



# Leicester Shire

BUSINESS SURVEY

winter  
2006/07





# winter 2006/07

## Leicester Shire BUSINESS SURVEY

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# Foreword

Welcome to the latest publication from Leicester Shire Intelligence\*. We hope that you find the Winter 2006/07 edition of the Leicester Shire Business Survey interesting and informative.

In this survey we have explored a number of topical issues including the recruitment of migrant workers, environmental policies and concerns about climate change. You can also track business performance over time on a number of key indicators.

There are some encouraging signs emerging from the survey. Local business performance over the last six months has continued to be strong in terms of both turnover and profits. A high proportion of businesses (65%) recruited in the last six months and the percentage of firms experiencing recruitment difficulties (33%) is at the lowest level for over twelve years. This reduction in recruitment difficulties reflects the continuation of a trend that we have seen in the last three surveys.

Another positive sign is that 10% of businesses are planning to relocate in the next couple of years and most would prefer to remain in the Leicester Shire sub region.

Our interviews were conducted in December 2006 and January 2007. At this time, local business confidence was quite low at -5%, having declined slightly since the Summer 2006 survey (-1%). Main areas of concern appear to be around fuel and energy costs, competition, and attracting customers. However, this lack of confidence does not appear to have had an impact on business performance.

Leicester Shire Intelligence manages the Leicester Shire Business Survey on behalf of local partners. It is a telephone survey conducted every six months, with each survey seeking the views of over 750 businesses.

If you have any topics that you would like to see included in future surveys, please contact one of the partners listed at the end of this document.

Caroline Boucher  
Project Manager, Leicester Shire Intelligence

\*For information about Leicester Shire Intelligence and its publications please visit [www.lsint.info](http://www.lsint.info)

*Leicester Shire Intelligence continues to demonstrate that much can be achieved through effective partnership working. I am delighted to recommend the latest Business Survey to you. It not only examines key business trends over time, it also provides a useful snapshot of business opinion on emerging issues.*

Kishor Tailor, Chief Executive, Leicester Shire Economic Partnership



Leicester Town Hall, Leicester © Ben Ravillious

# Key Issues

## General business conditions

- Business optimism for the next six months is still quite low (-5%) and has declined slightly since Summer 2006 (-1%) but is higher than in Winter 05/06 (-10%). Despite this, sales and profit performance remain strong.
- Overall, views on optimism were mixed. 16% thought business conditions would improve compared to 20% who thought they would deteriorate over the next six months. 47% thought there would be little change.
- Since Summer 2006, optimism in the manufacturing sector has declined, but there has been little change in the service sector, with the service sector again being more optimistic than manufacturing.

## Sales and profits

- A total of 45% reported an increase in turnover compared to the previous 6 months, with 18% reporting a decrease. 41% reported an increase in profitability and 19% a decrease.
- 47% thought sales would increase over the next six months with 9% predicting a decline. 45% predicted an increase in profits over the next six months and 9% a decline.

## Main business concerns

- Fuel and energy prices, competition, attracting customers, winning orders, finding suitable staff and business generation are key concerns to businesses. Red tape also remains a concern.
- Exporters continue to be concerned about high exchange rates.

## Export activity

- Export growth has improved slightly, with 41% reporting an increase in overseas sales, 10% a decrease and 47% no change.
- The outlook for exports is marginally more positive, with 39% saying their advanced overseas orders had increased over the past six months.

## Business finance and investment

- The cashflow position has remained fairly static. 23% said their cashflow position had improved and 15% that it had worsened.
- The percentage of firms working at less than 70% capacity has remained much the same at 15%. The proportion working at nearly full capacity has also remained unchanged at 40%.

## Price pressures and labour costs

- The proportion of businesses that have increased their prices fell slightly over the past six months (31%) compared with 8% who have decreased their prices.
- The main price pressures were fuel and energy prices, raw materials and other overheads.
- Wage rates have increased by 2.9% overall, much the same as in Summer 2006.

## Recruitment

- The proportion of firms recruiting staff (65%) has remained constant. At 33%, the percentage of recruiting firms experiencing recruitment difficulties is at its lowest level for more than 12 years.
- When asked about recruitment in the previous six months, 39% of recruiting firms had taken on young people under 19 and 12% apprentices. 17% had recruited migrant workers with the manufacturing sector being slightly more likely than the service sector to have done so.
- One in five firms (20%) have recruited migrant workers in the past two years, this being similar across all sectors. Migrant workers came from all parts of the world but the majority were from Eastern Europe and in particular Poland (two-thirds of firms with migrant workers having recruited Polish people).

## Skills

- 30% of firms agree that skill shortages are having a serious impact on their business, much the same as six months ago.
- The main skills gaps identified were communication skills within the company (30%), management and supervisory skills (30%), communication externally (25%) and technical or job specific skills (25%).
- 23% had spent more than their usual amount on training in the past six months. Overall, 3% had spent less, 55% their usual amount and 18% nothing.

## Relocation

- 9% of companies said they planned to relocate in the next couple of years. Most of these companies were planning to remain in Leicester Shire.

## Environmental policies

- 57% of firms have an environmental policy with larger firms being the most likely to do so.
- 39% of firms considered themselves well informed about how environmental and energy issues affected their business, but 25% said they were not well informed.

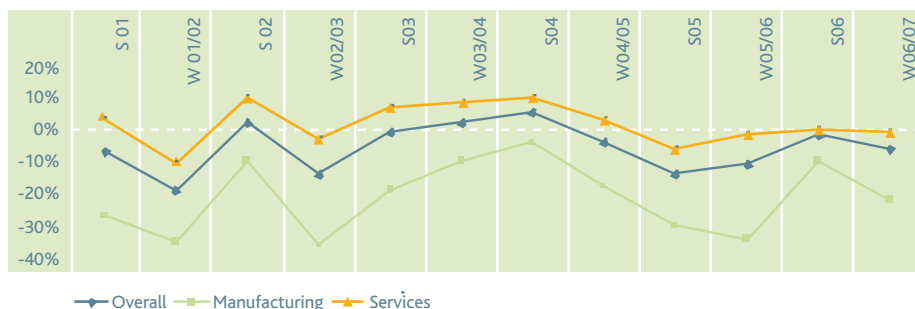
# General Business Conditions

## Business optimism

Local business confidence continues to be fairly low and has decreased slightly since the Summer 2006 survey. The balance of optimism\* is -5%, compared with -1% in the Summer 2006 survey and -10% in Winter 05/06. Overall, 16% of respondents thought that general business conditions would improve, 20% that they would deteriorate and 47% thought they would not change much.

Confidence has continued to fluctuate in the manufacturing sector and now stands at -21% compared to -9% in Summer 2006 and -33% in Winter 05/06. Confidence in the service sector has remained unchanged at 0%. Overall, 7% of manufacturers thought business conditions would improve, 27% that they would deteriorate and 53% that they would not change much. In the service sector, 19% thought conditions would improve, 18% that they would deteriorate and 45% that they would stay the same.

Figure 1: Balance of business optimism



The construction sector is the most positive, with 29% thinking business conditions would improve and 20% thinking they would deteriorate, giving a positive balance of +9%.

Optimism in the electrical/engineering sub-sector has decreased from -11% in the Summer 2006 survey to -19% in Winter 06/07, with 8% of firms in this sector predicting conditions will improve compared with 27% which think they will get worse.

\* 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.

Confidence in the business and financial services sector has declined with a balance of +2% compared with +13% in Summer 2006. Confidence in the transport and communications sector has improved over the past six months to a balance of 0%, from a balance of -18% six months ago.

The level of business optimism increases with the size of company. Ranging from a balance of -13% for small companies (1-19 employees) to +17% for large companies (200+ employees).

