



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

UK Commission's Employer Skills Survey 2013: UK Results

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UK Commission's Employer Skills Survey 2013

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Introduction

This summary presents headline findings from the UK Commission's Employer Skills Survey 2013. The UK Commission runs two large-scale employer surveys in alternate years: the UK Commission's Employer Skills Survey (UKCESS), and the UK Commission's Employer Perspectives Survey (UKCEPS).

The UK Commission's Employer Skills Survey is the definitive source of intelligence on employer investment in skills in the UK. The survey was first conducted at UK wide level in 2011, developing from a series of legacy surveys conducted in each of the countries of the UK during the 1990s and the 2000s. The 2013 survey represents the second edition in the combined UK series. It explores the skills challenges that employers face both within their existing workforces and in terms of bringing in new skilled labour, the levels and nature of training investment, recruitment of young people and education leavers and the relationship between skills challenges, training activity and business strategy.

Like its predecessor, the study reports on the experiences of employers at the establishment level, rather than at the enterprise level. Sole traders and establishments with just one employee and no working proprietors were excluded from the survey population.

The survey constitutes a powerful data source: the full report presents an initial cut of findings. Accompanying the report are also data tabulations and a technical report all of which can be found here: www.ukces.org.uk/ourwork/employer-skills-survey . Further reports looking at the survey in more depth from different perspectives will follow throughout 2014.

Skill shortages

The survey supports a picture of a UK economy which is moving towards recovery.

The number of employers reporting vacancies at the time of the survey (March to July 2013) was higher than at the equivalent time in 2011 (up from 14 per cent to 15 per cent), as was the number of vacancies that they reported (655,000 in 2013, a rise of 12% from 2011).

Within England vacancies are back to pre-recession levels, employers reported a total of 559,600 job vacancies, a rise of 45% per cent from 2009.

While the more recent macroeconomic data are more encouraging, signs of recovery were less clear in Northern Ireland, where the proportion of employers reporting vacancies has remained consistently behind the UK average (and unchanged at ten per cent in 2011 and 2013).

Economic growth and recovery may be constrained by skill shortages as the labour market responds to employer requirements. While in most cases demand for skills is met through successful recruitment, almost three in ten vacancies are reported to be hard-to-fill, and shortages in suitably skilled, qualified and/or experienced workers are the main reason for this. Overall, such skill-shortage vacancies represent more than one in five of all vacancies (22 per cent), up from one in six in 2011 (16 per cent).

The picture of skill shortages across the UK varies by country as does the change in available skills since 2011. The largest shortfall is reported in Scotland where a quarter of all vacancies are hard-to-fill because of a shortage in available skills, up from 15 per cent in 2011. Within England, the longer time series available shows the number of skill-shortages has nearly doubled since 2009, increasing from 63,100 to 124,800.

Skill shortages differ by occupation and pockets of shortages remain largely unchanged since 2011. Skilled Trades roles remain the most common occupation where skill shortages are likely to be encountered when employers recruit for these roles. In 2011, managerial roles were the next most challenged by shortages in available skills; since then, the challenge has shifted towards Professionals, Associate Professionals, Caring, Leisure and Other services staff and Machine Operatives.

There appears to have been an increased difficulty finding appropriate oral and written communication, literacy and numeracy skills. These core generic skills were all cited as lacking by greater proportions of employers reporting skill-shortage vacancies than in 2011.

Skill gaps

Most employers report that they have a proficient workforce with no skill gaps: 15 per cent report that some of their staff are not fully proficient, and these skills gaps represent only one in 20 employees (five per cent). This represents a slight fall in the proportion of workplaces with proficiency challenges since 2011 (when the figures stood at 17 per cent), but a broadly consistent picture in terms of the proportion of the workforce which is affected.

A larger proportion of employers face skills gaps in Scotland (19 per cent) than elsewhere in the UK, although this figure has fallen since 2011 when it stood at 21 per cent. Proficiency problems affect a slightly larger proportion of employees in Northern Ireland, Scotland and Wales than in 2011; in England a smaller proportion of the workforce has skills gaps than was the case in 2011, and skills gaps are now at their lowest level in a decade.

In most cases (three-quarters of all skills gaps), proficiency problems are due at least in part to employees being new in their roles and/or still in training for their roles.

