



LEICESTER SHIRE  
economic  
partnership

# 2008

Leicester and Leicestershire  
BUSINESS SURVEY

Front cover pictures

Main - **Curve Theatre, Leicester\***

Top - **Leicester Creative Business Depot**

Middle - **High Street, Leicester\***

Bottom - **Hinckley Town Market**

---

Back cover pictures

Top - **Loughborough Innovation Centre**

Middle - **Market Place, Melton**

Bottom - **Cinema De Lux, Leicester\***

\*Photo taken by Creativity Works

# 2008

## Leicester and Leicestershire BUSINESS SURVEY

### Contents

|   |    |
|---|----|
| Foreword  | 4  |
| Key Issues  | 5  |
| General Business Conditions                           | 6  |
| Sales and Profits                                     | 7  |
| Growth Markets  | 8  |
| Future Growth Plans                                   | 9  |
| Main Business Concerns                                | 10 |
| Economic Downturn                                     | 11 |
| Price Pressures                                       | 12 |
| The Workforce   | 13 |
| Recruitment   | 14 |
| Recruitment Problems                                  | 15 |
| Spotlight on Migrant Workers                          | 16 |
| Skill Shortages                                       | 17 |
| Training  | 18 |
| Relocation  | 19 |
| Spotlight on Crime                                    | 20 |
| Spotlight on Leicestershire as a place to do business | 21 |
| One Leicester Campaign                                | 22 |
| Methodological Notes                                  | 23 |



# Foreword

## Leicester and Leicestershire Business Survey 2008

Welcome to the latest edition of the Leicester and Leicestershire Business Survey. The evidence indicates that our local businesses are very nervous about the future, with business confidence at its lowest level since we started doing the surveys in 1994. Our interviews were conducted in October and November 2008, when the banking crisis was the main news and the national economy officially went into recession.

The balance of optimism is extremely low at -53%. Although the balance of optimism is lowest in manufacturing (-63%), the lack of confidence is also significant for the service sector at -50%. Sales and profit performance have declined during the last twelve months in line with national trends. However, many local businesses are still performing well, with 40% reporting increased turnover. Businesses are very concerned about a range of financial issues, including cash flow, interest rates and energy costs.

It is encouraging to see that many businesses have engaged in innovative activities to help them survive in these difficult times. These include product development, finding new markets, efficiency savings and training staff in new areas.

This survey is managed by a local economic research partnership, comprising the Leicester Shire Economic Partnership (LSEP), Leicestershire County Council, Leicester City Council, Leicestershire Chamber of Commerce and the Learning and Skills Council.

The survey is conducted by telephone with a robust sample size of 1,011 businesses across Leicester City and Leicestershire County. This is a larger sample size than in previous surveys, with at least 90 interviews undertaken in each Local Authority District.

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



Caroline Boucher  
Project Manager  
Leicester and Leicestershire Business Survey

“Our local businesses are clearly nervous about current economic circumstances. In the past Leicestershire has weathered recessions relatively well as we have a diverse economy and an enterprising culture. It is encouraging to see that many businesses are proactive in seeking new markets, developing new products and making efficiency savings as a means to survive in these difficult times. We hope to continue monitoring local business opinion through this survey and thank all participants for their contribution,”

Kishor Tailor, Chief Executive, LSEP.



# Key Issues

## General business conditions

- Business optimism is at the lowest level found in the complete sequence of these surveys which started in 1994. Interviews were conducted during October 2008 when the banking crisis was the main news and the economy officially went into recession.
- Business optimism for the next twelve months is very low (-53%).
- Overall, 9% thought business conditions would improve compared to 62% who thought they would deteriorate over the next twelve months and 20% thought there would be little change.
- Optimism in the manufacturing sector is lower at -63% than in the service sector, which stands at -50%.
- A quarter of businesses (27%) thought the market sector they were in was growing but 33% thought it was in decline. Manufacturing companies (44%) were more likely than service sector firms (30%) to think their sector was in decline.

## Sales and profits

- Both sales and profit performance have declined over the previous 12 months, with the situation regarding profits having declined more than sales.
- A total of 40% reported an increase in turnover over the previous 12 months, with 25% reporting a decrease. 31% reported an increase in profitability and 30% a decrease.
- 30% thought sales would increase over the next twelve months with 27% predicting a decline. 27% predicted an increase in profits over the next six months and 30% a decline, less optimistic than in the Summer of 2007.

## Main business concerns

- Concerns about external financial issues have increased markedly since the last survey conducted in Summer 2007.
- Fuel and energy prices, inflation and cashflow are of most concern to businesses. Red tape, interest rates and business rates are also of great concern.
- Concern over inflation, fuel and energy costs, cashflow, interest rates and business rates have increased the most since Summer 2007.
- Concern about finding suitable staff has decreased slightly.

## Price pressures and labour costs

- 47% of businesses have increased their prices over the past 12 months with 9% saying they had decreased their prices.

- The main price pressures were raw material prices, increased overheads, inflation, fuel prices and increased costs from suppliers.
- 71% of firms had increased their wages, with 18% reporting above inflation increases and 51% increases in line with inflation.

## The workforce, skills and recruitment

- The proportion of firms recruiting staff (70%) was little changed from Summer 2007. The percentage of recruiting firms reporting difficulties was 28%, the lowest level recorded in recent years.
- When asked about recruitment in the previous twelve months, 40% of recruiting firms had recruited other young people under 19 and 10% had taken on apprentices.
- The total number of staff employed by the companies surveyed had fallen slightly over the previous twelve months.
- 15% of firms recruiting staff had taken on migrant workers in the previous twelve months. The manufacturing sector (26%) was 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 had recruited from Eastern Europe (81%) and in particular Poland (67%).

## Skills and training

- 27% of firms agreed that skill shortages were having a serious impact on their business, slightly lower than reported in the Summer 2007 survey.
- The main skills gaps identified were technical or job specific skills (28%), communication skills within the company (27%), and management and supervisory skills (25%).
- 29% had spent more than their usual amount on training in the past twelve months. Overall, 4% had spent less, 52% their usual amount and 14% had spent nothing on training.
- In the next twelve months 23% plan to spend more than their usual amount on training, whereas 9% plan to spend less.

## Business planning

- 70% of businesses have a business plan. This is reviewed quarterly by 30% of businesses, with 14% reviewing it twice a year and 35% annually.
- Two in three companies plan to grow with 7% saying they plan to grow rapidly, 38% moderately and 20% slowly. 25% plan to remain much the same with 5% saying they will decline.

# General Business Conditions

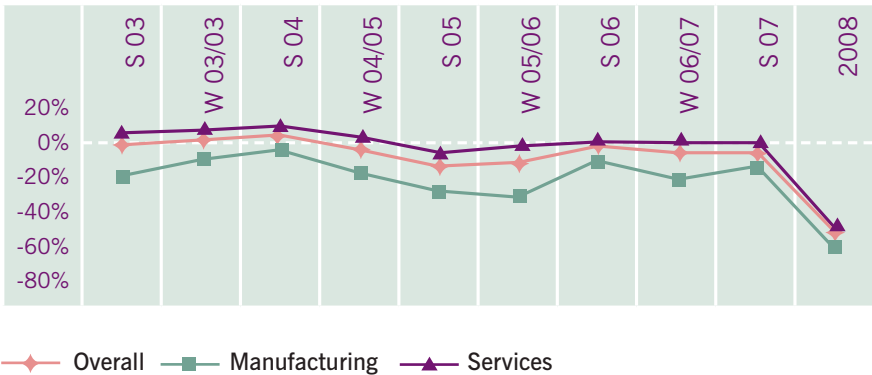
## Business optimism

Given the economic climate, it is not surprising to find local business confidence to be very low. Confidence is at the lowest level since this series of surveys began in 1994. The balance of optimism\* is -53%, compared with -4% in the Summer 2007 survey. Overall, 9% of respondents thought that general business conditions would improve, 62% that they would deteriorate and 20% thought they would not change much.

Confidence is particularly low in the manufacturing sector at -63%, with 6% of manufacturers thinking conditions will improve, but 69% thinking that they will deteriorate and 16% that they will not change much.

Confidence is also very low in the service sector with a balance of -50% with just 10% thinking conditions will improve, 59% that they will get worse and 21% that they will not change much.

Figure 1: Balance of business optimism



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

Optimism in the electrical/engineering sub-sector is now at -68%, with only 3% of firms in this sector predicting conditions will improve compared with 71% that think they will get worse. 78% of firms in the construction sub-sector thought conditions would get worse, with no respondents in this sector thinking they would improve.

