

winter

2009/10



Leicester and Leicestershire
BUSINESS SURVEY

2009/10

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Foreword

Leicester and Leicestershire Business Survey

Welcome to the latest edition of the Leicester and Leicestershire Business Survey. This survey reflects the views of over a thousand local businesses interviewed by telephone in November and December 2009.

The UK is now officially out of recession, according to the latest figures from the Office for National Statistics. The most recent figures show that the UK's economy grew by a modest 0.3% between the third and fourth quarters of 2009. This is a relatively fragile recovery at best, and some economists remain sceptical about whether the recession has in fact ended. The general outlook is one of cautious optimism for 2010.

In this context, it is very encouraging to see that business optimism amongst the Leicestershire business community is at its highest level since 1994. The balance of optimism now stands at +30%, with 44% of local businesses expecting conditions to improve in 2010, compared to 14% that think conditions will deteriorate. This follows a period where business optimism had plummeted to a record low of -53% in October 2008.

Commenting on their specific sector, 14% of businesses felt that their market sector was now growing and a further 29% that it was starting to pick up. Most other businesses thought conditions had stabilised.

In line with national trends, local businesses have suffered in terms of profitability and turnover in the last twelve months. There are now more businesses reporting a decrease in profits and turnover than those reporting an increase.

In response to the recession, businesses have made a number of efficiency savings. These have included making staff redundant, not replacing staff, cutting back on overtime and reducing working hours. These measures continue to impact on local unemployment figures, which show an increase of over 5,500 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.

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



Key Issues

General business conditions

- Business optimism for the next twelve months has continued to improve from the very low levels found in October 2008 and now stands at +30%.
- Overall, 44% of respondents thought business conditions would improve compared to 14% who thought they would deteriorate over the next twelve months and 33% thought there would be little change.
- Optimism in the manufacturing sector is lower at +26% than in the service sector which stands at +32%.
- 14% of businesses thought the market sector they were in was growing and 29% that it was starting to pick up. However, 18% thought it was in decline.

Sales and profits

- Both sales and profit performance have improved slightly since the Summer 2009 survey, but there are still more businesses reporting a decline in sales and in profits than are reporting an increase.
- A total of 30% reported an increase in turnover over the previous 12 months, with 38% reporting a decrease. 26% reported an increase in profitability and 38% a decrease.
- The sales position of both the service and manufacturing sectors has improved slightly since Summer 2009, but whilst the profit performance of service sector businesses has improved, that of manufacturers has declined slightly.
- Businesses were more optimistic about the future than in the Summer 2009 survey, with 52% thinking sales would increase over the next twelve months and 9% predicting a decline. 48% predicted an increase in profits over the next twelve months and 10% a decline.

Main business concerns

- Concerns about most business and financial issues have decreased since the last survey conducted in the Summer of 2009. In particular, concerns about cashflow have declined.
- Red tape, fuel and energy prices and finding new business are the issues of most concern to businesses.
- Concerns about finding suitable staff and staff retention have remained at a low level.

Price pressures and labour costs

- There is continuing pressure on businesses to reduce their prices, with 17% having reduced prices in the past twelve months. 26% had increased prices with 56% saying they had not changed much.
- The main price pressures were raw material prices, increased overheads/inflation, fuel prices and increased costs from suppliers. Firms had reduced prices to retain market share, win business and to be competitive.
- The number of firms increasing wages has remained relatively low, with 40% of firms reporting increases and 5% a decrease.

The workforce, skills and recruitment

- As a result of the recession, 30% had not replaced staff who had left, 29% had made staff redundant, 24% had cut back on overtime and 15% reduced working hours.
- The proportion of firms recruiting staff (60%) in the previous twelve months has increased slightly since Summer 2009. The percentage of recruiting firms reporting difficulties has continued to decline and now stands at 16%.
- The total number of staff employed by the companies surveyed had fallen over the previous twelve months.
- The companies surveyed had made about 2,150 staff redundant in the previous twelve months.
- The number of firms increasing in size improved slightly, with 19% saying their workforce had increased, 49% that there was little change and 32% a decrease.
- 21% of firms had recruited 16-18 year olds in the previous twelve months, ranging from 24% of service sector companies to 12% of manufacturers.
- 6% of businesses were 'very likely' and 17% 'fairly likely' to recruit young people aged 16-18 in the next twelve months, with 7% 'very' or 'fairly likely' to take on an apprentice.
- 21% of firms have recruited graduates in the past three years, with 11% recruiting graduates straight from university or college.

Skills and training

- 20% of firms agreed that skill shortages were having a serious impact on their business, marginally lower than reported in the Summer 2009 survey.
- 22% had spent more than their usual amount on training in the past twelve months, much the same as the October 2008 survey. Overall, 9% had spent less, 55% their usual amount and 13% nothing.

Business planning

- 77% of businesses have a business plan, ranging from 62% of those with fewer than 10 employees to almost all those with 200+ employees.
- Two in three companies (69%) plan to grow, with 9% saying they plan to grow rapidly, 39% moderately and 21% slowly. 23% plan to remain much the same, with 4% saying they will decline. Service sector firms (71%) were slightly more likely to be planning to grow than manufacturers (66%).

General Business Conditions

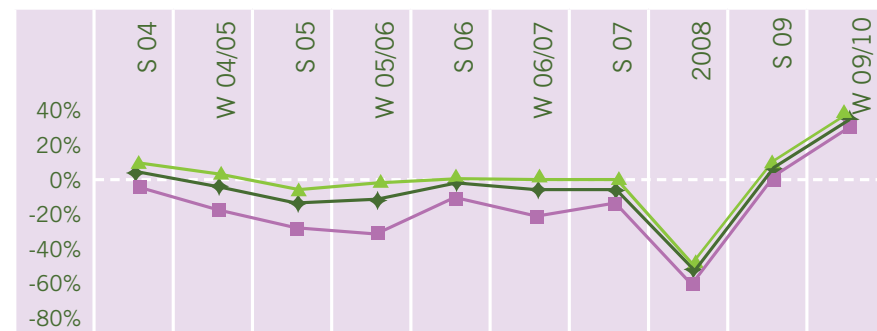
Business optimism

The level of business optimism has continued to improve albeit from the very low levels found in October 2008. The balance of optimism* is now +30%, compared to +7% in Summer 2009 and -53% in October 2008. Overall, 44% of respondents thought that general business conditions would improve over the next twelve months. However, 14% thought that they would deteriorate and 33% thought they would not change much.

Confidence has improved in both the manufacturing and service sectors and stands at +26% in the manufacturing sector, with 42% of manufacturers thinking conditions will improve, 16% thinking that they will deteriorate and 33% that they will not change much.

In the service sector, the balance is +32%, with 45% thinking conditions will improve, 13% that they will get worse and 33% that they will not change much.

Figure 1: Balance of business optimism



◆ Overall ■ Manufacturing ▲ Services
S=Summer and W=Winter

* 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.

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

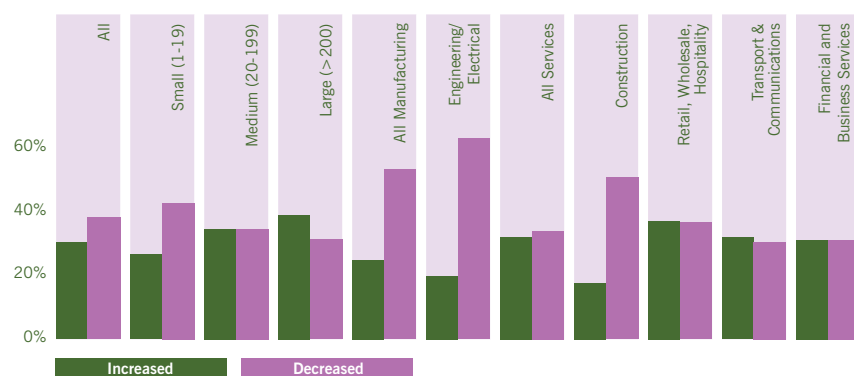
	Improve	Not change	Worsen	Don't know
All	44%	33%	14%	10%
Small (1-19)	45%	32%	14%	8%
Medium (20-199)	42%	34%	14%	10%
Large (200+)	50%	22%	7%	21%
Manufacturing	42%	33%	16%	10%
All services	45%	33%	13%	10%
Engineering / electrical	44%	36%	13%	7%
Construction	34%	36%	21%	9%
Retail, wholesale and hospitality	47%	31%	13%	10%
Transport and communications	52%	24%	12%	12%
Financial and business services	51%	32%	9%	7%
Health, education and social work	35%	40%	12%	13%
Other services	41%	38%	10%	11%

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 has improved slightly since the last survey in Summer 2009, but there is still a negative balance. The balance for sales turnover stands at -8% compared with -15% in Summer 2009. A total of 30% reported an increase in turnover in the previous twelve months compared with 38% who reported a decrease. A total of 9% reported an increase in sales of more than 10% (similar to previous surveys), but 19% 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 a far greater decrease in sales than larger ones, with a balance of +8% for large (200+) but a negative balance of -1% for medium (20-199) and -16% for small (1-19) companies. Since the last survey in Summer 2009, the sales of manufacturing companies had not changed much whilst those of the service sector had improved slightly. Manufacturers were more likely than service sector firms to report a decrease in sales, with 25% of manufacturing companies reporting an increase in sales and 53% a decrease. In the service sector, 32% of firms reported an increase in sales and 33% a decrease.