These factors are both (predominantly) transient: that is to say one would expect skills gaps resulting from these causes to be eliminated once staff have settled into their new roles and/or existing training has been completed.

Job roles where (internal) skills gaps are most prominent tend to be ones in which there are relatively few (external) skill shortages. The occupations where skills gaps are most acute are Sales and Customer Services staff and Elementary staff, which are two of the occupations with the lowest density of skill shortages (alongside Administration roles). Conversely, the occupations in which skill shortages were the most acute, Associate Professionals and Machine Operatives, present average levels of skills gaps, while skills gaps are relatively uncommon among Professional and Caring, Leisure and Other Services staff. In the eyes of employers, skills gaps affect Managers less than other occupations.

Employers tend to be challenged either in terms of having inadequate skills among some of their existing workforce or struggling to find new recruits with the skills that the vacant positions require. It is very rare for employers to be challenged from both directions; **just one per cent of all employers experienced both skill-shortage vacancies and skills gaps. It is more commonly the case that employers are not fully utilising their workforces' skills.**

Half of UK employers (48 per cent) report skills under-use, and 4.3 million workers (16 per cent of the total UK workforce) are reported as being over-skilled and over-qualified for the jobs that they are currently doing. Employers in the devolved administrations were more likely than those in England to report that any of their staff were over-skilled and over-qualified. Employers in the Hotels and Restaurants sector were particularly likely to report this to be the case, and those in the Public Administration and Manufacturing sectors are least likely.

An even greater proportion of employers (71 per cent) predict that their skills requirements will change over the next 12 months. The occupational groups most likely to be affected are Professional occupations and Caring, Leisure and Other occupations; the skills of staff currently employed in these roles tend to stand up quite well against employer need (low density of skills gaps), but they are both occupations in which it is relatively more difficult to find suitably skilled candidates for new positions (high density of skill-shortage vacancies).

Training and Workforce Development

Most employers fund or arrange training for their staff: two-thirds had done so over the previous 12 months (66 per cent), a figure in line with 2011 (65 per cent). While most employers could be described as being in ‘training equilibrium’ having been able to provide all the training that they wanted over the previous 12 months, over two-fifths of all employers (42 per cent, including non-trainers that had not delivered any) wanted to provide more training than they had been able to do. By far the most common reason that employers do not provide training is that they believe all their staff to be fully proficient in their roles.

There have been some notable changes since 2011 in the nature of training activity conducted. **There is evidence of more employers providing off-the-job training, and training being more widely offered across the workforce.** More employers have arranged any off-the-job training (49 per cent compared to 47 per cent in 2011) and fewer have only offered on-job training (17 per cent compared to 19 per cent in 2011); and the proportion of staff trained over the previous 12 months has risen substantially from 55 per cent to 62 per cent.

On the other hand, there is evidence of less training being provided on an individual basis. Each person trained received fewer days training over the last 12 months in 2013 than in 2011 (an average of 6.7 days compared with 7.8 days in 2011) meaning that the total number of training days employers had provided over the previous 12 months has decreased slightly since 2011 (from 115 million to 113 million days).

Moreover, **total employer investment in training decreased by five per cent in the period 2011 to 2013** (from £45.3bn to £42.9bn). Training investment per person trained fell by 17 per cent, from around £3,075 in 2011 to £2,550 in 2013 although this was in the context of a large increase in the number of staff being trained.

In the context of tightened economic circumstances, it is not unreasonable for employers to seek to invest more widely in training. Although training spend and the numbers of days spent training are slightly down across the UK as a whole, this has been achieved in combination with an increase in the number of staff trained, an increase in the ratio of off-the-job to on-the-job training (a crude measure of the quality of training) and an increase in the proportion of training that leads to a recognised qualification. This could suggest a more efficient allocation of resource to partially offset a relatively modest cut in the level of overall spend.

There is some variation in training activity by country: Employers in Scotland were the most likely to have funded or arranged any training in the previous 12 months (70 per cent) and those in Wales the least likely (62 per cent). Employers in Scotland also trained a greater proportion of their workforce (65 per cent) than employers elsewhere in the UK (as was the case in 2011 also); employers in Northern Ireland trained the lowest proportion of their workforce (59 per cent).