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

	Improve	Not change	Worse	Don't know
All	16.0%	47.0%	20.0%	17.0%
Small (1-19)	14.0%	46.0%	25.0%	15.0%
Medium (20 - 199)	16.0%	47.0%	18.0%	19.0%
Large (200+)	23.0%	55.0%	6.0%	15.0%
Manufacturing	7.0%	53.0%	27.0%	14.0%
Elec / engineering	8.0%	48.0%	27.0%	16.0%
Service	19.0%	45.0%	18.0%	18.0%
Construction	29.0%	39.0%	20.0%	12.0%
Retail, wholesale, hospitality	18.0%	47.0%	20.0%	15.0%
Transport and communications	21.0%	46.0%	21.0%	13.0%
Financial and business	19.0%	46.0%	18.0%	18.0%

*This latest survey reflects the dynamic and fluctuating perceptions of general business conditions across Leicestershire. Despite the fact that overall confidence has dropped slightly since the previous survey, the trend from 12 months ago has increased significantly in both the service and the manufacturing sectors. It is interesting to note that larger organisations have more confidence in future growth and development, which sets a challenge for the new regional Business Link service being managed by East Midlands Business Ltd to work with more smaller to medium sized businesses in Leicestershire to help build their confidence and competitiveness for the future.*

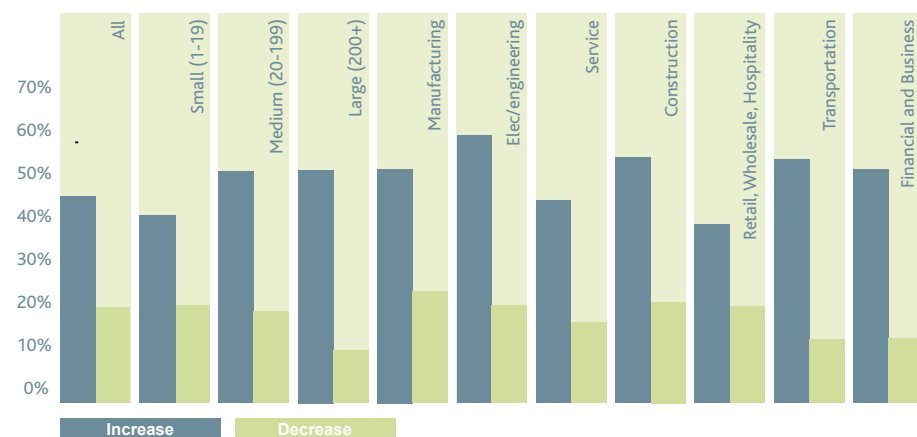
Mike Jewitt, Director of Business Link Leicestershire

# Sales and Profits

## Sales performance

The position with regard to turnover has remained much the same over the past six months with the balance of businesses that reported an increased turnover in the last six months similar to that reported in the previous survey (+28% compared with +26% in Summer 2006). However, this represents a steady increase from +24% twelve months ago. 45% reported an increase in turnover in the previous six months compared with 18% who reported a decrease. 16% reported an increase in sales of more than 10%, again much the same as six months ago.

Figure 2: Change in sales over the last 6 months



Larger companies were more positive than small ones with a balance of +42% for large (200+ employees), +33% for medium (50-199 employees) and +21% for small (1-19 employees) companies. The difference between sectors was smaller with the least confident sector being retail, wholesale and hospitality at +22%.

## Order intake

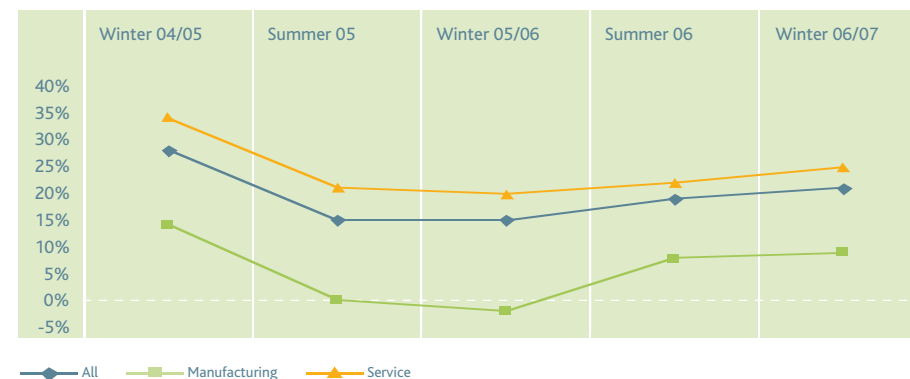
Just under a third of firms (31%) reported increased orders, advanced custom and advanced bookings in the last six months. A minority of firms (11%) reported a decrease and 35% of firms reported that advanced bookings had remained much the same.

## Profit performance

The situation regarding profits has continued to improve slightly. The balance of businesses that reported increased profits has increased slightly to +21% from +19% six months ago. Overall, 41% reported an increase in profits and 19% a decrease, with 31% saying they were much the same. 14% reported an increase in profits of more than 10%.

The best performing industry sectors in terms of increases in profits were business and financial services (+43%) and transport and communications (+44%). The retail, wholesale and hospitality sector had decreased to +15% from +23% six months ago. Manufacturing in general has remained constant at +9%. The balance of profitability for the engineering/electrical sub-sector has increased to +18% from +2% in Summer 2006 but is at the same level as in the Winter 05/06 survey.

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



## Outlook

The outlook for sales has remained much the same over the past 6 months to give a balance of +38%. Overall, 47% thought sales would increase, 9% that they would decrease and 36% that they would remain much the same. The manufacturing sector was slightly less positive than the service sector (+34% compared to +38%).

Overall, the outlook for profits was similar with 45% predicting an increase in profits over the next six months and 9% a decline.

# Export Activity

## Export performance

A total of 16% of businesses surveyed export products or services, slightly higher than six months ago (14%). The proportion of manufacturers exporting stands at 42% and that of service sector organisations at 8%.

Table 2: Percentage of products or services exported

% Exported	None	4% or less	5-9%	10-24%	25-49%	50% or more
Manufacturing	58%	4%	9%	9%	11%	8%
Service Sector	92%	2%	2%	2%	1%	1%

Overseas sales have shown a slight improvement over the past six months with 41% of exporters having increased their overseas sales and 10% reporting a decrease. 47% reported that overseas sales were constant. This is a balance of +31% compared to +27% six months ago. The balance of export sales for manufacturing was +35%.

Figure 4: Balance of change in export sales over the past 6 months, all exporters



Table 3 displays regional and national comparisons, for the change in the balance of export sales in the year to December 2006, from The Chamber of Commerce Quarterly Economic Survey. Firms were asked to think about the previous 3 months and state whether their overseas sales, custom or bookings increased, remained constant or decreased. Although the question varies slightly due to the timeframe over which it is asked, it provides a useful comparison for the Leicester Shire figures.

The balance of export sales for manufacturers has decreased over this twelve month period for firms in the East Midlands and for the UK as a whole, unlike in Leicester Shire where the balance has increased. The balance for firms in the service sector has fluctuated less than the manufacturing sector. The balance has increased for service sector firms in the East Midlands, now standing at +16%.

Table 3: Balance of change in export sales over 2006 for the East Midlands and UK

Area	Sector	1 <sup>st</sup> Quarter (March 2006)	2 <sup>nd</sup> Quarter (June 2006)	3 <sup>rd</sup> Quarter (September 2006)	4 <sup>th</sup> Quarter (December 2006)
UK	Manufacturers	23%	19%	34%	20%
UK	Service Sector	29%	22%	25%	27%
East Midlands	Manufacturers	44%	22%	38%	18%
East Midlands	Service Sector	31%	12%	12%	16%

Source: Chamber of Commerce, QES

## Export outlook

Overall, 39% said their advanced orders had increased, 46% that they were much the same and 7% that they had decreased. The outlook for exports has improved slightly over the last six months.



