



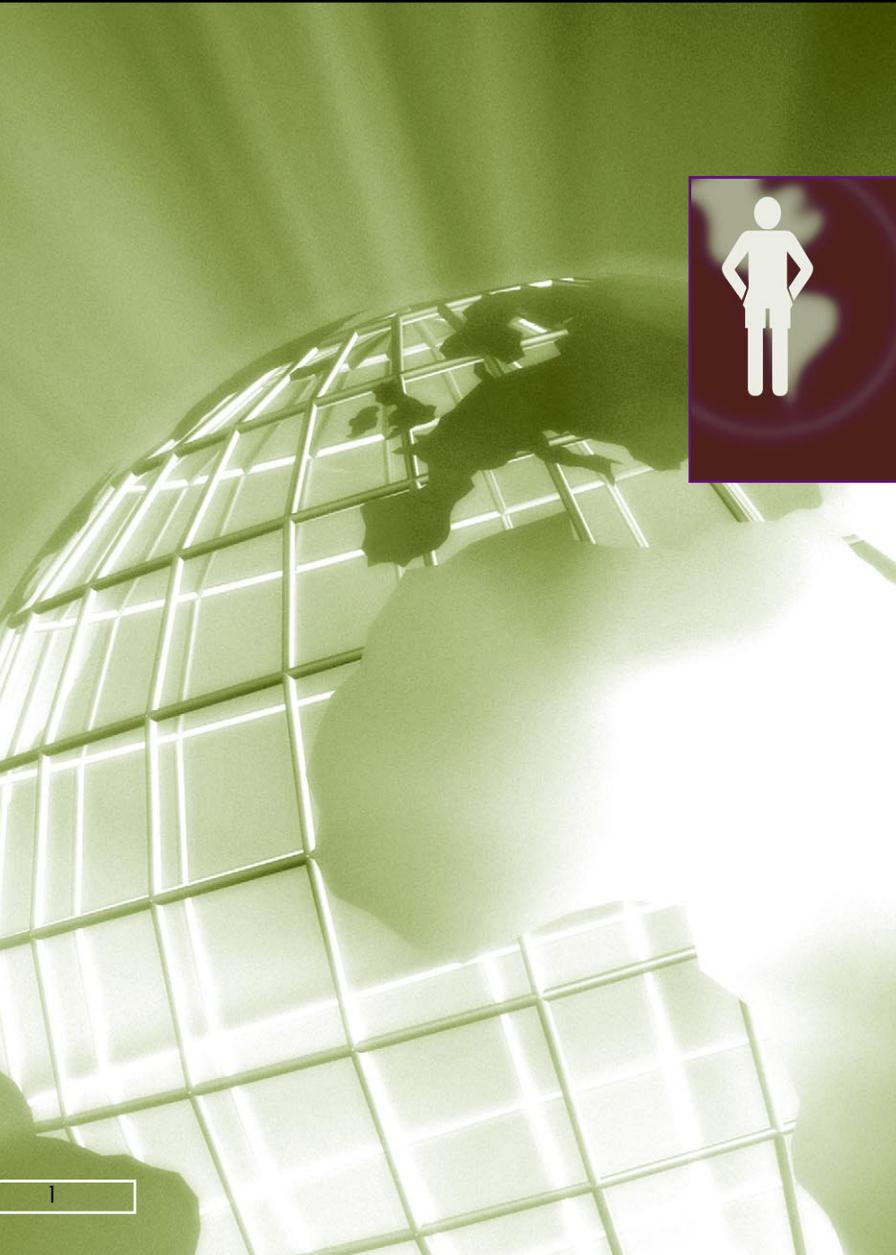
creating a clearer picture
of the leicestershire economy

Leicester & Leicestershire business survey winter 2002/03



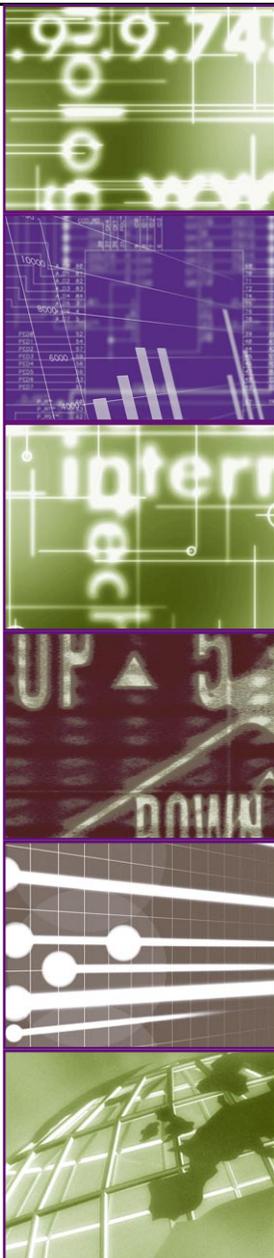
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winter 2002/03



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foreword



2003 looks to be a challenging and uncertain year for business in Leicester and Leicestershire. Our survey shows continuing fluctuation in business optimism. There is still a strong positive outlook as to increasing sales and improved profitability. Yet some of the doubts of last winter about general business conditions, banished with greater summer optimism, have returned. This may be fuelled in the short term by the uncertainties of the global picture. At the time of writing this foreword, the markets are continuing to fall and war in Iraq seems increasingly likely.

But there remains an underlying confidence in many Leicestershire businesses. This is backed by the increasing sense of collaboration and common purpose amongst support agencies in giving businesses a local environment, which helps to stimulate innovation and enterprise.

The establishment of the Leicester Shire Economic Partnership, led by the business community but working closely with the public and voluntary sectors, underlines this growing sense of partnership. With the purpose of improving the economic prosperity of Leicestershire, the LSEP is about to launch its ten-year Economic Strategy for the area.

It is the product of thinking from many businesses and organisations across the city and county. Working with other local agencies, our plan will concentrate resources on supporting enterprise and innovation, improving skills, creating a better local infrastructure and a more attractive environment in which businesses want to invest.

We all have a desire to see Leicestershire become more prosperous and achieve a better quality of life. By having better support and the right local environment, our workforce and businesses can turn 2003 into a year of opportunity and achievement.

KISHOR TAILOR

Chief Executive, Leicester Shire Economic Partnership

key issues

General business conditions

- Business optimism continues to fluctuate. Optimism has declined since Summer 2002 but is slightly above that found in Winter 2001/02. Overall, the balance of optimism is now negative at -13% from +3% in Summer 2002. 16% thought business conditions would improve compared to 29% who thought they would deteriorate over the next six months.
- This decrease in optimism applied to both the manufacturing and service sectors.
- Pessimism within the textiles sector remains very low at -59%.

Sales and profits

- The sales and profit outlook for firms has deteriorated slightly in the last six months. The balance of businesses reporting an increased turnover has decreased to +22% (from +32%), whilst the balance of increased profits has also decreased to +13% (from +25%).
- Under half the sample (45%) reported an increase in turnover with 23% reporting a decrease.
- Outlook for both sales and profits has also declined slightly in the last six months. The balance of optimism with regard to future sales is +36%, whilst that for improved profitability is +34%.

Main business concerns

- The main concerns for businesses are still red tape and competition.
- Exchange rates continue to be of concern to exporters.

Export activity

- Export recovery appears to be stable, with a balance of +5% of exporters showing an increase in export sales, compared to +3% six months ago and +7% 12 months ago.
- The outlook for exports is also positive, with a balance of +14% experiencing an increase in their overseas orders over the past six months.

Business finance and investment

- Improvement in the cashflow position has slowed slightly to a balance of +10%, slightly lower than six months ago. 30% said their cashflow position had improved with 20% saying it had worsened.
- The percentage of firms working at less than 70% capacity has remained unchanged at 19%.
- The balance of firms that have revised their investment plans upward is 22%, much the same as six months ago.

Price pressures and labour costs

- The proportion of businesses that have increased their prices has fallen slightly (26%). 15% have decreased their prices.
- The main price pressures are raw materials and other overheads.
- Wage rates have increased by 3.0% overall, slightly lower than in Summer 2002.

The workforce

- The proportion of firms recruiting staff has increased slightly to 62%. The percentage of recruiting firms reporting difficulties was 54%, much the same as that reported six months ago.
- The greatest area of recruitment difficulty remained skilled manual workers and semi-skilled jobs with unsocial hours.
- The most frequently used recruitment methods were newspaper advertisements, word of mouth, the job centre and recruitment agencies.
- 38% of firms agreed that skill shortages were having a serious impact on their business, much the same as six months ago.
- 27% had spent more than their usual amount on training in the past six months, slightly fewer than six months ago.
- The most frequently cited skills gaps in their current workforce were communication skills (35%), technical skills specific to their industry (32%), management or supervisory skills (30%), advanced IT (27%), customer care (27%) and marketing/sales (26%).

