



Leicester Shire

BUSINESS SURVEY

winter
05/06



LEICESTER SHIRE
economic
partnership

winter
05/06
Leicester Shire
BUSINESS SURVEY

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Foreword

Leicester Shire Intelligence¹ is pleased to bring you the Winter 2005/06 edition of the Leicester Shire Business Survey. We hope that you find this publication useful and informative.

In this survey we have explored a number of topical issues including rising fuel and energy costs, flexible working arrangements, attitudes to apprenticeships and business relocation plans. This is in addition to the core questionnaire that we use in each survey enabling us to monitor trends over time. 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.

Our interviews were conducted in December 2005 and January 2006. At this time, local business confidence was low at -10%, only a slight improvement upon the position in the Summer 2005 survey (-13%), when business confidence was at its lowest level since Winter 2002/03. The pessimism throughout 2005 was reflected in several national surveys. Early indications are that business confidence is starting to improve in 2006² especially in the retail and financial services sectors.

In spite of the low confidence levels, local business performance over the last six months has continued to be strong in terms of both sales and profits. We also saw 60% of our businesses recruiting in the last six months and a significant reduction in the proportion reporting recruitment difficulties (38% compared to around 50% in recent surveys). It will be interesting to see if this trend continues.

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.

Businesses have started to express concerns about oil and energy prices. 30% of businesses reported that higher petrol prices had made an impact on their business and 28% stated that high gas and/or electricity prices were beginning to have an impact on the bottom line.

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.

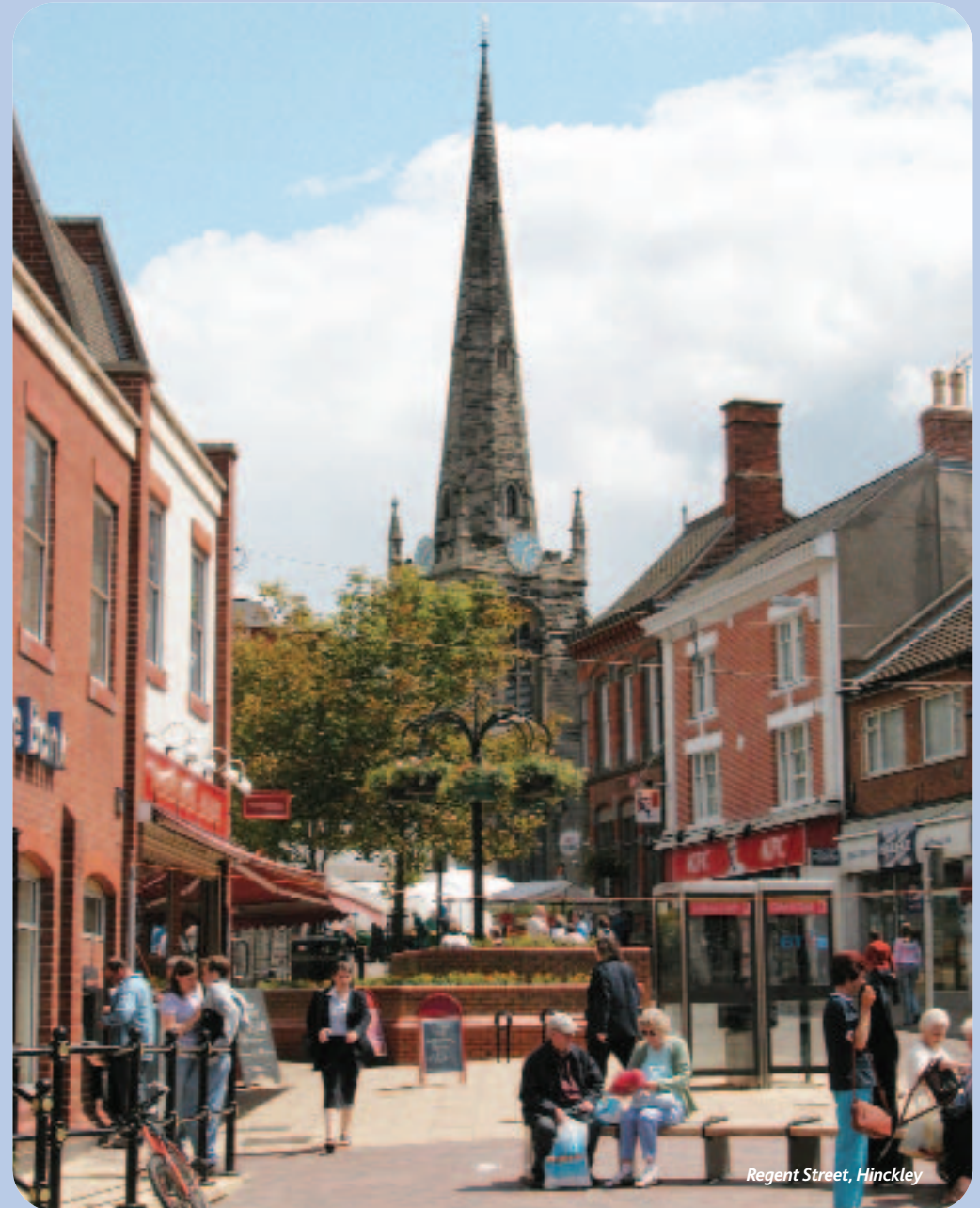
If you have any comments on the business survey, please do not hesitate to contact me.



Caroline Boucher
Project Manager, Leicester Shire Intelligence

1. For information about Leicester Shire Intelligence and its publications please visit www.lsint.info

2. UK Business Confidence Monitor Q1 2006, Centre for Economics and Business Research Ltd and the Institute of Chartered Accountants



Regent Street, Hinckley

Key Issues

General business conditions

- Business optimism for the next six months is still quite low (-10%) but has improved marginally since Summer 2005 (-13%). Sales have improved slightly whereas profits have remained static.
- Overall, views on optimism were mixed. 16% thought business conditions would improve compared to 26% who thought they would deteriorate over the next six months. 45% thought there would be little change.
- The service sector was again more optimistic than manufacturing. Since Summer 2005, optimism in the manufacturing sector has fallen slightly but there has been a slight improvement in the service sector. Optimism within the textiles sector remains low at -63%.

Sales and profits

- A total of 45% reported an increase in turnover over the previous six months, with 21% reporting a decrease. 40% reported an increase in profitability and 25% a decrease.
- 49% thought sales would increase over the next six months with 12% predicting a decline. 46% predicted an increase in profits over the next six months with 13% predicting a decline.

Main business concerns

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

Export activity

- Export growth has improved slightly, with 36% reporting an increase in overseas sales, 12% a decrease and 52% no change.
- The outlook for exports is marginally positive, with 32% saying their advanced overseas orders had increased over the past six months.

Business finance and investment

- The cashflow position has improved slightly. 23% said their cashflow position had improved and 16% that it had worsened.
- The percentage of firms working at less than 70% capacity has remained much the same at 14%. The proportion working at nearly full capacity has increased to 44% from 37% in the Summer 2005 survey.

Price pressures and labour costs

- The proportion of businesses that have increased their prices fell slightly over the past six months (31%) compared with 10% who have decreased their prices.
- The main price pressures were raw materials and other overheads.
- Wage rates have increased by 2.9% overall, lower than in the Summer 2005 survey.
- 30% of companies said continuing high fuel/energy prices were having an impact.

The workforce, skills and recruitment

- The proportion of firms recruiting staff (60%) has not changed. The percentage of recruiting firms reporting difficulties was 38%, lower than that reported six months ago. This is the lowest proportion for 10 years.
- 34% of firms agreed that skill shortages were having a serious impact on their business, the same as six months ago.
- 24% had spent more than their usual amount on training in the past six months. Overall, 4% had spent less, 51% their usual amount and 20% nothing.

E-commerce

- 82% of internet users had Broadband, an increase from 72% in Winter 04/05. For the first time there is now no difference between urban and rural areas in the use of broadband.

Relocation

- 10% of companies said that they planned to relocate in the next couple of years. Almost all these companies were planning to remain in Leicester Shire.

Flexible working

- 65% of companies offered their staff flexible working arrangements, with the majority of these (83%) offering this to all staff.
- 44% of those offering flexible working said the impact had been positive, with 46% saying it had made little difference.

