



summer
2007



LEICESTER SHIRE
economic
partnership

Leicester Shire
BUSINESS SURVEY

Front cover pictures

Main - **Loughborough Innovation Centre**

Top - **Grove Park, Leicestershire**

Middle - **Ashby Canal, Moira**

Bottom - **Magna Park, Leicestershire**

Back cover pictures

Top - **Grove Park, Leicestershire**

Middle - **Hinckley Farmers Market, Hinckley**

Bottom - **Leicester Creative Business Depot**

summer 2007

Leicester Shire BUSINESS SURVEY

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Leicester Shire Business Survey Summer 2007

I hope that you enjoy reading the latest edition of the Leicester Shire Business Survey. Leicester Shire Intelligence manages this survey, designed to bring you up to date information about local business performance and opinion. We have explored a number of topical issues, which we hope you will find interesting. This is a robust survey, conducted through telephone interviews with over 750 local businesses. The sample is broadly representative of the local business community.

There has been much national and local debate about the impact of migrant workers on the economy. Our survey indicates that 18% of local businesses have taken on migrant workers over the last two years. In particular, food manufacturers and care homes have recruited migrant workers. Migrant workers came from all corners of the globe, with a particularly high proportion from Poland and other areas of Eastern Europe. At present many migrant workers are recruited to fill low skill occupations.

The evidence indicates that our local business community is performing well with strong sales and profit performance and a high proportion of businesses engaged in recruitment activity. It is also encouraging to see that many businesses have invested in ICT, machinery and equipment, training and marketing/ promotional activity.

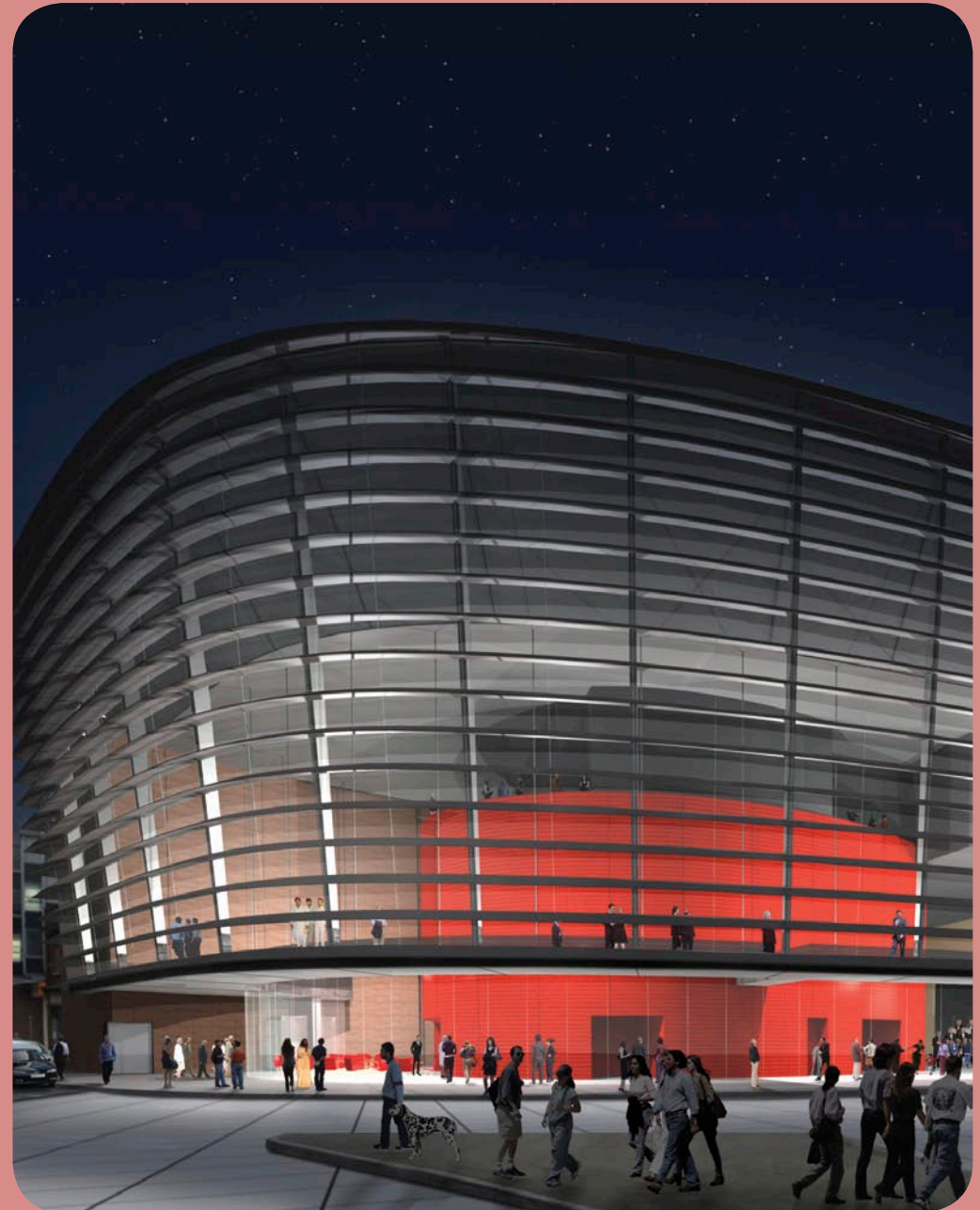
In line with national trends, there is some anxiety about future business conditions. Our local survey shows that the balance of optimism is now negative at -4%. This is due to a combination of factors including, increasing concern over interest rates, rising fuel and energy prices and slower consumer spending. There is also relatively slow growth in the housing market and the latest view is that this will continue.

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

We are in the process of applying for future funding for the business survey and hope that we can continue to provide you with up to date information on the business community in Leicester and Leicestershire.



Caroline Boucher
Project Manager
Leicester Shire Intelligence



General business conditions

- Business optimism for the next six months is still quite low (-4%) much the same as Winter 06/07 (-5%) and still lower than Summer 2006 (-1%). Despite this, sales and profit performance remain strong.
- Overall, views on optimism were mixed. 17% thought business conditions would improve compared to 21% who thought they would deteriorate over the next six months. 45% thought there would be little change.
- Since Winter 06/07, optimism in the manufacturing sector has increased 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 44% reported an increase in turnover over the previous 6 months, with 18% reporting a decrease. 40% reported an increase in profitability and 20% a decrease.
- 48% thought sales would increase over the next six months with 10% predicting a decline. 41% predicted an increase in profits over the next six months and 13% expected a decline, this is slightly less optimistic than six months ago.

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 for business.
- Concern over interest rates has increased over the past six months.
- Exporters continue to be concerned about high exchange rates.

Export activity

- Export growth has improved slightly, with 46% reporting an increase in overseas sales, 9% a decrease and 43% no change.
- The outlook for exports is much the same, with 45% saying their advanced overseas orders had increased over the past six months.

Price pressures and labour costs

- The proportion of businesses that have increased their prices rose slightly over the past six months (34%) compared with 9% who have decreased their prices.
- The main price pressures were fuel and energy prices, raw materials and other overheads. Pressure from raw material prices and other overheads had increased over the past six months.

- Wage rates have increased by 2.7% overall, slightly lower than reported in Winter 06/07.

The workforce, skills and recruitment

- The proportion of firms recruiting staff (68%) has risen over the past six months. The percentage of recruiting firms reporting difficulties was 34%, the same as reported six months ago. This confirms the previous finding that recruitment difficulties are lower now than in recent years.
- When asked about recruitment in the last six months, 39% of recruiting firms had recruited other young people under 19 and 12% had taken on Apprentices.
- 15% of businesses had recruited migrant workers in the previous six months with the manufacturing sector (23%) being more likely than the service sector (12%) to have done so.
- Migrant workers came from all parts of the world but the majority of companies recruiting migrant workers had recruited from Eastern Europe (79%) and in particular Poland (71%).

Skills and training

- 33% of firms agreed that skill shortages were having a serious impact on their business, slightly higher than six months ago.
- The main skills gaps identified were communication skills within the company (28%), management and supervisory skills (26%), and technical or job specific skills (26%).
- 22% had spent more than their usual amount on training in the past six months. Overall, 3% had spent less, 57% their usual amount and 18% nothing.
- Just over a quarter of companies (29%) had used a further education college to access training or learning for their staff. In general, users were satisfied with how well the training met their needs.

Business investment

- 46% had invested in new technology or ICT with the same proportion investing in new machinery or equipment. 39% had invested in staff training or development, 36% in refurbishment of their premises and 30% in a new advertising or promotional campaign.

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 or Leicestershire.