# Business Finance and Investment

## Capacity

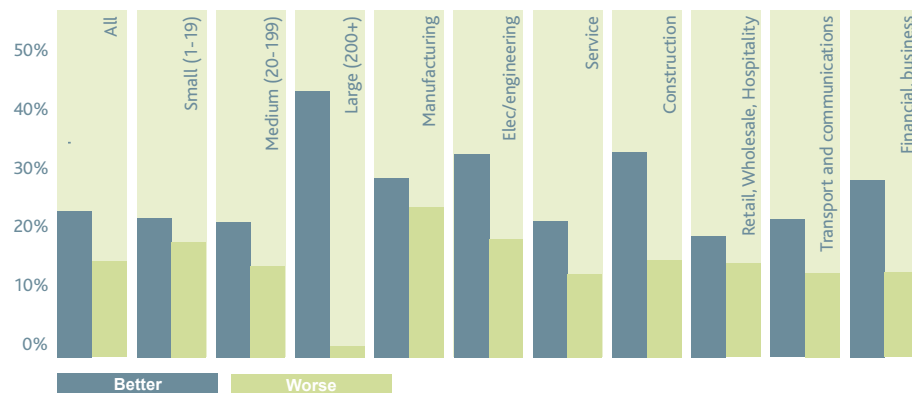
Since the Summer 1999 survey, the proportion of organisations working at less than 70% of capacity has changed very little, it is now 15%. The proportion of firms working at nearly full capacity is 40%, the same as in Summer 2006.

Manufacturing firms (23%) are more likely than service sector companies (12%) to be working at less than 70% capacity. Small companies (1-19 employees) are more likely than larger ones to be working at less than 70% capacity (19% compared to 11% of large companies).

## Cashflow

The overall cashflow position of companies surveyed is similar to that six months ago, with 23% saying that cashflow had improved, 52% saying it had not changed and 15% saying it had worsened, giving a balance of +7%. The balance for manufacturing companies is now +4% compared to 0% six months ago. The balance for service sector organisations has decreased slightly to +9%.

Figure 5: Change in cash flow position compared to six months ago



## Investment plans

The percentage of companies planning to increase their investment has changed little from six months ago. A total of 25% of companies said they had revised their investment plans upwards, 2% downwards and 72% said there had been no change.

The Electrical/engineering (35%), manufacturing (29%) and the financial and business services sector had the highest proportion of firms planning to revise their investment plans upwards.

Table 4: Change in investment plans over the past 6 months

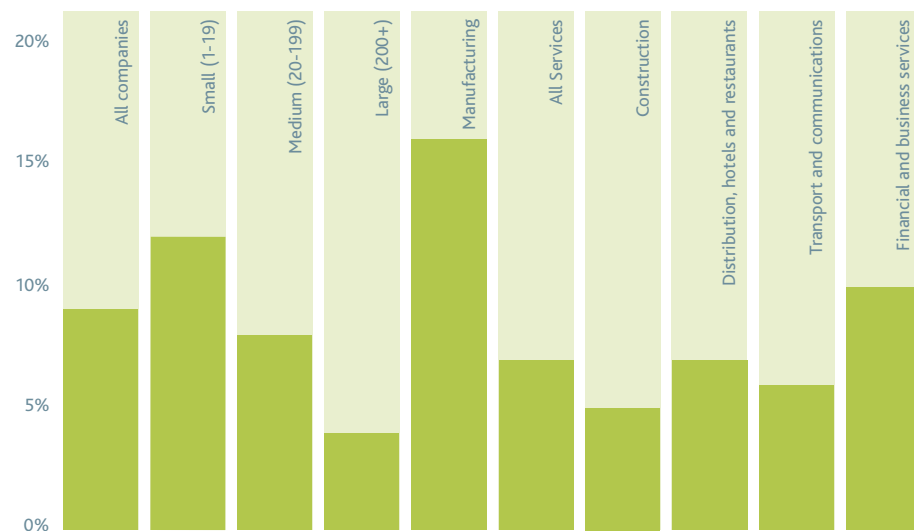
	Revised upwards	No change	Downwards
Large (200+)	40%	57%	2%
Elec/engineering	35%	63%	2%
Medium (20-199)	29%	69%	3%
Manufacturing	29%	66%	5%
Financial and business	29%	70%	1%
All	25%	72%	2%
Service	24%	74%	2%
Retail, wholesale, hospitality	24%	74%	2%
Transport and communications	23%	77%	-
Construction	20%	76%	5%
Small (1-19)	19%	78%	3%

# Spotlight on Relocation

Just under one in ten companies (9%) said they were planning to relocate in the next couple of years, much the same as in Summer 2006 and Winter 05/06.

The percentage was higher for manufacturers (16%) than the service sector (7%).

Figure 16: Percentage of companies planning to relocate in the next couple of years



Of the 71 firms planning to relocate, 11% were planning to move to Leicester City centre, 18% to the rest of Leicester and 46% to Leicestershire County. 4% were planning to move outside the County and 17% said that they were not certain.

Table 12: Where companies are planning to relocate to

	All	Manufacturing	Services	City	County
Leicestershire County	46%	45%	48%	18%	65%
Leicester – edge of City	18%	24%	14%	32%	9%
Not certain	17%	17%	17%	18%	16%
Leicester – City centre	11%	10%	12%	25%	2%
Outside Leicester Shire	6%	3%	7%	4%	7%
Leicester – elsewhere or anywhere in the City	1%	–	2%	4%	–
Base	71	29	42	28	43



# Main Business Concerns

## Main concerns

When businesses were asked (unprompted) what factors, if any, were causing the most concern for their company, responses were very similar to the Summer 2006 survey. 17% said there was nothing. The main concerns were winning customers, orders or generating business and increasing costs (raw materials, fuel or other costs) each being cited by 13%. Other concerns were competition (11%); red tape or legislation (8%) and recruiting staff (7%).

Respondents were 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 5.

As in the Summer 2006 survey, fuel and energy prices and red tape were of most concern to local businesses. Competition, attracting customers, business generation and finding suitable staff were also of concern. Concern about these factors has remained fairly constant over the past two years.

Manufacturing firms were slightly more concerned about most of these factors than service sector organisations. The only factors where the service sector was more concerned was with red tape, interest rates and staff retention.

Figure 6: Main business concerns by sector (mean scores)

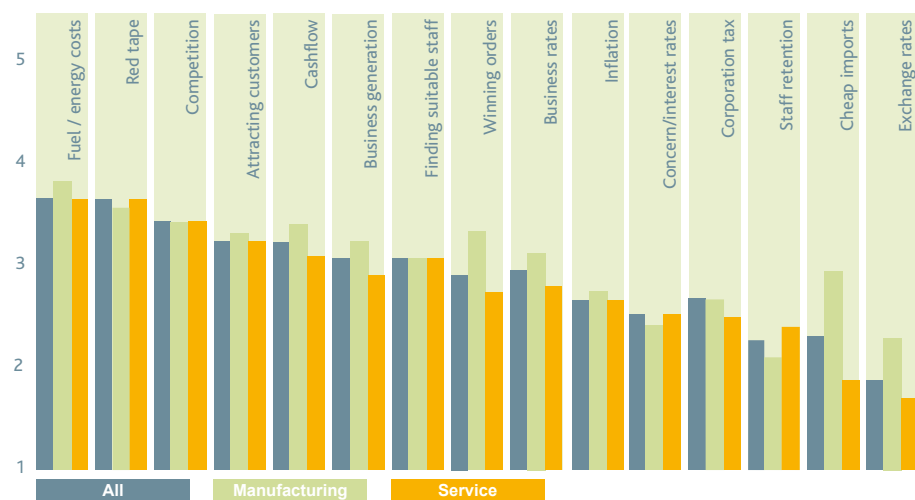


Table 5: Business concerns, mean score ranked by order of importance

Factor	All Winter 2006/07	All Summer 2006	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Fuel / energy costs	3.6	3.5	3.8	3.6	3.6	3.7	3.8
Red tape	3.6	3.5	3.4	3.6	3.6	3.6	3.3
Competition	3.3	3.4	3.3	3.3	3.3	3.2	3.6
Attracting customers	3.1	3.3	3.2	3.1	3.2	3.1	2.8
Cashflow	3.1	2.8	3.3	3.0	3.1	3.0	2.7
Finding suitable staff	3.0	3.1	3.0	3.0	2.9	3.2	2.7
Business generation	3.0	3.2	3.2	2.9	2.9	3.1	2.9
Business rates	3.0	3.0	3.1	2.9	3.0	2.9	2.5
Winning orders	2.9	2.9	3.4	2.7	2.9	2.9	2.5
Corporation tax	2.9	2.7	2.9	2.8	2.8	3.0	2.6
Inflation	2.8	2.8	2.8	2.8	2.8	2.8	2.9
Interest rates	2.7	2.6	2.6	2.7	2.7	2.7	2.3
Staff retention	2.4	2.4	2.2	2.5	2.2	2.6	2.4
Cheap imports	2.2	2.2	3.0	1.9	2.2	2.1	1.9
Exchange rates	1.9	2.0	2.3	1.8	1.8	2.0	2.0

Exchange rates continued to be of concern to exporters (2.8), slightly lower than in Summer 2006. Cheap imports were of particular concern to manufacturers (3.0), exporting companies (3.0) and the engineering/electrical sub-sector (2.9).