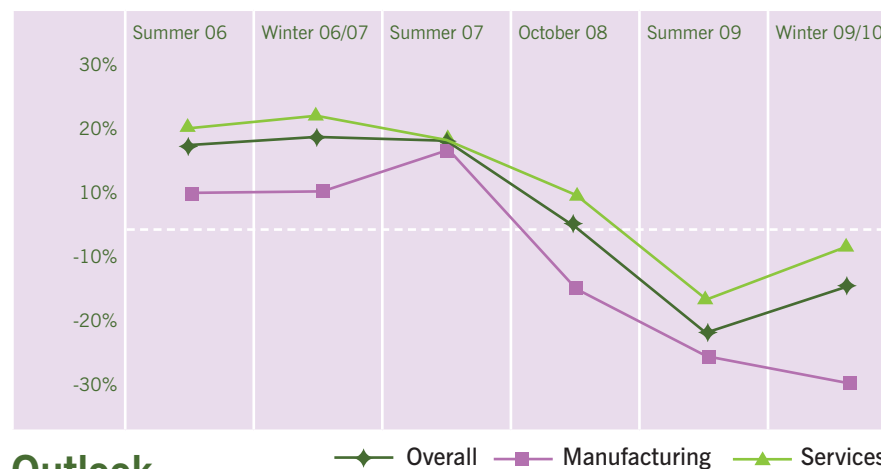
Profit performance

The position with regards to profits was similar showing a slight improvement since Summer 2009, but more firms still reported a decline rather than an increase in profits (over the last 12 months). The balance of businesses that reported increased profits is now at -12% compared with -18% in the last survey. Overall, 26% reported an increase in profits and 38% a decrease, with 26% saying they were much the same. 7% reported an increase of more than 10% but 18% 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 -18% compared with -7% for medium (20-199) firms and +19% for large firms (200+).

Although the sales performance of manufacturers has improved slightly since the Summer 2009 survey, the profit performance has continued to decline with the balance for the manufacturing sector at -32%. The figure for the service sector has improved to -4%.

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



Outlook

The outlook for sales has improved considerably since the Summer 2009 survey to give a balance of +44%. Overall, 52% thought sales would increase over the next twelve months, 9% that they would decrease and 33% that they would remain much the same. The manufacturing sector has improved substantially to +43% and was much the same as the service sector (at +44%).

Overall, the outlook for profits has also improved, with 48% predicting an increase in profits over the next twelve months (compared with 35% in Summer 2009) and 10% a decline.

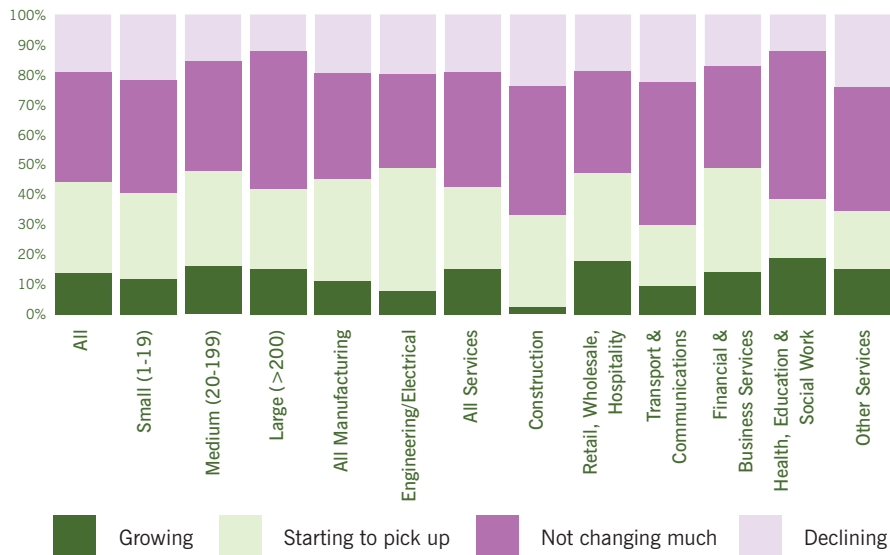
Market Conditions

14% of businesses thought the market they were in was growing and 29% that it was starting to pick up, an improvement since Summer 2009 (when 11% thought their market was growing and 16% starting to pick up). A total of 18% of companies thought it was in decline, slightly fewer than the 25% found in Summer 2009. 37% of firms thought their market sector was not changing much.

Medium sized companies (20-199 employees) were the most likely to think their sector was growing (16% growing, 31% picking up). 15% of large companies (200+ employees) thought their sector was growing with 27% saying it was starting to pick up. For small companies (<20 employees), 15% said their sector was growing and 27% that it was starting to pick up.

The views of manufacturing and service sector companies were similar.

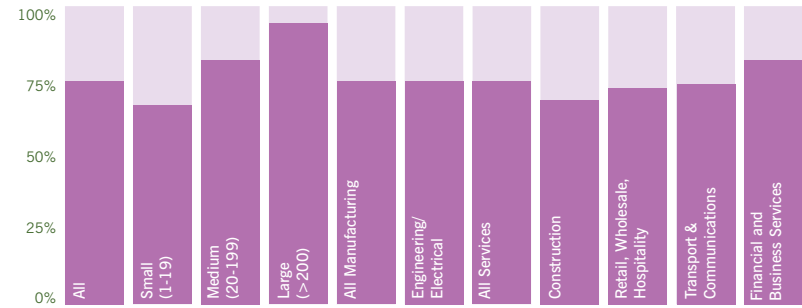
Figure 4: Percentages of firms thinking their market is growing, or declining



Business planning

A total of 77% of companies had a business plan, ranging from 62% of those with fewer than 10 staff to almost all of those with 200+ staff. The construction sub-sector firms were the least likely to have a business plan (71%).

Figure 5: Percentage of firms with a business plan



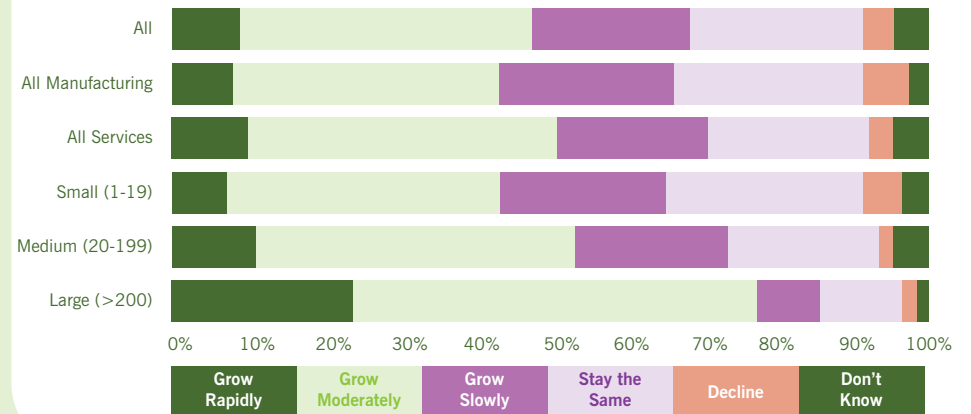
Future growth plans

Two in three companies (69%) plan to grow, with 9% saying they plan to grow rapidly, 39% to grow moderately and 21% to grow slowly. 23% of firms plan to stay much the same with 4% saying they will decline or cease trading. This is much the same as was found in previous surveys.

66% of manufacturing companies said they plan to grow compared with 71% of service sector companies, much the same as was found in the Summer 2009 survey.

Larger companies are more likely than small firms to be planning to grow (86% of large (200+) compared with 73% of medium (20-199) and 65% of small (1-19) companies).