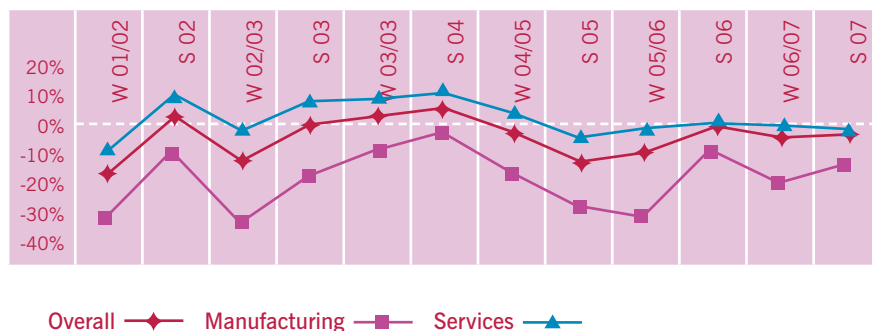
General Business Conditions

Business optimism

Local business confidence continues to be fairly low. The balance of optimism* is -4%, compared with -5% in the Winter 06/07 survey and -1% in the Summer 2006 survey. Overall, 17% of respondents thought that general business conditions would improve, 21% that they would deteriorate and 45% thought they would not change much.

Confidence has continued to fluctuate in the manufacturing sector and now stands at -14% compared to -21% in Winter 06/07 and -9% in Summer 2006. Confidence in the service sector has remained unchanged since Winter 2005/06 and stands at -1%. Overall, 13% of manufacturers thought business conditions would improve, 26% that they would deteriorate and 44% that they would not change much. In the service sector, 19% thought conditions would improve, 19% that they would deteriorate and 46%, that they would stay the same.

Figure 1: Balance of business optimism



Optimism in the electrical/engineering sub-sector has increased from -19% in Winter 06/07 to +1%.

* 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.

The level of optimism in the wholesale, retail and hospitality sector has remained much the same over the last six months with the balance of optimism now standing at -4%. Confidence in the financial and business services sector has continued to decline with a balance of -3% compared with +2% in Winter 06/07 and +13% in Summer 2006.

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

	Improve	Not change	Worsen	Don't know
All	17%	45%	21%	17%
Small (1-19)	16%	43%	24%	16%
Medium (20-199)	17%	47%	19%	16%
Large (200+)	26%	44%	9%	21%
Manufacturing	13%	44%	26%	17%
Engineering / electrical	17%	51%	15%	17%
Construction	20%	59%	12%	10%
Retail, wholesale, hospitality	20%	42%	24%	14%
Transport and communications	15%	46%	18%	21%
Financial & business services	17%	49%	20%	14%

“ Business confidence for this quarter has undoubtedly been influenced by external factors such as the fluctuation in fuel prices and the world security situation. However, the outlook for Leicester and Leicestershire is anything but bleak. We are witnessing unparalleled investment in our City and County totalling an estimated £5bn. As these major developments come on stream, the true benefits to our economy will be realised. ”

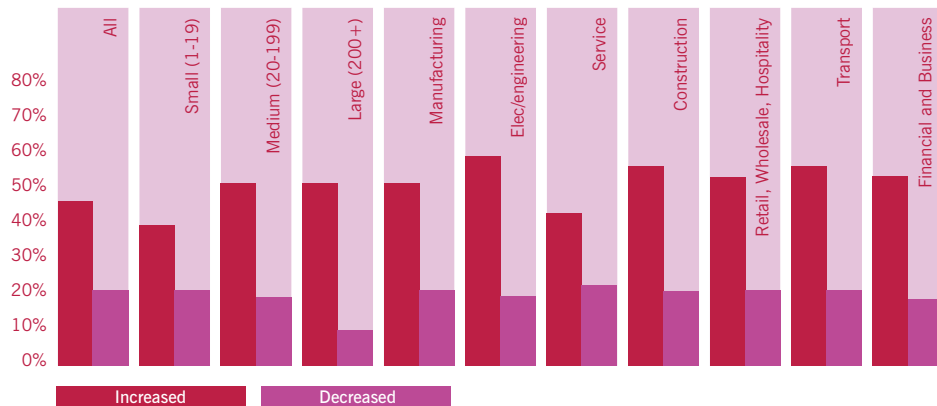
Martin Traynor OBE, Group Managing Director, Leicestershire Chamber of Commerce.

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 (+26% compared with +28% in Winter 2006/07 and +26% in Summer 2006). 44% reported an increase in turnover compared with 18% who reported a decrease. 13% reported an increase in sales of more than 10%, slightly fewer than six months ago.

Figure 2: Change in sales over the last 6 months



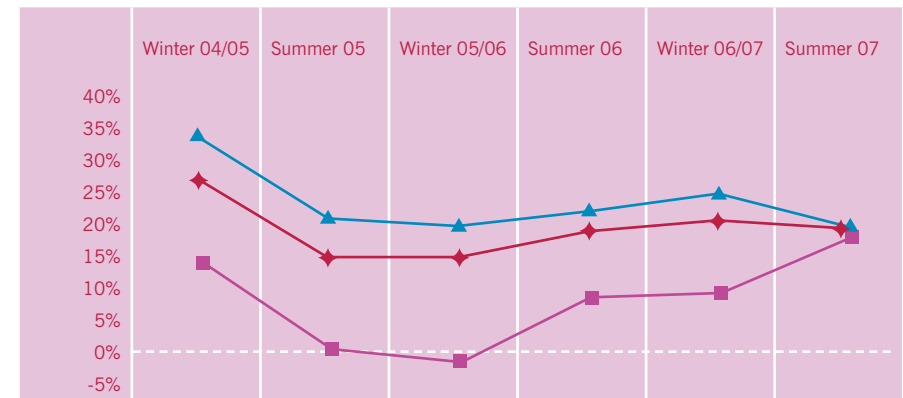
Large companies reported larger increases in sales than small ones with a balance of +47% for large (200+ employees), 33% for medium (20-199 employees) and 16% for small (1-19 employees) companies. The balance for manufacturing companies was +28%.

Profit performance

The situation regarding profits has remained fairly constant. The balance of businesses that reported increased profits is now +20%, much the same as in Winter 06/07 (+21%). Overall, 40% reported an increase in profits and 20% a decrease, with 27% saying they were much the same. 11% reported an increase of more than 10%.

The best performing industry sector in terms of increases in profits was financial and business services (+33%). The retail, wholesale and hospitality sector was at +19%. Manufacturing in general has improved to +18% from +9% six months ago. The balance of profitability for the engineering/electrical sub-sector has increased to +20%.

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



All —◆— Manufacturing —■— Services —▲—

Outlook

The outlook for sales has remained much the same over the past 6 months to give a balance of +38%. Overall, 48% thought sales would increase, 10% that they would decrease and 34% that they would remain much the same. There was little difference between the manufacturing and service sectors.

Overall, the outlook for profits has worsened slightly with 41% predicting an increase in profits over the next six months (compared with 45% in Winter 2006/7) and 13% a decline.

Export performance

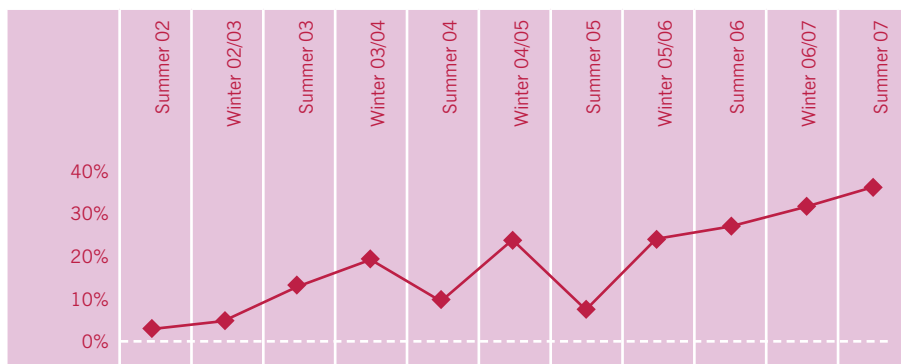
A total of 17% of businesses surveyed export products or services, much the same as six months ago. The proportion of manufacturers exporting stands at 46% and that of service sector organisations at 8%.

Table 2: Percentage of products or services exported

% Exported	None	4% or less	5-9%	10-24%	25-49%	50% or more
Manufacturing	54%	4%	10%	10%	9%	11%
Service Sector	92%	1%	1%	3%	1%	2%

Overseas sales have shown a slight improvement over the past six months with 46% of exporters having increased their overseas sales and 9% reporting a decrease. 43% reported that overseas sales were constant. This is a balance of +36% compared to +31% six months ago. The balance of export sales for manufacturing was +33%.

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



All —◆—

“It is encouraging to see the continuing positive outlook amongst exporting manufacturers from our region, which demonstrates that manufacturing is alive and well in this region. This sector remains a strong focus for the East Midlands, contributing £18 billion to the region’s economy per year, about a quarter of the region’s GDP. Despite a slow decline in exports over the last few quarters the East Midlands remains one of only three UK regions to show a Balance of Payments surplus in manufactured goods”.

Peter Hogarth International Trade Director East Midlands, UK Trade & Investment

Table 3 displays regional and national comparisons, for the change in the balance of export sales in the year to June 2007, 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 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 moderated for service sector firms in the East Midlands, now standing at +13%.