General Business Conditions

There are mixed signals about the underlying health of the local economy. Businesses appear to be performing well in terms of their sales and profits, however, they are not that optimistic about general business conditions. In line with national trends, manufacturers are less optimistic than service sector organisations. At the time of the survey, high oil prices were already having an impact on business confidence. It is important that our businesses seek to adapt and innovate against a backdrop of difficult operating conditions.

Kishor Tailor, Chief Executive, LSEP

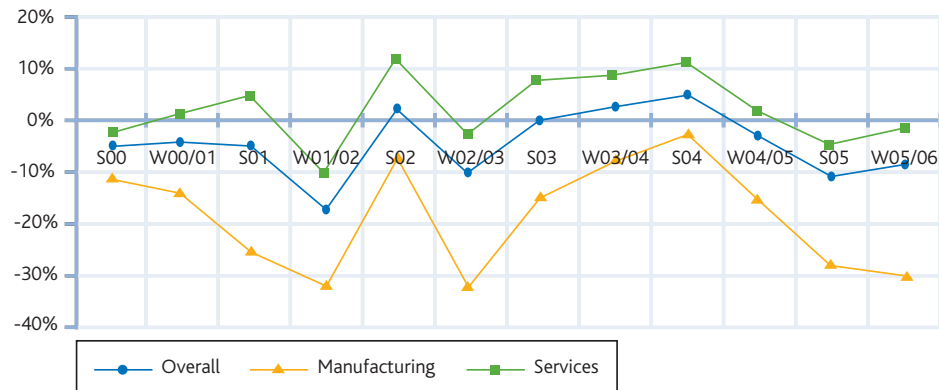
Business optimism

Local business confidence continues to be low but the sharp decline seen since the Summer of 2004 has flattened out. The balance of optimism* is -10%, compared with -13% in Summer 2005 and -3% in Winter 04/05. Overall, 16% of respondents thought that general business conditions would improve, 26% that they would deteriorate, and 45% thought that they would not change much.

Confidence has declined slightly in the manufacturing sector to -33% from -29% in Summer 2005, but it has risen slightly in the service sector to -2% from -5% six months ago.

Overall, 6% of manufacturers thought that business conditions would improve, 39% that they would deteriorate, and 44% that they would not change much. In the service sector, 20% thought conditions would improve, 22% that they would deteriorate and 46% that they would stay the same.

Figure 1: Balance of business optimism

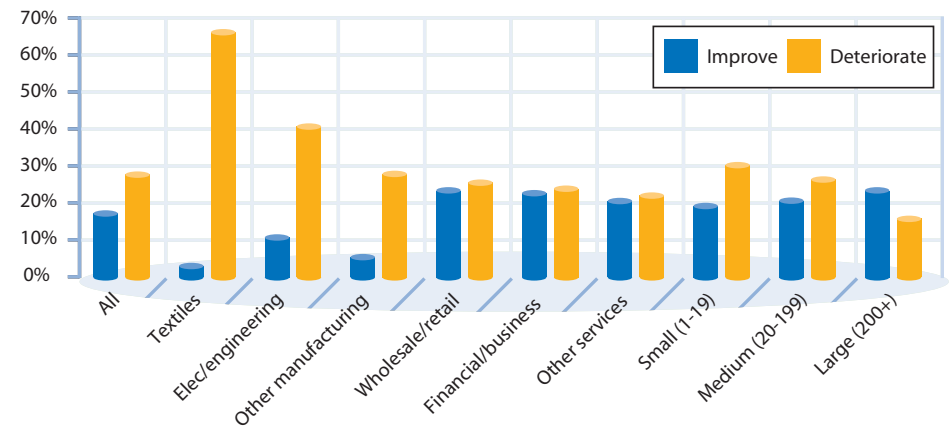


*Throughout this report balance data will be referred to. The balance is calculated by subtracting the percentage of businesses expecting a worse situation from those expecting an improvement.

Optimism is still low in the textiles sub-sector (-63%). The balance of optimism in electrical/engineering has decreased further to -31% from -24% six months ago. 9% of firms in this sector predicted conditions would improve, compared with 40% that thought that they would get worse. Optimism in other manufacturing sectors has also declined.

The level of optimism in the retail and wholesale sector has improved slightly over the past six months, with the balance of optimism now standing at -2% compared with -10% in Summer 2005.

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

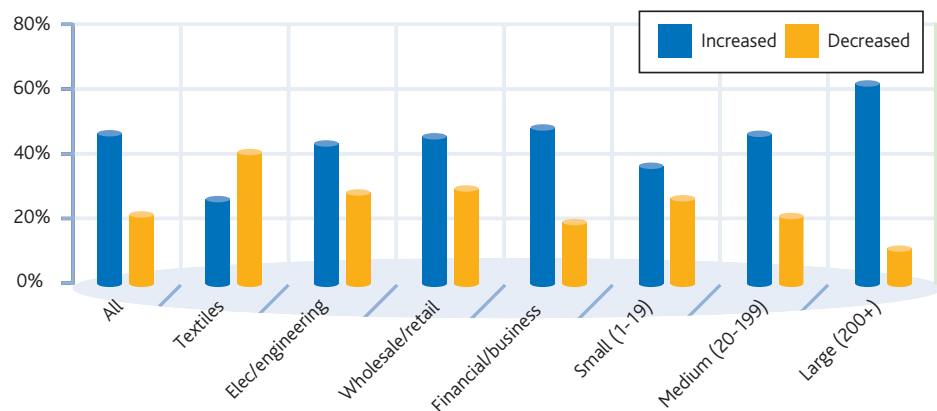


Sales and Profits

Sales performance

The position with regard to turnover has improved slightly over the past six months, with the balance of businesses that report an increased turnover in the last six months slightly higher than reported in the last survey (+24% compared with +18% in Summer 2005, but lower than the +34% in Winter 04/05). A total of 45% reported an increase in turnover in the previous six months compared with 21% who reported a decrease. A total of 15% reported an increase in sales of more than 10%, lower than six months ago.

Figure 3: Change in sales over the last 6 months



Although the engineering/electrical sub-sector was pessimistic about the next six months, the sales performance for the past six months was positive with a balance of +20%.

The balance of sales turnover has increased within small and medium companies when compared with six months ago, but has remained much the same for large companies (+17% for small companies, +27% for medium companies, +52% for large companies).

Order intake

Just over a quarter of firms (27%) reported increased orders, advanced custom and advanced bookings in the last six months. A minority of firms (15%) reported a decrease.

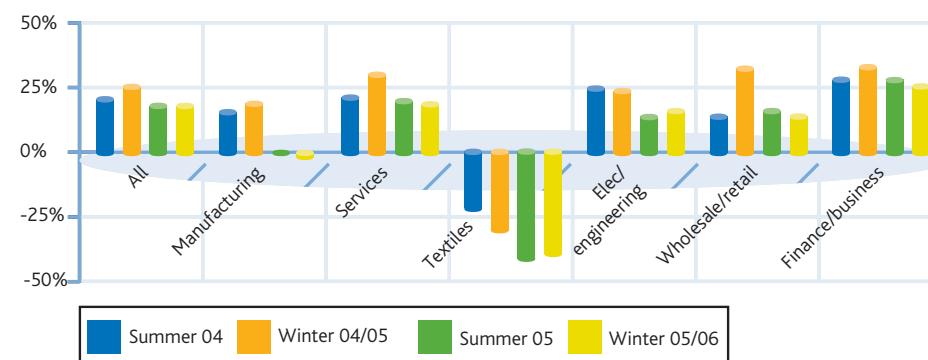
Profit performance

The situation regarding profits has remained much the same as six months ago.

The balance of businesses that reported increased profits has stayed at +15%, although it is still lower than the +28% in Winter 04/05. Overall, 39% reported an increase in profits and 25% a decrease, with 25% saying they were much the same. 15% reported an increase of more than 10%.

The best performing industry sectors in terms of profit increases were financial and business services (+26%) and other services (+22%). The wholesale, retail and repairs sector had decreased to +14% from +18% six months ago. Manufacturing in general has remained fairly constant at -2% (when compared to Summer 05, 0%). Textiles have again performed poorly at -40%. The engineering/electrical sub-sector has also remained much the same at +17% but is still better than other manufacturing sectors.

Figure 4: Balance of change in profits over the last 12 months



Outlook

The outlook for sales has improved over the past six months to give a balance of +37%. Overall, 49% thought that sales would increase, 12% that they would decrease and 35% that they would remain much the same. The manufacturing sector was slightly less optimistic than the service sector, with 16% predicting a decline in sales compared to 11% in the service sector.