Figure 6: Future growth plans



Main Business Concerns

When businesses were asked (unprompted) what factors, if any, were causing the most concern for their company, 16% said they had no major concerns. However, one in five respondents (21%) said the general economic climate, the recession or the 'credit crunch'. A further 14% said they were concerned about lack of sales or orders and 7% about customer confidence or their customers 'having no money' or clients going out of business. A further 4% specifically mentioned the downturn in the housing market as their major cause for concern.

Other concerns were competition (5%), inflation or rising costs (5%) 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 in table 2.

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

When compared to the survey conducted in Summer 2009, concerns about most issues have declined slightly. Concern about cash flow has decreased sharply.

Concerns about finding suitable staff and staff retention have continued to remain low.

There was little concern about finding suitable premises.

For most issues, manufacturers were slightly more concerned than service sector companies. The only issue where service sector companies showed a slightly greater concern than manufacturers was staff retention.

Table 2: Business concerns, mean score ranked by order of importance

	All Winter 2009/10	All Summer 2009	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Red tape	3.3	3.6	3.3	3.2	3.4	3.2	2.8
Energy costs	3.2	3.7	3.5	3.1	3.2	3.3	3.4
Competition	3.2	3.3	3.3	3.1	3.1	3.2	3.3
Finding new business	3.2	3.3	3.6	3.0	3.2	3.2	3.1
Petrol or diesel costs	3.1	3.4	3.3	3.0	3.1	3.0	3.1
Cash flow	2.8	3.7	3.3	2.6	3.0	2.6	2.5
Finding suitable staff	2.3	2.5	2.3	2.4	2.3	2.4	2.7
Access to finance	2.3	2.4	2.6	2.1	2.4	2.2	2.0
Traffic congestion	2.3		2.2	2.3	2.2	2.3	2.5
Staff retention	1.9	2.0	1.8	2.0	1.9	2.0	2.2
Finding suitable premises	1.5		1.5	1.4	1.5	1.4	1.5

Table 3: Percentage of firms rating selected concerns as 4 or 5

	Winter 06/07	Summer 07	October 08	Summer 09	Winter 09/10
Cashflow	33%	37%	57%	56%	35%
Competition	45%	43%	42%	42%	40%
Fuel/energy prices	55%	52%	76%		
Energy prices				57%	45%
Petrol diesel prices				50%	42%
Red tape	54%	55%	54%	53%	45%
Business generation	34%	32%	43%	45%	44%
Finding suitable staff	50%	37%	31%	22%	21%

Impact of the Recession

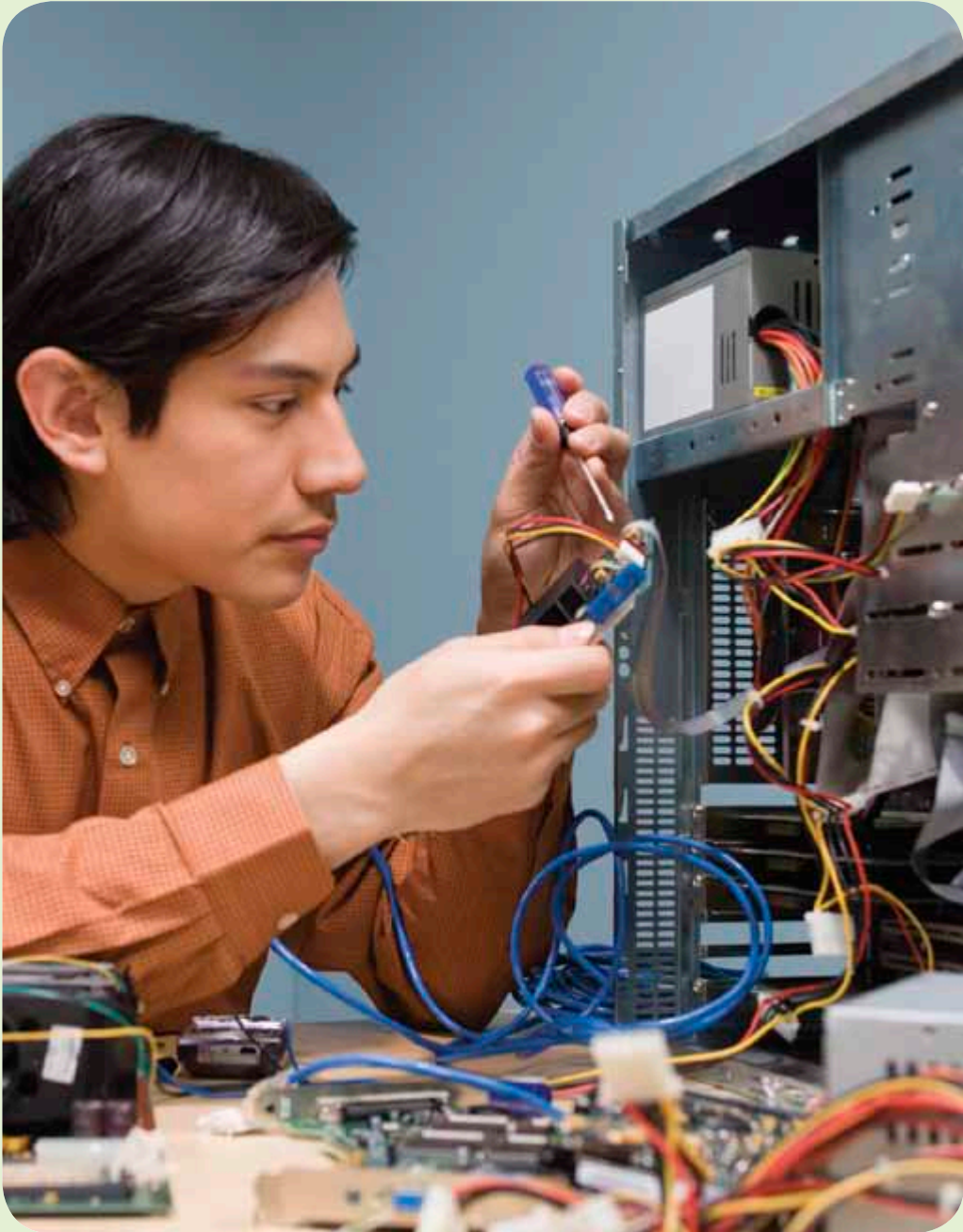
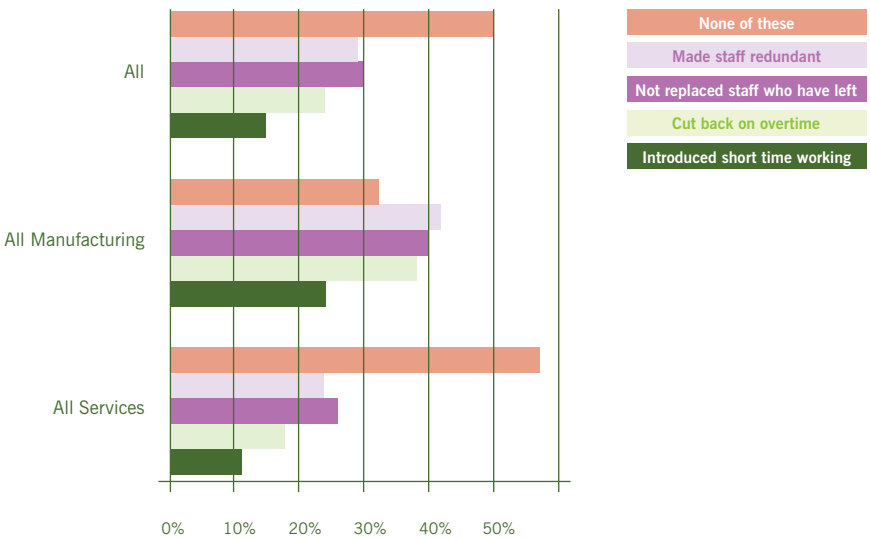
When asked specifically if they had made a number of changes, one in three companies (30%) said they had not replaced staff who had left and 29% had made staff redundant. 24% had cut back on overtime and 15% had introduced short-time working (reduced hours). Half the companies (50%) had not needed to implement any of these actions.

42% of manufacturers had made staff redundant, 40% had not replaced staff who had left, 38% had cut back on overtime and 24% had reduced working hours. Overall, 24% of service sector companies had made staff redundant with 26% not replacing staff who have left, 18% cutting back on overtime and 11% introducing shorter working hours. The level of redundancies in the wholesale retail and hospitality sector was the lowest at 21%.

The companies surveyed have made almost 2,150 staff redundant in the previous twelve months, 1,175 in the manufacturing sector and 975 in the service sector.