The level of optimism in the wholesale, retail and hospitality sector stands at -48%. Confidence in the financial and business services sector is very low at -59% (in contrast to previous surveys where this sector was usually the most optimistic).

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

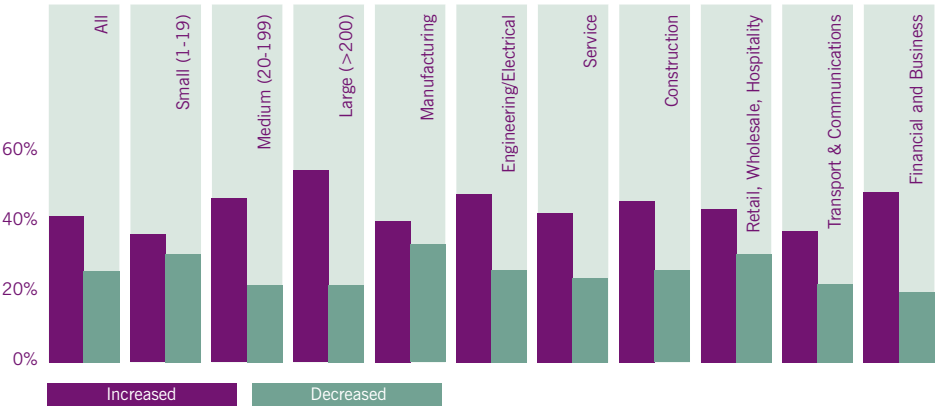
|                                   | Improve | Not change | Worse | Don't know |
|-----------------------------------|---------|------------|-------|------------|
| All                               | 9%      | 20%        | 62%   | 10%        |
| Small (1-19)                      | 6%      | 21%        | 64%   | 8%         |
| Medium (20-199)                   | 11%     | 19%        | 60%   | 11%        |
| Large (200+)                      | 15%     | 17%        | 52%   | 15%        |
| Manufacturing                     | 6%      | 16%        | 69%   | 9%         |
| All services                      | 10%     | 21%        | 59%   | 10%        |
| Engineering / electrical          | 3%      | 15%        | 71%   | 12%        |
| Construction                      | -       | 18%        | 78%   | 4%         |
| Retail, wholesale and hospitality | 11%     | 22%        | 59%   | 8%         |
| Transport and communications      | 6%      | 28%        | 51%   | 15%        |
| Financial and business services   | 9%      | 16%        | 69%   | 6%         |
| Health, education and social work | 15%     | 19%        | 46%   | 20%        |
| Other services                    | 5%      | 25%        | 55%   | 16%        |

# Sales and Profits

## Sales performance

The number of firms reporting an increase in turnover has declined since the last survey in Summer 2007. There is still a positive balance, although a higher percentage of firms reported a decrease in sales. The balance for sales turnover stands at +15% compared with +28% in Summer 2007. A total of 40% reported an increase in turnover in the previous twelve months compared with 25% who reported a decrease. A total of 12% reported an increase in sales of more than 10%, much the same as in Summer 2007.

Figure 2: Change in sales over the last 12 months



Large companies reported larger increases in sales than small ones with a balance of +32% for large (200+), 24% for medium (20-199) and 5% for small (1-19) companies. Manufacturers were less likely than service sector firms to report an increase in sales, with the balance for manufacturing companies at +6% compared to +18% for the service sector. The retail, wholesale and hospitality sector reported a balance of increased sales of +13% compared to a balance of +27% for the financial and business services sector.

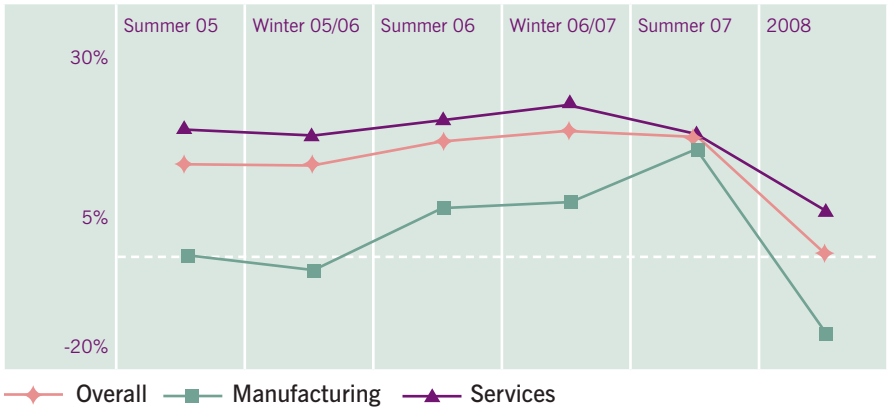
## Profit performance

The position with regards to profits has declined since the survey in Summer 2007 and has declined to a greater extent than sales turnover. The balance of businesses that reported increased profits is now only +1%. Overall, 31% reported an increase in profits and 30% a decrease, with 27% saying they were much the same. 9% reported an increase of more than 10%.

Small firms with fewer than 20 employees had the worst profit performance with a balance of -7% compared with +7% for medium (20-199) firms and +23% for large firms (200+).

The balance of profits for the manufacturing sector was -12% compared with +8% for the service sector. The electrical / engineering sub-sector has performed slightly better than the rest of manufacturing with a balance of 0% (equal numbers reporting an increase in profits as reported a decrease).

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



## Outlook

The outlook for sales has worsened considerably since the Summer 2007 to give a balance of +3%. Overall, 30% thought sales would increase over the next twelve months, 27% that they would decrease and 35% that they would remain much the same. There was little difference between the manufacturing and service sectors. Larger firms were more optimistic about future sales than smaller ones.

Overall, the outlook for profits has deteriorated considerably with 27% predicting an increase in profits over the next twelve months (compared with 41% in Summer 2007) and 30% predicting a decline.

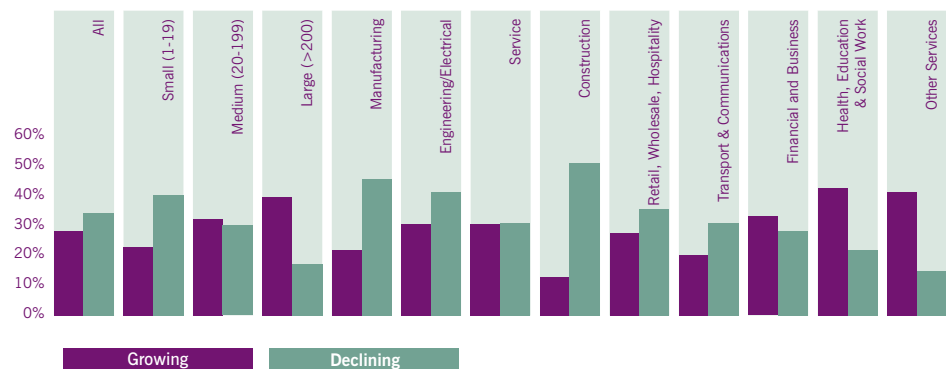
## Sector growth

A quarter of businesses (27%) thought the market they were in was growing, whereas 33% thought it was in decline. 37% of firms thought their market sector was not changing much.

Small firms were far less likely than larger ones to think their market sector was growing (22% of small (1-19) companies compared with 31% of medium (20-199) and 38% of large (200+) companies).

Manufacturing companies (44%) were more likely than service sector companies (30%) to think their market was in decline. The least optimistic sub-sector was construction with 49% of companies thinking their market was declining.

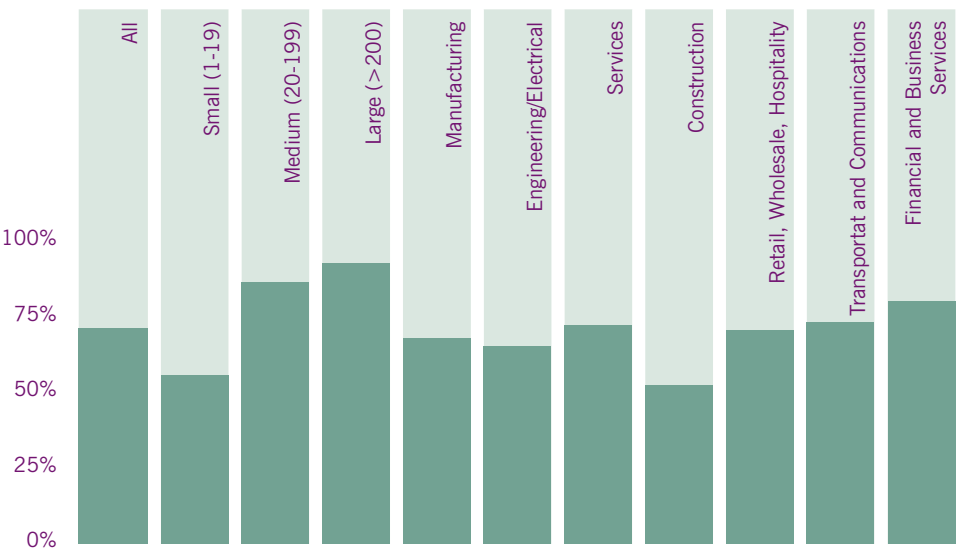
Figure 4: Percentages of firms thinking their market is growing or declining



## Business planning

A total of 70% of companies have a business plan, ranging from 53% of those with fewer than 10 staff to almost all of those with 200+ staff. Manufacturing companies (67%) were slightly less likely than service sector companies (71%) to have a business plan. The construction sub-sector firms were the least likely to have a business plan (52%).