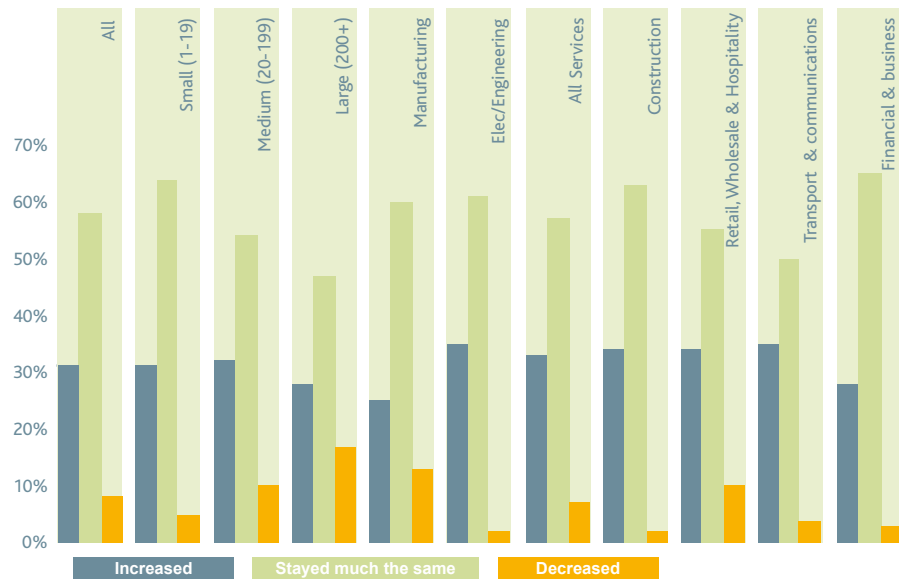
Finding suitable staff was more of a concern for medium-sized companies (50-199 employees). This was of most concern to the construction sub-sector. Business rates and cashflow are more of a concern for smaller companies than larger ones.

# Price Pressures and Labour Costs

## Prices

Pressure on prices has decreased slightly since Summer 2006 with 31% of firms reporting increases in prices during the last six months, whilst 8% said they had decreased prices. Over half of businesses (58%) reported no change in their prices.

Figure 7: Percentage of businesses reporting change in prices by sector



A lower proportion of manufacturers had increased their prices at 25% compared with 33% of firms within the service sector. By size of firm, only 3% of small firms (1-19 employees) had decreased prices compared to 17% of large firms (200+ employees).

Table 6: Proportions by which prices have changed

Price Increase	>10%	6-10%	3-5%	<3%
% of businesses	7%	14%	64%	16%
Price Decrease	>10%	6-10%	3-5%	<3%
% of businesses	18%	18%	44%	21%

Note: Table shows for those increasing or decreasing prices what proportion this was by.

## Outlook

Pressure to raise prices in the coming months has increased slightly since Summer 2006. 54% of firms predict no change in prices, but 30% predicted an increase and 3% a decrease, giving a balance of +27%. Slightly fewer manufacturers (24%) thought that prices would increase than service sector businesses (31%).

The main factor behind increased prices was fuel and energy costs (43%). Other significant price pressures were raw material prices (29%) and other overheads (24%). 18% mentioned pay settlements and 13% mentioned finance costs.

Fuel and energy costs were most important to the transport and communications sector (69%), the construction sector (59%) and manufacturers (57%). Raw material prices were of particular concern to those in the construction sector (61%) and manufacturers (53%). Manufacturers were nearly twice as likely as service sector companies to face one or more of these pressures.

## Labour costs

Pressure on wage rates has remained much the same with 78% of firms reporting increases over the past 12 months, whilst less than 1% report decreases. Small firms (1-19 employees) were less likely than larger firms to have raised their wages (69% of small businesses; 86% of medium-sized businesses and 91% of large businesses).

The rate of pay increase has remained steady, having increased by 2.9% compared with 2.8% six months ago. The rate of earnings growth was much the same in the manufacturing and service sectors.

Although not directly comparable, according to official estimates the growth in regular pay in the UK remained just below 4% for much of 2006.

# The Workforce

The local ILO unemployment rate\* for the Leicester Shire area\*\* is 4.7%, the same as the regional rate but below the national rate of 5.1%. The rate for the County area is 2.9% and that for Leicester City is 9.3%.

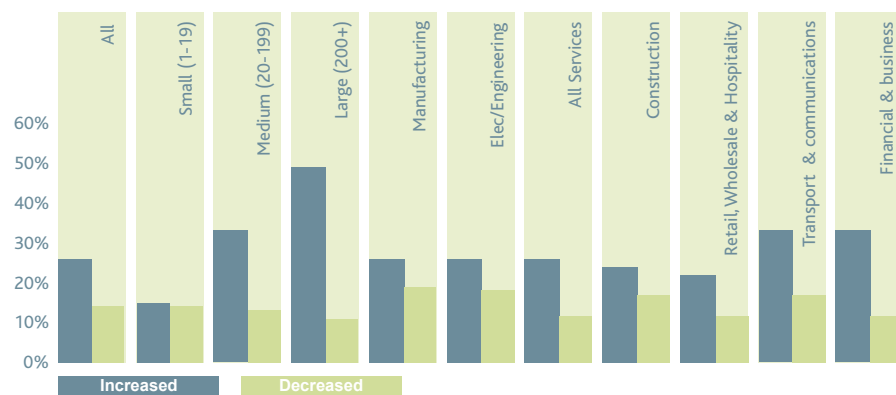
## Workforce growth

There was a slight increase in the number of firms saying their workforce had increased over the previous six months compared to Summer 2006. 26% said that their workforce had increased and 14% that it had decreased, with 61% of firms reporting no change. The findings were similar for both manufacturers and the service sector. The financial and business services and transport and communications sectors were the most likely to have increased their staffing levels (33%).

Smaller companies were less likely to have increased in size.

- 15% of those with less than 20 staff,
- 33% of those with 20-199 staff
- 49% of those with 200+ employees.

Figure 8: Percentage of firms reporting increased and decreased workforce over the past six months



\* Resident-based unemployment rates International Labour Organisation (ILO) definition (March 2006)

\*\* Leicester Shire area comprises the administrative areas of Leicestershire County and Leicester City

## Staff turnover

The companies surveyed had recruited for a total of just over 4,350 jobs. Overall, firms reported a net increase of about 1,050 jobs over the past six months. The growth in manufacturing was small with a net gain of about 40 employees, whereas the service sector had grown by about 1,000 people. The firms in the retail, wholesale and hospitality sector have seen the highest net gain (538 jobs).

Table 7: Actual changes in workforce by sector

	All	Manufacturing	All services	Construction	Retail, wholesale and hospitality	Transport & Communications	Financial and business services	Health & education	Other services
Recruited	4,364	1,129	3,235	104	1,923	439	432	241	96
Left	3,309	1,088	2,221	75	1,385	208	333	168	52
Balance	1,055	41	1,014	29	538	231	99	73	44
% difference	24%	4%	31%	28%	28%	53%	23%	30%	46%

Table 8: Actual changes in workforce by geography

	All	City	County	Urban	Rural
Recruited	4,364	1,156	3,208	3,496	868
Left	3,309	846	2,463	2,637	672
Balance	1,055	310	745	859	196
% difference	24%	27%	23%	25%	23%

*These figures are encouraging for Leicester, with growing workforces in those sectors of the economy that have potential for further expansion in the future. However, we mustn't lose sight of the fact that Leicester still has a long way to go if it is to close the gap between its employment rates and the national average, and that some of our communities are being left behind. We need to work closely in partnership with employers to deliver a workforce with the right skills and attitudes for the very real jobs expansion that will take place in this city over the next three years.*

Damon Gibbons, City Strategy Lead Officer

## Outlook

The outlook for the next 6 months is still fairly optimistic. A quarter of firms surveyed (25%) expect the size of their workforce to increase during this time. Only 8% expect their workforce to decrease and 65% expect it to stay the same.