Larger companies were more likely than small companies to have undertaken all these actions, with for example, 54% of large companies (200+) having made staff redundant compared to 34% of medium sized companies (20-199) and 22% of small companies (<20 staff).

Figure 7: Actions taken as a result of the recession



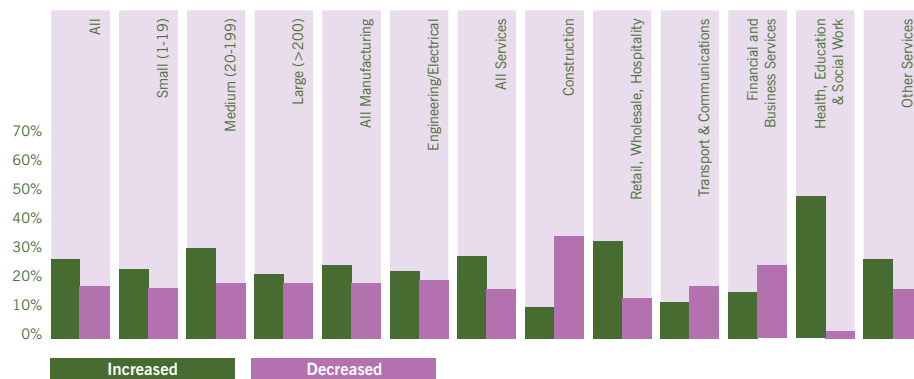
Price Pressures

Prices

Pressure on prices is lower than found in previous surveys. Only a quarter of businesses (26%) had increased their prices over the previous 12 months, with 17% saying they had decreased them and 56% saying they had not changed much. This means far 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 (34%).

Figure 8: Percentage of businesses reporting a change in prices by sector



Pressure on prices

A quarter of businesses had increased their prices, the main reasons being increased raw material prices (6% of all companies and 12% of manufacturing), rising overheads (7% of all firms), inflation/annual increase (3% of all firms), suppliers increasing their prices (4% of all firms) and exchange rates (3%).

Overall, 17% had reduced their prices and the main reasons for this were to increase sales, market pressures or their competitors had reduced prices.

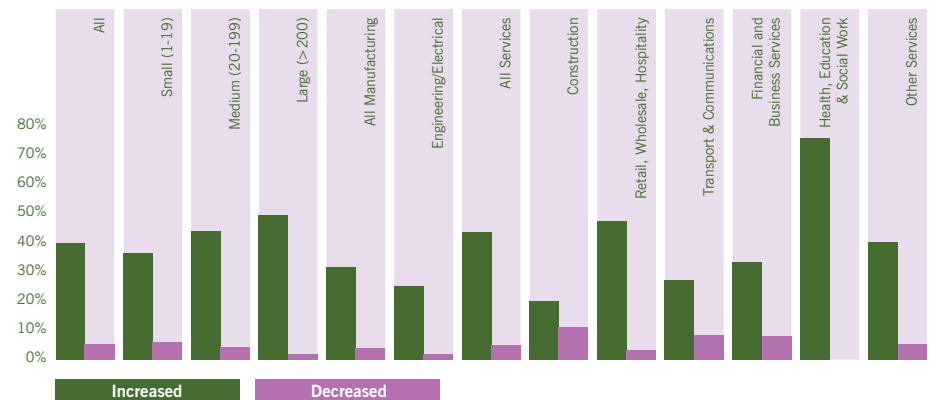
Labour costs

Pressure on wage rates was the same as found in the Summer 2009 survey, with 40% of firms reporting increases over the past 12 months, whilst 5% reported decreases. However, it was still far lower than the situation a year ago (October 2008, when 71% reported increases and 2% a decrease). Small firms (1-19 employees) were less likely than larger firms to have raised their wages (36% of small businesses, 44% of medium-sized businesses and 49% of large businesses).

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

The sub-sectors least likely to have increased wages were construction (20%) and transport and communications (27%).

Figure 9: Percentage of businesses reporting a change in wage rates



The Workforce

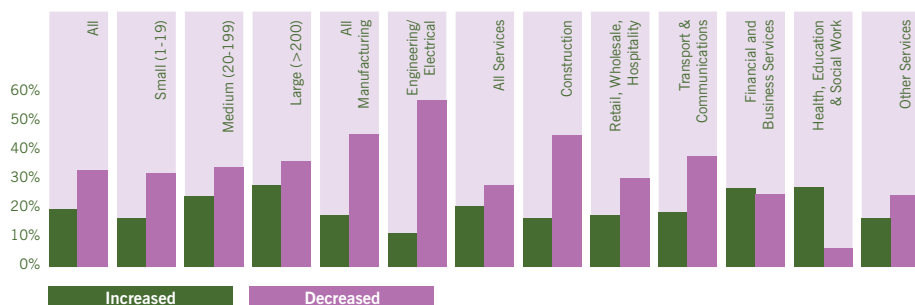
The local ILO unemployment rate* for the Leicestershire sub-region was 7.5%, slightly above the regional national rate of 7%. The rate for the County area was 5.3% and that for Leicester City was 12.8%.

Workforce growth

There was a slight increase in the number of firms saying their workforce had increased over the previous twelve months compared to Summer 2009. 19% said that their workforce had increased, 49% of firms reported no change, but 32% said their workforce had decreased. Some businesses reported recruiting temporary staff for Christmas which might account for this slight improvement. Manufacturers (44%) were more likely than service sector companies (27%) to say their workforce had decreased in number. 55% of firms in the engineering/electrical sub-sector reported decreased staffing levels.

Smaller companies were less likely to have increased in size, (16% of those with 1-19 staff compared with 23% of those with 20-199 staff and 27% of those with 200+ employees).

Figure 10: Workforce change over the past six months



* Resident-based unemployment rates International Labour Organisation (ILO) definition (June 2009 figures)

Staff turnover

The companies surveyed had recruited for a total of just over 4,500 jobs and a total of about 6,300 people had left these organisations, a net decrease of about 1,700 in the past twelve months. There was a decrease in total employment in the manufacturing sector of just over 1,200 and of about 500 in the service sector. The only sub-sector to show a gain was the health, education and social work sector (90). 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 in the past twelve months.

Overall, about 2,150 staff had been made redundant, about 1,175 in manufacturing and 975 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 4: Actual changes in workforce by sector

	All	Manu- facturing	All services	Con- struction	Retail, wholesale & hospitality	Transport & Comm- unications	Financial and business services	Health & education	Other services
Recruited	4,570	1,152	3,417	90	1,681	368	564	495	218
Left	6,287	2,363	3,924	258	1,798	457	783	407	220
Balance	-1,717	-1,211	-507	-169	-117	-89	-219	88	-2
Difference per 1,000 employees	-37	-79	-16	-77	-10	-15	-38	+27	-1
Redundancies	2,152	1,174	974	196	263	117	343	5	49
Redundancies per 1,000 employees	46	77	31	90	22	19	59	2	28

Table 5: Actual changes in workforce by geography

	All	City	County	Urban	Rural
Recruited	4,570	1,647	2,922	3,970	600
Left	6,287	2,195	4,092	5,579	708
Balance	-1,717	-548	-1,170	-1,609	-108
Difference per 1,000 employees	-37	-34	-39	-39	-22
Redundancies	2,152	827	1,325	2,011	141
Redundancies per 1,000 employees	46	51	44	49	28

Outlook

The outlook for the next 12 months is slightly better than was the case in Summer 2009. Just under a quarter of firms surveyed (29%) expect the size of their workforce to increase during this time, but 7% expect their workforce to decrease and 60% expect it to stay the same.

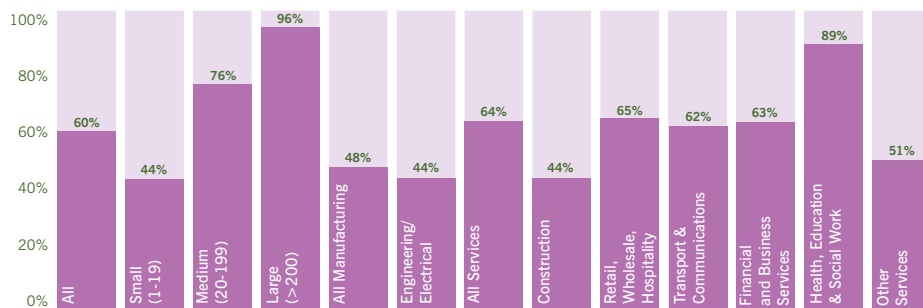
Recruitment

A total of 60% of firms surveyed had recruited staff in the last twelve months, slightly higher than the 54% found in the Summer 2009 survey but still far lower than found in previous surveys (70% in October 2008). The percentage recruiting ranged from 31% of firms with fewer than 10 staff to 76% of those with 20-199 staff and 96% of firms with 200+ employees. The proportion of manufacturing firms recruiting was 48% and that for the service sector was 64%.