Table 3: Balance of change in Export sales over 2006/07 for the East Midlands and UK

Area	Sector	2nd quarter (June 2006)	3rd quarter (September 2006)	4th quarter (December 2006)	1 st quarter (March 2007)	2 nd quarter (June 2007)
UK	Manufacturers	19%	34%	20%	13%	11%
UK	Service Sector	22%	25%	27%	12%	12%
East Midlands	Manufacturers	22%	38%	18%	23%	19%
East Midlands	Service Sector	12%	12%	16%	19%	13%

Source: Chamber of Commerce, QES

Export outlook

Overall, 45% said their advanced orders had increased, 47% that they were much the same and 5% that they had decreased. The outlook for exports has improved slightly over the last six months.

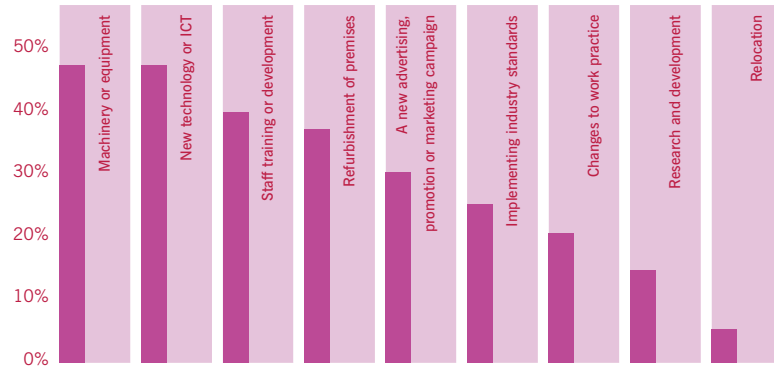
Business Investment

Larger companies were more likely to have made extra investment ranging from 91% of those with 200+ employees to 64% of those with 1-9 employees. The proportion having made extra investment was similar for the manufacturing and the service sector. The retail, wholesale and hospitality sub-sector was the least likely to have made extra investment (71%).

Just under half of businesses (46%) had invested in new technology or ICT with the financial and business services sector being the most likely to have done so (63%). The same proportion (46%) had made extra investment in machinery or equipment, with manufacturers (58%) being more likely than the services sector (42%) to have invested.

39% had made extra investment in staff training or development with the health and education sector being the most likely to have done this (53%). 36% of businesses had invested in refurbishment of their premises, 30% in a new advertising, promotional or marketing campaign, 24% in implementing industry standards, 20% in changes to working practices, 14% in research and development (with 24% of manufacturers having done this) and 5% in relocation.

Figure 5: Types of investment made (percentage of all businesses)



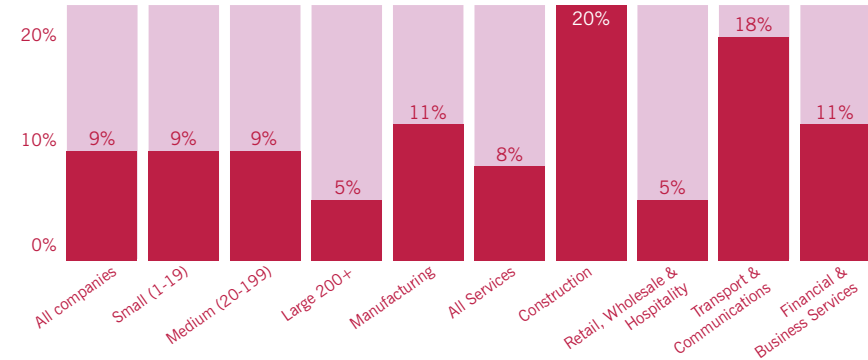
“ Total UK business investment grew strongly in 2006 and although it eased slightly at the start of this year it was still nearly 10% higher than a year earlier. So far there has been little impact from the turmoil in global financial markets on the investment intentions of our business contacts in Leicestershire and the East Midlands more generally - businesses remain reasonably positive. However it is an area we will be monitoring closely over the coming months. ”

Chris Brown, East Midlands Agent, The Bank of England

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 previous surveys.

Figure 6: Percentage of companies planning to relocate in the next couple of years



Of the 67 firms planning to relocate, 13% were planning to move to Leicester City centre, 24% to the rest of Leicester and 51% to Leicestershire County. 4% were planning to move outside the County and 7% said that they were not certain.

Table 4: Where companies are planning to relocate to

	All	Manufacturing	Services	City	County
Leicestershire	51%	60%	47%	20%	64%
Edge of City	18%	15%	19%	15%	19%
In Leicester - City centre	13%	10%	15%	45%	-
Not certain	7%	10%	6%	10%	6%
Leicester elsewhere or anywhere in the City	6%	-	9%	5%	6%
Outside Leicestershire	4%	5%	4%	5%	4%
Base	67	20	47	20	47

Main Business Concerns

Main concerns

When businesses were asked (unprompted) what factors, if any, were causing the most concern for their company, responses were similar to the Winter 06/07 survey. There was an increase in the number of businesses concerned about interest rates with 5% mentioning this as their major worry.

17% said there was nothing causing them major concern. Those businesses expressing concerns mentioned in particular; competition (12%) and increasing costs (raw materials, fuel or other costs) (11%). Other concerns were winning customers, orders or generating business (9%) and recruiting staff (9%). 14% of manufacturers cited recruitment as their major concern. 3% of businesses said that disruption due to regeneration work in the City Centre was a major concern.

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.

Concerns about finance, i.e. interest rates, inflation and business rates, have all increased since the Winter 06/07 survey. As in previous surveys, 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 factor where the service sector was more concerned was with staff retention.

Exchange rates continued to be of concern to exporters (3.2), higher than in Winter 06/07. Cheap imports were of particular concern to manufacturers (3.3), exporting companies (3.1) and the engineering/electrical sub-sector (3.3).

Finding suitable staff was more of a concern for larger companies than smaller ones and was of most concern to the construction sub-sector.

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

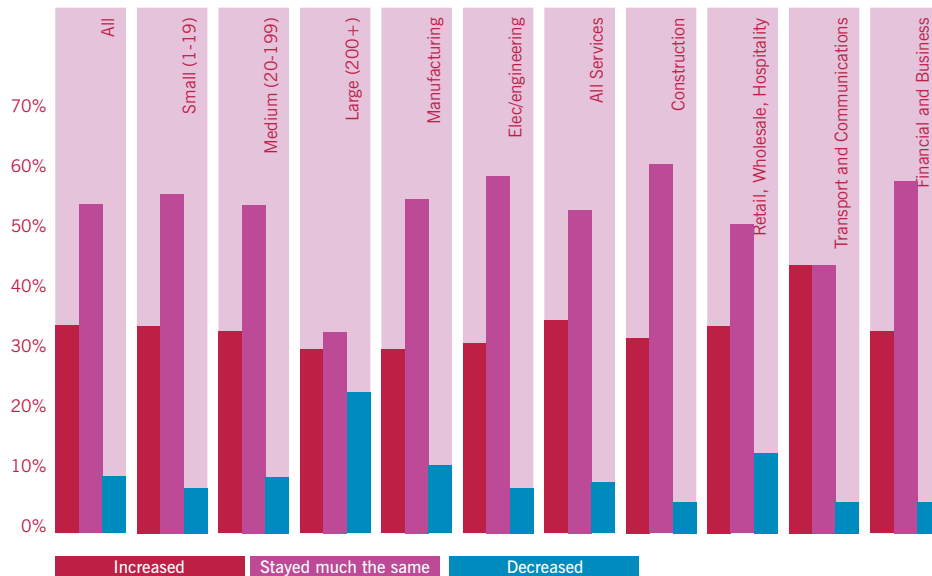
Factor	All Summer 2007	All Winter 06/07	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Red tape	3.6	3.5	3.9	3.5	3.5	3.6	3.5
Fuel / energy costs	3.5	3.6	3.8	3.3	3.4	3.5	3.8
Competition	3.2	3.3	3.5	3.1	3.2	3.2	3.4
Finding suitable staff	3.0	3.0	3.2	2.9	2.7	3.1	3.4
Business rates	3.0	2.8	3.4	2.9	3.1	3.0	3.3
Inflation	3.0	2.7	3.1	2.9	2.9	3.0	3.0
Interest rates	3.0	2.6	3.1	3.0	2.9	3.1	3.4
Cashflow	3.0	3.0	3.4	2.8	3.0	2.9	3.1
Attracting customers	2.9	3.1	3.0	2.8	2.9	2.8	2.9
Business generation	2.8	3.0	3.2	2.7	2.9	2.8	2.6
Corporation tax	2.8	2.6	3.2	2.6	2.7	2.8	2.7
Winning orders	2.6	2.9	3.2	2.4	2.6	2.6	2.6
Staff retention	2.4	2.4	2.2	2.4	2.2	2.5	2.6
Cheap imports	2.2	2.1	3.3	1.8	2.3	2.1	2.5
Exchange rates	1.9	1.8	2.6	1.7	1.8	2.0	2.5

Price Pressures

Prices

Pressure on prices has increased slightly since Winter 06/07 with 34% of firms reporting increases in prices during the last six months, whilst 9% said they had decreased prices. Over half of businesses (54%) reported no change in prices.