Overall, the outlook for profits was similar with 46% predicting an increase in profits over the next six months and 13% a decline.

Export Activity

Export performance

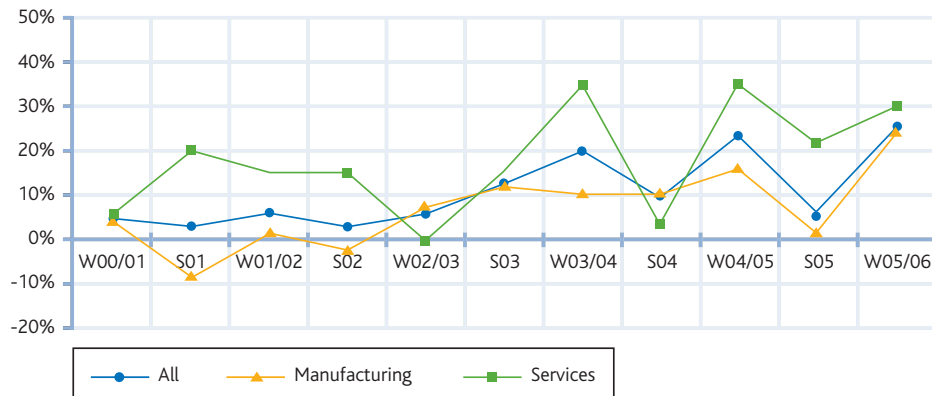
Just under a fifth of firms surveyed export products or services (18%), much the same as six months ago. The proportion of manufacturers exporting stands at 46% and that of service sector organisations at 8%.

Table 1: Percentage of products or services exported

	None	4% or less	5 – 9%	10 – 24%	25 – 49%	50% or more
Manufacturing	54%	6%	11%	11%	9%	10%
Services	92%	2%	2%	2%	1%	1%

Overseas sales have improved over the past six months with 36% of exporters having increased their overseas sales and 12% reporting a decrease. 52% reported that overseas sales were constant. This is a balance of +24% compared to +8% six months ago, but it is the same as a year ago (+24%). The balance of export sales has improved for manufacturing (to +23% from +2% in the last survey).

Figure 5: Balance of change in export sales



The strength of Leicestershire's small and medium enterprises comes across strongly again and again – there are real advantages in being able to differentiate your product in a globally competitive market. The growth in micro service sector exports is also very encouraging – quality and deliverability really count. Compared to the rest of the region and the UK we buck the trends.

Martin Traynor, Group Managing Director – Leicestershire Chamber of Commerce

Table 2 displays regional and national comparisons for the change in the balance of export sales over 2005 from The Chamber of Commerce Quarterly Economic Survey March 2005.

Firms were asked to think about the previous three months and state whether their overseas sales, custom or bookings increased, remained constant or decreased. Although the question varies slightly due to the timeframe over which it is asked, it provides a useful comparison for the Leicester Shire figures.

The balance of export sales for manufacturers has reduced over 2005 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 +24%.

Table 2: Balance of change in Export sales over 2005 for the East Midlands and UK

Area	Sector	1st quarter (March 2005)	2nd quarter (June 2005)	3rd quarter (September 2005)	4th quarter (December 2005)
UK	Manufacturers	26%	17%	14%	12%
	Services	13%	10%	7%	10%
East Midlands	Manufacturers	33%	12%	21%	7%
	Services	22%	5%	23%	24%

Source: Chamber of Commerce, QES

Export outlook

Overall, 36% said that their advanced orders had increased, 52% that they were much the same and 12% that they had decreased. The outlook for exports has improved slightly with a balance of +24% compared to +10% in Summer 2005.

When compared to figures from the Chamber of Commerce survey for Q4 manufacturing firms in Leicester Shire (+13%) are more positive about their future orders than East Midlands firms (+5%) and when compared to the national figure (+7%).

Service sector firms in Leicester Shire (+26%) are also more positive about their future export orders than East Midlands firms (+22%) and in particular when compared to the national figure (+9%).

Spotlight on: Contract Arrangements

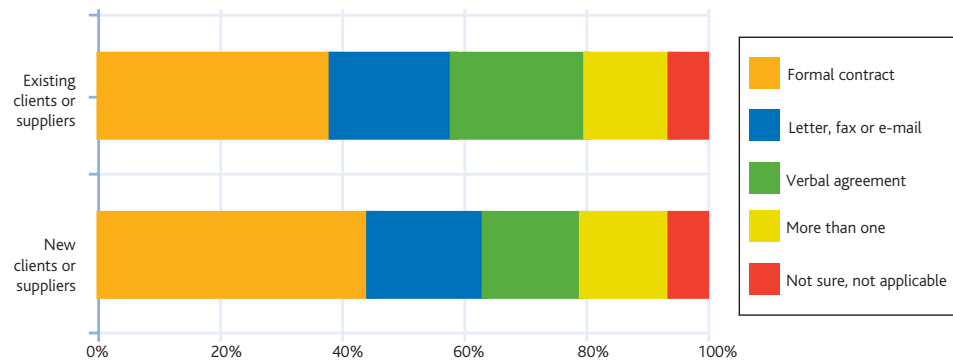
Contract arrangements with clients or suppliers

54% of companies said they always have a formal contract with new clients or suppliers whereas 31% said they relied on a letter fax or e-mail. However, 24% always relied on a verbal agreement and 9% said they were not sure or that this was not applicable to them. A further 13% of companies used more than one of these methods depending on the circumstances.

Small companies were the most likely to rely on verbal agreements (33% of those with under 10 staff) compared with 25% of those with 10-19 staff, 20% of medium companies (20-199 staff) and none of the large companies.

When dealing with existing clients or suppliers a higher proportion (31%) relied on verbal agreements.

Figure 6: Contract arrangements with new and existing suppliers or clients



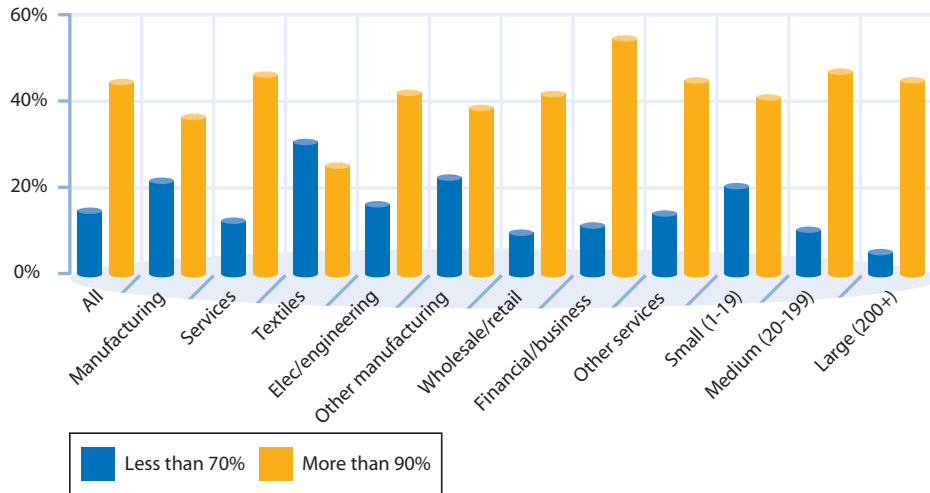
Leicester Carnival

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 14%. The proportion of firms working at nearly full capacity is 44%, slightly higher than in the last survey (37%).

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

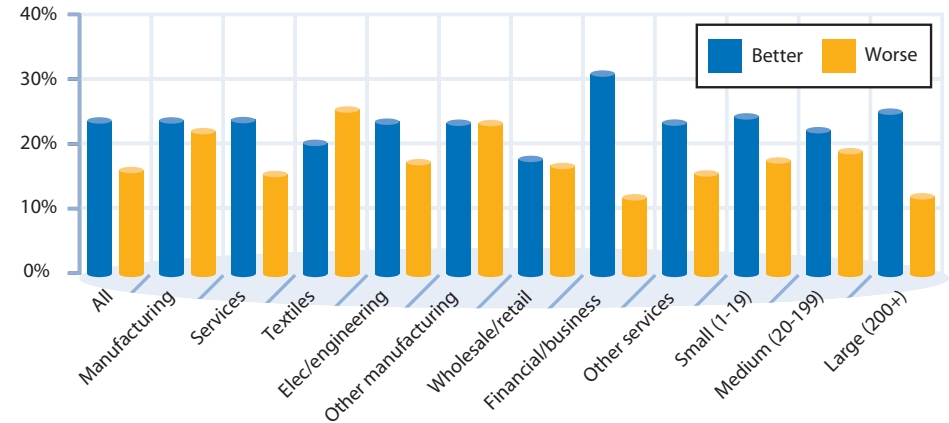


Manufacturing firms (22%) are more likely to be working at less than 70% capacity, particularly firms in the manufacturing sub-sector of textiles (31%).