E-commerce

- Web site ownership has increased slightly to 72%.

Advice, guidance and training

- 53% of companies had used an external training provider during the previous year, with 72% using trainers based in Leicestershire and 51% those based outside the County.
- 39% were generally satisfied with the provision of business advice and support whereas 11% were not.
- 65% had contacted one or more organisations for business advice and support in the previous two years. In general, firms were happy with the advice or support received.



It is perhaps unsurprising, given recent and ongoing world events, that the upturn experienced six months ago has not been maintained over the longer term. Despite this disappointment, business optimism has

improved over the last year and it is hoped that the downturn experienced since the summer will prove to be due to the current uncertainty in the world economy.

PROFESSOR MIKE PRESTON Deputy Leader of Leicestershire County Council

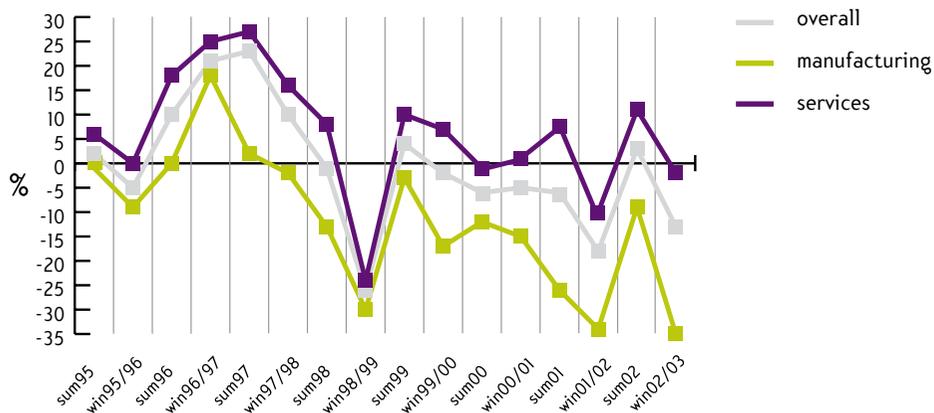
general business conditions

Business optimism

Local business confidence has continued to fluctuate. It has declined in the past six months but is still slightly higher than it was a year ago (Winter 2001/02 survey). The balance of optimism (*) is -13%, compared with +3% in Summer 2002 and -18% (Winter 2001/02). Overall, 16% of respondents thought that general business conditions would improve, 29% that they would deteriorate and 41% thought they would not change much.

Service sector organisations are more confident than manufacturing with the balance of optimism only just negative (-2%, decreasing from +11% six months ago). However, confidence in this sector is slightly better than a year ago. Manufacturing optimism has decreased sharply from -9% six months ago to -35% and is now much the same as a year ago. Overall, 9% of manufacturers thought business conditions would improve, 44% that they would deteriorate and 35% that they would not change much.

Figure 1: Balance of business optimism

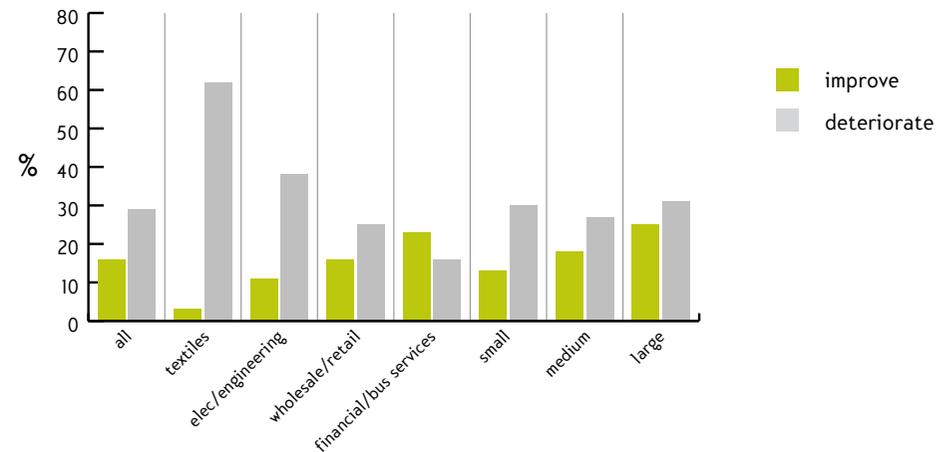


* Throughout this report balance data will be referred to. The balance is calculated by subtracting the percentage of businesses expecting a worse situation from those expecting an improvement.

Optimism is still very low in the manufacturing sub-sector of textiles (-59%). The balance of optimism in electrical/engineering has decreased sharply to -27% from +2% six months ago with 11% of firms in this sector thinking conditions will improve compared with 38% thinking they will get worse.

Of all the service sector industries, financial and business services are slightly more optimistic than others with 23% thinking conditions will improve and 16% that they will get worse. In the wholesale/retail sub-sector, 16% thought conditions would improve compared to 25% who thought they would get worse, a decline from +12% to -9% since the Summer 2002 survey.

Figure 2: Percentage thinking business conditions would improve/deteriorate by size and sector

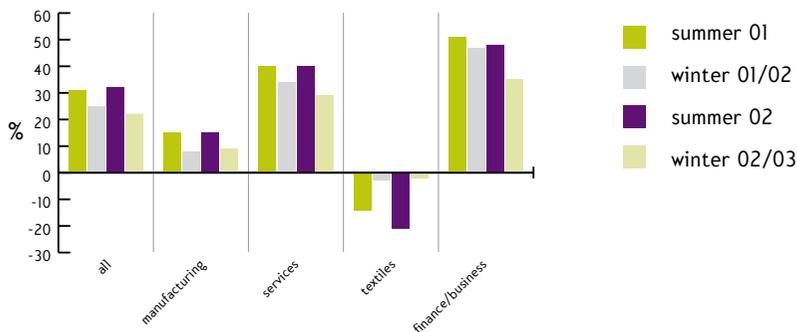


sales and profits

Sales performance

The position with regard to turnover has deteriorated slightly in the last six months. The balance of businesses that report an increased turnover in the last six months is lower than reported in the Summer 2002 survey (+22%, compared with +32%). A total of 45% reported an increase in turnover in the previous six months compared with 23% who reported a decrease.

Figure 3: Balance of increase in sales over the last 6 months



The balance of sales turnover has increased within organisations with 200+ employees (+63%). It has decreased slightly in organisations with 20-199 employees (+24%) and in smaller organisations (+16% for those with 1-19 employees).

Order intake

A third (35%) of firms report increased orders, advanced custom and advanced bookings in the last six months, much the same as in the previous six months. This is offset by a reported decrease in 16% of firms, leaving a balance of +19%.

Service sector organisations have performed better than manufacturing in this respect (+25%, compared with +11%) with the manufacturing sector having deteriorated from +17% six months ago.

All sectors, with the exception of textiles, reported an increased balance in advanced orders. Figures in manufacturing ranged from a balance of -18% for textiles to +20% for the engineering/ electrical sub-sector. In the service sector, the balance ranged from +24% for wholesale, retail and repairs to +27% for other services.

Leicestershire continues to benefit from having a well balanced economy. It is important that a significant proportion of our manufacturers are still growing, despite the difficulties. The continued success of the service sectors is

benefiting from its existing strength and the recruitment of new businesses, such as Boden and Laura Ashley, that have chosen to buy in to Leicestershire's location and economy and have relocated here.

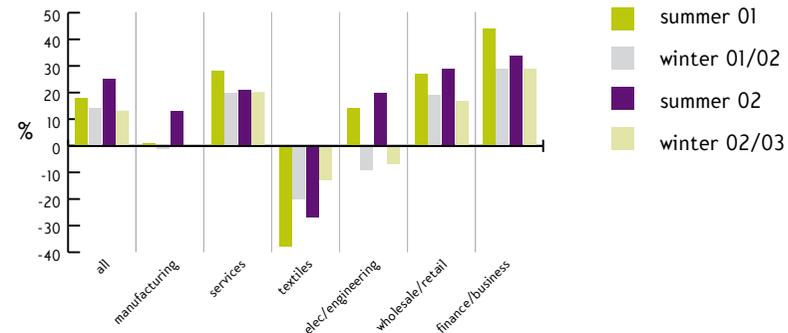
JOHN DAY President, Leicestershire Chamber of Commerce & Industry

Profit performance

The balance of businesses that report increased profits in the last six months is slightly lower than reported in Summer 2002 (+13%, compared with +25%). However, it is much the same as a year ago in the Winter 2001/02 survey.