78% of those companies which had taken on staff had recruited full-time employees, whilst 44% had recruited part-time employees. In line with previous findings, manufacturing firms were less likely to have taken on part-time employees (18%, compared with 51% 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 (84%) had taken on permanent employees, whilst 19% had taken on temporary staff and 7% staff on fixed-term contracts.

Figure 11: Companies who had recruited staff in past six months

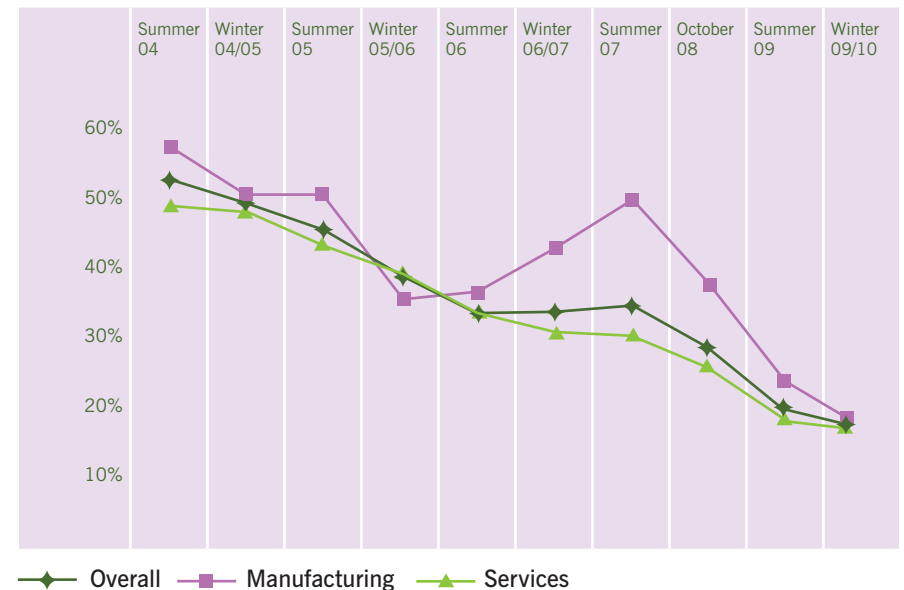


Recruitment Problems

The percentage of firms experiencing recruitment difficulties has continued to decline and now stands at 16% (of recruiting companies). This means that 10% of all companies surveyed had experienced difficulties with recruiting staff. Manufacturers (17%) were equally likely as service sector companies (16%) to report recruitment difficulties.

The sub-sectors reporting the greatest difficulty with recruitment were engineering/electrical (23%) and health and education (23%).

Figure 12: Proportion of recruiting companies that experienced difficulties



Areas of recruitment difficulty

Overall, firms have had the greatest difficulty recruiting associate technical and professional occupations (25% of those reporting recruitment difficulties) and personal service occupations (22%). Manufacturing firms experienced particular problems with plant and machine operatives (41% of those reporting problems). Problem occupations were more widespread in the service sector.

As was found in the Summer 2009 survey, the occupations which were mentioned most often as "hard to recruit" were care assistants and sales representatives.

Recruitment Problems

Table 6: Percentage of businesses reporting recruitment difficulties by occupation (multiple responses possible)

	All	Manufacturing	Services
Associate professional and technical	25%	9%	29%
Personal services	23%		29%
Plant and machine minders	14%	41%	7%
Craft and skilled manual	13%	27%	9%
Other low skilled occupations	13%	9%	15%
Managers and administrators	11%	14%	11%
Clerical occupations	9%	18%	7%
Professional occupations	8%	9%	8%
Sales and customer service	5%	9%	4%

Note: percentages refer to firms experiencing recruitment difficulties (Standard Occupational Classification 2000). Results based on only 97 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 50% of those experiencing recruitment difficulties);
- Low numbers of applicants with the necessary qualifications (45%);
- lack of applicants with the necessary experience (45%);
- low number of applicants with the required attitude, motivation or personality (23%);
- Other reasons, such as low pay or location (14%).

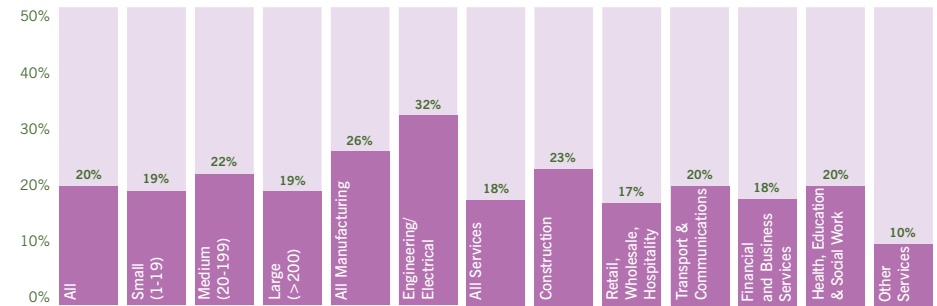
(Note: Only 97 companies reported recruitment difficulties and the percentages above relate to these 97 respondents. Some companies gave more than one response to the question).

Skill Shortages

The number of firms reporting skills shortages* has decreased marginally since the Summer 2009 survey. Overall, 20% of firms surveyed agreed that skill shortages were having a serious impact on their business with 65% disagreeing.

In manufacturing there was a slightly higher proportion of firms reporting skills shortages (26%) than in the service sector (18%). The electrical/engineering sub-sector was the most concerned (32%).

Figure 13: Proportion of firms agreeing that skills shortages are having a serious impact on their business

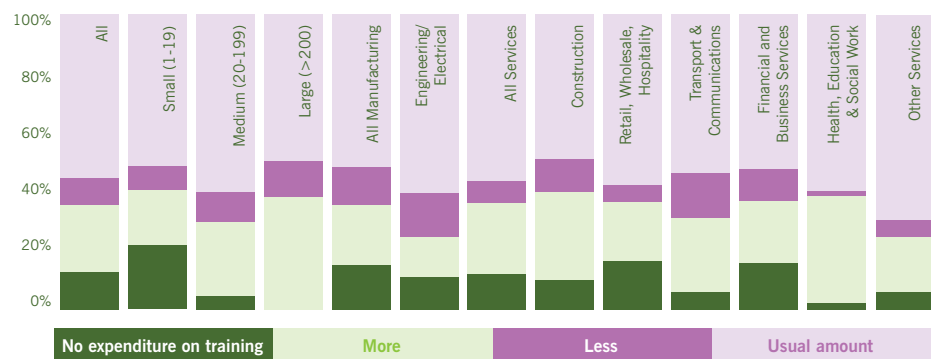


* Skills shortages: vacancies or existing roles where the workforce do not have the required skills, experience or qualifications.

Expenditure on training

22% of firms surveyed said they had spent more than their usual amount on training in the past twelve months, whilst 9% had spent less. A total of 55% had spent their usual amount, whilst 13% said they had spent nothing. 33% of companies with fewer than ten staff said they had spent nothing on training. This is much the same as was found in Summer 2009.

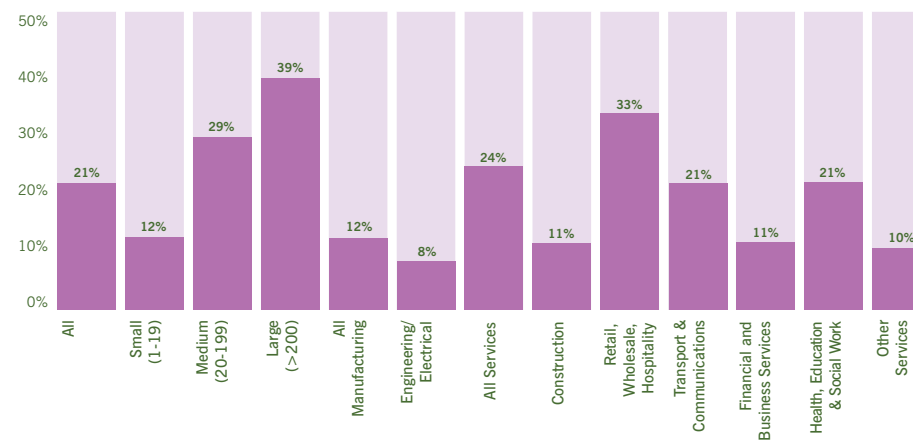
Figure 14: Change in expenditure on training over the past 12 months



Recruitment of young people aged 16-18

One in five companies (21%) had taken on someone aged 16-18 in the past 12 months, with service sector companies (24%) being twice as likely as manufacturers (12%) to have done so. Small companies (12% of those with 1-19 staff) were less likely than medium sized companies (29% of those with 20-199 employees) or large companies (39% of those with 200+ staff) to have recruited young people. The retail, wholesale and hospitality sector was the most likely to have recruited young people (33%).