Cashflow

The cashflow position of companies surveyed has improved slightly over the past six months, with 23% saying that cashflow has improved, 50% saying it had not changed and 16% saying it has worsened. The balance is +7%, a slight improvement on the +3% found in the Summer 2005 survey. The balance for manufacturing companies is now positive at +2% and that for service sector organisations has remained at +8%.

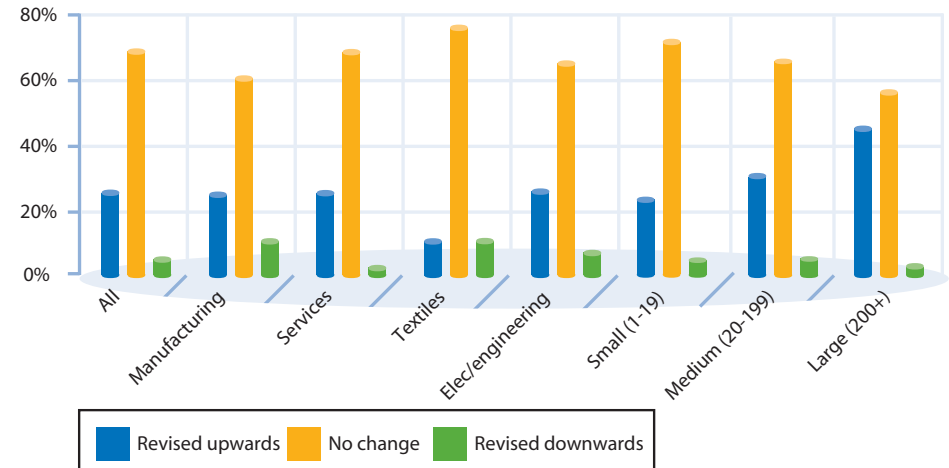
Figure 8: Change in cash flow position compared to six months ago



Investment plans

Slightly fewer companies were planning to increase their investment than six months ago. A total of 26% of companies said they had revised their investment plans upwards, 5% downwards and 69% said there had been no change.

Figure 9: Change in investment plans over the past 6 months



As in previous surveys, the major concern is the need for businesses to remain competitive and to retain and generate new customers. There is clear evidence that small and medium sized businesses in particular are more likely to improve their competitiveness by accessing services available through business support organisations such as Business Link, Chambers of Commerce and other government supported agencies. Increasingly, these services are geared towards a brokerage model, enabling the user to access a full range of support services.

Mike Jewitt, Director of Operations, Business Link Leicestershire

Main Business Concerns

Main concerns

When businesses were asked (unprompted) what factors, if any, were causing the most concern for their company, 17% said there was nothing. As in the Summer 2005 survey, the main concern was winning customers, orders or generating business, which was cited by 22% of respondents. Increasing costs (raw materials, fuel or other costs) (13%); competition (10%); red tape or legislation (8%) and recruitment (7%) were also of concern.

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

Reflecting on the findings from previous surveys, red tape was of most concern to local businesses. Competition, attracting customers, winning orders, business generation and finding suitable staff are also of concern. Concern about these factors has remained fairly constant over the past two years.

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

	All	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Red tape	3.5	3.6	3.5	3.5	3.6	3.3
Attracting customers	3.4	3.5	3.4	3.5	3.4	3.1
Business generation	3.4	3.6	3.3	3.4	3.3	3.2
Competition	3.3	3.5	3.3	3.3	3.4	3.4
Finding suitable staff	3.3	3.2	3.3	3.1	3.4	3.3
Winning orders	3.1	3.7	2.9	3.2	3.0	2.9
Business rates	3.0	3.3	2.8	3.0	3.0	2.7
Inflation	2.8	2.9	2.7	2.7	2.8	2.8
Cashflow	2.8	3.2	2.7	2.9	2.8	2.2
Staff retention	2.7	2.5	2.8	2.6	2.9	2.7
Interest rates	2.5	2.7	2.5	2.5	2.6	2.4
Corporation tax	2.5	2.8	2.3	2.4	2.5	2.2
Cheap imports	2.3	3.1	2.0	2.4	2.1	2.3
Exchange rates	1.9	2.4	1.7	1.8	1.9	2.1

Manufacturing firms are slightly more concerned about most of these factors than service sector organisations.

Exchange rates continued to be of concern to exporters (3.0), slightly lower than in Summer 2005. Cheap imports were of particular concern to manufacturers (3.1), exporting companies (3.1), textile companies (4.4) and the engineering/electrical sub-sector (3.1).

Finding suitable staff was more of a concern for medium and large sized companies.



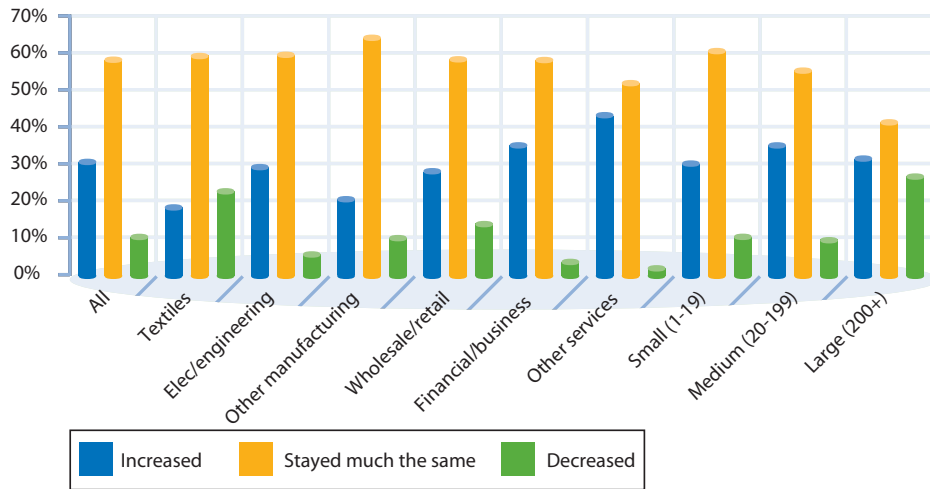
Waterside Bridge Construction, Leicester

Price Pressures and Labour Costs

Prices

Pressure on prices has decreased slightly since Summer 2005 with just under one third of firms reporting increases in prices during the last six months (31%), whilst 10% said they had decreased prices. Over half of businesses (58%) reported no change in prices.

Figure 10: Businesses reporting change in prices by sector



A higher proportion of manufacturers had increased their prices at 34% compared with 23% of firms within the service sector. When compared to Summer 2005, fewer manufacturers had increased their prices.

Table 4: Proportions by which prices have changed

	Price Increase				No change	Price Decrease			
	>10%	6-10%	3-5%	<3%		<3%	3-5%	6-10%	>10%
% of businesses	2%	3%	16%	3%	58%	1%	2%	1%	1%

Outlook

Pressure to increase prices in the coming months has increased since Summer 2005. 57% of firms predicted no change in prices, but 31% predicted an increase and 4% a decrease, giving a balance of +27%. More manufacturers (35%) thought that prices would increase than service sector businesses (29%).

The pressure to increase prices from the factors mentioned to respondents have changed little from the Summer 2004 survey. The main price pressures were raw material prices (31%) and other overheads (33%). 15% mentioned pay settlements and 11% mentioned finance costs.

Raw material prices were of particular concern to manufacturers (56%).

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. Textiles were the least likely to have increased their wages (60%). Small firms (1-19 employees) were less likely than larger firms to have raised their wages (72% of small businesses; 84% medium-sized businesses and 93% of large businesses).

The rate of pay increase has remained steady having increased by 2.9% compared with 3.0% six months ago. The rate of earnings growth was lower in manufacturing than in the service sector (2.3% and 3.1% respectively).