Recruitment of Young People

Most “recruiting employers” (by which we mean employers who recruited anyone over the previous two to three years) **recruited at least one young person**: overall 44 per cent of all employers recruited a young person in the two to three years preceding the survey.

Around a quarter of employers recruited at least one education leaver in that period. Around one in five employers only recruited young people not entering their first job out of education, and did not recruit any education leavers.

The main obstacle to (more) young people getting new jobs is competition in the market place. Half of recruiting employers who had not recruited young job applicants had opted instead for older candidates who were better placed; in this instance young people who applied for these jobs may have been suitable, but the recruiters opted for a candidate over the age of 25 to fill the role. Where young applicants were not considered to meet the requirements of the role, the main reasons cited were lack of skills and experience, and sometimes both. Three in five recruiting employers (61 per cent) who had not recruited a young person said they had had no applications from young people.

The reasons why some young people were not successful in their job applications mirrored the reasons why some employers were disappointed with the preparedness of recruits entering the job market in their first roles since leaving education. Most employers find the education leavers they take on to be well or very well prepared for work, although as many as four in ten employers taking on school leavers at 16 from schools in England, Northern Ireland or Wales described the recruits as poorly prepared (as do three in ten employers in Scotland taking new recruits from Scottish schools between the ages of 16 and 18).

High Performance Working practices and Product Market Strategies

High Performance Working (HPW) is defined by the UK Commission as ‘a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance’ (UKCES 2009).

The survey identifies a minority of employers – 12 per cent – who are **“HPW employers”** in the sense that they adopt a number of HPW practices.

Such employers are considerably more active in the recruitment market than average: twice as many have a vacancy as non-HPW employers (29 per cent compared to 13 per cent). The evidence suggests that they find it easier to fill the vacancies they have than non-HPW employers: under a quarter of HPW employers’ vacancies were proving hard-to-fill (22 per cent) compared to a third among non-HPW employers. Similarly a smaller proportion of HPW employers’ vacancies are skill-shortage vacancies (19 per cent, compared to 25 per cent among non-HPW employers).

HPW employers are also considerably more likely to experience skill gaps than non-HPW employers (23 per cent compared to 14 per cent), although the proportion of their workforce that lacks proficiency is in line with the national average (five per cent).

HPW employers are more likely to train and train a higher proportion of their workforce.

Product Market Strategies (PMS) are defined within the survey by aggregating responses to a series of questions exploring pricing strategies, approaches to innovation and the nature of the product market (the extent to which the market attracts a “premium” and the extent of customisation of products and services in the market).

Aggregating these responses classifies two in five private sector employers in the UK as having a high or very high product market strategy indicating that their competitive success is not dependent on price, they pursue innovation, they compete on quality and/or that they offer customised goods or services.

Employers with a higher composite PMS score are more likely to have a vacancy, hard-to-fill vacancy or skill-shortage vacancy than employers with a lower score. However, the evidence suggests that the recruitment challenge is greater for employers with a low composite PMS score in the sense that a greater proportion of their vacancies are reported to be hard-to-fill than is the case among employers with a high composite PMS.

Similarly, employers with a high composite PMS score are more likely to identify skill gaps than employers with a low score, but the proportion of their workforce that lacks proficiency is no higher.

In a similar vein, employers with a higher composite PMS score are more likely to fund or arrange training for their staff.

Conclusions

Overall, the findings from the UK Commission's Employer Skills Survey 2013 make an important contribution to larger debates about skills and the labour market in the UK. The survey provides valuable insights into the range of skills issues employers are facing and their investment behaviour, and raises many questions for further research. The findings highlight some positive developments that support indications of economic recovery, but they also identify some more concerning trends and priorities for action that need to be addressed if UK businesses are to realise their full potential. Whilst the survey findings show that skills shortages and skills gaps affect different employers in varied ways, looking to the future, the survey also finds that the majority of employers expect their staff to need to acquire new skills or knowledge over the next year. If the UK is to remain competitive in the global context it is vital to ensure that employers across the board are able to make full use of the skills and talents of their people to drive business performance and growth.

Executive Summaries present the key findings of the research produced by the UK Commission for Employment and Skills. More detailed analytical results are presented in Evidence Reports.

All of the outputs of the UK Commission can be accessed on our website at www.ukces.org.uk
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