Figure 5: Percentage of firms with a business plan



Of those with business plans, 30% review it quarterly or monthly, 14% twice a year and 35% annually. 4% reviewed it less often, 13% did not know but 4% said they reviewed it 'hourly' or 'daily' because of the difficult economic circumstances at the time of this survey.



# Future Growth Plans

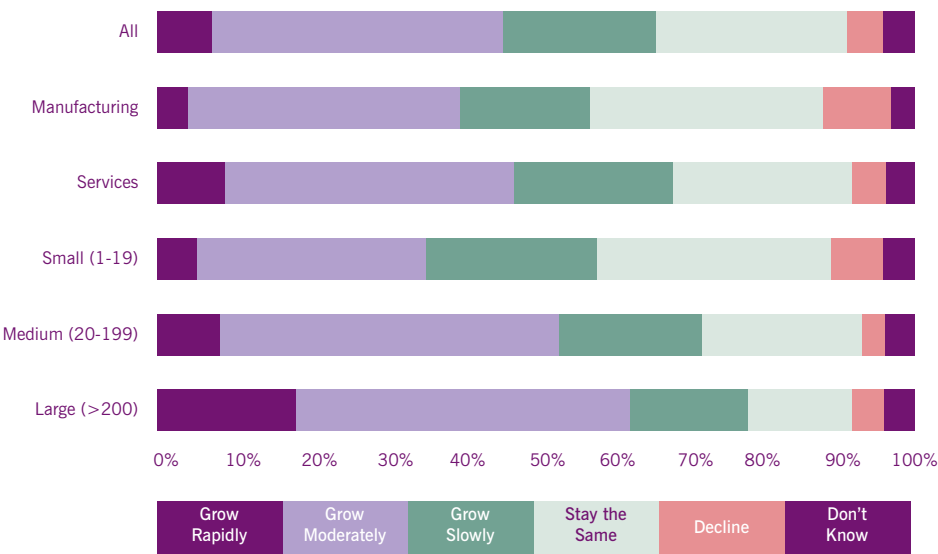
## Future growth plans

Two in three companies (65%) plan to grow with 7% saying they plan to grow rapidly, 38% to grow moderately and 20% to grow slowly. 25% of firms plan to stay much the same with 5% saying they will decline.

Manufacturing companies (56%) are less likely than service sector companies (68%) to say they plan to grow. Wholesale, retail and hospitality (72%) and financial and business services (73%) are the sub-sectors most likely to be planning growth.

Larger companies are more likely than small firms to be planning to grow (78% of large (200+) compared with 72% of medium (20-199) and 58% of small (1-19) companies).

Figure 6: Future growth plans



# Main Business Concerns

When businesses were asked (unprompted) what factors, if any, were causing the most concern for their company, 11% said they had no major concerns. However, over a quarter of respondents (28%) referred to the current economic downturn. A further 9% said they were concerned about customer confidence or their customers 'having no money'. A further 4% specifically mentioned the downturn in the housing market as their major cause for concern.

Other concerns were lack of customers, sales or orders (15%), inflation or rising costs (7%), cashflow or late payments (5%) and 'finance' (5%).

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

Concerns about finance, i.e. interest rates, inflation, cashflow, exchange rates and business rates, have all increased markedly since the Summer 2007 survey. Fuel and energy prices, inflation and cashflow are now of most concern to local businesses. 66% of rural businesses stated that fuel prices were a very great concern compared to 49% of urban businesses. (This was at a time when fuel prices were at their peak). 41% of rural businesses stated that interest rates were of "very great concern" compared to 29% of urban businesses.

When compared to recent surveys (Table 3), the level of concern about red tape and staff retention has remained the same but financial concerns have increased.

The issue listed which was of least concern was traffic congestion.

Although concern about many of these issues has increased since the survey conducted in the Summer of 2007, concern amongst service sector companies has risen to a greater extent than amongst manufacturers.

The only issue where concern had lessened was finding suitable staff.

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

| Factor              | All 2008 | All Summer 2007 | Manufacturing | Services | Small (1-19) | Medium (20-199) | Large (200+) |
|---------------------|----------|-----------------|---------------|----------|--------------|-----------------|--------------|
| Fuel/energy costs   | 4.2      | 3.5             | 4.2           | 4.2      | 4.2          | 4.2             | 4.3          |
| Inflation           | 3.9      | 3.0             | 3.9           | 3.9      | 3.9          | 3.9             | 4.0          |
| Cashflow            | 3.7      | 3.0             | 3.9           | 3.6      | 3.8          | 3.6             | 3.2          |
| Business rates      | 3.6      | 3.0             | 3.7           | 3.6      | 3.7          | 3.5             | 3.5          |
| Red tape            | 3.6      | 3.6             | 3.7           | 3.6      | 3.8          | 3.5             | 3.6          |
| Interest rates      | 3.5      | 3.0             | 3.5           | 3.4      | 3.5          | 3.4             | 3.6          |
| Competition         | 3.3      | 3.2             | 3.3           | 3.3      | 3.3          | 3.3             | 3.4          |
| Business generation | 3.3      | 2.8             | 3.4           | 3.3      | 3.3          | 3.3             | 3.2          |
| Finding staff       | 2.8      | 3.0             | 2.8           | 2.9      | 2.7          | 3.0             | 3.0          |
| Exchange rates      | 2.5      | 1.9             | 3.1           | 2.3      | 2.4          | 2.5             | 3.3          |
| Staff retention     | 2.4      | 2.4             | 2.2           | 2.5      | 2.3          | 2.5             | 2.6          |
| Traffic congestion  | 2.4      |                 | 2.2           | 2.5      | 2.5          | 2.2             | 2.5          |

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

|                        | Winter 05/06 | Summer 06 | Winter 06/07 | Summer 07 | October 08 |
|------------------------|--------------|-----------|--------------|-----------|------------|
| Interest rates         | 23%          | 23%       | 22%          | 37%       | 48%        |
| Inflation              | 27%          | 25%       | 22%          | 32%       | 63%        |
| Cashflow               | 30%          | 26%       | 33%          | 37%       | 57%        |
| Fuel/energy prices     | na           | 54%       | 55%          | 52%       | 76%        |
| Red tape               | 53%          | 53%       | 54%          | 55%       | 54%        |
| Business generation    | 51%          | 43%       | 34%          | 32%       | 43%        |
| Finding suitable staff | 47%          | 40%       | 50%          | 37%       | 31%        |

# Economic Downturn

## Response to current economic situation

Businesses were asked to say what changes, if any, they had made due to the current economic climate.

A total of 41% said they had not made any changes (or at least not yet). Manufacturers (32%) were less likely than service sector companies (44%) not to have made any changes.

However just over one in five businesses (22%) said they had cut costs or 'tightened their belts' and 13%, rising to 22% of manufacturing companies, said they had reduced staff levels or made staff redundant.

The main actions taken were:

- cut costs (22%)
- reduced staffing levels (13%)
- new or enhanced marketing activities (6%)
- reduced prices (3%)

## Innovation

Businesses were asked which from a list of innovative activities they had been involved in. The majority of firms (81%) had been involved with one or more of these activities.

Larger companies were more likely to have undertaken all of these innovative activities with 72% of small companies (1-19), 89% of medium (20-199) and 98% of large (200+) companies having undertaken at least one of them.

Just over half the companies (56%) said they had made efficiency savings. A total of 45% had introduced new products or services, 41% had trained staff in new areas and 40% had undertaken new or made changes to their marketing.

Just over one in three firms (37%) had introduced new computer hardware and/or software, 29% had introduced new processes, 29% had made substantial changes to products or services and 26% an advertising launch. A quarter of the sample (rising to 37% of manufacturers) had invested in new machinery.