New Science and Technology Park site, Leicester

Spotlight: Oil and Energy Prices

Companies were asked about the extent to which the recent high fuel and energy prices had impacted on their business (on a scale of 1 to 5, where 1 was no impact, and 5 significant impact).

Petrol, diesel or oil

Overall, 30% of companies said that high petrol prices had an impact (rating 4 or 5), ranging from 37% of manufacturers to 28% of service sector companies. 64% of companies in the transport and communications sector said this had had a significant impact (rating of 5).

Gas and electricity prices

28% of companies said that high gas and/or electricity prices had an impact (rating 4 or 5) ranging from 42% of manufacturers to 23% of service sector companies.

Table 5: Impact of petrol, diesel or oil prices

	All	Manufacturing	Services
1. No impact at all	29%	13%	35%
2.	27%	26%	27%
3.	14%	17%	12%
4.	13%	17%	12%
5. Significant impact	15%	26%	11%
Don't know	3%	2%	3%

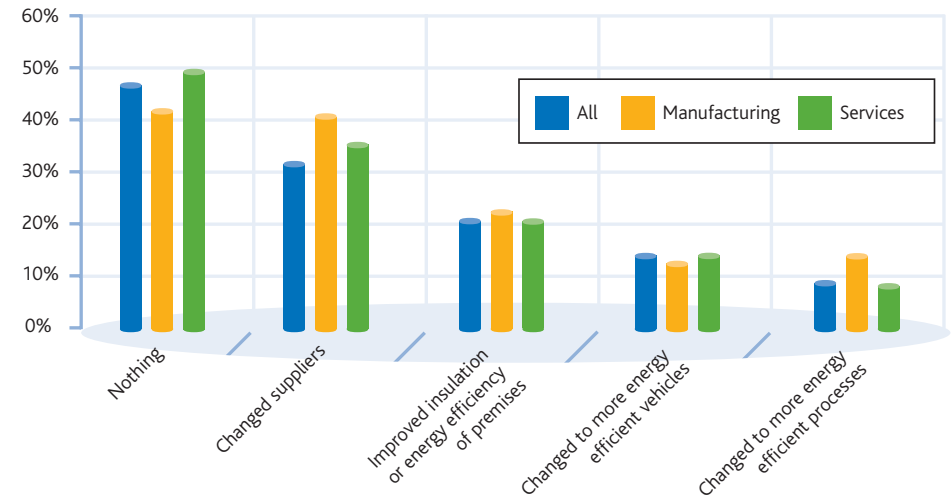
At the time of this survey, the majority of companies appeared to be trying to absorb the increases in oil and energy prices without passing this cost on to customers. The majority (74%) said that their costs had increased but they had not found it necessary to put up their prices. However, where companies reported an impact, 7% said they had increased their prices and 16% reported reduced profits. Others said their raw material prices had increased, that their customers had less money to spend or that they had cut the hours they work or reduced the number of staff.

Table 6: Impact of gas and/or electricity prices

	All	Manufacturing	Services
1. No impact at all	34%	14%	41%
2.	20%	29%	17%
3.	13%	19%	11%
4.	12%	16%	10%
5. Significant impact	18%	21%	17%
Don't know	2%	1%	3%

When asked what actions those companies had taken to reduce the impact of rising oil and energy prices, almost half of respondents said they had not taken any. 31% had changed suppliers, 20% had improved the insulation or energy efficiency of their premises, 14% had changed to more energy efficient vehicles and 9% to more energy efficient processes.

Figure 11: Actions taken to reduce the impact of rising oil and energy prices



Note: graph refers to those companies saying rising prices had an impact on their business. Multiple responses possible.

The Workforce

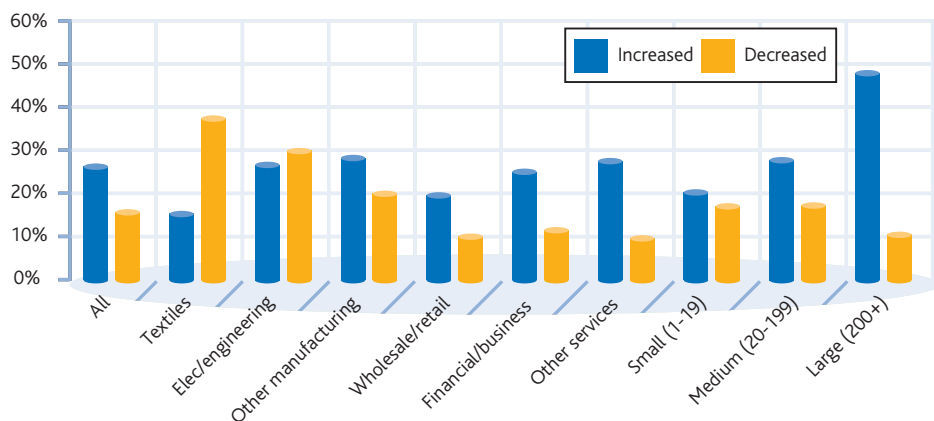
At the time of the survey (November 2005), the local ILO unemployment rate* for the Leicester Shire area** was 4.7%, slightly above the regional rate (4.3%) and slightly below the national rate of 4.8%. The rate for the County area was 3.5% and that for Leicester City was 7.9%, unchanged from May 2005.

Workforce growth

Growth in the workforce has remained fairly static. 60% of firms reported no change in their workforce over the past six months, much the same as in the Summer 2005 survey. 25% said that their workforce had increased and 15% that it had decreased. Slightly more manufacturers (27%) said their workforce had decreased compared with 23% who said that it had increased.

Smaller companies were less likely to have increased in size, (18% of those with less than 20 staff compared with 30% of those with 20-199 staff and 48% of those with 200+ employees).

Figure 12: Workforce change over the past six months



* Resident-based unemployment rates International Labour Organisation (ILO) definition (November 2005)

**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 3,900 jobs but almost 3,700 of these were to fill vacancies where people had left these organisations, a net increase of about 200 in the past six months. Manufacturers had a net loss of about 270 employees whereas the service sector workforce had grown by about 500 people. Some of the employment growth was temporary Christmas staff in the retail sector.

Table 5: Actual changes in workforce by sector

	All	Textiles	Elec engineering	Other manufacturing	Wholesale retail	Financial/business services	Other services	Small (1-19)	Medium (20-199)	Large (200+)
Increase	3,928	78	201	362	1,220	469	1,598	385	2,104	1,439
Decrease	3,690	261	290	361	884	434	1,460	480	2,281	929
Net change	238	-183	-89	1	336	35	138	-95	-177	510

The main reasons given for staff leaving were: to take another job with better pay or conditions (47%), to take another job which was a promotion (22%), retirement (18%) or personal reasons (17%). A total of 10% had made staff redundant and 13% said staff had been dismissed for disciplinary reasons or because they did not make the grade.

(Percentages based on those organisations that had one or more members of staff leave in the previous six months. Multiple responses possible).

Outlook

The outlook for the next six months is still fairly optimistic. Just over 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 64% expect it to stay the same.

Within the first quarter of 2006 Office Angels has attracted a 40% increase of candidates since 2005 and it's encouraging to know that 85% of these came to Office Angels via personal recommendation. We've seen an increase in the number of vacancies since last year and have a huge variety of roles for candidates to choose from. Clients are particularly looking for candidates with skills in Access Database, SAGE and Microsoft packages.

Debby Brennan, Leicester Branch Manager, Office Angels

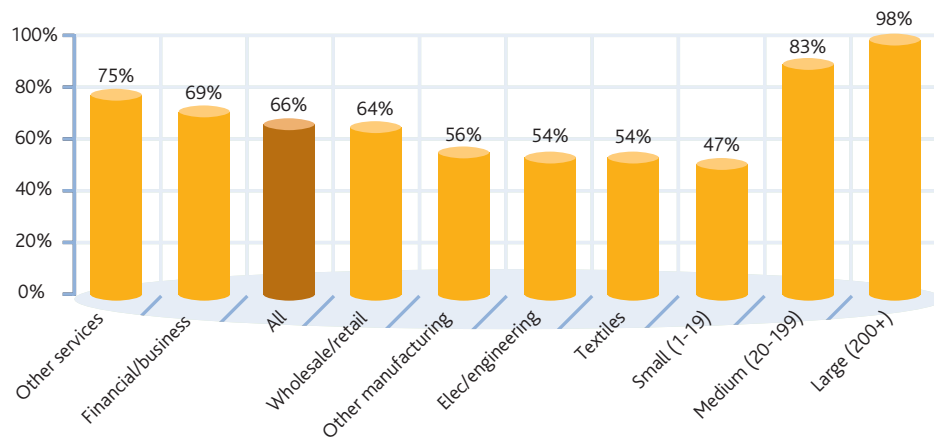
Recruitment

A total of 66% of firms surveyed have recruited staff in the last six months, slightly higher than in Summer 2005. The percentage recruiting in the past six months increased from 47% of firms with fewer than 20 staff, to 83% of those with 20-199 staff and 98% of those with 200+ employees.