The best performing industry sector in terms of increases in profits is, again, financial and business services (+29%). Manufacturing in general showed a neutral balance (0% compared with +13% six months ago). Textiles had performed very poorly at -13%, but this was actually better than six months previously. The engineering/electrical sub-sector had decreased sharply from +20% in the Summer 2002 survey to -7% now.

Figure 4: Increase in profits over the last 12 months



Profitability has increased slightly in the last twelve months within organisations of all sizes (+7% of 1-19 employers, +14% of 20-199 employers, +52% of 200+ employers).

Outlook

The outlook for sales is slightly more negative for the next six months than it was at the time of the Summer 2002 survey (a balance of +36%, compared with +43%) but this is slightly higher than 12 months ago. The manufacturing sector was less optimistic than the service sector with the level of optimism for sales having declined for manufacturers whereas this was unchanged for the service sector.

The outlook for profits is slightly more negative for the next six months than it was at the time of the Summer 2002 survey (a balance of +34%, compared with +39%) but is very close to that of twelve months ago.

export activity

World economic activity was subdued throughout 2002, with the UK's main export market, the euro area, experiencing below par growth, sluggish consumer spending and weak business investment.

Given this backdrop, local companies have faced big challenges in their export markets and the performance reported here is therefore particularly impressive.

ROSIE SMITH Deputy Agent, Bank of England East Midlands Agency

Export performance

Just over a quarter of firms surveyed (26%) export products or services, much the same as six months ago. The proportion of manufacturers exporting has risen slightly to 50% but the proportion of service sector organisations that export has remained constant at 14%.

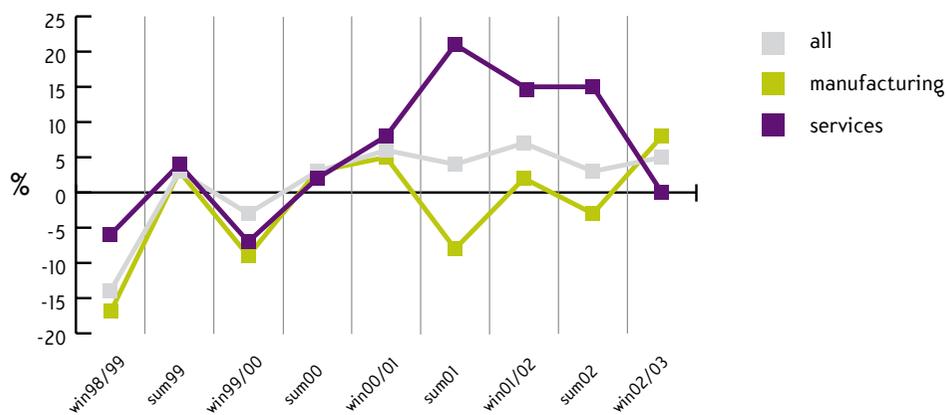
Table 1: Percentage of products or services exported

	None	4% or less	5-9%	10-24%	25-49%	50% or more
Manufacturing	50%	7%	10%	13%	7%	13%
Services	86%	2%	2%	4%	2%	2%

Over the last six months, 31% of exporters have increased their overseas sales, whilst slightly fewer have seen a decrease (26%), much the same as was found in the Summer 2002 survey.

Export growth has remained fairly constant over the past year with a balance of +5% compared to +3% six months ago and +7% 12 months ago. Over the past two years, export sales have remained fairly flat.

Figure 5: Balance of change in export sales



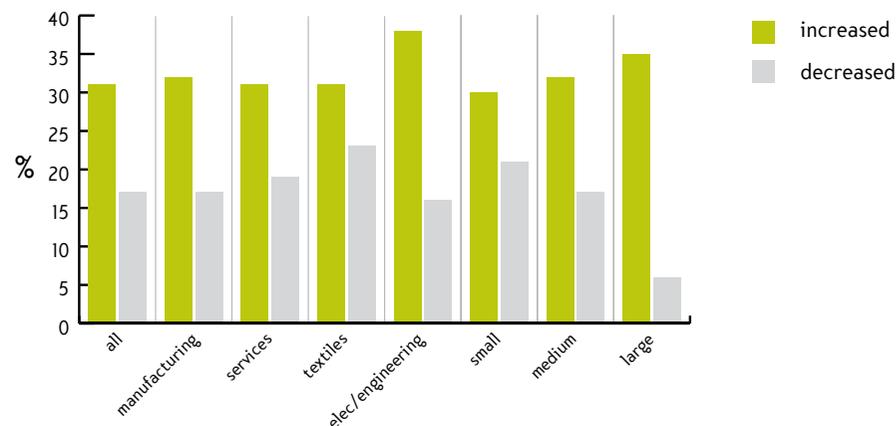
The balance of export sales has improved slightly for manufacturing (from -3% to +8%) but has declined for the service sector (from 15% to 0%). Within manufacturing, the situation of textiles businesses has changed sharply with an overseas sales balance of +8% compared to a negative balance of -20% six months ago. The balance for the engineering /electrical sector has also improved sharply to +18% from -2% six months ago.

Export outlook

The outlook for exports is more encouraging with a balance of +14%, much the same as Summer 2002 (+17%) and an improvement from Winter 2001/02 (+10%). Overall, 31% said their advanced orders had increased, 46% that they were much the same and 17% that they had decreased.

Manufacturing shows a positive balance (+15%), much the same as six months ago. The advanced orders for the textile sub-sector shows a positive balance of +8% and the engineering/electrical sub-sector +22%

Figure 6: Advanced export orders compared with 6 months ago



business finance and investment

The results of the survey highlight the importance of managing cash within the business. It is vital that a tight control on cashflow is maintained, particularly in those companies not working at full capacity.

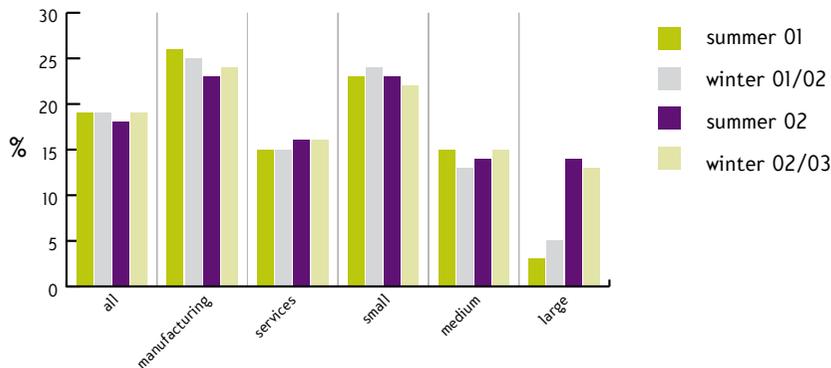
The plight of the textile manufacturing sector continues to cause concern with an increasing number of companies reporting spare capacity and a general decline in cashflow across the sector.

MIKE JEWITT Operations Director, Business Link Leicestershire

Capacity

The proportion of organisations working at less than 70% of capacity has changed little since the Summer 1999 survey. It is now 19%, much the same as six months ago. The proportion of firms working at nearly full capacity (i.e. more than 90% of capacity) is 42% which has remained unchanged over the past twelve months.

Figure 7: Proportion of firms currently working at less than 70% capacity

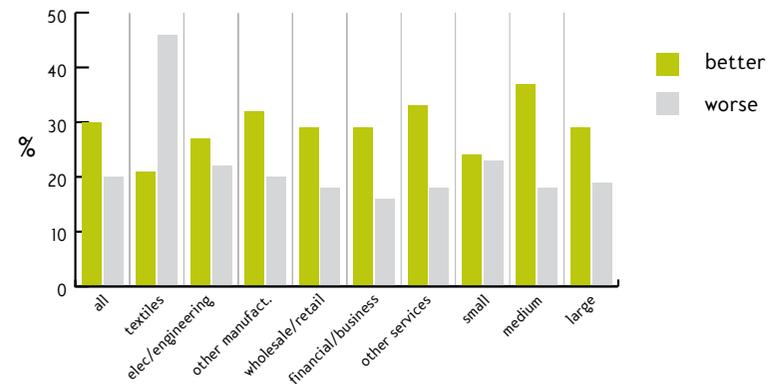


Manufacturing firms (24%) are more likely to be working at less than 70% capacity, particularly firms in the manufacturing sub-sector of textiles (33%).