18% of firms had recruited specialist staff, 18% had invested in internal research and development and 11% in external R&D.

Table 4: Percentage of companies involved in innovative activities in the past 12 months

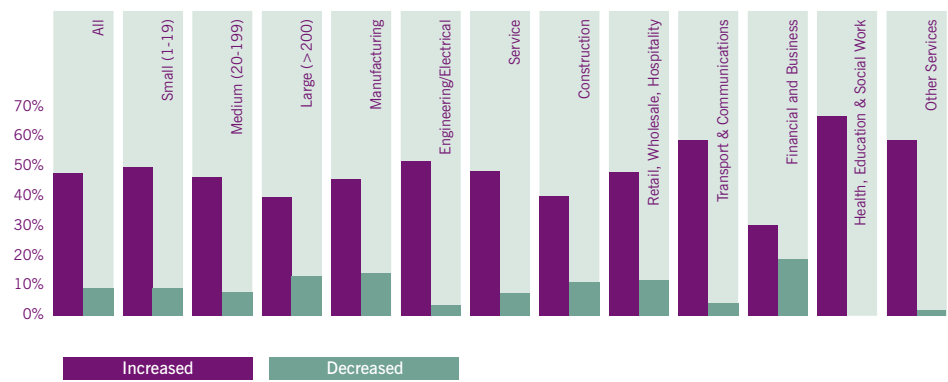
|   | All | Manu-<br>facturing | Services | Small<br>(1-19) | Medium<br>(20-199) | Large<br>(>200) |
|---|-----|--------------------|----------|-----------------|--------------------|-----------------|
| Efficiency savings                                    | 56% | 56%                | 57%      | 46%             | 65%                | 74%             |
| New products or services                              | 45% | 42%                | 46%      | 35%             | 53%                | 75%             |
| Trained staff in new areas                            | 41% | 37%                | 42%      | 32%             | 49%                | 64%             |
| New/changes to marketing                              | 40% | 41%                | 40%      | 28%             | 51%                | 63%             |
| New computer hardware/<br>software                    | 37% | 39%                | 37%      | 28%             | 46%                | 51%             |
| <u>Substantial</u> changes to<br>products or services | 29% | 31%                | 28%      | 20%             | 37%                | 45%             |
| New processes   | 29% | 36%                | 27%      | 19%             | 37%                | 55%             |
| Advertising launch                                    | 26% | 21%                | 28%      | 19%             | 32%                | 46%             |
| New machinery   | 25% | 37%                | 21%      | 15%             | 33%                | 47%             |
| Acquired external<br>knowledge                        | 22% | 21%                | 22%      | 16%             | 25%                | 51%             |
| Recruited specialist staff                            | 18% | 16%                | 19%      | 11%             | 25%                | 39%             |
| Investment in internal R&D                            | 18% | 23%                | 16%      | 11%             | 23%                | 35%             |
| External R&D  | 11% | 11%                | 11%      | 7%              | 14%                | 18%             |
| None of these   | 19% | 21%                | 19%      | 28%             | 11%                | 2%              |

# Price Pressures

## Prices

Just under half the businesses (47%) had increased their prices over the previous 12 months, with 9% saying they had decreased them and 42% saying they had not changed much.

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



There was little difference between manufacturing and service sector companies. The sub-sectors most likely to have increased prices were transport and communications and health, education and social work.

## Pressure on prices

The main reasons for raising prices were increased raw material prices (11% of all companies and 29% of manufacturing firms); rising overheads (10% of all firms); suppliers increasing their prices (9% of all firms); inflation/annual increase (8% of all firms); petrol/diesel prices (8%).

Overall, 9% had reduced their prices and the main reasons for this were to increase sales, market pressures or their competitors had reduced prices.

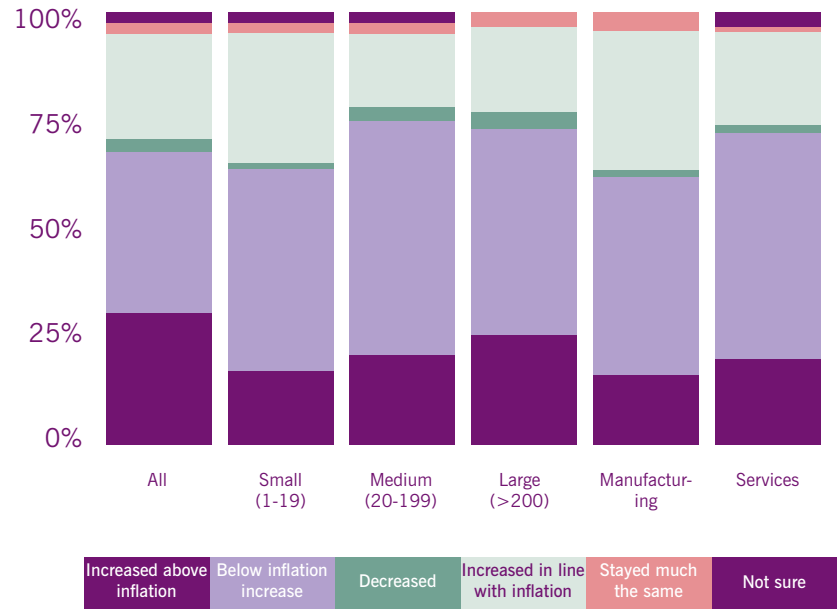
## Labour costs

Pressure on wage rates has decreased slightly with 71% of firms reporting increases over the past 12 months, whilst less than 2% report decreases (compared with 76% who had reported increases in Summer 2007 and 1% a decrease). Small firms (1-19 employees) were less likely than larger firms to have raised their wages (65% of small businesses; 78% medium-sized businesses; and 78% of large businesses).

Manufacturing companies (63%) were slightly less likely to have increased wages than service sector companies (74%).

Overall, 18% of firms said their wage rates had increased above inflation with 51% saying they had increased more or less in line with inflation.

Figure 8: Percentage of businesses reporting a change in wage rates



# The Workforce

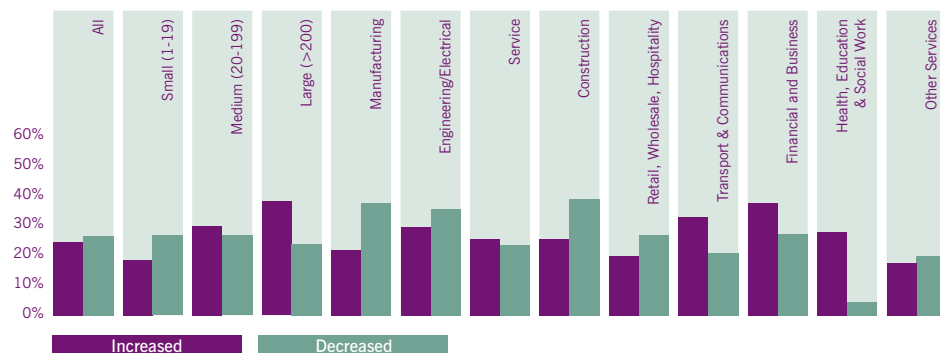
The local ILO unemployment rate\* for the Leicester and Leicestershire sub-region was 5.0% at the time of the survey. This is slightly above the regional rate but below the national rate (5.3%). The rate for the County is 2.9% and that for Leicester City is 10.0%.

## Workforce growth

There was a fall in the number of firms saying their workforce had increased over the previous twelve months compared to Summer 2007. 24% said that their workforce had increased, 50% of firms reported no change and 26% said their workforce had decreased. Manufacturers (37%) were far more likely than service sector companies (23%) to say their workforce had decreased in number. 38% of companies in the construction sub-sector had also lost staff. The financial and business services sub-sector was the most likely to have increased their staffing levels (37%).

Smaller companies were less likely to have increased in size (18% of those with 1-19 staff compared with 29% of those with 20-199 staff and 37% of those with 200+ employees).

Figure 9: Workforce change over the past twelve months



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

## Staff turnover

The companies surveyed had recruited for a total of just over 6,600 jobs and a total of about 6,700 people had left these organisations, a net decrease of about 100 in the past twelve months. There was a very slight increase in total employment in the service sector

and a decline in manufacturing. The firms in the health, education and social work sector have seen the highest net gain (210). The true situation could be worse than this, as businesses that had ceased trading altogether are not included in the sample.