81% recruited full-time employees, whilst 51% recruited part-time employees. In line with previous findings, manufacturing firms are less likely to have taken on part-time employees.

The majority of those companies recruiting (94%) have taken on permanent employees, whilst 22% have taken on temporary staff.

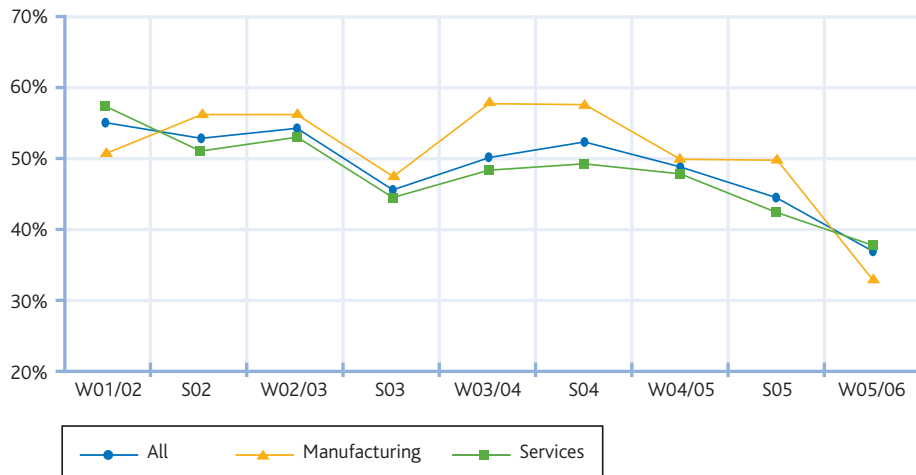
Figure 13: Companies who have recruited staff in past six months



Recruitment Problems

Just over a third of firms recruiting (38%) have experienced difficulties, lower than six months ago (45%). This is the lowest proportion for 10 years. The proportion of manufacturing firms stating that they experienced difficulties is now lower than the proportion in the service sector.

Figure 14: Proportion of companies recruiting experiencing difficulties



Areas of recruitment difficulty

Overall, firms have had the greatest difficulty recruiting skilled craft occupations (26% of those reporting recruitment difficulties), and plant and machine operatives (24% of those experiencing recruitment difficulties). The proportion of firms reporting difficulties with unskilled occupations is 22%. The most frequently cited difficult position was care workers. Manufacturing firms experienced two key areas of difficulty (skilled craft 50% and plant and machine operatives 45%). Problem occupations were more widespread in the service sector with the area of greatest difficulty being low skilled occupations (24%).

Table 6: Percentage of businesses reporting recruitment difficulties by occupation

	All	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Managerial and administrators	6%	11%	5%	2%	7%	21%
Professional	11%	3%	13%	5%	14%	21%
Associate technical and professional	14%	21%	13%	11%	17%	7%
Clerical and secretarial	15%	8%	17%	11%	19%	–
Craft and related occupations	26%	50%	21%	28%	27%	25%
Personal services	16%	–	20%	8%	23%	–
Sales	11%	–	13%	17%	4%	36%
Plant and machine operatives	24%	45%	19%	29%	20%	29%
Other low skilled	22%	11%	24%	15%	23%	36%

Note: percentages refer to firms experiencing recruitment difficulties (Standard Occupational Classification 2000). Multiple responses possible

Reasons for recruitment difficulties

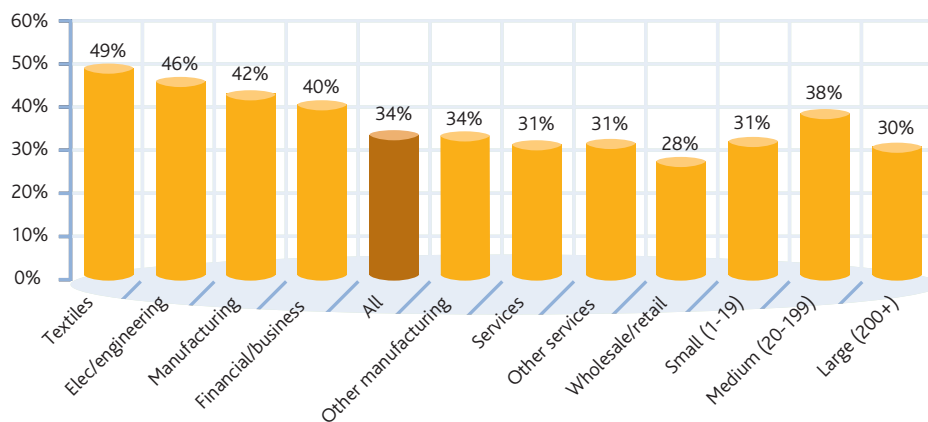
The main reasons why companies found it hard to recruit staff were: lack of people with the required skills (40% of those experiencing recruitment difficulties); lack of people with experience (25%); potential recruits not having the right attitude (19%) and lack of people with the right qualifications (16%). Companies also mentioned low pay (7%), antisocial hours (12%) and difficulties with getting to their premises (7%). (Note: some companies gave more than one response).

Skills Shortages

The position on skills shortages* has not changed over the past six months. Overall, 34% of firms surveyed agreed that skill shortages were having a serious impact on their business the same as in Summer 2005.

In manufacturing there is a higher proportion of firms reporting skills shortages (42%) than in the service sector (31%).

Figure 15: 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%), technical skills specific to their sector (26%), customer care (23%), management/supervisory skills (22%) and communications skills with clients/customers (23%).

*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 7: Skills which need improving in workforce

	All	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Communication skills within company	28%	26%	28%	21%	33%	40%
Technical skills specific to sector	26%	33%	24%	23%	30%	30%
Customer care	23%	15%	26%	16%	31%	25%
Communication skills externally	23%	19%	24%	18%	29%	20%
Management and supervisory skills	22%	21%	23%	15%	29%	30%
Marketing or sales skills	20%	21%	19%	21%	19%	15%
Advanced IT	19%	24%	18%	16%	23%	20%
Basic IT	16%	13%	17%	14%	18%	20%
Professional skills	14%	13%	14%	11%	16%	23%
Basic literacy	11%	13%	11%	7%	16%	20%
English language skills	11%	12%	11%	6%	15%	23%
Basic numeracy	10%	12%	9%	5%	13%	20%
None of these	38%	39%	38%	44%	31%	40%

Note: respondents could give more than one response.

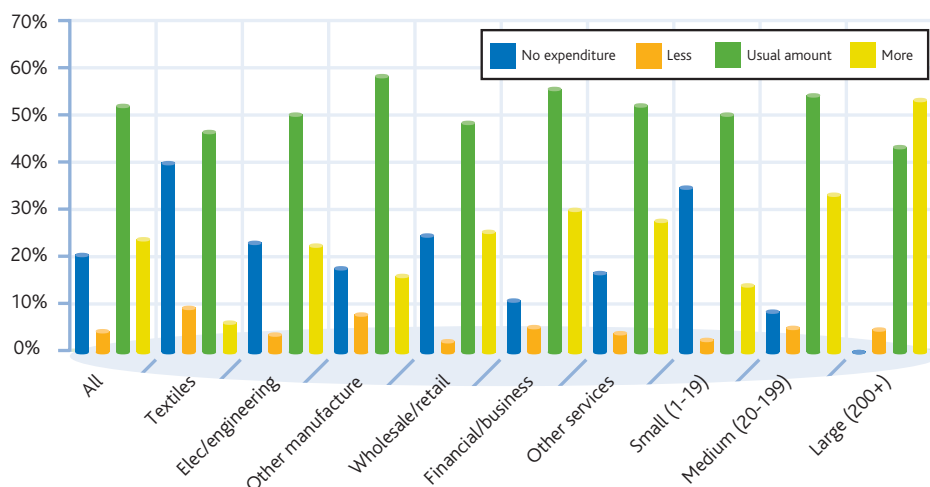
Overall, small companies were less likely to say they had skills gaps. A lower proportion of small companies reported that basic literacy and basic numeracy skills needed improving in their workforce.