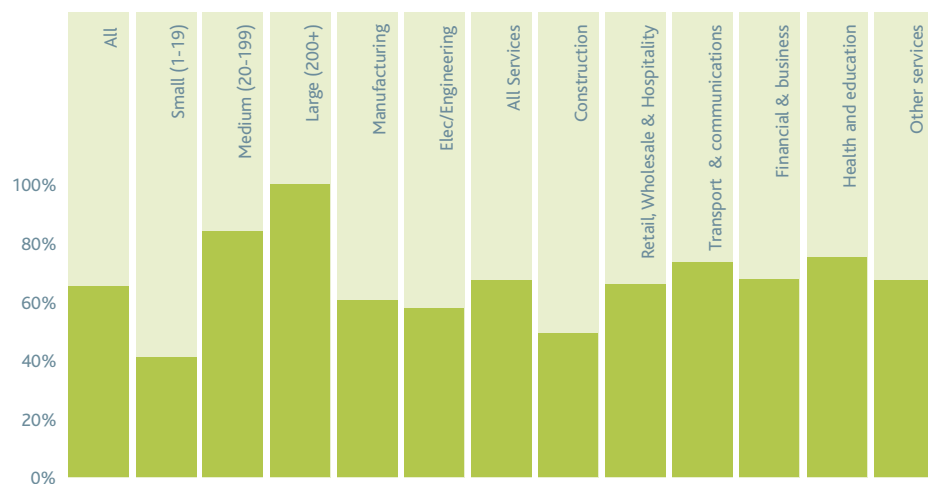
## Recruitment

A total of 65% of firms surveyed have recruited staff in the last six months, much the same as in Summer 2006 and Winter 05/06. The percentage recruiting in the past six months increased from 41% of firms with fewer than 20 staff to 84% of those with 20-199 staff and all of those with 200+ employees.

82% recruited full-time employees, whilst 50% recruited part-time employees. In line with previous findings, manufacturing firms are less likely to have taken on part-time employees (22%, compared with 59% of service sector firms).

The majority of recruiting companies (96%) have taken on permanent employees, whilst 23% have taken on temporary staff.

Figure 9: Companies who have recruited staff in past six months



## Type of staff recruited

12% of recruiting companies had employed apprentices, with manufacturers (19%) twice as likely as the service sector (10%) to have done so. More than one in three recruiting companies (39%) had employed other young people under 19, with the services sector (43%) almost twice as likely as manufacturers (25%) to have done so. 62% of the retail, wholesale and hospitality sector had recruited young people under the age of 19. 22% of companies had recruited someone who had recently graduated (in the past five years).

More than one in three companies (37%) had recruited someone aged over 50, with 45% of manufacturers having done so. 40% had recruited someone from an ethnic minority group and 33% an unemployed person. 17% of recruiting firms had recruited migrant workers in the past six months. 11% had recruited someone with a disability. Only 2% of companies said they had recruited someone who was on Incapacity Benefit.

Larger companies were more likely to have recruited all these categories of staff than were small companies.

Table 9: Type of staff recruited in past six months

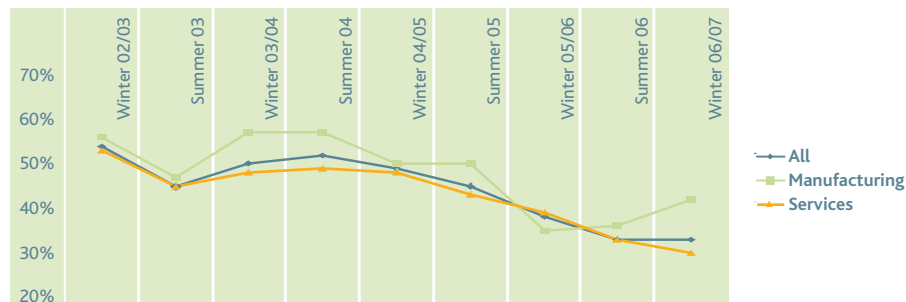
	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Ethnic minorities	40%	37%	40%	16%	45%	79%
Young people < 19 not on formal apprenticeships	39%	25%	43%	31%	39%	64%
People aged over 50	37%	45%	35%	14%	43%	74%
Unemployed people	33%	31%	34%	21%	34%	62%
People who have graduated in the past 5 years	22%	25%	22%	10%	24%	53%
Migrant workers	17%	25%	15%	7%	20%	32%
Apprentices (formerly Modern Apprentices)	12%	19%	10%	8%	13%	19%
People with a disability	11%	7%	12%	2%	12%	38%
People on Incapacity Benefit	2%	4%	2%	1%	2%	13%

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

# Recruitment Problems

The percentage of firms experiencing recruitment difficulties is the same as in Summer 2006 at 33%, this remains the lowest proportion of firms who were experiencing recruitment difficulties since 1995. Manufacturers (42%) were more likely than service sector companies (30%) to report recruitment difficulties. Construction (50%), the financial and business services sector (43%) and knowledge-based sectors (45%) were experiencing the greatest difficulties.

Figure 10: Proportion of recruiting companies experiencing recruitment difficulties



## Areas of recruitment difficulty

Overall, firms have had the greatest difficulty recruiting craft and related occupations (31% of those reporting recruitment difficulties) and associate technical and professional occupations (26%). The most frequently cited were sales representatives and HGV drivers.

Manufacturing firms experienced particular problems with skilled craft occupations (50% of those reporting difficulties). Associate technical and professional occupations (33%) and plant and machine operatives (30%) were also problematic for manufacturers. Problem occupations were more widespread in the service sector.

The proportion of all firms reporting difficulties with associated, technical and professional occupations has increased over the past year.

*The fact that recruitment difficulties are at a twelve year low is a sign of the strength of the sub-regional economy. It is also tremendous news for our work to attract government offices from London. It demonstrates that government departments and agencies can have confidence in selecting Leicester Shire as their relocation destination.*

Steve Dibnah, Leicester Shire Economic Partnership

Table 10: Percentage of businesses reporting recruitment difficulties by occupation (multiple responses possible)

	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Craft and related occupations	31%	50%	24%	30%	32%	29%
Associate technical and professional	26%	33%	23%	22%	27%	29%
Plant & machine operatives	22%	30%	19%	13%	25%	29%
Other low skilled occupations	12%	4%	15%	11%	12%	18%
Managers and administrators	9%	17%	6%	7%	9%	18%
Professional	9%	–	12%	9%	8%	12%
Clerical and secretarial	9%	7%	9%	13%	6%	12%
Personal services	7%	–	10%	9%	7%	6%
Sales occupations	6%	–	9%	7%	6%	6%

Note: percentages refer to firms experiencing recruitment difficulties (Standard Occupational Classification 2000)

## Reasons for recruitment difficulties

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

- low numbers of applicants with the required skills (reported by 40% of those experiencing recruitment difficulties);
- lack of applicants with the required experience (15%);
- low number of applicants with the required attitude, motivation or personality (15%);
- lack of applicants with the required qualifications (12%);
- low number of applications generally (11%);
- poor terms and conditions (including pay) (9%);

(Note: some companies gave more than one response).