Table 5: 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    | 6622 | 1027          | 5595         | 197          | 2550                              | 495                        | 1168                            | 683                | 502            |
| Left         | 6719 | 1373          | 5346         | 304          | 2503                              | 483                        | 1090                            | 474                | 492            |
| Balance      | -97  | -346          | 249          | -107         | 47                                | 12                         | 78                              | 209                | 10             |
| % difference | -1%  | -33%          | 4%           | -54%         | 2%                                | 2%                         | 7%                              | 31%                | 2%             |
| New posts    | 2080 | 273           | 1807         | 107          | 578                               | 136                        | 674                             | 252                | 65             |

Table 6: Actual changes in workforce by geography

|              | All  | City | County | Urban | Rural |
|--------------|------|------|--------|-------|-------|
| Recruited    | 6622 | 2539 | 4083   | 5993  | 628   |
| Left         | 6719 | 2566 | 4152   | 6072  | 646   |
| Balance      | -97  | -27  | -69    | -79   | -18   |
| % difference | -1%  | -1%  | -2     | -1%   | -3%   |

## Outlook

The outlook for the next 12 months is less optimistic than it was in Summer 2007. One in five firms surveyed (20%) expect the size of their workforce to increase during this time but 15% expect their workforce to decrease with 62% expecting it to stay the same.



# Recruitment

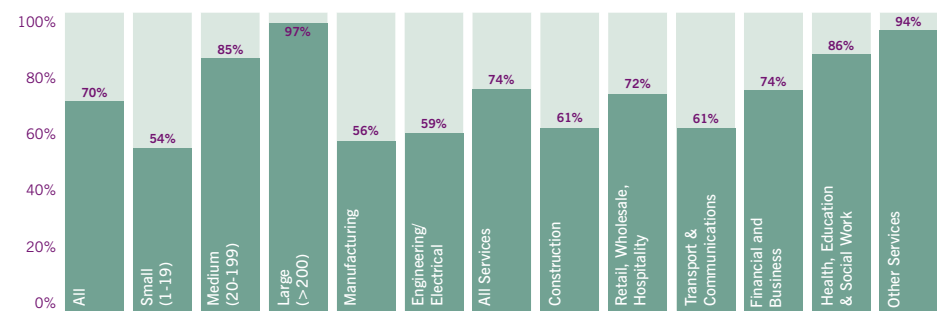
A total of 70% of firms surveyed have recruited staff in the last twelve months. The percentage recruiting ranged from 54% of firms with fewer than 20 staff to 85% of those with 20-199 staff and 97% of firms with 200+ employees. Service sector companies were more likely to have recruited than manufacturers (74% and 54% respectively).

77% recruited full-time employees, whilst 50% recruited part-time employees. In line with previous findings, manufacturing firms are less likely to have taken on part-time employees (18%, compared with 57% of service sector firms).

The majority of recruiting companies (94%) have taken on permanent employees, whilst 13% have taken on temporary staff and 8% staff on fixed term contracts.

The wholesale, retail and hospitality and the education, health and social work sub-sectors were the most likely to have recruited part-time staff.

Figure 10: Companies who have recruited staff in past twelve months



## Type of staff recruited

10% of recruiting companies had employed apprentices. Two in five recruiting companies (40%) had employed other young people under 19; with the service sector (45%) much more likely than manufacturers (18%) to have done so. 64% of the retail, wholesale and hospitality sector had recruited other young people.

26% of companies had recruited someone who had graduated in the past five years. Larger companies are more likely than small companies to have recruited a recent graduate, ranging from 14% of firms with fewer than 20 staff to 30% of those with 20-199 staff and 60% of firms with 200+ employees.

One in three companies (37%) had recruited someone aged over 50, 52% had recruited someone from an ethnic minority group, 40% an unemployed person, and 10% had recruited someone with a disability. Only 3% of companies said they had recruited someone who was on Incapacity Benefit.

Larger companies were more likely to have recruited all these categories of staff than small companies. This is likely to be influenced by the fact that larger companies were more likely to be recruiting in any case. It is interesting to note that a relatively high proportion of smaller businesses had taken on a young person under the age of 19.

Table 7: Type of staff recruited

|  | All | Manufac-turing | Services | Small (1-19) | Medium (20-199) | Large (200+) |
|--|-----|----------------|----------|--------------|-----------------|--------------|
| Ethnic minorities  | 52% | 53%            | 52%      | 31%          | 62%             | 88%          |
| Young people aged under 19 not on formal apprenticeships | 40% | 18%            | 45%      | 35%          | 43%             | 49%          |
| Unemployed people  | 40% | 40%            | 40%      | 31%          | 45%             | 52%          |
| People aged over 50                                      | 37% | 38%            | 37%      | 21%          | 45%             | 57%          |
| People who have graduated in the past 5 years            | 26% | 23%            | 27%      | 14%          | 30%             | 60%          |
| Migrant workers  | 15% | 26%            | 12%      | 4%           | 19%             | 41%          |
| Apprentices  | 10% | 11%            | 9%       | 8%           | 10%             | 15%          |
| People with a disability                                 | 10% | 7%             | 11%      | 5%           | 11%             | 32%          |
| People on Incapacity Benefit                             | 3%  | 2%             | 3%       | 2%           | 2%              | 14%          |

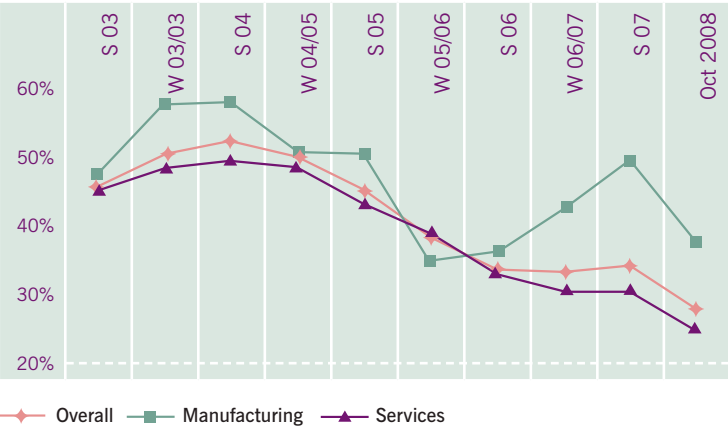
Note: Figures based on those companies who had recruited staff in the previous twelve months

# Recruitment Problems

The percentage of firms experiencing recruitment difficulties is lower than reported in Summer 2007 and now stands at 28% (of recruiting companies). This shows a continuing trend in terms of a reduction in the proportion of firms experiencing recruitment difficulties. Manufacturers (37%) were more likely than service sector companies (25%) to report recruitment difficulties.

Recruitment was still a problem for the engineering / electrical sub-sector with 59% of recruiting firms having difficulties finding suitable staff. The percentage of construction sub-sector businesses experiencing recruitment difficulties has declined. This sector has also seen the highest percentage fall in employment levels.

Figure 11: Proportion of recruiting companies that experienced difficulties



## Areas of recruitment difficulty

Overall, firms have had the greatest difficulty recruiting craft and related occupations (24% of those reporting recruitment difficulties) and other low skilled occupations (19%). Manufacturing firms experienced particular problems with skilled craft occupations (49% of those reporting difficulties). Plant and machine operatives (22%) were also problematic for manufacturers. Problem occupations were more widespread in the service sector.

With the exception of personal services and other unskilled occupations, the proportion of recruiting companies experiencing difficulties in all the other occupational areas has decreased slightly since Summer 2007.

The most frequently mentioned occupations were care assistant, sales representatives, sales assistants, chefs and catering assistants.

Table 8: 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        | 24% | 49%           | 16%      | 27%          | 24%             | 12%          |
| Other low skilled occupations        | 19% | 10%           | 23%      | 27%          | 17%             | 12%          |
| Associate technical and professional | 17% | 14%           | 17%      | 8%           | 21%             | 18%          |
| Personal services                    | 16% | -             | 21%      | 12%          | 19%             | -            |
| Professional                         | 13% | 16%           | 12%      | 8%           | 13%             | 35%          |
| Plant & machine operatives           | 9%  | 22%           | 5%       | 3%           | 12%             | 12%          |
| Clerical and secretarial             | 8%  | 4%            | 9%       | 15%          | 6%              | 6%           |
| Sales occupations                    | 8%  | 2%            | 9%       | 10%          | 7%              | -            |
| Managers and administrators          | 7%  | 10%           | 5%       | 5%           | 7%              | 12%          |

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<sup>1</sup>:

- Low numbers of applicants with the required skills or calibre required (reported by 49% of those experiencing recruitment difficulties)
- Lack of applicants with the required experience (13%)
- Poor terms and conditions (including pay) (9%)
- Job entails unsocial hours or shift work (9%)
- Low number of applicants with the required attitude, motivation or personality (8%)
- Remote location / poor public transport (7%)
- Low numbers of applicants generally (7%)

When asked specifically if transport to their location contributed to their recruitment difficulties, 7% said that it did a great deal and 17% somewhat. This was more significant for rural firms.