Cashflow

The cashflow position has declined slightly with 30% saying that cashflow has improved and one in five (20%) saying it has worsened. The balance is +10%, which is slightly lower than the +14% found in the Summer 2002 survey. The balance for manufacturing companies has remained constant at +1%. Service sector organisations show a decrease to a balance of +14%, compared with +20% six months ago. Textiles firms have faced a declining cashflow situation in the last six months with the balance now at -25% compared with -20% six months ago.

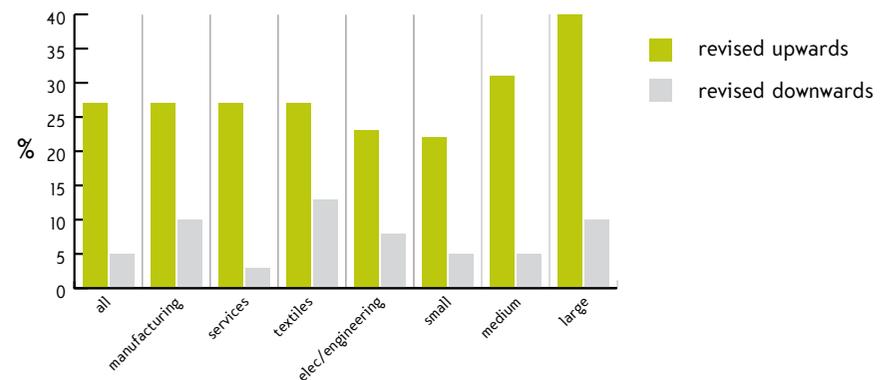
Figure 8: Percentage with cashflow better/worse than six months ago



Investment plans

Positive balances in terms of investment plans being revised upwards are evident in all industry sectors and manufacturing sub-sectors with a quarter of all companies (27%) saying they had revised their investment plans upwards. The balance of investment is now +22%, the same as in Summer 2002 and Winter 2001/02. There is little difference between sectors.

Figure 9: Balance of change in investment plans over the past 6 months



It is iniquitous that over-regulation conspires against the entrepreneurial potential of small businesses by artificially creating dis-economies of scale. That said, using out-sourced support judiciously is sometimes an economic way to offset part of this burden, whereas external factors such as exchange rates are risks that we have to face together.

MAX BODEN Policy Manager, Leicestershire Chamber of Commerce & Industry

main business concerns

Main concerns

Respondents were asked 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. Results are presented as mean scores.

Reflecting the findings from previous surveys, red tape and competition are of most concern to local businesses. Concern about red tape has increased slightly and is the same as it was in Winter 2001/02. Concern about these factors has remained fairly constant over the past two years.

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

Factor	All	All Summer 02	Manufacturing	Services	Small	Medium	Large
Red Tape	3.7	3.3	3.9	3.5	3.5	3.8	3.7
Competition	3.4	3.4	3.5	3.3	3.2	3.6	3.9
Business Rates	3.1	3.1	3.3	3.0	3.1	3.1	3.1
Inflation	2.9	2.9	2.9	2.9	2.8	2.9	3.2
Interest Rates	2.8	2.9	2.7	2.9	2.8	2.8	3.0
Corporation Tax	2.6	2.5	3.0	2.5	2.5	2.9	2.5
Exchange Rates	2.2	2.2	2.7	2.0	2.0	2.5	2.5

Manufacturing firms are slightly more concerned about most of these factors than service sector organisations, especially regarding exchange rates, corporation tax and red tape (health & safety and environmental legislation, for example, are more likely to be of concern to manufacturers rather than service sector organisations).

Many businesses were not concerned about any one piece of legislation (red tape), rather it was the cumulative effect and frequent changes that were a burden. Employment legislation and health and safety legislation received the most complaints. Exchange rates continued to be of concern to exporters with an average score of 3.4.

Table 3: Business concerns for City and County firms

Factor	City		County	
	Winter 02/03	Summer 02	Winter 02/03	Summer 02
Red Tape	3.5	3.2	3.7	3.4
Competition	3.5	3.5	3.3	3.3
Business Rates	3.1	3.2	3.1	3.1
Inflation	2.9	2.9	2.9	2.9
Interest Rates	2.8	2.8	2.8	2.9
Corporation Tax	2.5	2.5	2.7	2.5
Exchange Rates	2.1	2.3	2.3	2.2

County firms are slightly more concerned about red tape, corporation tax and exchange rates than those in the City, while City firms are more concerned about competition than County firms.

Since the Summer 2002 survey concern about red tape increased for both City and County firms. Concern about corporation tax increased for County firms while concern about exchange rates decreased for City firms.



The Inland Revenue's Core Purpose is to ensure that everyone understands and receives what they are entitled to and understands and pays what they owe, so that everyone contributes to the UK's needs.

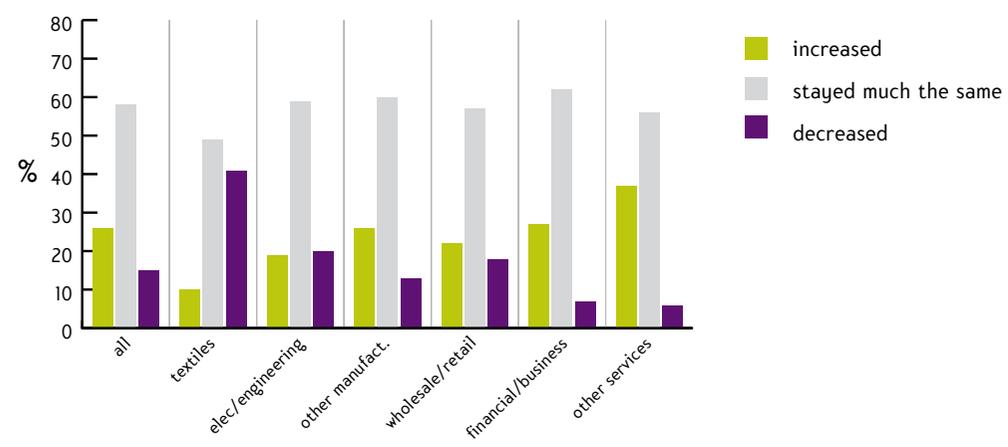
MARILYN NORTH Inland Revenue spokesperson

price pressures and labour costs

Prices

A quarter of all firms increased their prices during the last six months (26%), whilst 15% said their prices had decreased. The balance of businesses that reported increases in prices in the last six months is lower than reported in the Summer 2002 survey (+11%, compared with +20%) but is much the same as it was in Winter 2001/02. However, more than half the businesses (58%) report no change in prices.

Figure 10: Businesses reporting increased and decreased prices by sector



In both the textiles and elec/engineering sub-sectors more firms decreased their prices than increased them. The opposite was the case for other manufacturing and the service sector.

There was little variation in terms of the size of company, 25% of those with <20 employees had increased their prices compared with 26% of those with 20-199 employees and 25% of those with 200+ employees.

Table 4: Proportions by which prices have changed

	Price increase				No change		Price decrease		
	>10%	6-10%	3-5%	<3%	0%	<3%	3-5%	6-10%	>10%
% of businesses	2	2	10	6	58	2	5	1	3

57% of firms predict no change in prices, slightly lower than six months ago, with 28% predicting an increase, a slightly higher proportion than six months ago.

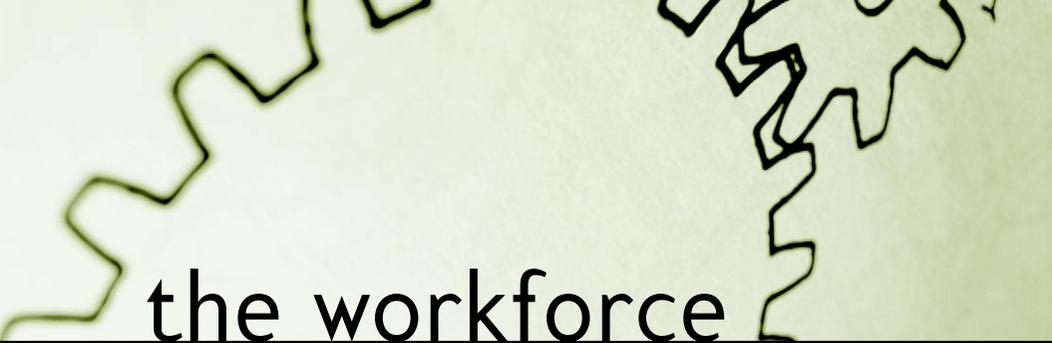
A minority (9%) anticipate that prices will decrease, slightly more than six months ago, giving a balance of +19%. More service sector companies (30%) think that prices will increase than manufacturers (24%), but the proportion of manufacturers predicting an increase in prices is twice what it was six months ago.