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



A slightly lower proportion of manufacturers had increased their prices at 30% compared with 35% of firms within the service sector. By size, only 7% of small firms (1-19 employees) had decreased prices compared with 23% of large firms (200+ employees).

Pressure on prices

The main pressure to increase prices from the factors mentioned to respondents was fuel and energy costs (37%). Other significant price pressures were raw material prices (33%) and other overheads (28%). 19% mentioned pay settlements and 17% mentioned finance costs. The percentage of firms citing fuel and energy costs as a pressure to raise prices had fallen slightly, but raw material prices and other overheads were slightly more significant than six months ago.

Fuel and energy costs were most important to manufacturers (55%), the construction sector (59%) and transport and communications (69%). Raw material prices were of particular concern to manufacturers (59%) and those in the construction sector (63%). Manufacturers were far more likely than service sector companies to face one or more of these pressures.

Labour costs

Pressure on wage rates has remained much the same, with 76% 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 (67% of small businesses; 82% of medium-sized businesses and 93% of large businesses).

The rate of pay increase has remained steady, having increased by 2.7% compared with 2.9% six months ago. The rate of earnings growth was slightly lower in the manufacturing (2.6%) than in the service sector (2.8%).

Although not directly comparable, according to official estimates, the growth in regular pay in the UK was 3.4% in the year to June 2007.



The Workforce

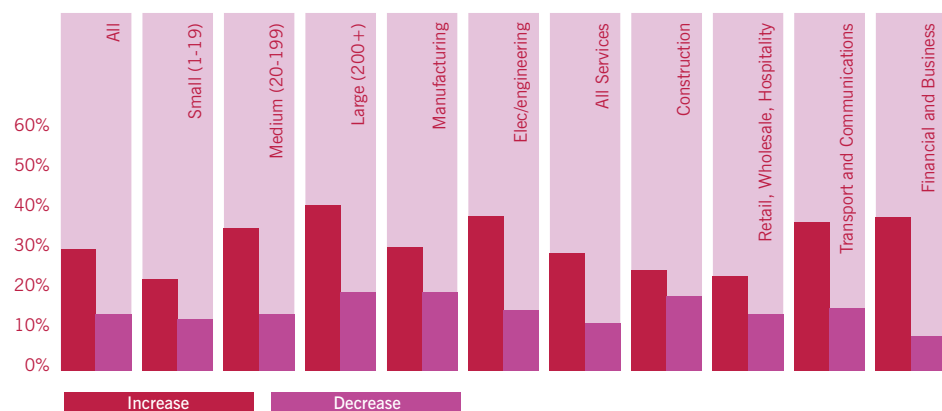
The local ILO unemployment rate* for the Leicester Shire area** was 5.5%, slightly above the regional rate and in line with the national rate of 5.5%. The rate for the County area was 4.1% and that for Leicester City was 8.8%.

Workforce growth

There was a slight increase in the number of firms saying their workforce had increased over the previous six months compared to Winter 06/07. 29% said that their workforce had increased and 13% that it had decreased with 58% of firms reporting no change. Manufacturers (19%) were more likely to say their workforce had decreased in number. The financial and business services and transport and communications sectors were the most likely to have increased their staffing levels (37% and 36% respectively).

Smaller companies were less likely to have increased in size, (22% of those with less than 20 staff compared with 34% of those with 20-199 staff and 40% of those with 200+ employees).

Figure 8: Workforce change over the past six months



* Resident-based unemployment rates International Labour Organisation (ILO) definition (December 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 3,400 jobs with over 2,600 of these being to fill vacancies where people had left these organisations, giving a net increase of about 850 in the past six months. Almost all this growth was in the service sectors (830 jobs) with almost no change in manufacturing. The firms in the retail, wholesale and hospitality sector have seen the highest net gain (340).

Table 6: 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	3,432	763	2,669	164	1,272	318	341	360	232
Left	2,585	744	1,841	94	931	187	283	246	112
Balance	847	21	828	70	341	131	58	114	120
% difference	25%	3%	31%	43%	27%	41%	17%	32%	52%

Table 7: Actual Changes in workforce by geography

	All	City	County	Urban	Rural
Recruited	3,432	1,293	2,139	2,804	628
Left	2,585	1,046	1,539	2,193	392
Balance	847	247	600	611	236
% difference	25%	19%	28%	22%	38%

Outlook

The outlook for the next 6 months is still fairly optimistic. More than a quarter of firms surveyed (28%) expect the size of their workforce to increase during this time. Only 7% expect their workforce to decrease and 64% expect it to stay the same.

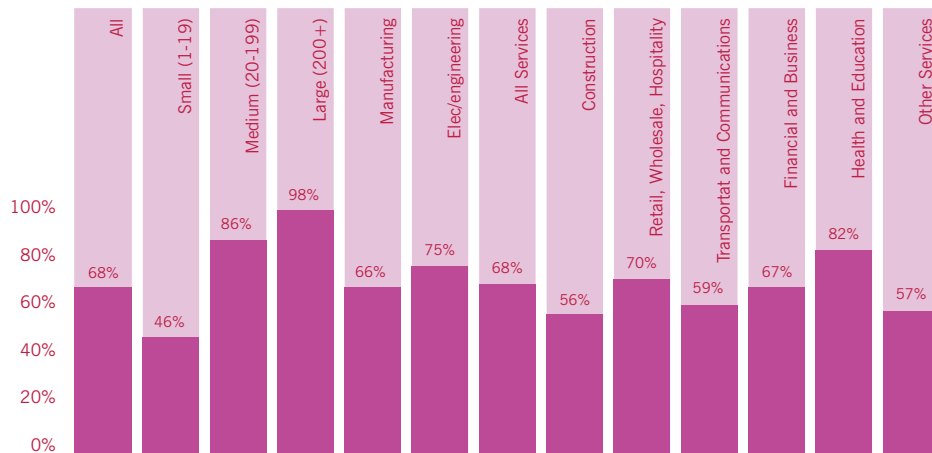
Recruitment

A total of 68% of firms surveyed had recruited staff in the last six months, slightly more than six months ago. The percentage recruiting in the past six months increased from 46% of firms with fewer than 20 staff to 86% of those with 20-199 staff and 98% of firms with 200+ employees.

82% recruited full-time employees, whilst 46% recruited part-time employees. In line with previous findings, manufacturing firms were less likely to have taken on part-time employees (19%, compared with 55% of service sector firms).

The majority of recruiting companies (95%) had taken on permanent employees, whilst 16% have taken on temporary staff.

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



Type of staff recruited

10% of recruiting companies had employed apprentices, with manufacturers (16%) twice as likely as the service sector (9%) 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 (24%) to have done so. 56% of the retail, wholesale and hospitality sector had recruited "other young people".

25% of companies had recruited someone who had graduated in the past five years.

One in three companies (34%) had recruited someone aged over 50, 45% had recruited someone from an ethnic minority group, 37% an unemployed person, and 8% had recruited someone with a disability. Only 1% of companies said they had recruited someone who had previously been on Incapacity Benefit.

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

Table 8: Type of staff recruited

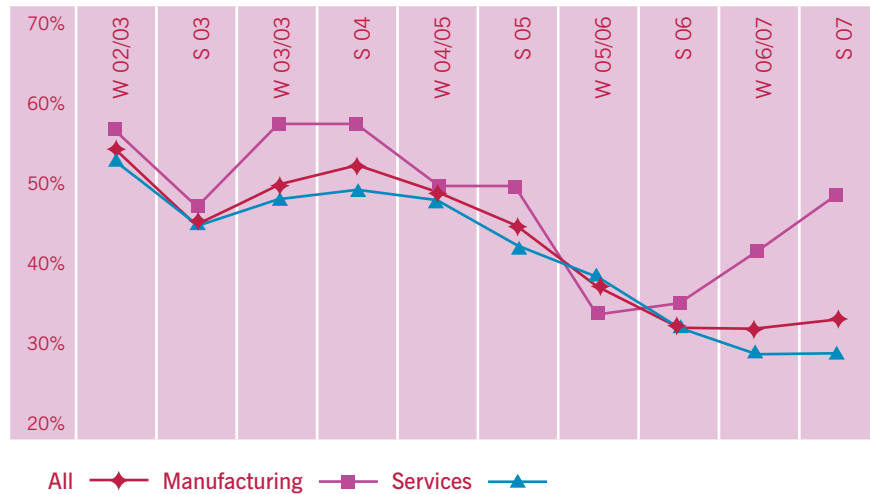
	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Ethnic minorities	45%	40%	46%	22%	50%	93%
Young people under 19 not on formal apprenticeships	39%	24%	43%	24%	44%	57%
Unemployed people	37%	33%	39%	28%	41%	50%
People aged over 50	34%	38%	33%	15%	37%	81%
People who have graduated in past 5 yrs.	25%	31%	23%	10%	27%	64%
Apprentices	10%	16%	9%	8%	11%	14%
People with a disability	8%	1%	10%	1%	8%	31%
People on Incapacity Benefit	1%	1%	1%	-	1%	7%

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

Recruitment Problems

At 34% the percentage of firms experiencing recruitment difficulties is much the same as in Winter 06/07. This shows the recent trend for a lower proportion of firms experiencing recruitment difficulties has continued. Manufacturers (49%) were more likely than service sector companies (30%) to report recruitment difficulties. The level of recruitment difficulty for manufacturers is back to the level it was two years ago. Construction (48%) and knowledge based sectors (42%) were experiencing greater difficulties than other sub-sectors.