<sup>1</sup>Note: Some companies gave more than one response; base is 197 companies reporting recruitment difficulties.

# Spotlight on Migrant Workers



Market Harborough, Leicestershire

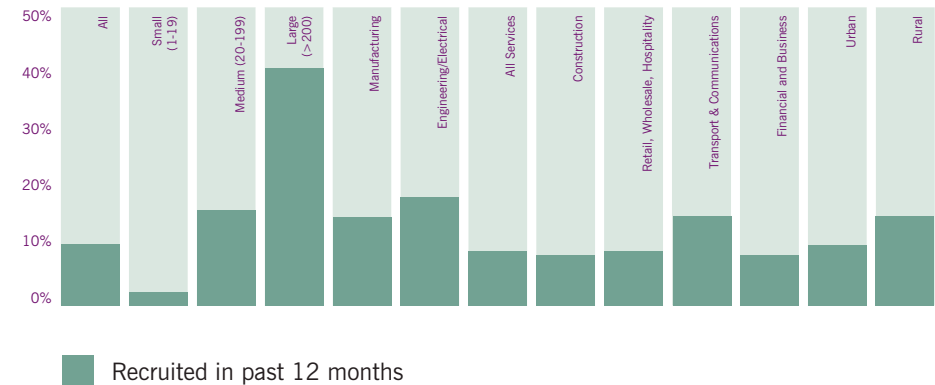
The employment of migrant workers remains an important issue in the UK economy. 15% of recruiting companies had recruited migrant workers in the previous twelve months, this equates to 10% of all companies surveyed. This level of recruitment is lower than was found in the Summer 2007 survey, when 15% of all firms had recruited migrant workers in the previous 12 months and 18% at some stage.

Migrant workers have been recruited across all sectors with the highest being in manufacturing (15%) and the least in the "other services" sub-sector (2%).

Larger companies were more likely than small firms to have recruited migrant workers in the past 12 months with 40% of those with 200 or more staff having done so, compared with 16% of medium (20-199 employees) and 2% of small (1-19 employees) companies.

A total of 680 migrant workers had been recruited by the sample in the past 12 months, almost 164 by manufacturing and 516 by the service sector. Compared with Summer 2007 the number of migrant workers recruited in the manufacturing sector has decreased and that by the service sector has increased.

Figure 12: Percentage of firms recruiting migrant workers in the past twelve months



Migrant workers came from all corners of the globe but in the past twelve months 67% of recruiting companies had recruited Polish workers and 81% workers from Eastern Europe.

# Skill Shortages

The number of firms reporting skills shortages\* has decreased slightly since the Summer 2007 survey. Overall, 27% of firms surveyed agreed that skill shortages were having a serious impact on their business with 61% disagreeing.

In manufacturing there is higher proportion of firms reporting skills shortages (35%) than in the service sector (24%). The electrical/engineering sub-sector was particularly concerned (43%).

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



The most significant skills gaps\*\* mentioned spontaneously were job specific skills, customer care and communication skills, but 58% of firms said they had no skills gaps.

When read a list of possible skills gaps, the most significant were technical, practical or job specific skills (28%), communication skills within the company (27%), management/supervisory skills (25%), and communications skills with clients/customers (24%). These findings are little different from previous surveys.

Overall, small companies were less likely to say they had skills gaps than large ones (Table 9).

\* 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 9: Skills that need improving in workforce**

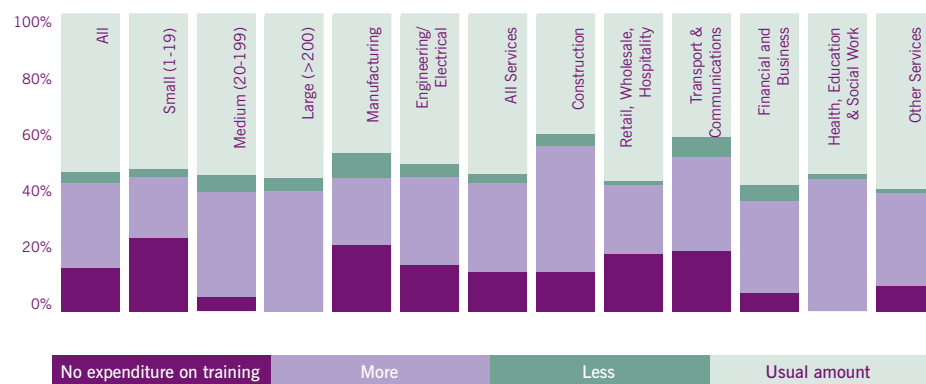
| Skill                                       | All | Manufacturing | Services | Small (1-19) | Medium (20-199) | Large (>200) |
|---|-----|---------------|----------|--------------|-----------------|--------------|
| Technical, practical or job specific skills | 28% | 33%           | 26%      | 23%          | 31%             | 46%          |
| Communication skills within company         | 27% | 28%           | 27%      | 21%          | 32%             | 52%          |
| Management and supervisory skills           | 25% | 30%           | 24%      | 19%          | 29%             | 51%          |
| Communications skills externally            | 24% | 22%           | 24%      | 19%          | 28%             | 38%          |
| Customer care                               | 23% | 16%           | 25%      | 21%          | 24%             | 36%          |
| General IT user skills                      | 19% | 20%           | 18%      | 15%          | 23%             | 18%          |
| Team working skills                         | 18% | 20%           | 18%      | 13%          | 22%             | 27%          |
| Marketing or sales skills                   | 16% | 20%           | 15%      | 16%          | 17%             | 18%          |
| Problem solving skills                      | 14% | 19%           | 13%      | 11%          | 17%             | 28%          |
| IT professional skills                      | 12% | 14%           | 12%      | 10%          | 14%             | 25%          |
| Basic literacy                              | 11% | 12%           | 11%      | 7%           | 13%             | 21%          |
| English language skills                     | 11% | 15%           | 9%       | 7%           | 13%             | 26%          |
| Basic numeracy                              | 10% | 10%           | 10%      | 7%           | 12%             | 15%          |
| Professional skills                         | 9%  | 6%            | 10%      | 6%           | 12%             | 17%          |
| Foreign language skills                     | 3%  | 4%            | 3%       | 2%           | 4%              | 5%           |
| None  | 38% | 37%           | 39%      | 44%          | 34%             | 13%          |

Note: respondents could give more than one response

## Expenditure on training

29% of firms surveyed said they had spent more than their usual amount on training in the past twelve months, whilst only 4% had spent less. A total of 52% had spent their usual amount, whilst 14% said they had spent nothing. 30% of companies with fewer than ten staff indicated that they had spent nothing on training.

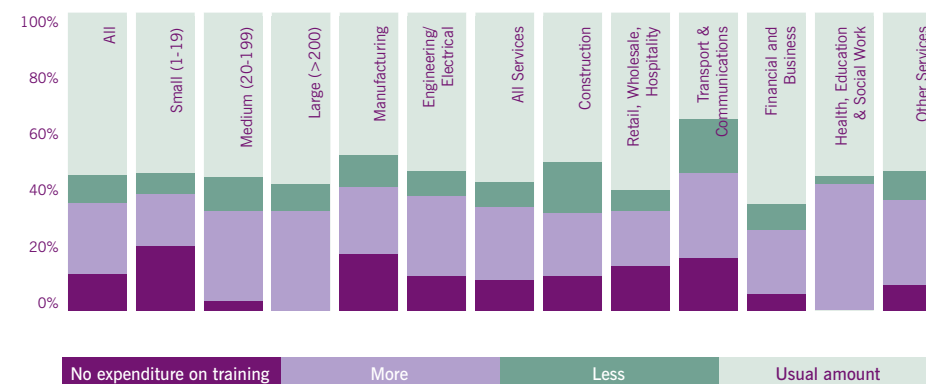
Figure 14: Change in expenditure on training over the past 12 months



## Future training spend

When asked about their future training plans, a small percentage of firms are planning to spend less than they currently do. 23% of firms surveyed said they plan to spend more than their usual amount on training in the next twelve months, whilst 9% plan to spend less. A total of 53% will spend their usual amount, whilst 12% said they will spend nothing. 27% of companies with fewer than ten staff plan to spend nothing on training.