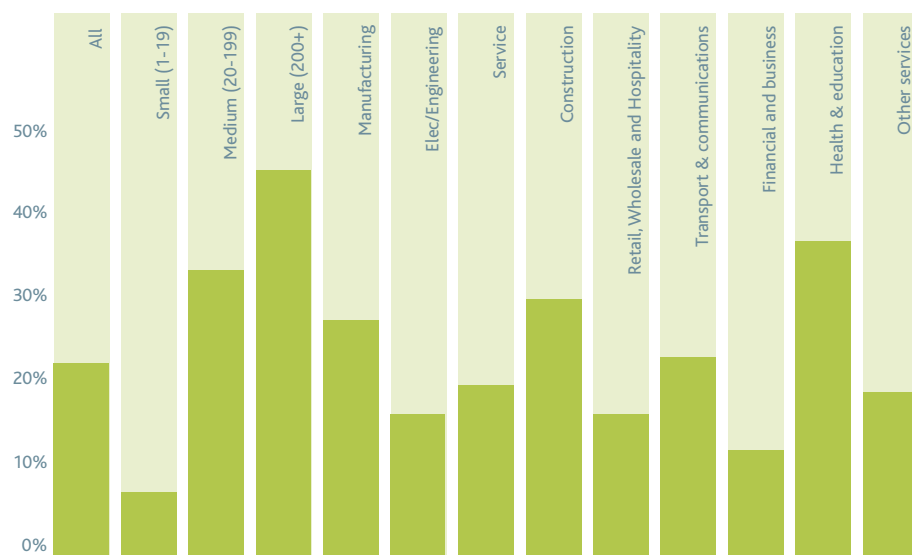
# Spotlight on Migrant Workers

The employment of migrant workers is an important issue in the UK economy. We have asked some questions of Leicester Shire firms on this issue for the first time. 17% of companies had recruited migrant workers in the previous six months and 20% in the past two years. Migrant workers had been recruited across all sectors with the highest response being in health and education (33%) and the lowest in business and financial services (11%). 72% of food manufacturers and 46% of the care sector had recruited migrant workers.

Larger companies were more likely than small firms to have recruited migrant workers with 39% of those with 50 or more staff having done so and only 7% of those with 1-19 employees.

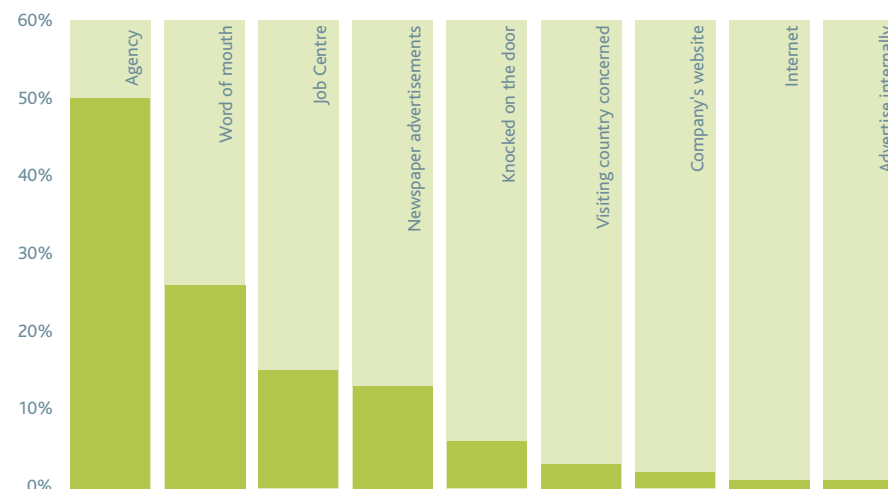
A total of 2,100 migrant workers had been recruited by the sample, almost 700 by manufacturing and 1,400 by the service sector companies.

Figure 11: Percentage of firms recruiting migrant workers in the past two years



Migrant workers came from all corners of the globe but two in three (67%) recruiting companies had recruited Polish workers and three quarters workers from Eastern Europe. Half the firms had used an agency to recruit migrant workers and recruitment by word of mouth was high, with a quarter of recruiting firms using this method.

Figure 12: Recruitment methods for migrant workers



The main reasons given for recruiting migrant workers were:

- They were the best person for the job from all applicants (cited by 32% of companies who had recruited migrant workers)
- We could not find any one else suitable (24%)
- They just applied (23%)
- Agency sent them (13%)
- Agency sent them originally, they were good so we took them on (9%)

The experience of recruiting migrant workers was generally a positive one with most workers seen as hard working (64%). Communication problems could be a negative factor (32%) but many firms commented that these were soon overcome.

The main positive benefits of migrant workers were:

- Good, hard workers (64% of those recruiting migrant workers)
- Reliable (15%)
- No different to any other employee (11%)
- They are skilled/good at job (7%)
- Would not have been able to recruit/manage otherwise (6%)

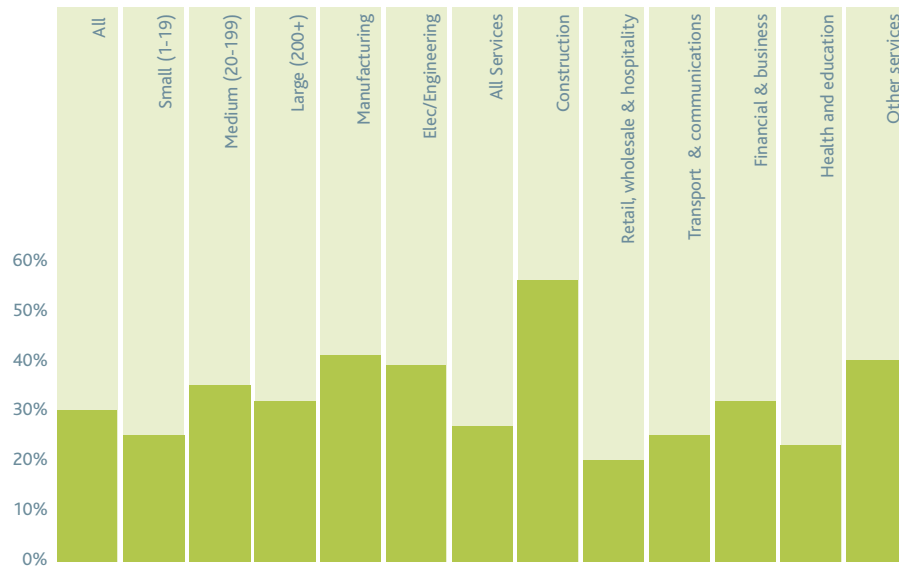


# Skill Shortages

The position on skills shortages\* has changed little over the past six months. Overall, 30% of firms surveyed agreed that skill shortages were having a serious impact on their business with 48% disagreeing.

In the manufacturing sector there is a higher proportion of firms reporting skills shortages (41%) than in the service sector (27%). The construction sub-sector was particularly concerned (56%).

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



The most significant skills gaps\*\* were communication skills within the company (28%), management/supervisory skills (28%), communications skills with clients/customers (25%) and technical practical or job specific skills (25%).

Overall, small companies were less likely to say they had skills gaps.

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

\*\* Skills gaps: the extent to which employers perceive their employees as not being proficient at their job.

Table 11: Skills which need improving in workforce

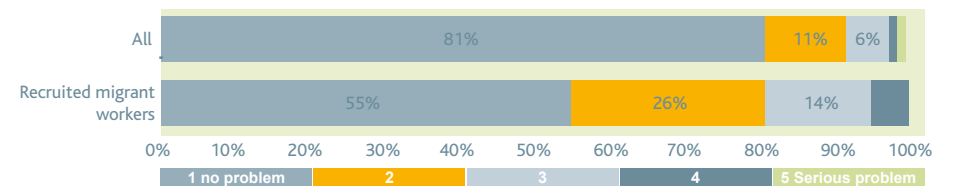
	All	Manufacturing	Services	Small (1-19)	Medium (20-99)	Large (200+)
Communication skills within company	30%	31%	29%	23%	35%	45%
Management and supervisory skills	28%	32%	27%	23%	31%	40%
Communication skills externally	25%	21%	27%	21%	29%	30%
Technical, practical or job specific skills	25%	37%	21%	20%	29%	34%
Problem solving skills	24%	27%	23%	18%	28%	36%
Customer care	23%	20%	24%	19%	26%	34%
Team working skills	23%	22%	23%	16%	28%	36%
Marketing or sales skills	21%	21%	21%	17%	25%	26%
General IT user skills	20%	18%	20%	16%	21%	36%
IT professional skills	15%	17%	15%	11%	19%	21%
Professional skills	14%	15%	14%	10%	18%	15%
English language skills	14%	16%	13%	7%	19%	30%
Basic literacy	13%	15%	12%	8%	17%	15%
Basic numeracy	13%	15%	12%	9%	16%	15%
None of these	36%	34%	36%	45%	28%	27%

Note: respondents could give more than one response

## English language skills within current workforce

92% of firms reported that the English language skills of their current workforce was not a problem (rated 1 or 2 on a five point scale where 1 was no problem at all and 5 a serious problem). 6% rated this as 3 and 2% said that English was a problem (rated 4 or 5). Firms that had recruited migrant workers were slightly more likely to find the English language skills of their workforce a problem.