Training

Expenditure on training

24% of firms surveyed said that they had spent more than their usual amount on training in the past six months, whilst only 4% had spent less. A total of 51% had spent their usual amount, whilst 20% said that they had spent nothing. 44% of companies with fewer than ten staff spent nothing on training. Only 6% of textile companies reported increased training expenditure, with 46% spending nothing.

Figure 16: Change in expenditure on training



Work experience and work placements

A total of 43% of companies took school students for work placements ranging from 26% of those with fewer than 10 staff to 73% of those with 200+ staff. 15% took graduates for work experience and 7% university students as part of their course. 17% of companies said that they employed Apprentices (formerly Modern Apprentices). This latter figure could be an overestimate if respondents thought the term meant young trainees. 45% said they did not offer any work placements or work experience.

The main reasons for not offering work placements or Apprenticeships were:

- The company is too small, 18%
- No real reason, never thought about it, 12%
- No need, 10%

This feedback from employers highlights the need to promote the wide range of Apprenticeships available. The continuing increase in the numbers of young people achieving an Apprenticeship demonstrates that there is quality provision available to young people and employers.

Fiona Baker, Senior Manager – Work Based Learning

- No time/resources/staff to train support such placements, 10%
- Not been approached, 9%
- We have enough staff, 8%
- Age restrictions, and the requirement for licenses, (such as driving, care work, bar work) 7%
- Health and safety reasons, 5%

Table 8: Percentage of companies offering various types of work placement

	All	Manu- facturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
None of these	45%	45%	45%	60%	31%	18%
School students for work placements	43%	40%	44%	31%	53%	73%
Apprentices*	17%	20%	16%	11%	21%	35%
Graduates for work experience	15%	15%	16%	7%	20%	60%
Other work placements	8%	6%	9%	4%	12%	25%
University students as part of their course	7%	6%	8%	2%	9%	40%

*Formerly Modern Apprentices

Relevance of Apprenticeships

Companies were asked how relevant they thought Apprenticeships (formerly Modern Apprenticeships) were to their company. Overall, 19% thought they were very relevant but 48% thought them not at all relevant. Manufacturers thought Apprenticeships slightly more relevant than service sector companies. Companies with fewer than 20 employees found them less relevant than larger companies.

It was clear from the responses that some companies only associated Apprenticeships with traditional skilled manual trades. The main reasons why companies thought Apprenticeships not relevant were:

- No need because their work was/is fairly low skilled, 18%
- Not relevant because they were not manufacturing or did not employ skilled 'trades people' or a skilled trade, 14%
- Have our own training scheme or train staff in house, 11%
- The company is too small, 11%
- Have not needed any new staff, 9%

Other companies stated that they only employed graduates or professionals, worked in sectors where the training was through NVQs or the work was too specialised for a general training scheme.

E-Commerce

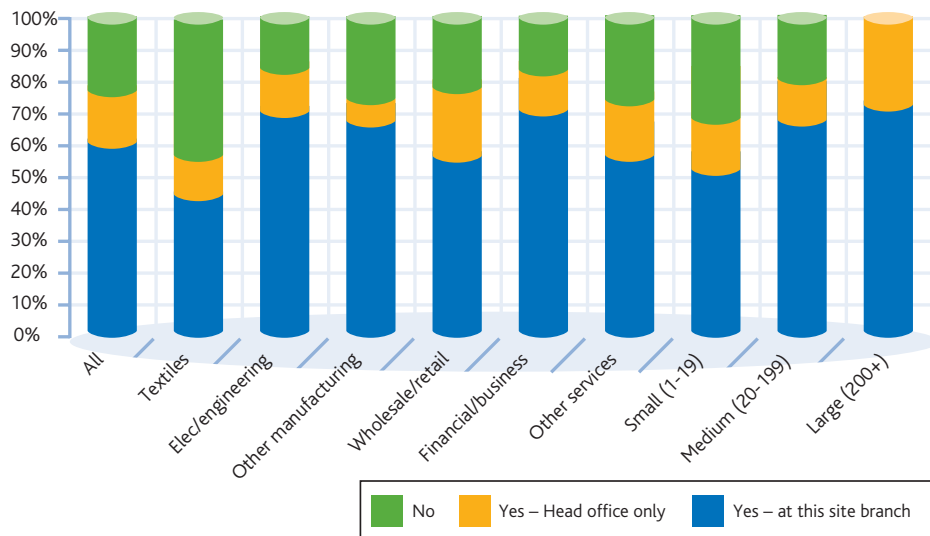
Current website ownership

75% of firms owned a website (an increase from Summer 2005 but similar to Winter 04/05), ranging from 61% of very small companies (under 10 staff) to all the large companies (200+). Website ownership has risen from 53% in Summer 2000, but the increase has now flattened off.

Website ownership is similar for the manufacturing and service sectors. It is lower than average in the textile sector (52%) and is highest in the financial and business services (80%) sector.

Of those companies with a website, 90% have their catalogue or details of products and services available to view online. Companies with fewer than 20 employees were slightly less likely to have this available.

Figure 17: Website ownership



Use of Internet

The majority of companies (89%) said that they used e-mail and/or the Internet, ranging from 80% of those with fewer than 10 employees to 97% of those with 50 or more employees. Small retail and catering outlets were the least likely to be connected to e-mail/internet. This has been much the same since the Summer 2004.

The need for e-commerce tools and systems has increased in recent years to the extent that companies without these technological facilities to communicate, promote and transact trade are missing opportunities to make significant contributions to their business success. Micro businesses in particular need to see e-commerce development as an investment rather than a cost.

Neil Farish, Customer Engagement Manager, Business Link Leicestershire

Use of Broadband

The use of high speed Broadband connections has risen slightly over the past six months with 82% of those using the Internet now on Broadband, an increase from 80% in Summer 2005 and 72% in Winter 04/05. There is no longer any difference in Broadband use between companies in urban and rural areas.

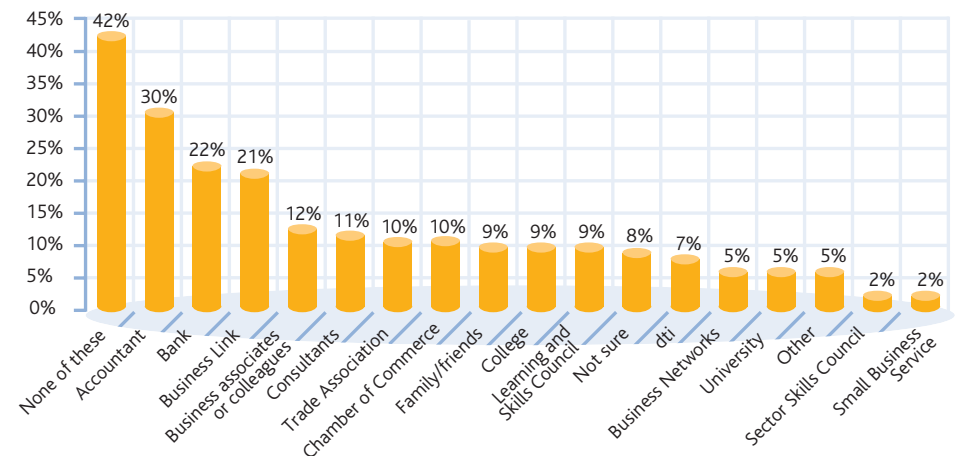
External business advice and support

58% of firms said that they have contacted one or more business support services (including informal sources of support) in the past two years. Manufacturers (62%) were slightly more likely than service companies (56%) to access external business support. Small (57%) and medium (60%) companies were slightly more likely to have sought business support than large companies (43%).

Many companies contacted their accountant (30%), a bank (22%), or informal sources such as business associates or colleagues (12%) or family or friends (9%). Business Link was contacted by 21% with 10% contacting the Chamber of Commerce, 10% a trade association and 9% a college.

The vast majority would go back to the same organisations for further advice.

Figure 18: Companies or organisations firms have contacted for advice or support



Note: Multiple response.