Of the factors mentioned to respondents, the main price pressures are raw material prices (28%, higher than six months ago) and other overheads (27%). 20% mentioned pay settlements and 16% mentioned finance costs (also slightly higher than six months ago).

Labour costs

Locally, 66% of firms report increases in wage rates over the past 12 months, whilst only 2% report decreases, much the same as in Summer 2002. There was little difference between sectors.

Overall (including firms whose wage rates have not changed as a zero increase), wage rates have increased by 3.0%, slightly less than the national headline rate figure for average earnings growth in October 2002. This ranges from 3.3% within service sector organisations to 2.6% in manufacturing businesses.



the workforce

It is encouraging to see a continuing expansion of the local workforce and a decline in the number of people who are unemployed to below the national and regional average.

The motivation and developing skills of our workforce, matched to the demands of the economy, remains amongst the sub-region's greatest potential assets.

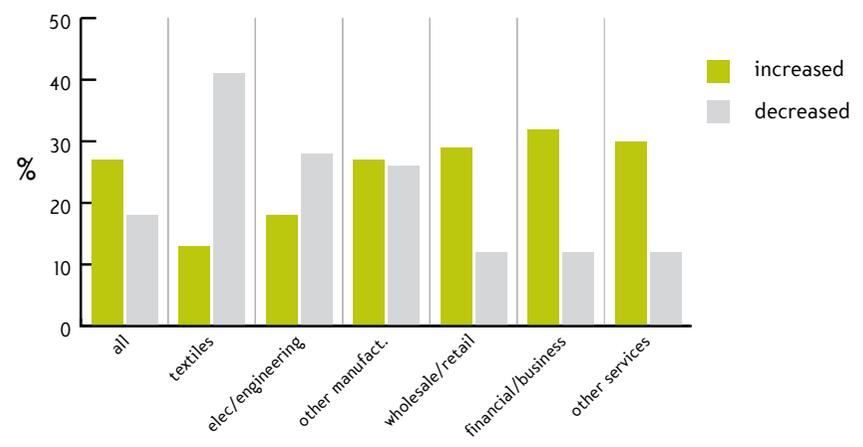
PHIL DURBAN Programme Controller, Leicester Shire Economic Partnership

At the time of the survey, the local claimant unemployment rate* was 2.9%, slightly below both the regional rate and the national rate of 3.0%. This represents a slight decrease on the previous year in the LSC area**. The rate for the County area has declined to 1.9% and that for Leicester City to 4.5%.

Workforce growth

55% of firms reported no change in their workforce over the past six months, much the same as in the Summer 2002 survey (56%). This ranged from 49% of the manufacturing sector to 58% of the service sector. Overall, 30% of manufacturers said their workforce had declined compared with 12% of the service sector. 41% of textile companies had decreased in size.

Figure 11: Percentage of firms reporting increased and decreased workforce over the past six months



Smaller companies were less likely to have increased in size, (24% of those with <20 staff compared with 28% of those with 20-199 staff and 46% of those with 200+ employees).

The outlook for the next 6 months is still fairly optimistic. Over a quarter of firms surveyed (28%) expect the size of their workforce to increase during this time.

* Workforce-based unemployment rates (October 2002)

**LSC area comprises the areas of Leicestershire County and Leicester City

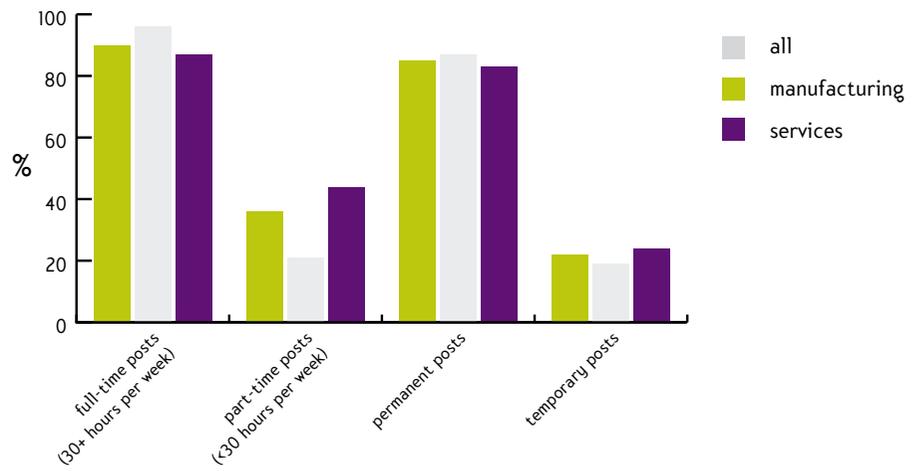
Recruitment

Two thirds of the firms surveyed (62%) have recruited staff in the last 6 months, at 59% of manufacturing companies and 64% of service sector firms. Compared with six months ago, more service sector companies have recruited staff whereas the situation for the manufacturing sector was little changed. The percentage recruiting in the past six months increases from 45% of firms with fewer than 20 staff to 80% of those with 20-199 staff and 98% of those with 200+ employees.

90% recruited full-time employees, whilst 36% employed part-time employees. In line with previous findings, manufacturing firms are much less likely to have taken on part-time employees (21%, compared with 44% of service sector firms).

The majority of recruiting companies (85%) have taken on permanent employees, whilst almost a quarter (22%) have taken on temporary staff.

Figure 12: Types of post recruited in the past six months, % of recruiting firms



(multiple responses possible)

recruitment problems

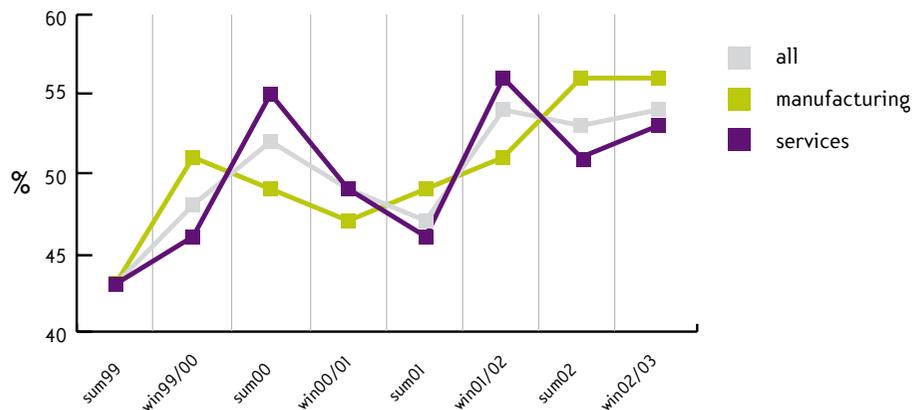
Employers are vital to a successful economy. A key priority for Jobcentre Plus is to deliver a demand-led approach to filling vacancies

through partnership and innovation. Our new modern services will help us meet this challenge in a 21st century jobs market.

JOHN LEE District Manager, Jobcentre Plus, Leicestershire

Over half of recruiting firms (54%) have experienced difficulties, much the same as six months ago (53%). In general, manufacturing sector firms reported more problems (56%) than the service sector (53%), as was found in the Summer 2002 survey. 61% of recruiting textile companies reported difficulties.

Figure 13: Proportion of recruiting companies experiencing recruitment difficulties



Areas of recruitment difficulty

Overall, firms have had the greatest difficulty recruiting craft occupations (skilled manual workers) in the past 6 months (29% of those experiencing recruitment difficulties), slightly higher than Summer 2002. The proportion of firms reporting difficulties with clerical & secretarial occupations has remained much the same at 21%. Machine and plant operators (17%) and personal and protective service occupations (16%) have also proved difficult to recruit particularly for jobs with unsocial hours such as care workers and bar staff. Manufacturing firms experienced two areas of difficulty (skilled manual 46%; plant and machine operatives 28%) whereas problem occupations were more widespread in the service sector.