Figure 14: Extent to which the English language skills of the current workforce are a problem

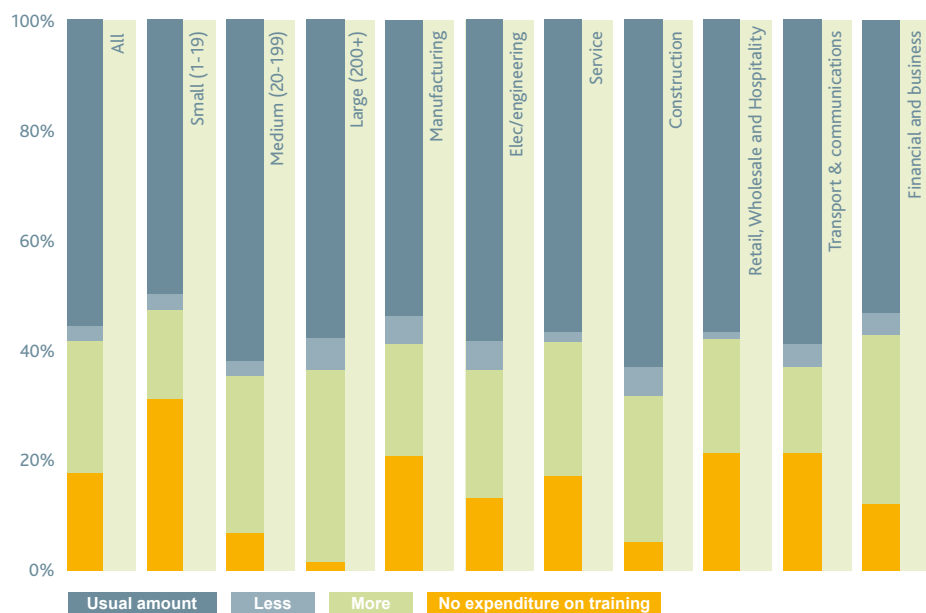


# Training

## Expenditure on training

23% of firms surveyed said they had spent more than their usual amount on training in the past six months, whilst only 3% had spent less. A total of 55% had spent their usual amount, whilst 18% said they had spent nothing. 42% of companies with fewer than ten staff spent nothing on training. This pattern has changed little since Winter 05/06.

Figure 15: Change in expenditure on training over the past six months



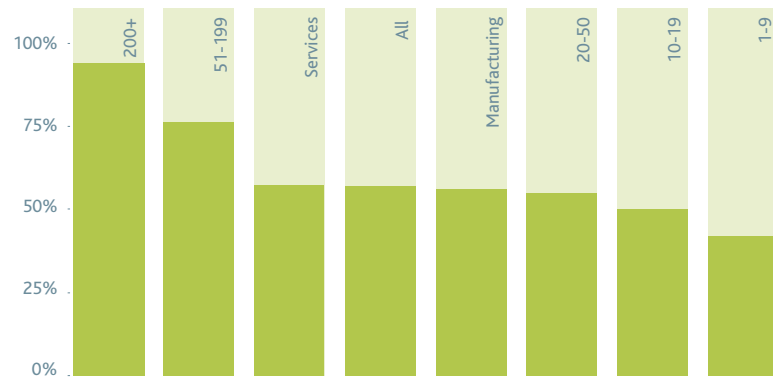
Over the last decade we have witnessed a major restructuring of the Leicestershire economy. This transformation has impacted on the Leicestershire workforce and has led to skills shortages across all sectors. Train to Gain is an excellent opportunity for local businesses to embrace the chance to re-skill the workforce and improve the overall skills base of the area.

Christine Hibbard, Economic Development Manager, Leicestershire LSC

# Spotlight on Environmental Policies

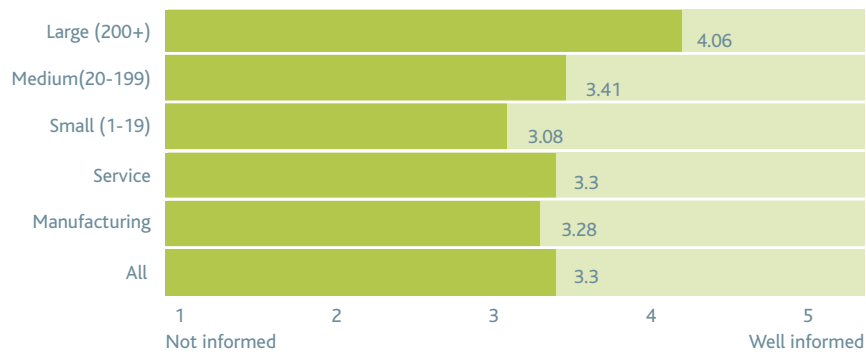
Just over half of firms (57%) have an environmental policy, with larger firms being far more likely to do so (94% of those with more than 200 employees compared with 42% of those with fewer than 10). There was little difference between sectors. This has changed very little since Summer 2003 when this question was last asked.

Figure 17: Percentage of firms with an environmental policy



Just over a third of the sample (39%) thought they were well informed about how environmental and energy issues affected their business but a quarter (25%) said they were not well informed. Larger firms felt better informed than small firms but differences between sectors were small.

Figure 18: How well informed are you about how environmental and energy issues affect your business? (Mean scores)



## Information, advice or support about reducing the impact on climate change

23% of firms had accessed information, advice or support on how they might reduce the company's contribution to, or impact on, climate change. This ranged from 13% of those with fewer than 10 employees to 62% of those with more than 200 employees. Manufacturers (33%) were more likely than the service sector (20%) to have accessed such support.

Of those accessing advice, information or support about climate change, 55% thought this was good, 34% adequate and 7% poor.

## Actions taken concerning climate change

Half the sample had taken one or more of the actions listed, which would help understand or reduce the firm's possible impact on climate change. Larger companies were far more likely to have done one or more of these actions ranging from 34% of those with fewer than 10 employees to 79% of those with 200+ employees. Manufacturers were more likely than service sector companies to have undertaken one or more of these actions.

30% of firms had undertaken an energy audit, just over a quarter of firms (28%) had sourced supplies from renewable sources and 21% had tried to reduce the amount of travel. 19% had carried out a water audit and 14% a carbon emissions assessment.

Table 13: Actions taken which could help understand or impact on climate change

	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Conducted an energy audit	30%	39%	27%	17%	38%	70%
Assessed level of carbon emissions	14%	20%	12%	5%	19%	43%
Conducted a water audit	19%	24%	17%	8%	26%	45%
Sourced supplies from renewable sources	28%	37%	25%	20%	33%	45%
Tried to reduce amount of travel	21%	2%	21%	17%	23%	36%
None of these/don't know	49%	39%	52%	63%	38%	21%

*The lack of progress on environmental policy and the indication that businesses, particularly small businesses, feel less well informed than previously is both surprising and worrying. ENABLE (ENVIRONMENT for A BETTER LEICESTERSHIRE) will be actively considering what it can do to overcome this shortcoming which will be important in the future for business regulation and opportunity.*