Figure 10: Proportion of companies recruiting experiencing 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 (21%). The most frequently cited difficult positions were sales representatives. Manufacturing firms experienced particular problems with skilled craft occupations (49% of those reporting difficulties). Plant and machine operatives (24%) were also problematic for manufacturers. Problem occupations were more widespread in the service sector.

The proportion of firms having difficulty in recruiting managers or professional staff has increased slightly but the number experiencing problems recruiting plant and machine operatives has declined.

Table 9: 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%	49%	22%	31%	32%	23%
Associate technical and professional	21%	22%	20%	19%	21%	27%
Plant & machine operatives	15%	24%	11%	17%	15%	9%
Other low skilled occupations	14%	10%	16%	13%	15%	18%
Managers and administrators	12%	10%	13%	4%	9%	41%
Professional	12%	7%	15%	13%	13%	9%
Sales occupations	11%	2%	15%	10%	9%	27%
Clerical and secretarial	10%	3%	13%	2%	14%	9%
Personal services	8%	-	13%	8%	10%	

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 or calibre required (reported by 54% of those experiencing recruitment difficulties);
- low number of applications generally (12%)
- lack of applicants with the required experience (11%)
- low number of applicants with the required attitude, motivation or personality (11%)
- lack of applicants with the required qualifications (11%)
- not enough people interested in this type of job (7%)

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

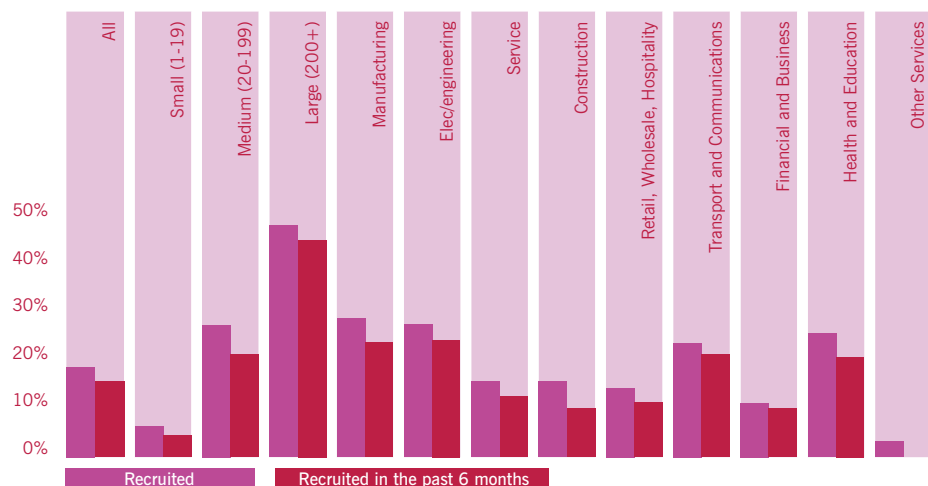
Spotlight on Migrant Workers

The employment of migrant workers remains an important issue in the UK economy. 15% of local companies had recruited migrant workers in the previous six months and 18% in the past two years.

Migrant workers have been recruited across all sectors with the highest proportion being in manufacturing (28%) and health and education (25%) and the least in finance and business services (11%). 60% of food manufacturers and 40% of the care homes had recruited migrant workers. A total of 665 migrant workers had been recruited by the sample in the past 6 months; 289 by manufacturing and 376 by the service sector.

Larger companies were more likely than small firms to have recruited migrant workers with 47% of those with 200 or more staff having done so, compared with 27% of medium (20-199 employees) companies and 6% of small (1-19 employees) companies. In the past 6 months, 22% of manufacturing companies and 13% of the service sector had recruited migrant workers.

Figure 11: Percentage of firms recruiting migrant workers in the past two years and past 6 months



Migrant workers came from all corners of the globe, but in the past six months 71% of recruiting companies had recruited Polish workers and 79% workers from Eastern Europe.

Half the firms had used an agency to recruit migrant workers but recruitment by word of mouth was also high, with a third of recruiting firms using this method.

“Leicester City Council values the contribution that migrants make to the city, especially to the local and wider economy as well as its social benefits”.

Lee Harrison, Head of Partnership, Policy and Performance, Leicester City Council

Occupations

More than half the companies (55%) recruiting migrant workers had recruited to low skilled occupations with a further 23% recruiting plant and machine operatives. The most frequently recruited occupations were warehouse operatives and care assistants.

Table 10: Occupations for which migrant workers were recruited, percentage of companies recruiting migrant worker

Occupation	All	Manufacturing	Services
Managerial and Administrators	1%	2%	-
Professional occupations	3%	2%	3%
Associate technical and professional	4%	4%	3%
Clerical occupations	6%	2%	9%
Craft occupations	18%	20%	17%
Personal services	15%	-	24%
Sales	4%	-	6%
Plant & machine operatives	23%	47%	9%
Other low skilled	55%	49%	58%

A quarter of companies (26%) who had recruited migrant workers said that one or more of these workers had been promoted, with manufacturing companies (31%) being slightly more likely than service sector (23%) companies to say they had done this.

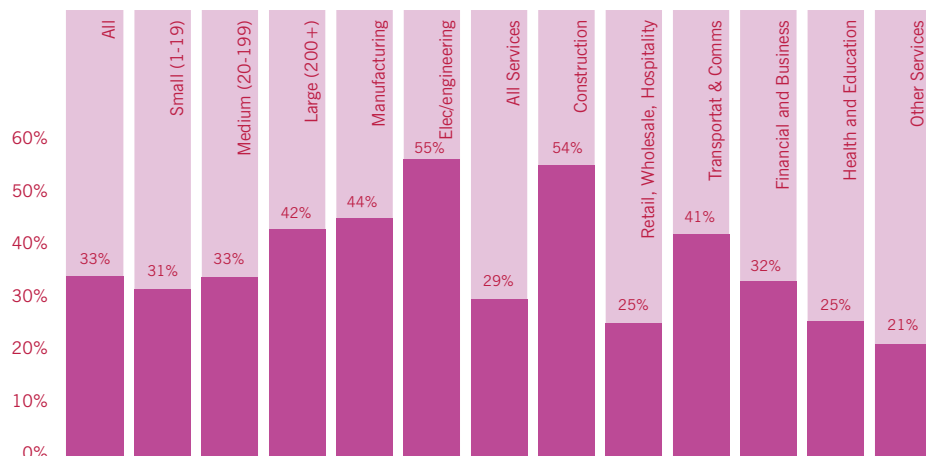
Work around occupations correlates with the findings from the section on recruitment. (page 11).

Skill Shortages

The number of firms reporting skills shortages* has increased slightly over the past six months. Overall, 33% of firms surveyed agreed that skill shortages were having a serious impact on their business with 54% disagreeing.

In manufacturing, a higher proportion of firms reported skills shortages (44%) than in the service sector (29%). The electrical/engineering and construction sub-sectors were particularly concerned (55% and 54% respectively).

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 (26%), technical practical or job specific skills (26%) and communications skills with clients/customers (23%).

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 that need improving in the workforce

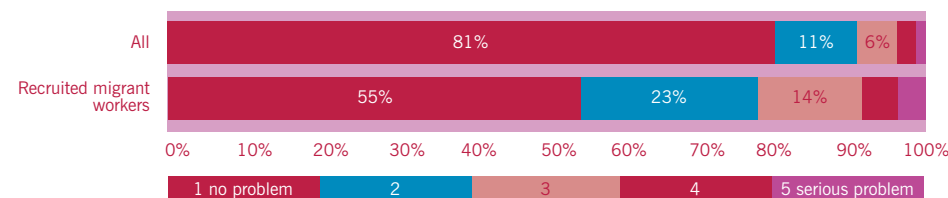
	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Communication skills within company	28%	28%	27%	17%	36%	47%
Technical, practical or job specific skills	26%	38%	22%	19%	31%	37%
Management and supervisory skills	26%	26%	26%	18%	31%	40%
Communication skills externally	23%	21%	23%	17%	28%	35%
Customer care	20%	6%	25%	16%	24%	26%
General IT user skills	18%	19%	18%	16%	20%	28%
Team working skills	18%	16%	18%	13%	22%	26%
Problem solving skills	18%	17%	18%	12%	21%	37%
Marketing or sales skills	16%	18%	16%	16%	17%	14%
Basic literacy	13%	12%	13%	7%	18%	23%
English language skills	13%	13%	13%	6%	17%	28%
Professional skills	13%	8%	14%	11%	13%	23%
IT professional skills	12%	14%	11%	12%	11%	16%
Basic numeracy	11%	13%	11%	6%	16%	23%
None of these	33%	26%	35%	41%	27%	16%

Note: respondents could give more than one response

English language skills 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), unchanged from six months ago. 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 (78% rated this 1 or 2 and 8% 4 or 5).

