



2011 Business Survey

Skills

Theme Paper

May 2011

East Sussex County Council Strategic Economic
Development & Skills Team

Quadrant Consultants Ltd in association with BMG Research





ESCC Business Survey Theme Paper Skills 2011

1.0 Introduction

1. This document is one of a series of seven theme papers based on the 2011 East Sussex Business Survey. The Survey was commissioned by the Strategic Economic Development & Skills Team of East Sussex County Council and was undertaken by Quadrant Consultants Ltd in association with BMG Research. The survey sample consisted of 1206 local businesses, and was undertaken February to March 2011. The 2011 Survey is intended to identify trend movements and highlight significant changes from previous surveys; it will also be used to feed into strategic and operational planning carried out by East Sussex County Council and its key economic development partners including the Local Enterprise Partnership (LEP) and The Department for Business Innovation and Skills (BIS).
2. Each theme paper explores an area of particular interest for economic development in East Sussex. The business survey results are investigated by topic and show key findings, including charts and tables where appropriate, with suggested actions. Contrasts between industry sectors or between sectors and the sector average for East Sussex are noted, as are contrasts between districts/boroughs or between districts/boroughs and the East Sussex average. References to the three sub-district regeneration areas for East Sussex of Bexhill (as part of Hastings & Bexhill), Newhaven, and Hailsham/North Eastbourne also feature where relevant under each question topic.
3. The seven theme papers in the series are:
 1. Employees and Markets
 2. Finance
 3. Transport
 4. The Environment
 5. Business Accommodation
 6. Skills
 7. Broadband
4. There are separate papers forming the Executive Summary of the 2011 Business Survey and the 2011 Business Survey methodology.
5. All of the business sectors included in the survey e.g. education and health services, exclude public service providers.
6. This paper will assess the situation and outlook for Skills amongst businesses in East Sussex, including skills issues and development, the status of training and apprenticeships and the job vacancy situation.
7. Observations, trend results and findings will be made where comparable data exists from previous annual business surveys since and including 2008.

East Sussex County Council wishes to thank all those local businesses that participated in the 2011 business survey

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2.0 Skills

Theme Summary

The situation regarding unfilled vacancies remains unchanged from 2010 with 1 in 10 businesses that advertised vacancies being unable to fill the vacancies over the year

- The main reasons cited for this are either too few candidates with the required skills or lack of specific work experience for the vacancy
- Awareness of Jobcentre Plus services was mixed with Work Experience being the best known. 39% had not heard of any Jobcentre Plus services

80% of businesses were satisfied with staff proficiency levels; there is no significant year on year change with this finding

- Whilst significantly fewer businesses considered existing staff to have any skill gaps, the proportion with new recruits with skill gaps grew by 25%
- Poor Literacy and Numeracy being reported as a skills gap when recruiting has fallen (which goes against the national trend)
- The Construction sector reported fewest skills gaps; the Education and Health Sector reported the lowest percentage of fully proficient workforce
- The most common skills priority is Customer Service. A feature of businesses emphasising this as a top skills priority was that they had ambitions to 'grow' or 'grow fast' and are more likely to be in the Retail or Hotel & Restaurant sectors

Two thirds of businesses have no training plan or budget

- The most common training is job-specific, followed by health and safety. 23% of businesses undertaking training also carried out Leadership and Management training
- 2011 has seen year on year growth in the number of businesses stating training has had a strong, positive impact, although investment generally in training appears to have decreased by 12% compared to 2008 (a decrease higher than national levels)
- Businesses said helping them to better understand funding assistance for training and more flexible training times and locations would be beneficial

62% of businesses did not know that the law has changed regarding the employment of under 18 year olds

- Only 4% of East Sussex businesses have any government funded apprentices
- Experience of apprentices was generally good although a significant minority had a mixed or poor experience