Table 5: Percentage of businesses reporting recruitment difficulties by occupation (multiple responses possible)

	All	Summer 2002	Small	Medium	Large	Manufacturing	Services
Craft & related	29	25	30	31	8	46	20
Clerical & secretarial	21	22	14	27	6	21	21
Plant & machine operatives	17	16	13	16	19	28	11
Personal & protective services	16	19	18	19	-	1	24
Other low skilled	13	9	8	16	8	8	15
Associate technical & professional	12	15	13	12	8	7	15
Sales	11	10	11	9	13	3	15
Professional	9	5	2	12	6	7	11
Managers & administrators	6	5	4	6	6	8	5

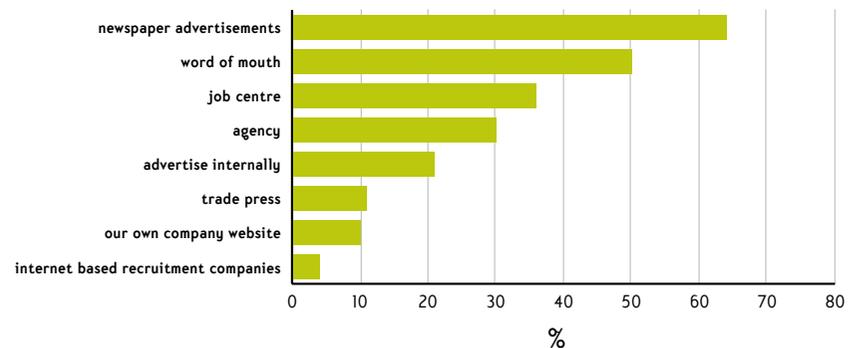
Note: percentages refer to those firms recruiting

Recruitment methods

The most frequently used recruitment methods were newspaper advertisements (used by 64%), word of mouth (50%), the Job Centre (36%) and recruitment agencies (30%). A small proportion used internet based recruitment companies (4%) and 10% advertised posts on their company's own web site.

The practice of the manufacturing and service sectors was similar. Large companies were more likely to use all of these methods.

Figure 14 Recruitment methods by size of company

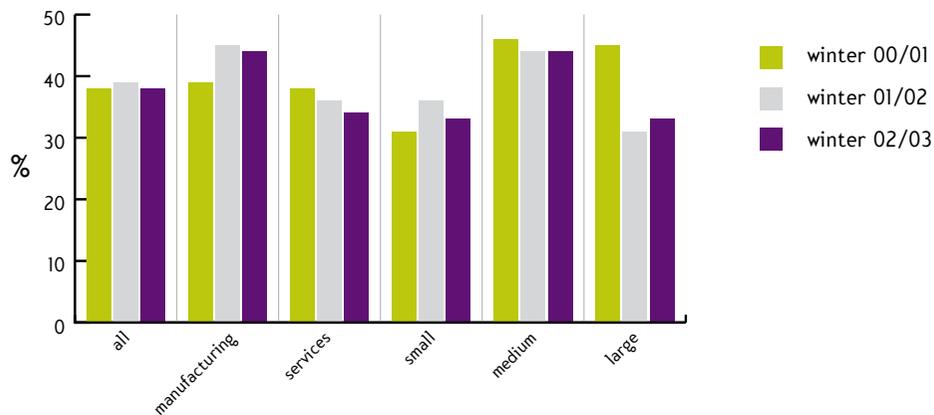


skills shortages

The position on skills shortages has changed little in the last six months. Overall, 38% of firms surveyed agreed that skill shortages were having a serious impact on their business, much the same as six months ago (40%).

In manufacturing, there is a similar proportion of firms reporting skills shortages now as in Summer 2002 (44%) with textiles reporting a slightly higher level of skills shortages (46%). The service sector reports fewer skills shortages (34% now, compared to 37% six months ago).

Figure 15: Proportion of firms agreeing that skills shortages are having a serious impact on their business



Basic Skills

1% of firms said that shortages in basic skills amongst their workforce were very serious and 6% fairly serious, lower than six months ago. 70% said this was not a problem at all and 15% said it was not very serious.

Overall, 5% of companies said they provided basic training in literacy and numeracy and 3% ESOL (English as a Second Language) training. A quarter of firms said they provided IT training.

Lack of basic skills is an issue in certain sectors and occupations. It is part of our remit at the LSC to ensure that basic skills and ESOL training provision meets the needs of both the workforce and employers.

By addressing these skills needs, we can improve the effectiveness of the workforce, opening up more opportunities not only for better career prospects, but also for better business performance.

HILARY ARKELL Workforce Development Advisor, Leicestershire Learning and Skills Council

Table 6: Extent to which lack of basic skills in the workforce is a problem

	All	Summer 2002	Manufacturing	Services	Small	Medium	Large
Is a problem	7%	14%	6%	7%	6%	8%	8%
Not a problem	84%	75%	88%	83%	81%	89%	88%
Not sure, not applicable	9%	11%	6%	10%	13%	3%	4%

The most significant skills which companies thought needed improving in their workforce were communications skills (35%), technical skills specific to their sector (32%), and management or supervisory skills (30%). Small companies were less likely to say they had skills gaps.

Table 7: Skills which need improving in workforce

	All	Manufacturing	Service	Small	Medium	Large
Communication skills	35%	35%	35%	26%	46%	46%
Technical skills specific to your industry	32%	42%	27%	26%	41%	33%
Management/supervisory skills	30%	33%	29%	22%	40%	46%
Advanced IT	27%	27%	28%	21%	35%	38%
Customer care	27%	25%	29%	21%	33%	44%
Marketing/sales	26%	29%	25%	26%	28%	17%
Basic IT	22%	22%	22%	17%	28%	33%
Professional	16%	15%	17%	14%	18%	21%
Literacy	15%	17%	13%	10%	20%	19%
Numeracy	14%	14%	13%	9%	17%	27%
None of these	31%	25%	33%	40%	19%	21%

training and investment

Given the current economic climate, it is encouraging that over a quarter of firms surveyed had increased the amount they spent on training over the past six months. Nevertheless, the real concern is for those firms (almost as many) who spent nothing on training and particularly since many of these businesses are feeling the impact of skill shortages.

Our message to employers is simple: "Developing the skills of your workforce is your best investment." It will raise your productivity and profits. There is a lot of support for you in addressing this. Contact Business Link Leicestershire or the Learning and Skills Council and we will see what we can do to help.

DAVID NELSON Executive Director, Leicestershire Learning and Skills Council

Expenditure on training

Overall, 27% of firms surveyed said they have spent more than their usual amount on training in the past six months, whilst only 4% have spent less. Nearly half (46%) have spent their usual amount, whilst 22% said they have spent nothing. This represents a slight decrease since Summer 2002 when increased spending was reported by 30% of firms. Larger firms (41% of those with 50 or more staff) are more likely to have increased their spend on training. 48% of companies with fewer than ten staff spent nothing on training. Only 8% of textile companies reported increased training expenditure, with 33% spending nothing.

Just over half of companies (53%) had used an external training provider in the previous twelve months, ranging from 28% of those with fewer than 10 employees to 79% of those with 50-199 employees.

Of those using external training providers, 72% had used providers based in Leicestershire and 51% providers based outside the County. Larger companies were more likely to have used providers based outside the County, as were service sector firms.

Satisfaction with local training provision

One in three companies felt unable to comment, but, of those that did, over half indicated they were satisfied or very satisfied with the availability of local training provision (54%). 15% indicated they were not satisfied or not at all satisfied. There was very little difference in these opinions by size and sector.

Over 40% of firms felt unable to comment on the quality of local training provision. Of those that did, 62% indicated they were satisfied or very satisfied, with only 10% indicating they were not satisfied or not at all satisfied. Small firms were less likely to be satisfied.

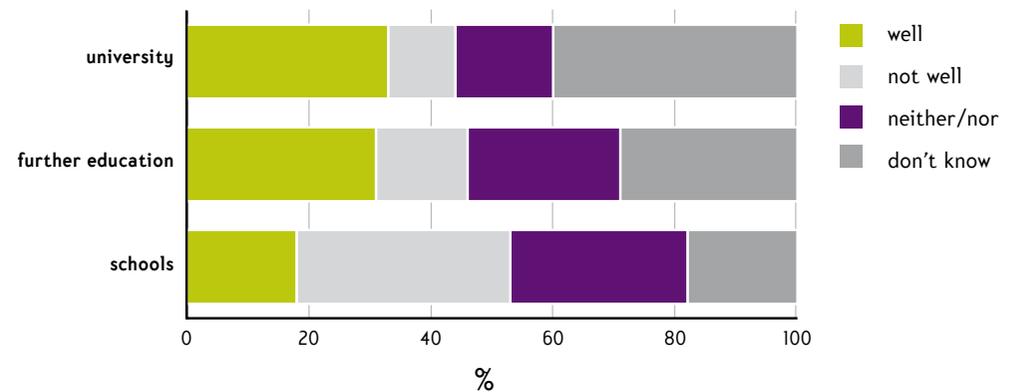
Table 8: Percentage indicating satisfied or very satisfied with local training provision

	All	Manufacturing	Services	Small	Medium	Large
Availability	54	55	53	54	54	54
Quality	62	61	62	58	65	63

Note: Percentage of firms who gave an opinion. The table does not show the percentage of all firms

Satisfaction with education provision for young people

Figure 16: How well education providers prepare young people for the workplace



Businesses were asked how well they felt the education provision in Leicestershire prepared young people with the skills for the workplace. Significant proportions of firms felt unable to give an opinion, but, from those who did, schools received the lowest endorsement with only 21% of firms indicating they prepared young people fairly or very well. 25% of service sector firms who gave an opinion rated the provision this way compared with only 13% of manufacturing. There was no significant difference between firms in the city and the county.