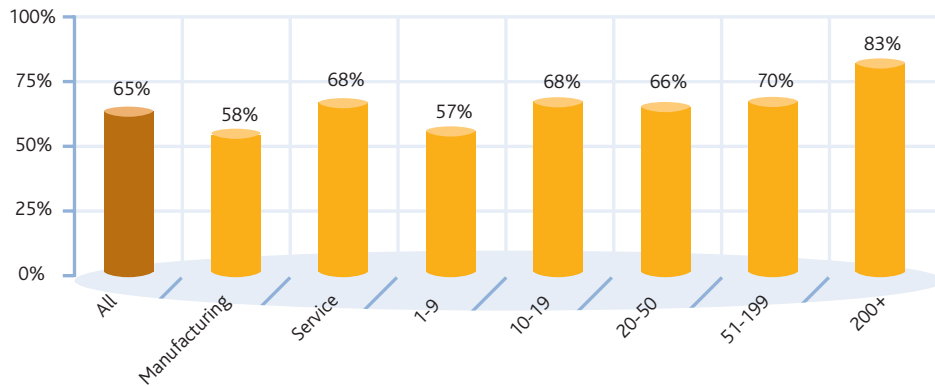
Spotlight on: Flexible Working

Some of the interesting outcomes presented from offering flexible working arrangements were that staff were reported to be happier as it had improved morale, enabled employers to offer longer opening hours and had a positive impact on staff retention and recruitment. These results of the positive opportunities created by flexible working arrangements will help to inform workforce reform developments within Leicestershire County Council's new Children and Young Persons Service.

Susannah Jordan, Every Child Matters Programme Manager, Leicestershire County Council

Two thirds of companies (65%) offered staff flexible working arrangements ranging from 58% of manufacturers to 68% of service sector companies. Small companies were less likely than larger ones to offer flexible working, ranging from 57% of those with fewer than 10 staff to 83% of those employing 200 or more.

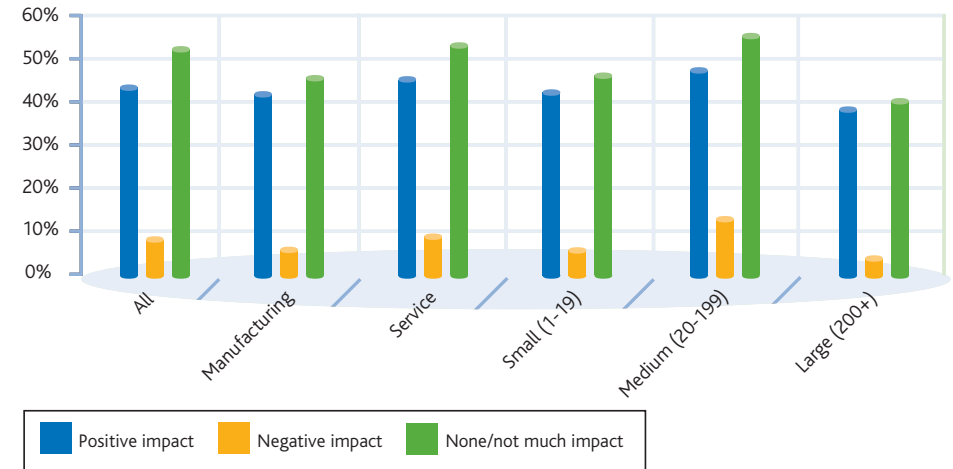
Figure 19: Percentage of companies offering flexible working



The majority of those offering flexible working said it applied to all staff (83%), 17% of firms said they offered flexible working but only to some members of staff. Of those companies only offering flexible working to some staff, 50% only offer this to staff with children, 16% to office based staff, 16% to staff with other caring responsibilities and 7% only to managers.

Flexible working was perceived in a positive light. When asked what the impact of flexible working was, 46% said it had made little or no difference, 44% made positive comments and only 8% made negative comments.

Figure 20: Impact of flexible working



Base: Those companies offering flexible working to their staff.

- 18% of companies said that staff liked flexible working, were happier or morale was better
- 10% said that flexible working arrangements are better for staff retention and recruitment
- 5% of businesses said that it has enabled them to stay open longer hours
- 4% said that it helps staff to support each other

Others commented that on the negative side there were problems when staff needed the same time off and that it is hard to cover all the shifts.

When asked if companies offered childcare vouchers, 9% of businesses said that they did offer them. Childcare vouchers on average are offered more frequently in the service sector (10%) than the manufacturing sector (6%).



Spotlight on: Relocation

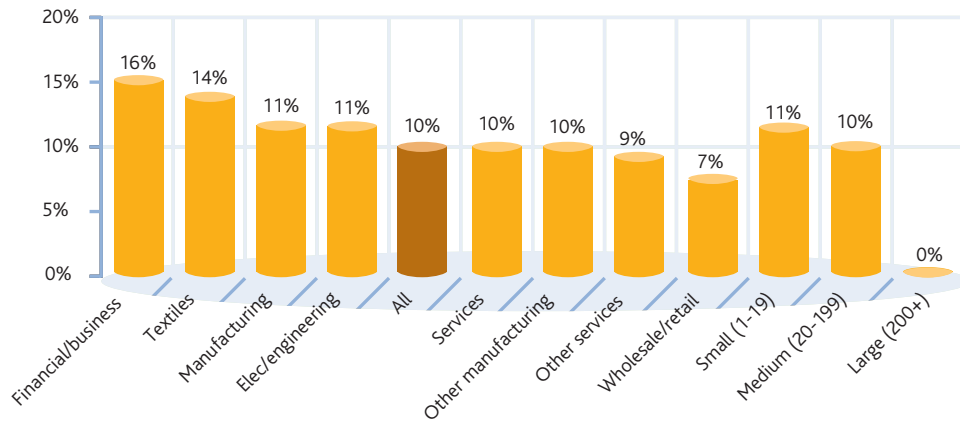
The City Council has recently commissioned consultants to carry out the Leicester Employment Land Study. This was jointly funded by LSEP and should be published in March 2006. Its findings reinforce those arising from the Leicester Shire Business Survey. In the Business Survey part of the Employment Land study, around 10% of those surveyed said that they are considering moving premises over the next twelve months. The City Council is seeking to address concerns raised in this and other parts of the study, including the needs of companies to grow, expand and relocate within the City.

Diana Chapman, Leicester City Council

One in ten companies said they were planning to relocate in the next couple of years, much the same as when this question was last asked in the Summer 2004 survey.

The percentage was much the same for manufacturers (11%) as for the service sector (10%). City-based firms (12%) were slightly more likely to be looking to relocate than County-based firms (9%).

Figure 21: Percentage of companies planning to relocate in the next couple of years



Of those companies planning to relocate, 32% were planning to move to Leicester and 61% to Leicestershire. Two companies were planning to move outside the County and two overseas. 14% of firms based in Leicestershire want to relocate to Leicester City and 38% of firms based in Leicester City would like to relocate to Leicestershire.

Table 9: Where companies are planning to relocate to

	All	Manufacturing	Services	City	County
Leicester	32%	23%	35%	56%	14%
Leicestershire	61%	64%	59%	38%	77%
Outside Leics.	3%	5%	2%	-	5%
City or County	3%	-	4%	6%	-
Overseas	3%	9%	-	-	5%



Market Bosworth Hall

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, Leicestershire Learning and Skills Council and Business Link Leicestershire Ltd.

The survey

A telephone survey of 766 businesses within Leicester and Leicestershire was undertaken during December 2005 and January 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

	City	%	County	%	Total	%
Business Sector						
Manufacturing	67	26%	132	26%	199	26%
Services	194	74%	373	74%	567	74%
Business Size						
1-9 Employees	77	30%	153	30%	230	30%
10-19 Employees	59	23%	94	19%	153	20%
20-50 Employees	69	26%	132	26%	201	26%
51-199 Employees	43	16%	99	20%	142	19%
200+ Employees	13	5%	27	5%	40	5%

The next Leicester Shire Business Survey will be conducted in May 2006.

An electronic version of the survey report is available on the Leicester Shire Intelligence website, 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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 Chief Executive's Department, Leicestershire County Council,
 County Hall, Glenfield,
 Leicester LE3 8RA

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 Email: ineale@leics.gov.uk



Shires Shopping Centre, Leicester

Cover image reference:



*National Space Centre,
Leicester*



*Market Harborough
Grammar School*



*Melton Mowbray
Market Place*



Ashby Castle



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



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Leading learning and skills

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