Figure 15: Planned change in expenditure on training over the next 12 months



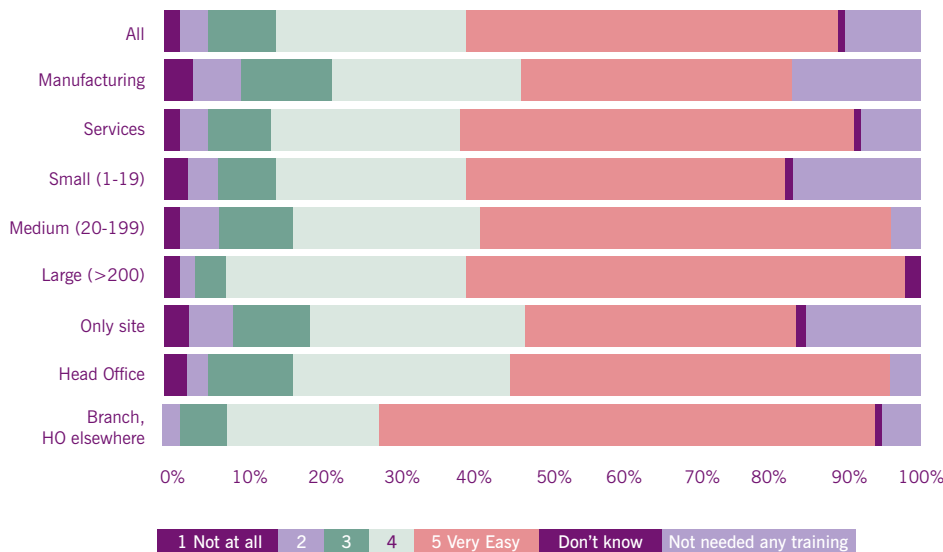


## Accessing training

Only 7% of companies indicated they had found difficulty with accessing the training they needed for their staff (rating access as 1 or 2 on a five point scale, where 1 is not at all easy and 5 is very easy). 9% rated this as 3 and 74% as 4 or 5, with 10% saying they did not need to access any training. Manufacturing companies found it slightly more difficult to access the training they needed than service sector companies.

Firms which had only one site found accessing the training they needed slightly more difficult than those which were a head office with branches or branches with a head office elsewhere.

Figure 16: Ease of accessing training for their staff



The main problems encountered were with finding courses that met the company's particular skill needs, the cost of training and finding the time or staff cover to enable staff to undertake training.

## 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 17: Percentage of companies planning to relocate in the next couple of years

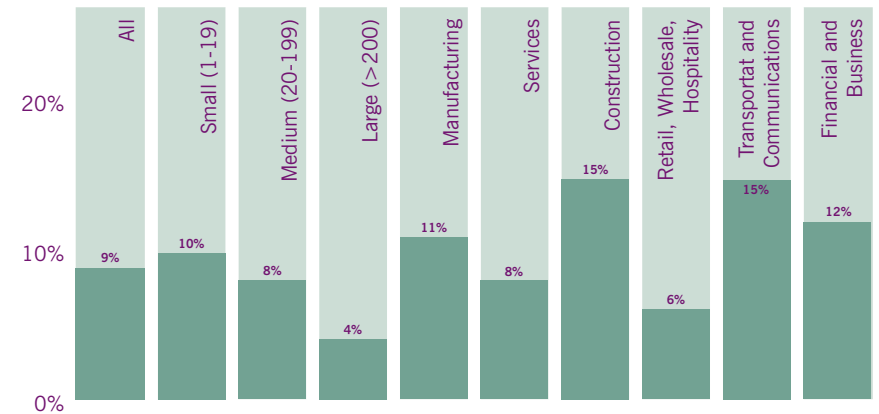


Table 10: Where companies are planning to relocate to

|   | All | Manufacturing | Services | City | County |
|---|-----|---------------|----------|------|--------|
| Leicestershire                              | 54% | 60%           | 52%      | 22%  | 74%    |
| Edge of City                                | 16% | 11%           | 18%      | 22%  | 12%    |
| In Leicester - City centre                  | 13% | 10%           | 14%      | 33%  | -      |
| Leicester elsewhere or anywhere in the City | 3%  | -             | 4%       | 7%   | -      |
| Outside Leicestershire                      | 4%  | 5%            | 4%       | 5%   | 4%     |
| Not certain                                 | 7%  | 10%           | 6%       | 11%  | 5%     |
| Base  | 90  | 25            | 64       | 34   | 56     |

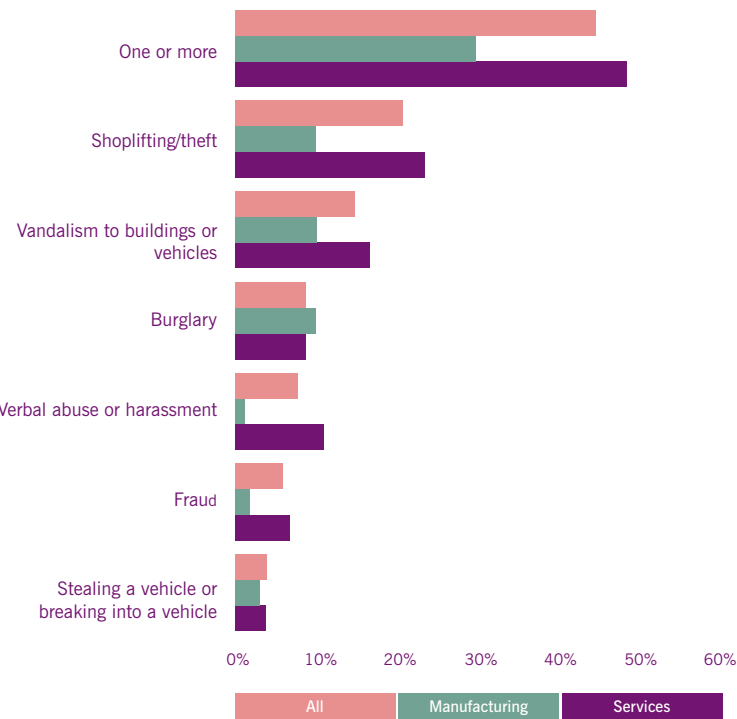
# Spotlight on Crime

45% of firms had been victims of crime in the previous twelve months much the same as was found in the last survey conducted in Summer 2007. Service sector firms (49%) were more likely to have been a victim than manufacturers (30%) as the service sector was more likely to be the victim of shoplifting and verbal abuse. The risk of a business being the victim of crime increased slightly with the size of the company (42% of those with 1-19 employees, 46% of those with 20-199 employees and 48% of those with 200+ employees).

Overall, 21% of firms had experienced shoplifting or theft, 15% vandalism to buildings or vehicles, 9% burglary, 8% verbal abuse or harassment by customers and 6% fraud.

City based firms (49%) were slightly more likely to have been the victim of crime or anti-social behaviour than County based firms (43%).

Figure 18: Has your business been the victim of any of these crimes in the past 12 months?



# Agencies Working Together

## Fires and fire alarm activation

A small number of companies (3%) said they had experienced an accidental fire in the previous three years and ten companies (1%) had experienced a fire which was started deliberately.

Overall, 6% of companies had their fire alarm go off without any obvious cause in the past three years and 6% with an obvious cause (some of these citing insects).

In the majority of cases (81%) this had happened between 1 and 5 times.

70% of companies said they had accessed fire safety information in the past couple of years. There was no difference between manufacturing and service sector firms but larger companies were more likely to have done this than smaller ones.

## Agencies working together

Overall, firms thought the way in which local public sector agencies worked together to improve the local area was average, giving a 3 rating on a five point scale (where 1 was not at all well and 5 was very well).

Large companies (200+) were slightly more likely than others to think agencies worked well together.

Table 11: How well local public sector agencies work together to improve the local area

|                   | All | Manufacturing | Services | Small (1-19) | Medium (20-199) | Large (200+) |
|-------------------|-----|---------------|----------|--------------|-----------------|--------------|
| Not well (1 or 2) | 24% | 28%           | 23%      | 28%          | 21%             | 16%          |
| Average           | 39% | 35%           | 40%      | 39%          | 40%             | 28%          |
| Well (4 or 5)     | 25% | 23%           | 25%      | 22%          | 26%             | 38%          |
| Don't know        | 12% | 13%           | 11%      | 10%          | 13%             | 18%          |

# Spotlight on Leicester and Leicestershire as Places to do Business

Views on how good Leicester City and Leicestershire County are as places to do business were mixed. On a five point scale where 1 is not very good and 5 is very good, Leicester's mean rating was 3.2 and Leicestershire's was 3.4.

