacturing	Services
Not good (rating 1,2)	9%	8%	9%	7%	9%	7%
Average	30%	32%	29%	31%	32%	30%
Good (rating 4,5)	44%	41%	46%	53%	50%	55%
Don't know	17%	19%	16%	9%	10%	9%

A total of 46% of companies think enough is being done to promote Leicester with 25% thinking not enough is being done. 30% of companies said they did not know. This is a slight improvement since the survey conducted in October 2008. The comparative figures for the County were 45% saying enough was being done, 29% not enough and 26% said they did not know.

Figure 23: Proportion thinking enough was being done to promote Leicester and Leicestershire



Impact of City Centre Regeneration

9% of all businesses and 17% of those based in Leicester said that the changed image of the city centre had a positive impact on their business. This rose to 34% of businesses located in the LE1 post code area. The vast majority of businesses (86%) said it had made no difference but 4% said it had a negative impact. This was mainly because trade had been lost to the new retail centre and included businesses located in other parts of the city centre as well as businesses in other towns such as Loughborough.

The main reasons given for the positive impact were increased sales or footfall or that the company had gained business from the construction, development and promotion of the new developments.

Table 12: Impact of the changed image of Leicester City centre on businesses

	All	Small (<20)	Medium (20-199)	Large (>200)	Manufacturing	Services	Retail	City	County
Yes - positive	9%	8%	8%	16%	4%	10%	18%	17%	4%
Made no difference	86%	87%	85%	81%	94%	83%	70%	75%	92%
Negative	4%	3%	4%	2%	1%	5%	11%	6%	2%
Don't know	2%	1%	2%	1%	1%	2%	2%	2%	2%

Methodological notes

Methodological notes

The Leicester and Leicestershire Business Survey is now conducted annually and is produced through a research partnership involving Leicestershire County Council, Leicester City Council, Leicestershire Chamber of Commerce, Leicestershire Learning and Skills Council, the University of Leicester and De Montfort University.

The survey

A telephone survey of 1011 businesses within Leicester and Leicestershire was undertaken during mid May to mid June 2009. The sample was drawn from the RBSIS database held by the East Midlands Development Agency (emda) and aims to reflect as accurately as possible the mix of businesses found in each District. The number of interviews in each district was as follows:

Blaby	100
Charnwood	103
Harborough	107
Hinckley & Bosworth	99
Leicester City	314
Melton	90
North West Leicestershire	104
Oadby and Wigston	94

This over-represents businesses in the smaller districts (Melton and Oadby and Wigston) and under-represents businesses in Leicester and Charnwood. The results in this report have been weighted to reflect the proportions of businesses in each District listed on the RBSIS database.

This sample only included businesses listed on the database as having 5 or more employees.

The following table shows the survey sample broken down into business sector and size band.

	City	%	County	%	Total	%
Business Sector						
Manufacturing	93	26%	163	25%	256	26%
Services	259	74%	483	75%	742	74%

Business Size						
1-9 employees	99	28%	201	31%	300	30%
10-19 employees	76	22%	132	20%	208	21%
20-50 employees	104	30%	162	25%	266	27%
51-199 employees	53	15%	113	17%	166	17%
200+ employees	20	6%	39	6%	59	6%

The next Business Survey will be conducted in November 2009.

An electronic version of the survey report is available on the Leicestershire Statistics and Research web site, www.lsr-online.org.

Requests for further copies of the survey or a large print version and requests for detailed statistical cross tabulations of the data should be made to:

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If you would like to speak to a specialist advisor on any issues outlined in this survey, please contact:



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