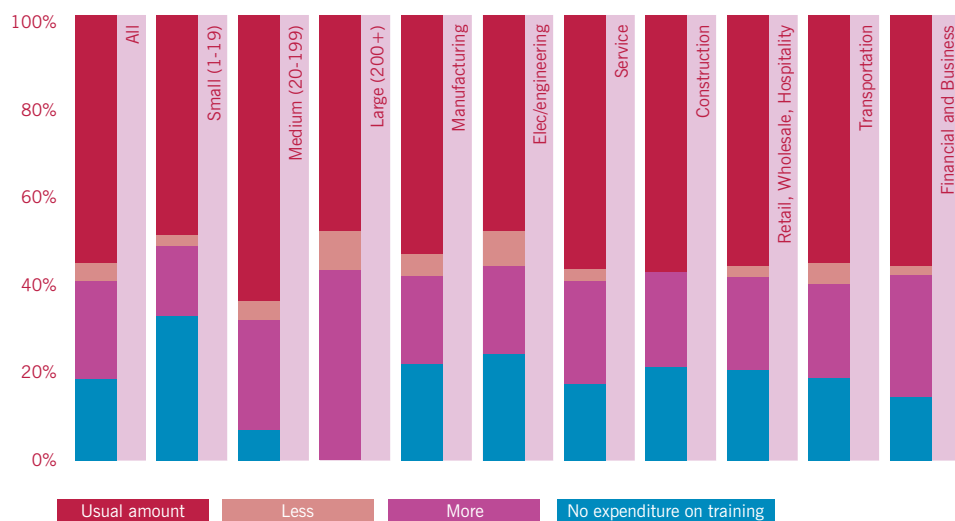
Figure 14: Extent to which the English language skills of the current workforce are a problem



Expenditure on training

22% 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 57% had spent their usual amount, whilst 18% said they had spent nothing. 47% of companies with fewer than ten staff reported that they had spent nothing on training. This pattern has changed little since Winter 05/06.

Figure 15: Change in expenditure on training



Diplomas for 14-19 year olds

The new diplomas for 14-19 year olds are due to be introduced in September 2008. 9% of firms had heard of the new diplomas and said they understood what they were, with a further 10% having vaguely heard about them. A high proportion (81%) of firms had not heard of them. Larger firms were more likely to have heard of them than small companies (23% of companies with 200+ employees compared to 6% of those with 20-199 and 10% of those with less than 20 employees).

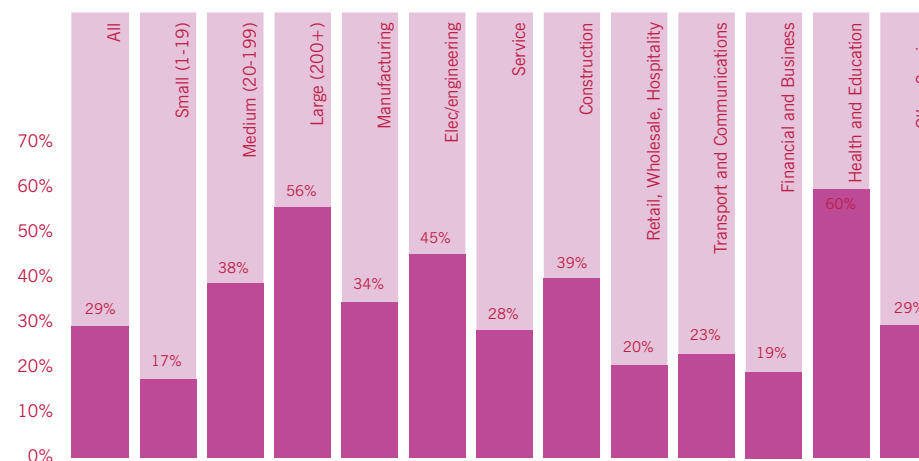
Accessing training

Only 7% of companies said they found difficulty with accessing the training they needed for their staff (rating 1 or 2 on a five point scale where 1 is not at all easy and 5 is very easy). 11% rated this as 3 and 64% as 4 or 5 (very easy) with 16% saying they did not need to access any training. The views were similar for all sectors and sizes of company. The main problems encountered were with finding courses that met the company's particular skill needs.

Further education

A total of 29% had used a further education college for training or learning for their staff in the last year, slightly less than when this question was last asked in Summer 2005 (32%). Manufacturing (34%), construction (39%) and health and education (60%) sectors were the most likely to have done so. Larger companies were more likely than smaller ones to have used an FE College (17% of those with 1-19 employees, 38% of those with 20-199 employees and 56% of those with 200+ employees).

Figure 16: Proportion who have used a further education college within the past year.



In general, companies were satisfied with how well the training met their needs with a mean score of 4.1 on a five-point scale (where 1 was not at all well and 5 was very well). 76% thought the training met their needs well and only 6% thought it did not. Overall this was slightly better than in Summer 05.

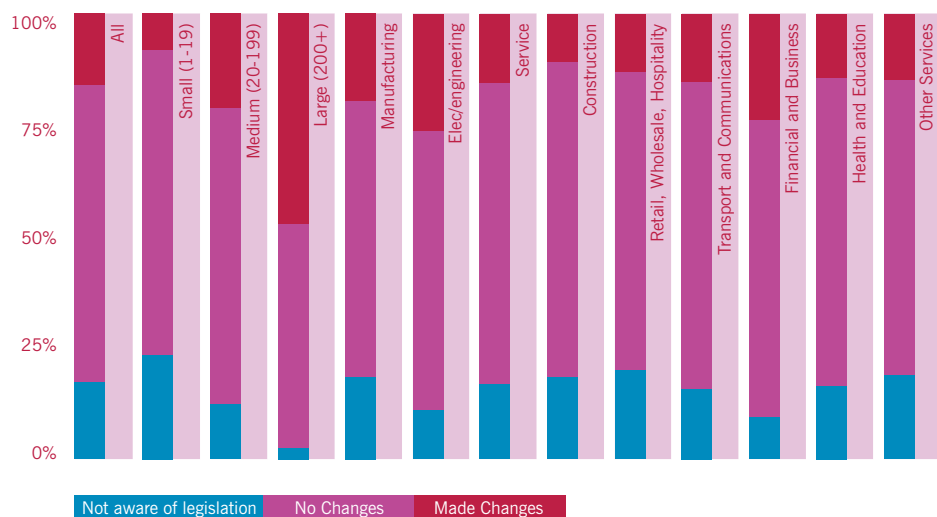
Spotlight on Age Discrimination Act

The majority of firms (83%) were aware of the Age Discrimination legislation. The finance and business services sub-sector was slightly more likely than others to have heard of this (91%). Larger companies were more aware than smaller companies (98% of companies with 200+ employees, compared to 89% of those with 20-199 employees and 71% of those with less than 20 employees).

16% of companies said they had made changes as a result of the legislation ranging from 8% of small companies (1-19 employees) to 47% of large companies. The finance and business services sub-sector was the most likely to say they had made changes.

The changes made were generally amendments to forms, contracts, handbooks and policies, no longer including age on application forms, staff training on age discrimination legislation and notifying people when they are coming up for retirement.

Figure 17: Proportion of firms having made changes as a result of age discrimination legislation



Spotlight on Networks

One in three companies (37%) said they were a member of, or participated in a business network. Manufacturers (43%) were slightly more likely than the service sector (35%) companies to do so. Larger firms were more likely to belong to a network than small companies (60% of companies with 200+ employees compared to 39% of those with 20-199 employees and 32% of those with less than 20 employees).

Views on the usefulness of networks varied with 20% finding them not very useful (rating 1 or 2 on a five point scale) but 54% found them useful (rating 4 or 5).

Just under one in three companies (31%) said they would be interested in an on-line business network, which could be a general network, specific to their sector or cover particular topics or themes. 49% of those currently a member of a network, were interested in an on-line network. Manufacturing companies (38%) were slightly more interested than the service sector (28%) companies with the retail, wholesale and hospitality sub-sector being the least interested (20%).