Figure 15: Recruitment of young people aged 16-18 in the past 12 months



5% of businesses had recruited one or more apprentices, 3% had recruited young people who were on 'other accredited training' and 14% had recruited young people who only received basic training or induction. 28% of companies in the retail, wholesale and hospitality sector had recruited young people with basic training only.

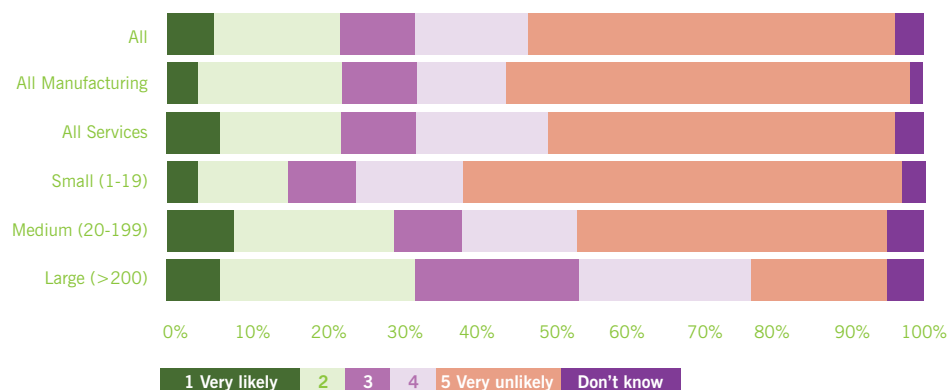
Table 7: Recruitment of young people 16-18 in past 12 months, type of training received

	All	Manufacturing	Services
Percentage recruiting apprentices	5%	5%	5%
Number of apprentices recruited	84	21	63
Percentage recruiting young people with 'other accredited training'	3%	2%	4%
Number of young people recruited with 'other accredited training'	59	6	53
Percentage recruiting young people with 'basic training' only	14%	5%	20%
Number of young people recruited with 'basic training' only	502	35	467

Future Recruitment Plans

6% of firms said they were 'very likely' to take on a 16-18 year old in the next twelve months with 17% saying they were 'fairly likely' to. Small companies (16% of those with 1-19 staff) were less likely than larger companies (30% of medium sized and 33% of large companies) to say they were likely to take on 16-18 year olds in the coming year.

Figure 16: Likelihood of taking on young people (16-18) in the next 12 months



7% of all companies said they were likely to take on apprentices in the next 12 months. 3% said they might take on young people on 'other formally accredited training' and 13% said they were likely to take on young people just with 'basic training' or induction.

Table 8: Type of young people firms are likely to take on

	All	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Apprentices	7%	11%	6%	5%	10%	8%
Formal accredited training	3%	2%	3%	1%	4%	6%
Just basic training	13%	11%	14%	9%	16%	26%
Don't know	1%	1%	1%	1%	1%	-

Skills gaps in young people entering workforce

Table 9 shows the proportion of businesses indicating whether they felt young people lacked certain skills when they entered the workforce straight from school or college. It compares the total sample with the responses from businesses that had recruited young people in the last year. 35% of those who had recently recruited young people said they did not lack any of the skills on the list. However, 44% said young people (or some young people) lacked knowledge of the working world or life experience, 37% said they had a poor attitude, 35% said they lacked common sense, 26% that they lacked basic skills or competencies, 22% that they had poor literacy or numeracy skills and 17% that they had a poor education.

Table 9: Skills lacked by some young people straight from school or college

	All businesses	Recruited young people in past year
Lack of working world or life knowledge	23%	44%
Poor attitude	18%	37%
Lack of common sense	19%	35%
Basic skills or competencies	16%	26%
Literacy / numeracy	13%	22%
Poor education	10%	17%
Other	2%	4%
None of these	14%	35%
Don't know	52%	3%

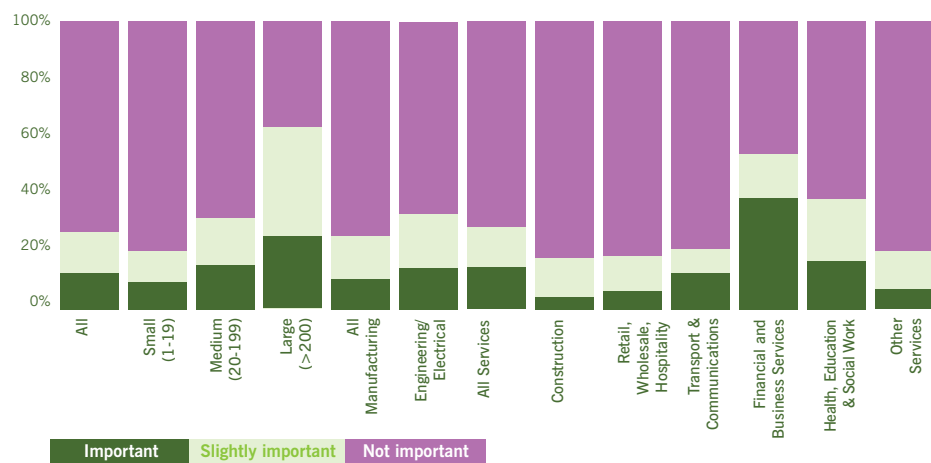
Graduate Level Employees

Importance of graduates to the company

Having staff with a university degree was very important for 5% of businesses, important for 8% and slightly important for 14%. It was not considered important for three in four businesses (73%). Graduates were more important to larger firms, with 25% of those with 200+ staff saying it was important compared to 15% of medium sized firms (20-199) and 10% of small firms (1-19).

Employing graduate level staff was more important for firms in the financial and business services sub-sector than other sectors (with 22% considering this very important and 17% important).

Figure 17: Importance of having staff (including managers and directors) with a university degree



Proportion of graduates in the company

44% of firms said they employed no graduates at all, with 13% saying up to 5% were graduates, a quarter said between 6% and 25% of their staff were graduates and 4% said that more than three quarters of their staff were graduates. Service sector companies employed more graduates than manufacturers, with the financial and business services sub-sector being the most likely to have graduate level staff (24% reported more than three quarters graduate level staff).

Table 10: Proportion of graduate level staff in the company

	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
None	44%	48%	42%	58%	31%	5%
Up to 5%	13%	15%	12%	3%	23%	23%
6-25%	25%	27%	24%	21%	28%	36%
26-74%	10%	6%	12%	13%	7%	7%
> 75%	4%	1%	5%	5%	4%	6%
Don't know	5%	3%	5%	2%	6%	24%

Graduate recruitment in past three years

In the past three years the companies surveyed had recruited at least 930 graduate level staff with at least 310 recruited straight from university.

Table 11: Number of graduates recruited in past three years

	All	Manufacturing	Services
All in past three years	932	212	720
Recruited straight from university or college	319	81	238

Table 12: Percentage of companies recruiting graduates in past three years

	All	Manufacturing	Services
All in past three years	21%	19%	22%
Recruited straight from university or college	11%	9%	12%

(note: this excludes those respondents who did not know)

When asked what skills, if any, recent graduates lacked, 30% said they lacked none of the skills listed. The main skills lacked were:

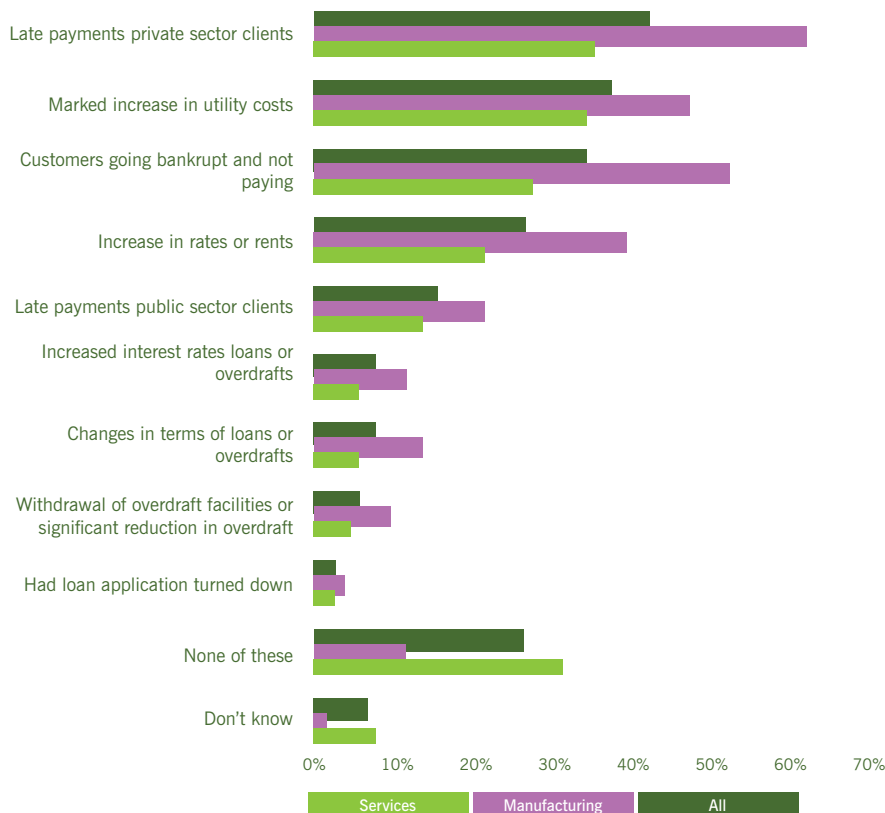
- Business or commercial awareness (44%)
- Leadership (33%)
- Common sense (33%)
- Problem solving (20%)

Spotlight - Cash Flow

A total of 66% of businesses had experienced problems with their cash flow in the previous twelve months. A small proportion of respondents (7%) did not know, mainly because financial affairs were not dealt with at their site. A total of 76% of head offices or companies with only one site had experienced some cash flow problems. Manufacturers (88%) were far more likely to have encountered problems than the service sector (59%).

The most significant problems were caused by late payments from private sector clients (44%), marked increases in utility costs (38%), customers going bankrupt and not paying (35%) and increases in rates or rent (27%). Fewer respondents mentioned late payments by public sector clients (16%), changes in conditions of loans or overdrafts (8%), increased interest rates for loans or overdrafts (8%), withdrawal or reduction in overdraft facilities (6%). Head offices and only sites were more likely than branches to mention problems with banks.

Figure 18: Problems with accessing finance



Spotlight - Transport Issues & Parking

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

Overall, concern about traffic congestion was rated at 2.3 (mean score), slightly lower than was found in Summer 2009, with 20% of businesses rating this 4 or 5. A total of 42% of the transport and communications sub-sector rated this as 4 or 5.

10% of businesses said that employees getting to or from work by car was a problem for them. Getting to work by public transport was a problem for 17% of businesses, particularly those in rural areas (36%).

Customers accessing their premises by car was a problem for 9% of businesses. The same percentage said customers accessing their premises by public transport was a problem, rising to 21% of rural businesses and 11% of those located in the County.

13% of businesses said car parking for both their employees and their customers was a problem. Parking was more of a problem for businesses located in the City than elsewhere. 31% of businesses located in city centres said car parking for customers was a problem.

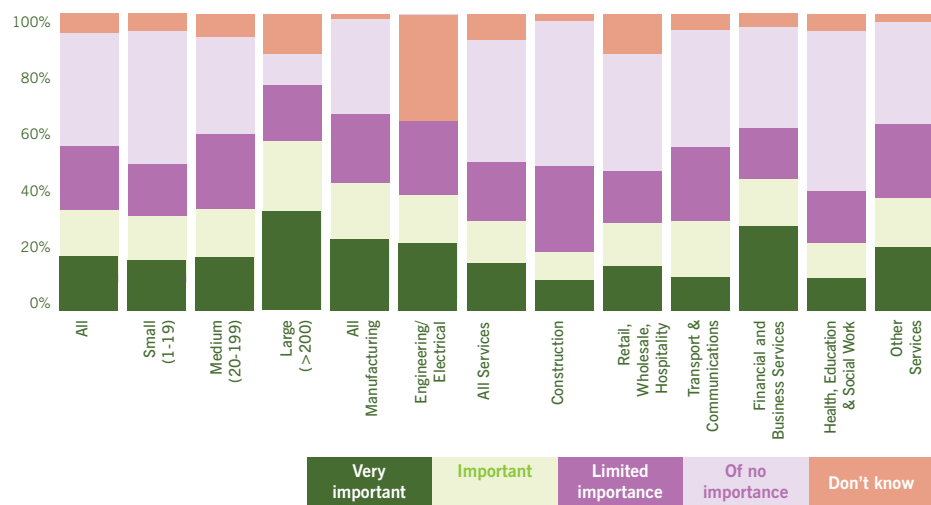
Table 13: Road and public transport concerns, % rating 4 or 5 on five point scale

Issue	All	Manu- facturing	Services	Urban	Rural	City	County
Traffic congestion	20	18	21	21	15	25	18
Employees being able to get to and from work by car	10	12	9	10	10	12	9
Employees being able to get to and from work by public transport	17	20	17	16	36	13	19
Customers getting to and from your premises by car	9	7	10	9	8	14	7
Customers getting to & from your premises by public transport	9	9	9	8	21	5	11
Car parking for employees	13	10	14	13	6	19	9
Car parking for customers	13	7	14	13	5	19	9

Spotlight - Research & Development

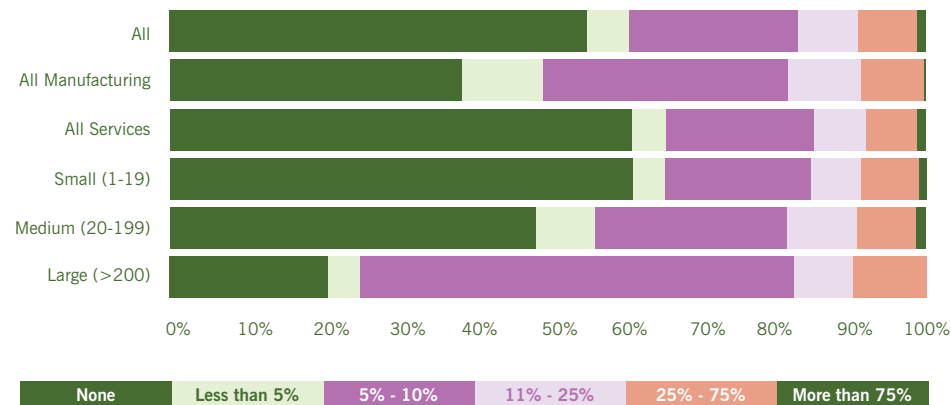
One in three businesses said that research and development was important for them (18% very important, 16% important). Research and development (R&D) was more important for manufacturers (44%) than service sector companies (31%). It was important for 57% of large companies (200+ staff), 34% of medium sized companies (20-199) and 32% of small companies (1-19).

Figure 19: Importance of research and development



Half the companies said they currently spend nothing on research and development and 12% said they did not know what was spent on R&D. Overall, 5% of companies said that less than 5% of their current business activity was spent on R&D, 20% said 5-10% of their current business activity was R&D and 7% said more than a quarter of their current activity was R&D. On average, manufacturers spend more on R&D than service sector companies.

Figure 20: Percentage of current business activity spent on R&D



Spotlight - Crime & Policing

Fear of crime

The crimes that businesses most fear are burglary (30% were concerned, rating this 4 or 5 on a five point scale), attempted burglary (29%), vandalism to buildings or vehicles (29%) and stealing or breaking into a vehicle (24%). On average service sector companies are more concerned about crime than manufacturers. The level of concern about burglaries and vandalism is similar but service companies are more concerned than manufacturers about shop lifting or theft, fraud, and verbal abuse by customers or by people outside their premises.