42% and 52% of firms rated Further Education colleges and universities respectively as preparing young people fairly or very well. As with schools, there was no significant difference between firms in the city or the county but there was between the manufacturing and service sectors (a higher proportion of service sector firms said provision in FE colleges and universities prepared young people fairly or very well for the workplace at 47% and 56%, and 33% and 45% respectively).

spotlight on: business advice and guidance

A recent report published by the Small Business Service states that four out of five businesses taking advice report positive benefits as a result. Leicester is above the national average for accessing

advice but lower rates of satisfaction and number of agencies suggest that there is still some confusion of where to go for advice and guidance.

MIKE JEWITT Operations Director, Business Link Leicestershire

Companies were reasonably satisfied with the provision of business advice and support locally with 39% saying they were satisfied (rating 4 or 5 on a scale of 1-5) and 11% were not satisfied. A quarter of companies said they did not know.

Table 9: Satisfaction with availability of business advice and support

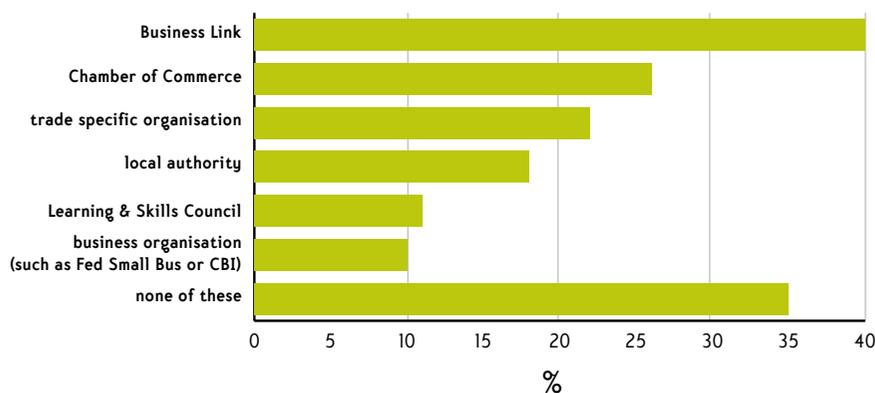
	All	Small	Medium	Large	Manufacturing	Services
Satisfied	39%	37%	40%	39%	43%	36%
Neither/nor	23%	21%	26%	17%	23%	22%
Not satisfied	11%	14%	8%	15%	14%	10%
Don't know	27%	28%	26%	29%	21%	31%

Use of business support services

Two thirds of companies (65%) had contacted one or more of the business support services listed within the past two years. Very small companies (under 10 employees) were less likely than others to have contacted one of these organisations (50%).

A total of 40% had contacted Business Link with manufacturers (48%) more likely to have done so than the service sector (35%). A quarter of respondents had contacted the Chamber of Commerce with manufacturers (31%) again more likely to have done so than service sector companies (22%). A total of 11% had contacted the Learning and Skills Council, 18% a local authority, 22% a trade specific organisation and 10% an organisation which supports businesses such as the Federation of Small Businesses or the CBI.

Figure 17: Percentage contacting business support organisations in the past two years

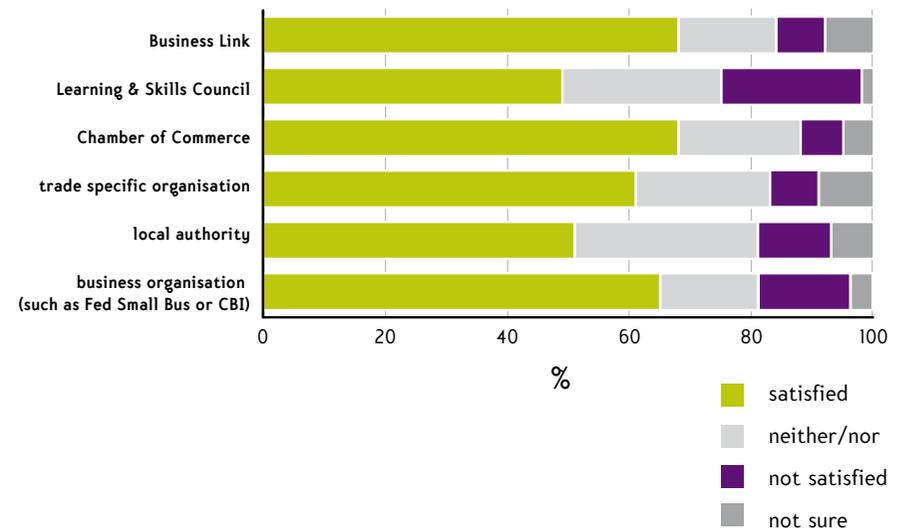


Overall, 28% had just been seeking information, 26% had wanted professional advice or guidance and 44% had wanted both. Companies with 20-50 employees were the most likely to have wanted professional advice and guidance. Companies with less than 20 employees were more likely to have wanted information.

Satisfaction with business support services used

Companies were generally satisfied with the business support agency they had contacted. The highest level of satisfaction was with organisations representing businesses and trade specific organisations. Respondents were slightly less satisfied with local authorities.

Figure 18: Satisfaction with business support (those contacting each organisation in past two years)



e-commerce

It is very encouraging to see that companies are increasingly seeing the benefit of e-commerce and are continuing to embrace e-technology in the workplace. The County

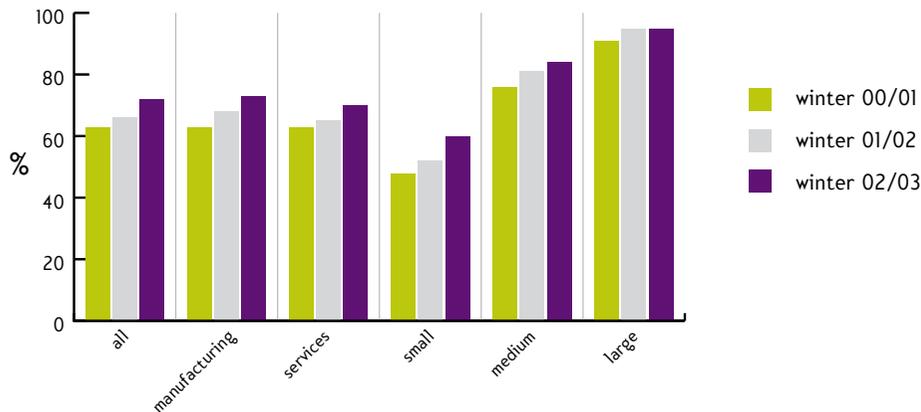
Council is committed to seeing Leicestershire develop as a county which exploits the opportunities offered by new technology to the benefit of the local economy.

PROFESSOR MIKE PRESTON Deputy Leader of Leicestershire County Council

Current web site ownership

The proportion of firms that own a web site has increased to 72%, ranging from 43% of small companies (under 10 staff) to almost all large companies. This has risen from 53% in Summer 2000.

Figure 19: % of businesses with a web site



By sector, web site ownership is slightly more widespread in the manufacturing sector (73%, compared with 70% of service sector firms). Web site ownership is lower than average in the textile sector (62%). It increases with the size of the company.

The use of web sites with interactive pages rather than as merely a 'poster-site', has remained much the same (41% of firms with a web site have static pages, 29% have interactive pages and 23% have both). Service sector organisations are slightly more likely to use interactive pages on their web site than manufacturing firms (55%, compared with 45%).

Hours Worked Outside Core 8-6

Almost half the firms (48%) said their staff regularly worked outside the core hours of 8-6, with little difference by sector. This has changed little from the Winter 2001/02 survey when this question was last asked. The catering and health care sectors were the most likely to work outside these core hours and the financial and business services sector the least.

41% of firms said staff regularly worked before 8.00am and 44% after 6.00pm.