Table 12: Proportion interested in an on-line business network

All	Manufacturing	Service	Small (1-19)	Medium (20-199)	Large (200+)	Member of a network	Not a member
31%	39%	28%	27%	33%	37%	49%	20%

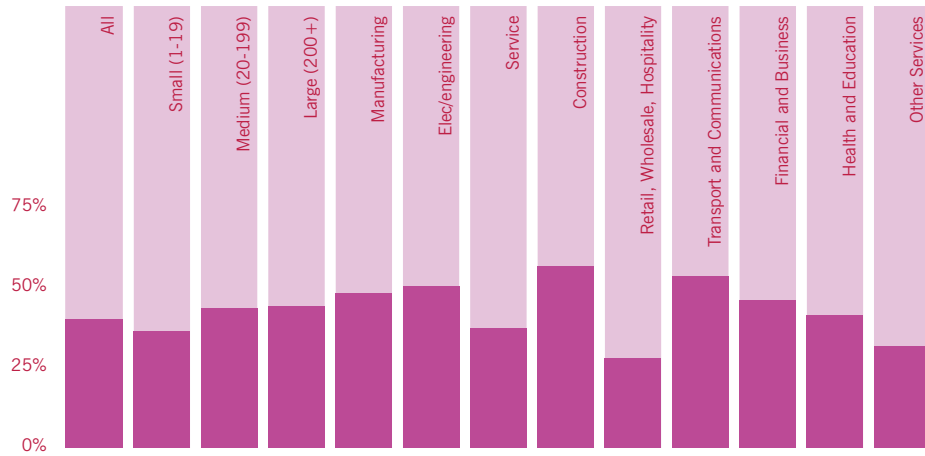


Colton Square, Charles Street, Leicester

Spotlight on Business Advice

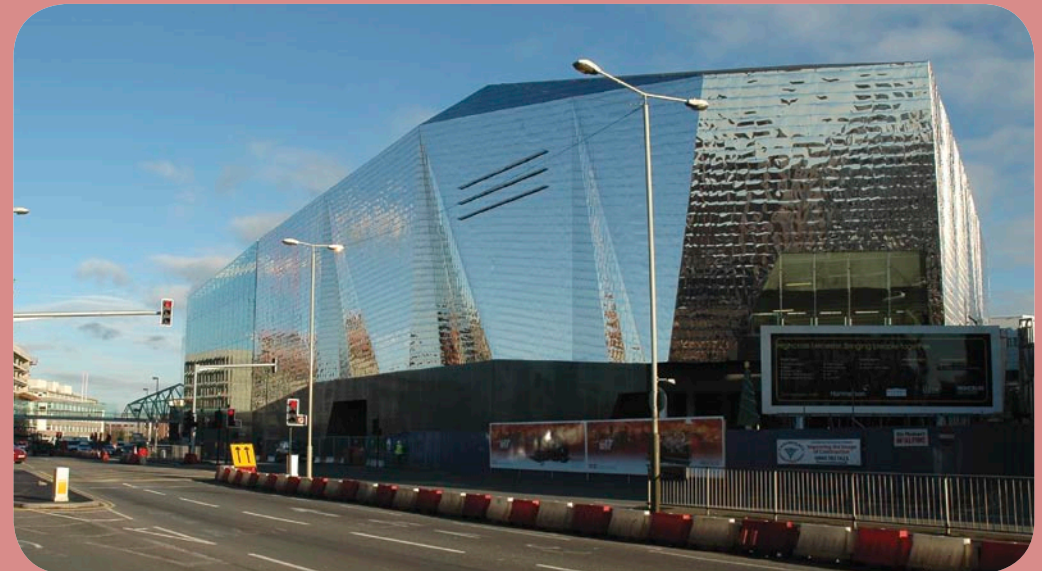
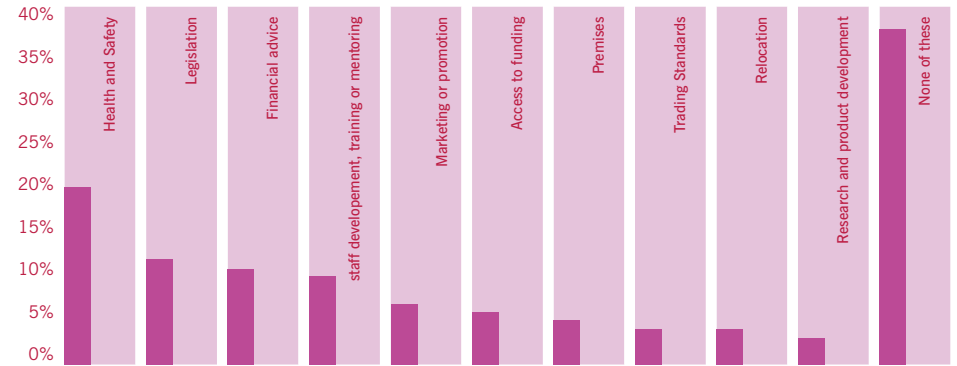
38% of companies had sought business advice or support from an external organisation within the previous 12 months. Manufacturing companies (46%) were more likely to have done so than service sector companies (35%). Very small companies (fewer than 10 staff) were the least likely to have sought advice or support (28%).

Figure 18: Proportion of companies having asked for advice or support in previous 12 months



The most frequently sought advice or support was for health and safety (20%), followed by legislation (12%) and financial advice (11%).

Figure 19: Proportion seeking various types of advice and support



Spotlight on work related stress

70% of companies said that they were aware of the Health and Safety Executive's Standards for Work Related Stress, a slight increase from a year ago. This ranged from 54% of those with fewer than 10 staff to 91% of those with 200+ employees. There was little difference in awareness between sectors.

A total of 42% of companies said that they had already implemented these standards, an increase from Summer 2006. The service sector was slightly more likely than manufacturing to have implemented these standards and large companies were more likely than small companies to have done so (65% of companies with 200+ employees compared to 51% of those with 20-199 employees and 30% of those with less than 20 employees). A further 9% said that they were planning to introduce the standards in the next 6 months, but 12% had no plans to do so.

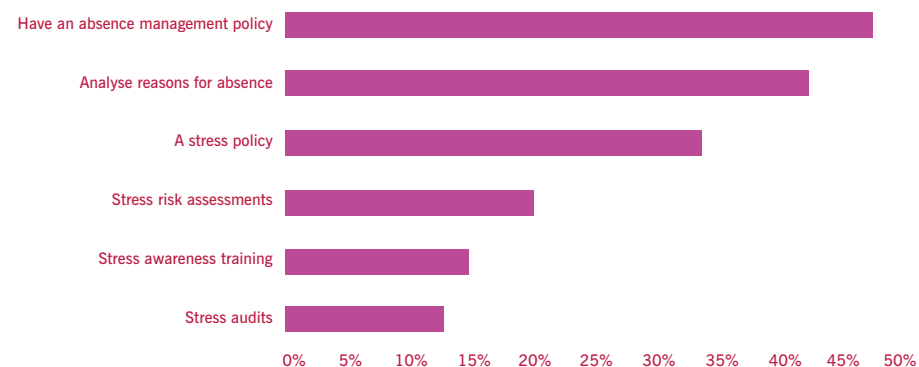
Table 13: Awareness and implementation of Work Related Stress Standards

	All	Manufacturing	Services	Small (1-19)	Medium (20-199)	Large (200+)
Already implemented these standards	42%	37%	44%	30%	51%	65%
Plan to implement them in the next 6 months	9%	9%	9%	8%	10%	9%
Plan to implement them in the next 12 months	2%	1%	2%	2%	2%	2%
Planning to implement them after 12 months	1%	2%	1%	1%	1%	2%
No plans to implement these standards	12%	17%	10%	15%	10%	2%
Don't know	4%	2%	5%	3%	4%	9%
Not aware of standards	30%	32%	30%	41%	22%	9%

Personnel practices relating to stress management

Companies were asked whether or not they carried out a number of individual activities that make up the Work Related Stress Standards and 63% of companies carried out at least one of them. Small companies were less likely than larger companies to carry out these policies (44% of those with 1-19 staff compared to 78% of those with 20-199 employees and 95% of those with 200+ employees).

Figure 20: Proportion offering stress management policies



“Leicestershire Together and Leicestershire County Council are promoting the implementation of the HSE stress management standards within larger organisations. The results of the survey show an increasing awareness of the standards, and companies that indicate they are interested in more information or are planning to implement the standards are being offered support from a dedicated part-time worker and opportunities to share and learn from the experience of public sector organisations already engaged in implementation”.

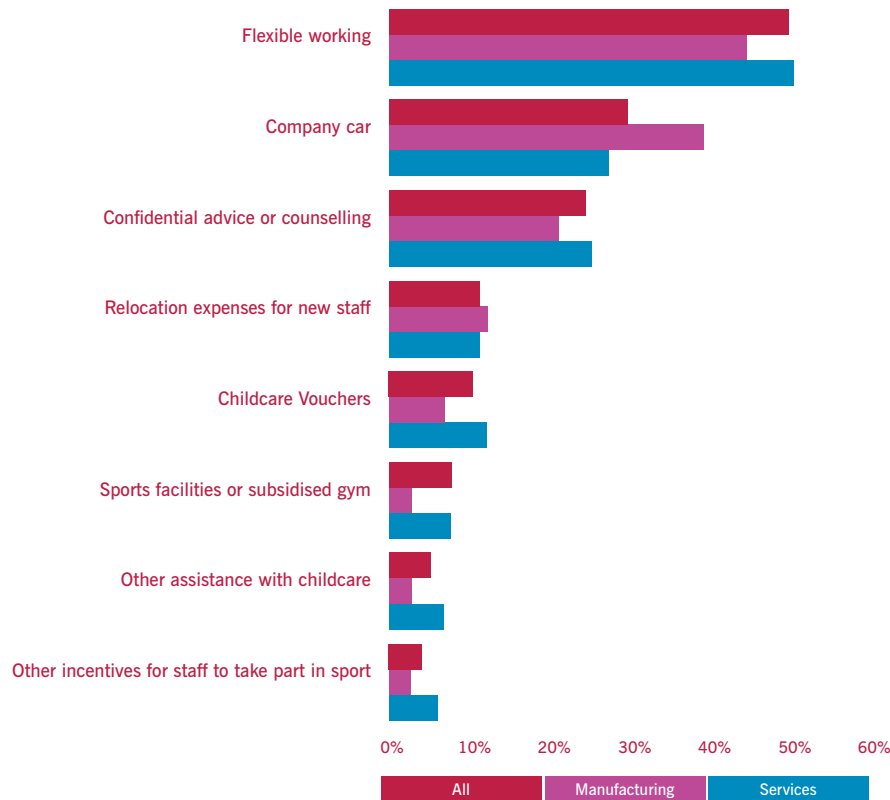
Alison Maullin, Implementation Co-ordinator, Leicestershire Adult Social Care, Leicestershire County Council

Spotlight on employee benefits

Two in three companies (68%) offered one or more of the benefits listed to their employees, ranging from 53% of small (1-19 employees), to 80% of medium (20-199 employees) and 95% of large (200+ employees) companies. There was little difference between sectors.