County Councillor Ruth Camamile, Chairman of ENABLE

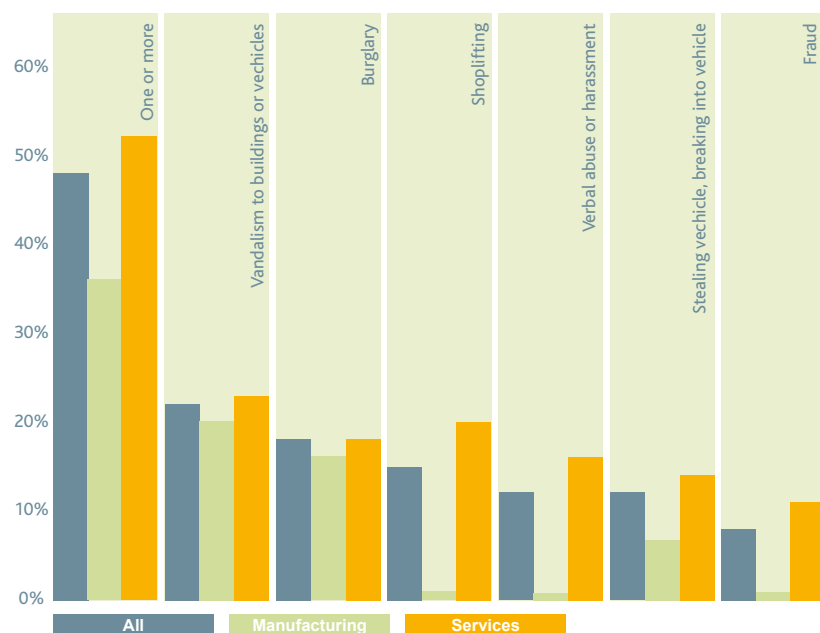
# Spotlight on Crime

48% of firms had been victims of crime in the previous twelve months, slightly more than was found in Summer 2005 when this question was last asked. Service sector firms (52%) were more likely to have been a victim than manufacturers (36%). Service sector companies were more likely to be the victim of shoplifting, fraud and verbal abuse. The likelihood of a business being the victim of crime increased with the size of the company (41% of those with 1-19 employees, 52% of those with 20-199 employees and 70% of those with 200+ employees).

22% had experienced vandalism to buildings, 18% burglary (including theft from buildings or yards), 15% shoplifting, 12% stealing or breaking into a vehicle and 12% verbal abuse or harassment. This is much the same as was found in Summer 2005, when the question was last asked.

There was little difference in the experience of urban and rural firms or between City and County based firms.

Figure 19: Has your business been the victim of any of these crimes in the past 12 months?



# Spotlight on Community Involvement

The majority of firms (73%) were involved with community activities in one or more of the ways listed in table 14. The level and type of community involvement was very similar to that found in Winter 2002/03 when this question was last asked.

More than one in three firms (39%) had taken work experience students from school or college. 20% had links with universities or colleges to support their work and 21% links with schools to support education, with both these having increased slightly since Winter 2002/03. 58% supported charitable organisations, 29% worked with local projects, 22% sponsored sports events or sports people and 7% sponsored arts or cultural events.

In terms of size, larger companies (200+ employees) were more likely to be involved across all the activities than others. Small firms (less than 20 employees) were the least likely to be involved but significant minorities supported charitable organisations, worked with local community projects and took work experience students.

Table 14: Percentage of firms involved in community activities

	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Support charitable organisations	58%	48%	61%	46%	66%	87%
Work experience students from school or college	39%	34%	40%	25%	48%	70%
Work with local community projects	29%	20%	31%	23%	31%	55%
Sponsoring sports events, sports teams or individual sports men or women	22%	19%	22%	15%	26%	38%
Links with schools to support education	21%	16%	23%	10%	27%	53%
Links with colleges or universities to support their work	20%	17%	21%	11%	26%	47%
Sponsoring arts or cultural events	7%	6%	8%	4%	9%	23%
None of these	27%	33%	25%	39%	18%	4%

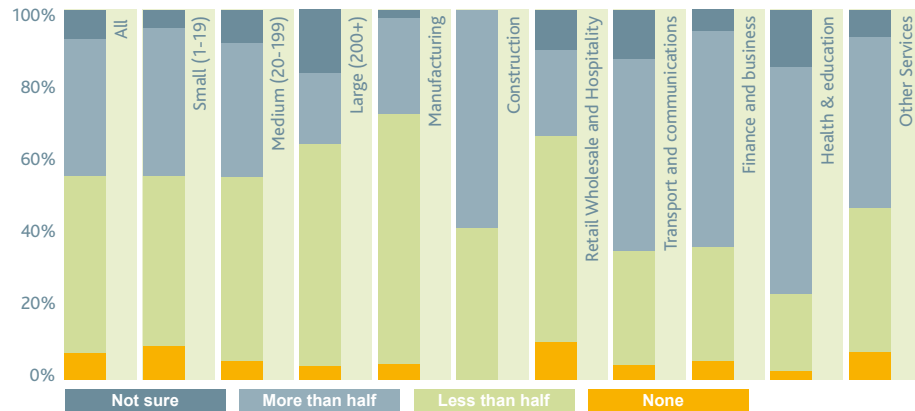
# Spotlight on Procurement

## Local procurement

Overall, just over one in three companies sourced half or more of their supplies locally. 49% sourced under half their supplies locally (that is within Leicester Shire or within a 30 mile radius of their premises) and a further 7% of firms said that they sourced none of their supplies locally.

Manufacturing and the distribution, hotels and restaurants sectors were the least likely to source supplies locally.

Figure 20: Proportion of supplies sourced locally



## Public sector procurement

Half of firms (51%) said they had products or services which could potentially be of use to public sector organisations ranging from 41% of manufacturers to 54% of service sector companies. The construction (85%), health and education (75%) and business and financial services (68%) were the most likely to offer such products or services.

Just over one in three companies (35%) currently supply public sector organisations, with larger companies being slightly more likely than smaller ones to do so (45% of large (200+ employees), 41% of medium (20-199 employees) and 27% of small (less than 20 employees) companies). The construction (68%) and health and education sub-sectors (25%) were the most likely to supply the public sector.

60% of firms whose products or services were potentially of interest to the public sector had tried to get contracts or tried to supply the sector. This equates to 30% of all firms.

One in three (31%) of those firms who had tried to get contracts with the public sector encountered problems with this (9% of all firms).

Table 15: Local business views on Public Procurement

	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Suitable products or services	51%	46%	55%	51%	41%	54%
Currently supply public sector	35%	27%	41%	45%	28%	37%
Tried to get contracts	30%	24%	36%	36%	25%	32%
Problems with getting contracts	9%	7%	12%	4%	10%	9%

Base: all firms (762)

Problems encountered when trying to supply the public sector were varied, but the main issues were seen as red tape or overly bureaucratic procedures, delays and not being able to locate the right contact.

- Cumbersome procedures - too much red tape, 38%
- Process is very slow, 10%
- Finding the right contact can be difficult, 8%
- Budget allowed too small, budget allowed unrealistic, 8%

Base: firms encountering problems with public sector procurement

*The results of this survey clearly demonstrate the need for the public sector to improve access to their contracts. Leicestershire County Council are committed to encouraging appropriate levels of competition for the Authority's contracts in order to increase value for money and foster innovation particularly from those who have found it traditionally difficult to break in to our marketplace. In January of this year we signed up to the Small Business Friendly Concordat and we will be actively working towards delivering improved access for all suppliers in the future.*

Cllr. Dr K. Feltham – Cabinet Lead Member (Resources), Leicestershire County Council

# Methodology

## Methodological notes

The Leicester Shire Business Survey is conducted twice a year and is produced through Leicester Shire Intelligence, a partnership involving Leicester Shire Economic Partnership, Leicestershire County Council, Leicester City Council, Leicestershire Chamber of Commerce, Learning and Skills Council and Business Link Leicestershire Ltd.

## The survey

A telephone survey of 762 businesses within Leicester and Leicestershire was undertaken during mid November to mid December 2006. The sample was drawn from 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.

Business Sector	City	%	County	%	Total	%
Manufacturing	64	25%	120	24%	184	24%
Services	197	75	381	76%	578	76%

Business Size						
1-9 employees	68	26%	113	23%	181	24%
10-19 employees	65	25%	110	22%	175	23%
20-50 employees	77	30%	137	27%	214	28%
51-199 employees	39	15%	106	21%	145	19%
200 + employees	12	5%	35	7%	47	6%

The next Leicester Shire Business Survey will be conducted in May 2007.

An electronic version of the survey report is available on the Leicester Shire Intelligence web site, [www.lsint.info](http://www.lsint.info)

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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Ashby Castle

Cover images reference:



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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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