Table 14: Fear of crime, % rating concern 4 or 5 on a five point scale

	All	Manufacturing	Services
Burglary	30%	32%	29%
Attempted burglary	29%	34%	28%
Shoplifting/ theft	20%	12%	23%
Stealing or breaking into vehicle	24%	23%	25%
Vandalism to buildings or vehicles	29%	32%	28%
Violent crime	12%	8%	14%
Fraud	20%	12%	22%
Counterfeit goods	8%	5%	9%
Identity theft	16%	14%	16%
Verbal abuse or harassment from customers	14%	4%	18%
Verbal abuse or harassment people outside	11%	5%	12%
Loss of confidential information	11%	9%	11%
Safety staff near premises	10%	6%	11%
Anti-social behaviour	15%	7%	17%

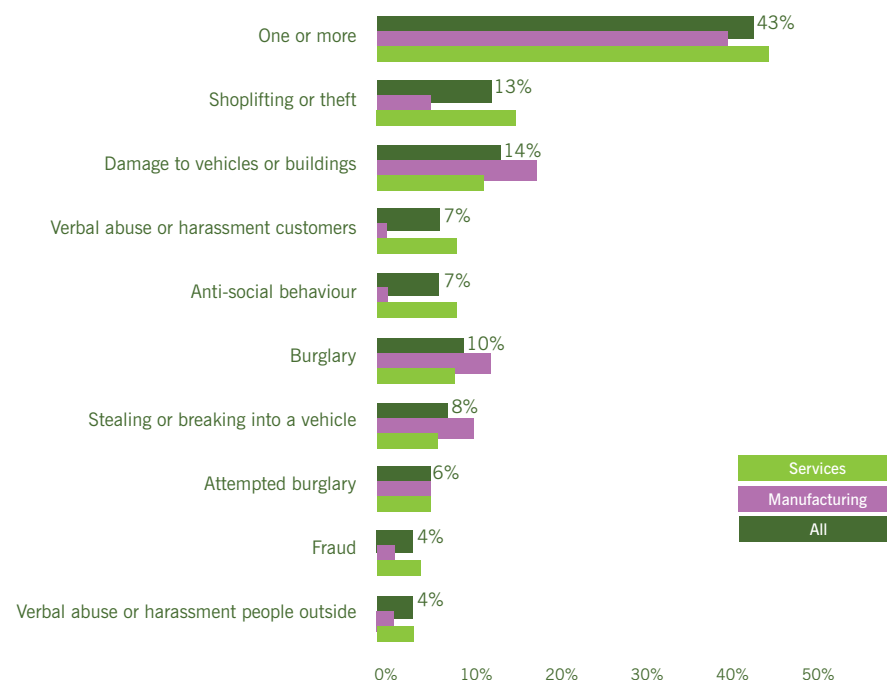
Experience of crime

43% of firms had been victims of crime in the previous twelve months much the same as was found in the previous survey conducted in October 2008. Service sector firms (45%) were more likely to have been a victim than manufacturers (40%) as the service sector was more likely to be the victim of shoplifting and verbal abuse. The risk of a business being the victim of crime increased slightly with the size of the company (40% of those with 1-19 employees, 47% of those with 20-199 employees and 49% of those with 200+ employees).

Overall, 14% of firms had experienced vandalism to buildings or vehicles, 13% shoplifting or theft, 10% burglary, 8% stealing or breaking into a vehicle, 7% verbal abuse or harassment by customers and 7% anti-social behaviour.

City-based firms (49%) were slightly more likely to have been the victim of crime or anti-social behaviour than County-based firms (41%).

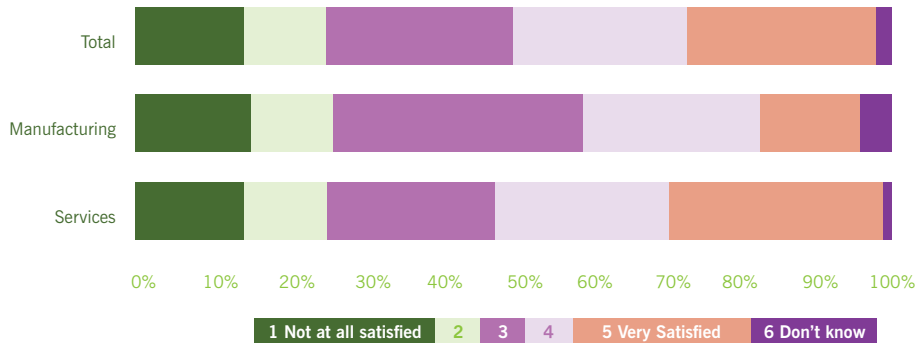
Figure 21: Has your business been the victim of any of these crimes in the past 12 months?



The majority of firms had reported crimes to the police (84% of those experiencing one or more crimes). Almost all those experiencing the more serious crimes such as burglary or stealing a vehicle had reported this to the police. The main reasons for not reporting a crime were: that the matter was trivial, that there was nothing the police could do (so they felt it was a waste of time reporting it), or that the firm thought the police would not do anything.

When asked to rate their satisfaction with how the police dealt with their case on a 5 point scale, where 1 was very dissatisfied and 5 was very satisfied, the overall rating was 3.3. Manufacturing firms (3.1) were slightly less satisfied than service sector firms (3.4).

Figure 22: Satisfaction with level of service received from the police



Restorative justice

Businesses were asked their opinion of being offered a 'restorative justice' solution if they were to report a crime in the future. An example was given where a perpetrator would be asked to clean off graffiti, pay the cost of cleaning graffiti or offer a formal apology rather than the case being tried formally in a court. Just over a quarter of businesses said they would be completely satisfied with this restorative justice and 37% fairly satisfied. A total of 6% would be fairly dissatisfied and 9% completely dissatisfied. 12% said they would be neither satisfied nor dissatisfied, 6% said they did not know, with 3% commenting that 'it depends'. Respondents would have been thinking about a 'low level vandalism' type crime when answering as this was the example given in the question.

Local policing

A total of 30% of firms said they were aware of the Local Policing Pledge, with service sector companies (33%) being more likely to have heard of this than manufacturers (23%).

A total of 42% of businesses said they knew their local policing team, again with service sector firms (45%) being more likely than manufacturers (32%) to do so.

One in three firms (35%) thought their local policing team was visible enough but 58% did not. Manufacturers (70%) were more likely than the service sector (54%) to think neighbourhood policing should be more visible.

Figure 23: Attitudes towards local policing, percentage saying yes



Effectiveness of crime prevention measures

When asked how effective various crime prevention measures were in reducing crime against their business, 81% thought higher police visibility was effective (rated 4 or 5 on a five point scale), 75% thought tougher sentencing effective, 74% a faster police response, 66% CCTV and 52% better street lighting.

Misuse of drugs and alcohol

9% of businesses, ranging from 5% of small (1-19), 12% of medium (20-199) and 31% of large (200+) companies said they have had to deal with employees who have misused drugs or alcohol. Manufacturers (13%) were slightly more likely than service sector companies (8%) to have had this issue to deal with.

The main problems caused were the danger with using machinery or driving, lower productivity or not doing their job properly, being unreliable, absenteeism and disharmony in the workplace.

60% of firms experiencing these problems said they had offered support, mainly advising or arranging for them to see a counsellor or seek advice, advising/talking to the employee themselves, being sympathetic or giving them time off. 21% of these firms, mainly large companies, said they had a system of in-house support.

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 1,009 businesses within Leicester and Leicestershire was undertaken during mid November to Mid December 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 achieved in each district was as follows:

Blaby	108
Charnwood	105
Harborough	103
Hinckley & Bosworth	102
Leicester City	317
Melton	88
North West Leicestershire	97
Oadby and Wigston	89

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	95	27%	166	26%	261	26%
Services	255	74%	482	74%	737	74%

Business Size						
1-9 employees	88	25%	191	29%	279	28%
10-19 employees	87	25%	152	23%	239	24%
20-50 employees	78	22%	157	24%	235	24%
51-199 employees	82	23%	115	18%	196	20%
200+ employees	14	4%	34	5%	48	5%

Note: figures reflect application of weightings.

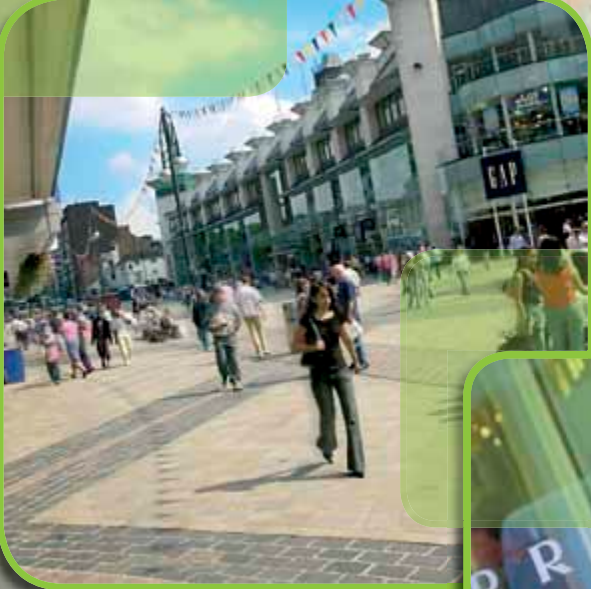
Subject to funding availability, the next Business Survey will be conducted in November 2010.

An electronic version of the survey report is available on the Leicestershire Statistics and Research website, 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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