57% offer flexible working, with the service sector being slightly more likely to offer this. 34% offer a company car, with manufacturing companies being more likely to do this. 28% offer counselling or confidential advice 13% offer relocation expenses for new staff and 12% offer childcare vouchers. The financial and business sub-sector (23%) were the most likely to offer these vouchers. 8% offer sports facilities or subsidised gym membership with 6% offering other incentives to take part in sport.

Figure 21: Proportion offering various benefits to their employees



Spotlight on crime

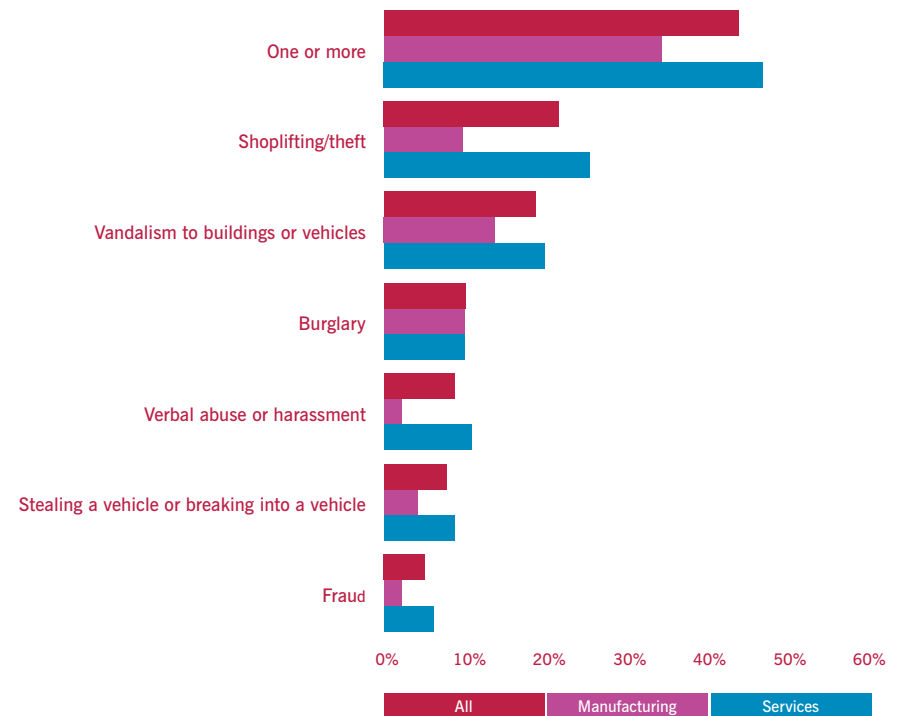
45% of firms had been victims of crime in the previous twelve months, slightly more than was found in Winter 06/07 but much the same as in Summer 2005. Service sector firms (48%) were more likely to have been a victim than manufacturers (35%).

The risk of a business being the victim of crime increased with the size of the company (36% of those with 1-19 employees, 51% of those with 20-199 employees and 73% of those with 200+ employees).

22% had experienced shoplifting or theft, 19% vandalism to buildings, 10% burglary, 9% verbal abuse or harassment and 8% stealing or breaking into a vehicle.

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

Figure 22: Has your business been the victim of any of these crimes in the past 12 months?



Spotlight on Leicestershire as a place to do business

Views on how well Leicester City and Leicestershire County compete with other areas nationally as a place to do business were mixed. On a five point scale where 1 is not at all well and 5 is very well, Leicester was rated as 3.2 and Leicestershire as 3.3.

30% of businesses thought Leicester City rated well (4 or 5) and 15% not well (1 or 2). A quarter of companies said that they did not know. The findings for the County were very similar with 31% rating the County 4 or 5 and 14% 1 or 2, with 24% saying they did not know. Manufacturing companies rated both the City and the County slightly lower than service sector companies.

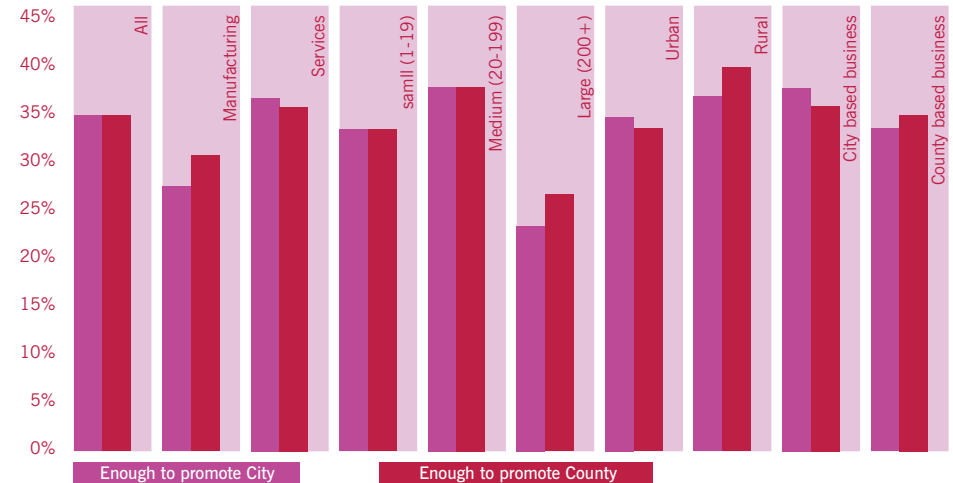
Table 15: How well Leicester Shire compares with other areas nationally as a place to do business

	City			County		
	All	Manufacturing	Services	All	Manufacturing	Services
Not well	15%	16%	14%	14%	16%	13%
Average	30%	30%	30%	31%	32%	31%
Well	30%	25%	32%	31%	27%	32%
Don't know	25%	29%	24%	24%	25%	23%

One in three companies (34%) thought enough was being done to promote Leicester, with 38% thinking insufficient was being done. 27% of companies said they did not know. The comparative figures for the County were 34% saying enough was being done, 41% insufficient and 25% said they did not know. Manufacturing companies were slightly less likely than the service sector to think enough was happening to promote both the City and the County. Large companies (200+ employees) were more likely to say insufficient was going on.

Only 4% of businesses think they have been given too much information about the way in which their views have been taken into account, with 42% saying this is about right and 37% that they receive too little.

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



“This survey and other research show that progress is being made on a number of fronts. The economy is developing well and our challenge is to make sure that this continues. I am confident that by working with our partners on the new economic strategy for the area, we will articulate a vision for the future and capitalise on the significant opportunities available to us. The area should see sustainable economic growth for the next decade and beyond....”

Kishor Tailor
Chief Executive, Leicester Shire Economic Partnership

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. The sample aims to reflect the diverse nature of Leicester Shire's business community.

The survey

A telephone survey of 767 businesses within Leicester and Leicestershire was undertaken during July 2007. 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	62	24%	121	24%	183	24%
Services	193	76%	391	76%	584	76%

Business Size						
1-9 employees	55	22%	126	25%	181	24%
10-19 employees	61	24%	116	23%	177	23%
20-50 employees	77	30%	139	27%	216	28%
51-199 employees	44	17%	106	21%	150	20%
200+ employees	18	7%	25	5%	43	6%

The next Leicester Shire Business Survey will be conducted in Summer 2008, subject to availability of funding.

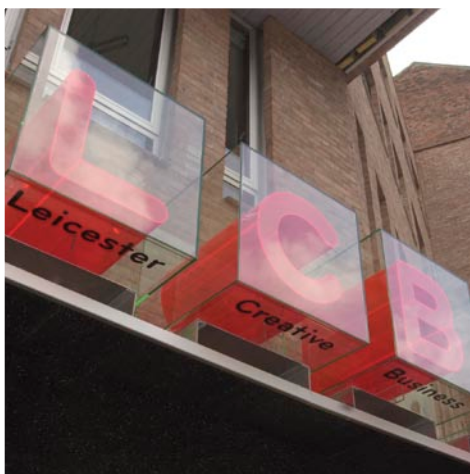
An electronic version of the survey report is available on the Leicester Shire Statistics and Research web site, www.lsr-online.org

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

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



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