Table 10: Outside core hours working

	All	Manufacturing	Services	Small	Medium	Large
% firms working outside 8-6	48%	49%	48%	35%	61%	85%

Value of the minimum wage

Only one in three respondents (32%) correctly identified the adult minimum wage as being £4.20 per hour. 15% gave a figure below the actual amount and 40% gave a figure higher than it is. A total of 14% said they did not know or gave the vague response '£4 something'. A small number of firms did not appear to understand the question and gave the lowest wage their company paid.

Firms in sub sectors where the minimum wage is more likely to be paid (textiles (49%), hotels, restaurants, catering (52%), education and care sector (47%)) were more likely than others to know the true rate.

spotlight on: community

Community Involvement

The majority of firms (73%) were involved with community activities in one or more of the ways listed.

More than one in three of companies (39%) had taken work experience placements from schools or colleges and 15% had links with schools to support education. 16% had links with colleges or universities to support their work. There is very little difference between the sectors, with a slightly higher proportion of manufacturing firms involved in some form of activity than service sector firms.

Table II: Percentage of firms involved in each community activity (multiple responses possible)

Activity	All	Manufacturing	Services	Small	Medium	Large
Work experience	39	36	40	26	52	67
Links with schools	15	16	15	8	20	50
Links with colleges	16	18	15	7	22	54
Sponsoring sports	21	18	22	14	27	40
Sponsoring arts	7	5	8	5	8	23
Supporting charities	58	61	57	47	69	85
Support work with community projects	27	24	29	19	33	65
None	27	24	28	36	16	8

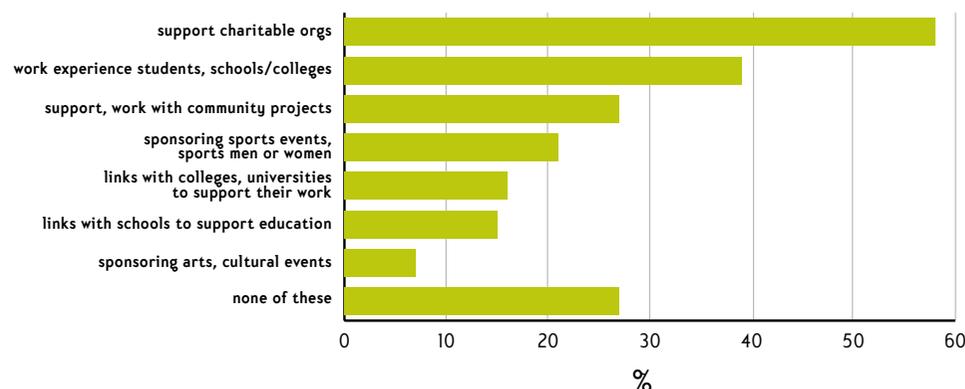
In terms of size, large companies (200+ employees) were much more likely to be involved across all the activities than companies with under 200 employees. Small firms are more likely not to be involved in any way, but significant proportions did indicate that they supported charities, took on work experience students and supported community projects.

The proposed changes to 14-19 education will result in more vocational education in schools and colleges. We would encourage any employer who can offer work experience or might be willing to engage with schools in a practical way to contact us.

There are many staff development benefits to companies linking with schools. These statistics highlight the breadth of company involvement and also scope for further growth.

BARBARA CHANTRILL Chief Executive, Leicestershire Education Business Company

Figure 20: Proportion of firms engaging in community activities of some kind by sector



63% of textiles firms were involved in some community activity, a proportion much lower than the other sectors. The electrical/engineering and other manufacturing sectors show higher levels of participation at around 80%.

There is very little difference between firms located in the City and the County areas, with results for each very close to the overall figures across the activities.

Revitalising Neighbourhoods

Revitalising Neighbourhoods is a project that marks a period of change both within the council and in Leicester's communities. 10 neighbourhood forums supported by neighbourhood co-ordinators will be set up across the city. Forum members and local people will be able to advise the council on how to improve services in their area and will have access to key service managers. Each forum will draw up a neighbourhood community plan that identifies the improvements the area needs.

For more information, please contact:
 Adam Archer, Project Manager (Revitalising Neighbourhoods)
 Tel: 0116 2526091



spotlight on: local authorities

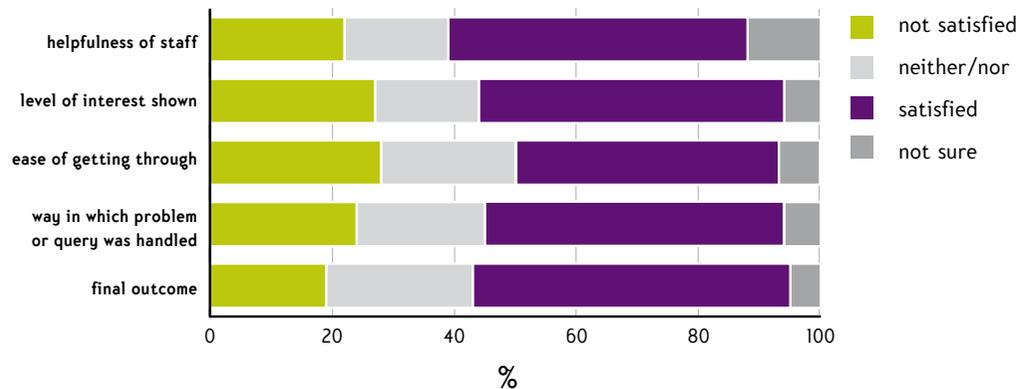
Contacting local authorities

A quarter of companies (29%) had contacted a local authority in the previous twelve months about a business related matter. This ranged from 20% of very small companies to 42% of those with 200+ employees.

The main mode of contact was by phone (84%) with 26% saying they went in person, 38% wrote and 14% used e-mail.

The level of satisfaction with the local authority was reasonable with a score of 3.5 for the helpfulness of staff (based on a scale of 1 to 5 where 1 is not at all satisfied and 5 is very satisfied) and 3.4 with the level of interest shown. The ease of getting through to the correct person rated 3.2, the way in which their query was dealt with 3.3 and the outcome 3.4.

Figure 21: Satisfaction with contacting a local authority (those contacting in past year only)



The County Council, through its Better Access to Better Services Initiative, is committed to further improving access to services by continuing to work with other providers to improve the range

and quality of services which can be accessed by a broad variety of means (including in person and electronically) by businesses and the wider community.

PROFESSOR MIKE PRESTON Deputy Leader of Leicestershire County Council

Satisfaction with local authorities in general

When asked how well the County Council was meeting their expectations in terms of services to businesses 38% of companies located in the County said they did not know, 17% thought their expectations were met well, 13% thought they were not met well.

Satisfaction with the City Council was slightly lower with 27% of companies based in the City saying their expectations were not met well and 17% that they were met well. 22% of City firms said they did not know.

One in five businesses (21%) said their district council did not meet their expectations well and a similar proportion (20%) that they did.

Table 12: Extent to which local authorities meet expectations in terms of services to businesses

	County Council	City Council	District Council
Not well met	13%	27%	21%
Neither / nor	22%	31%	29%
Well met	17%	17%	20%
Don't know	38%	22%	24%

Leicester City Council are working proactively with local communities and businesses in order to identify issues and

problems faced locally so that appropriate services can be delivered jointly by all providers.

CLLR KAVIA Cabinet Lead (Strategic Planning and Regeneration), Leicester City Council

methodological notes

Methodological notes

The Leicester & Leicestershire Business Survey is conducted twice a year and is produced through a partnership involving Leicestershire County Council, Leicester City Council, Leicestershire Chamber of Commerce and Industry, Leicestershire Learning and Skills Council and the Leicester Shire Development Agency.

The survey

A telephone survey of 765 businesses within Leicester and Leicestershire was undertaken during November/December 2002. The sample was drawn from the Leicestershire, Leicester and Rutland Business Database (data4business) and aims to reflect as accurately as possible the mix of businesses found in the survey area. Rutland businesses were not included in this survey.

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

	City	%	County	%	Total	%
Business Sector						
Manufacturing	107	37%	160	34%	267	35%
Services	160	63%	315	66%	498	65%
Business Size						
1-9 employees	96	32%	144	30%	237	31%
10-19 employees	69	24%	109	23%	178	23%
22-50 employees	61	21%	106	22%	167	22%
51-199 employees	53	18%	82	17%	135	18%
200+ employees	14	5%	34	7%	48	6%

The next Leicester & Leicestershire Business Survey will be conducted in May/June 2003.

An electronic version of the survey report is available on the Leicestershire Economic Research Partnership web site, www.lerp.co.uk.

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:

Jo Miller

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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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