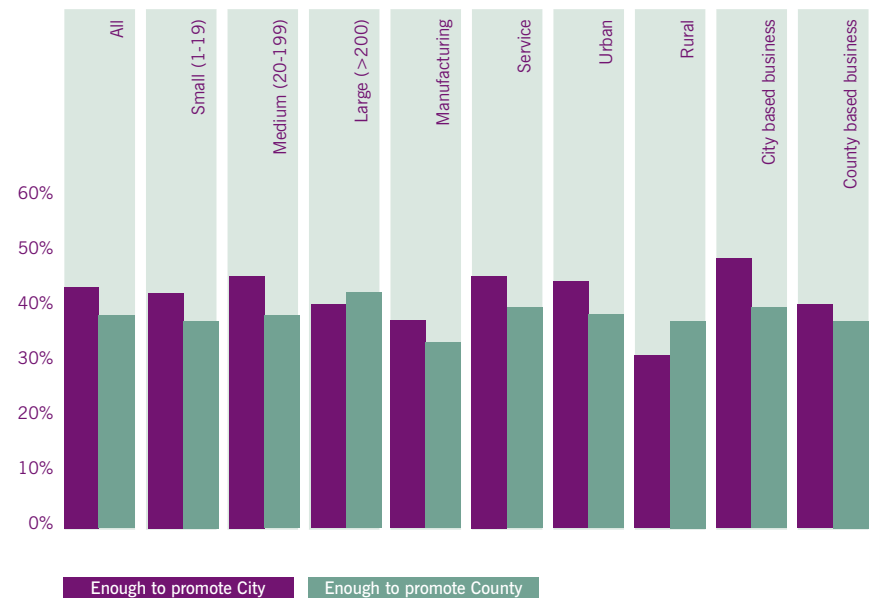
31% of businesses rated Leicester City as 'good' (4 or 5) and 15% not very good (1 or 2). 16% of companies said that they did not know. The findings for the County were slightly better with 40% rating the County as 'good' (4 or 5) and 11% not very good (1 or 2), with 9% saying they did not know. There was little difference between manufacturing and service sector companies.

**Table 12: Business Opinion about how good Leicester City and Leicestershire County are as places to do business**

|                       | City |               |          | County |               |          |
|-----------------------|------|---------------|----------|--------|---------------|----------|
|                       | All  | Manufacturing | Services | All    | Manufacturing | Services |
| Not good (rating 1,2) | 15%  | 22%           | 13%      | 11%    | 16%           | 9%       |
| Average               | 38%  | 40%           | 37%      | 40%    | 40%           | 41%      |
| Good (rating 4,5)     | 31%  | 25%           | 32%      | 40%    | 35%           | 41%      |
| Don't know            | 16%  | 13%           | 17%      | 9%     | 9%            | 9%       |

A total of 43% of companies thought enough was being done to promote Leicester with 36% thinking not enough was being done. 21% of companies said they did not know. This is an improvement since the survey conducted in the summer of 2007, with some respondents mentioning the promotion of the High Cross Centre. The comparative figures for the County were 38% saying enough was being done, 42% not enough and 20% said they did not know. Manufacturing companies were slightly less likely than the service sector to think enough was being done to promote both the City and the County.

**Figure 19: Proportion thinking enough was being done to promote Leicester and Leicestershire**



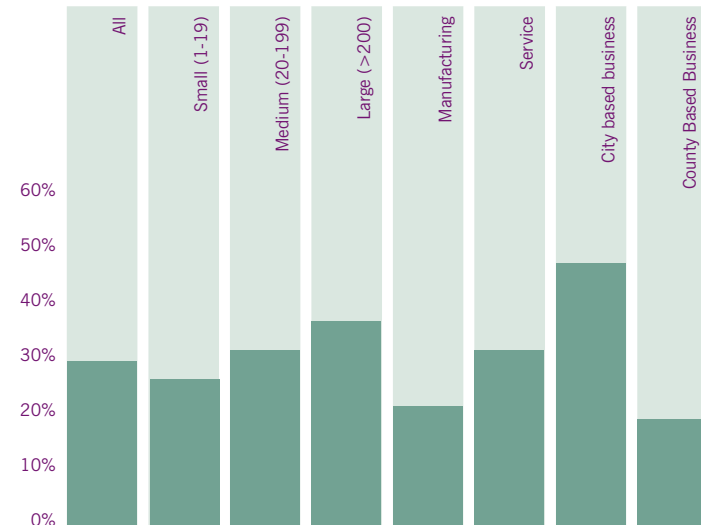
# One Leicester Campaign



Just over a quarter of respondents (29%) said they had heard of, or seen, the 'One Leicester' campaign, rising to 46% of firms based in the City.

Some respondents commented that they had seen it or seen the logo without knowing what it was.

Figure 20: Percentage having heard of, or seen, the 'One Leicester' campaign



# Methodological notes

## Methodological notes

The Leicester and Leicestershire Business Survey is now conducted annually and is produced through a research partnership involving LSEP, Leicestershire County Council, Leicester City Council, Leicestershire Chamber of Commerce, Leicestershire Learning and Skills Council, the University of Leicester and De Montfort University.

## The survey

A telephone survey of 1011 businesses within Leicester and Leicestershire was undertaken during October 2008. The sample was drawn from RBSIS database held by the East Midlands Development Agency (emda) and aims to reflect as accurately as possible the mix of businesses found in each District. The number of interviews in each district was as follows:

|                           |     |
|---------------------------|-----|
| Blaby                     | 101 |
| Charnwood                 | 119 |
| Harborough                | 101 |
| Hinckley & Bosworth       | 98  |
| Leicester City            | 295 |
| Melton                    | 100 |
| North West Leicestershire | 103 |
| Oadby and Wigston         | 94  |

This over-represents businesses in the smaller districts (Melton and Oadby and Wigston) and under-represents businesses in Leicester and Charnwood. The results in this report have been weighted to reflect the true proportions of businesses in each District according to ABI 2006.

This sample only included businesses listed on the database as having 5 or more employees. This means results are not directly comparable to previous surveys which included a larger proportion of micro-businesses.

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

|                 | City | %   | County | %   | Total | %   |
|-----------------|------|-----|--------|-----|-------|-----|
| Business Sector |      |     |        |     |       |     |
| Manufacturing   | 79   | 21% | 154    | 24% | 234   | 23% |
| Services        | 292  | 79% | 490    | 76% | 783   | 77% |

|                  |     |     |     |     |     |     |
|------------------|-----|-----|-----|-----|-----|-----|
| Business Size    |     |     |     |     |     |     |
| 1-9 employees    | 106 | 28% | 177 | 27% | 283 | 28% |
| 10-19 employees  | 83  | 22% | 143 | 22% | 226 | 22% |
| 20-50 employees  | 84  | 23% | 174 | 27% | 258 | 25% |
| 51-199 employees | 82  | 22% | 114 | 18% | 196 | 19% |
| 200+ employees   | 16  | 4%  | 36  | 6%  | 53  | 5%  |

The next Leicester and Leicestershire Business Survey will be conducted in October 2009.

An electronic version of the survey report is available on the Leicester and Leicestershire Statistics and Research web site, [www.lsr-online.org](http://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:

Joelle Bradly  
Research Manager  
Policy, Research and Information  
Chief Executive's Department  
Leicestershire County Council  
County Hall, Glenfield  
Leicester  
LE3 8RA

Telephone: 0116 305 5883. Email: [jbradly@leics.gov.uk](mailto:jbradly@leics.gov.uk)



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



#### **LSEP**

Charnwood Court  
5b New Walk  
Leicester LE1 6TE  
Tel: 0116 257 5684  
E-mail: caroline.b@lsep.co.uk

Caroline Boucher



#### **Leicester City Council**

Block A  
New Walk Centre  
Welford Place  
Leicester LE1 6ZG  
Tel: 0116 252 7256  
E-mail: brendan.brockway@leicester.gov.uk

Brendan Brockway



#### **Learning and Skills Council**

Meridian East  
Meridan Business Park  
Leicester LE19 1UU  
Tel: 0116 228 1847  
E-mail: Claire.parry@lsc.gov.uk

Claire Parry



#### **Leicestershire Chamber of Commerce**

Charnwood Court  
5b New Walk  
Leicester LE1 6TE  
Tel: 0116 204 6606  
E-mail: boden.m@chamberofcommerce.co.uk

Max Boden



#### **Leicestershire County Council**

County Hall  
Glenfield  
Leicester LE3 8RA  
Tel: 0116 305 5883  
E-mail: jbradly@leics.gov.uk

Joelle Bradly