Suggested Actions

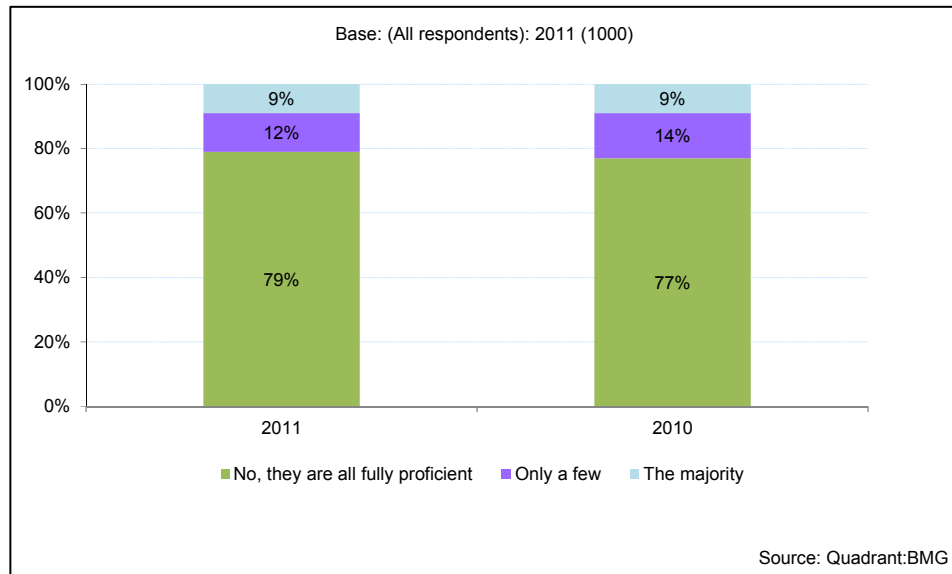
The Council and its partners (including the Adult Learning and Skills Partnership Board and the LEP) could:

- Ensure the focus on Leadership and Management training continues in order to support business development and economic growth
- Consider measures to help businesses better understand funding for training
- Undertake to help businesses increase training by evaluating more flexible training times and locations
- Build awareness of Jobcentre Plus services (in particular Work Trials and Work Preparation) in order to support more people into work
- Develop and implement a communications strategy to increase business understanding of the implications of Raising the Participation Age which has implications for businesses employing under 18 year olds
- Understand the reasons for poor/mixed experience with the apprenticeship experience and put in place measures to address this

2.1 Skills Issues and Skills Development

8. Over three quarters of businesses (79%) said their staff were fully proficient – up slightly on 2010 (see Figure 2.3 below). Approximately one in ten businesses (9%) said the majority of staff needed to improve their skills if they were to carry out their jobs properly (as in 2010) leaving 12% of businesses stating only a few employees needed to improve their skills:

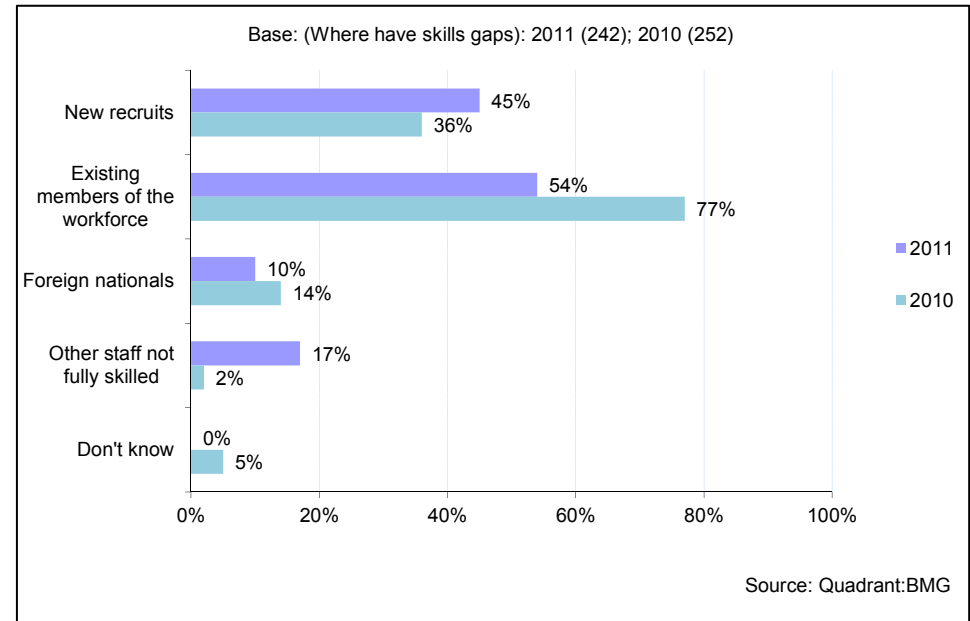
Figure 2.3: Staff requirement to improve skills to be able to carry out their roles



Source: - East Sussex Business Survey 2011

9. Where skills gaps were reported, over half of respondents (54%) stated existing members of the workforce were not fully skilled, (falling from 77% in 2010) with just under half (45%) stating the new recruits were not fully skilled, (an increase from 36% in 2010). See Figure 2.4:

Figure 2.4: Staff considered not to be fully skilled

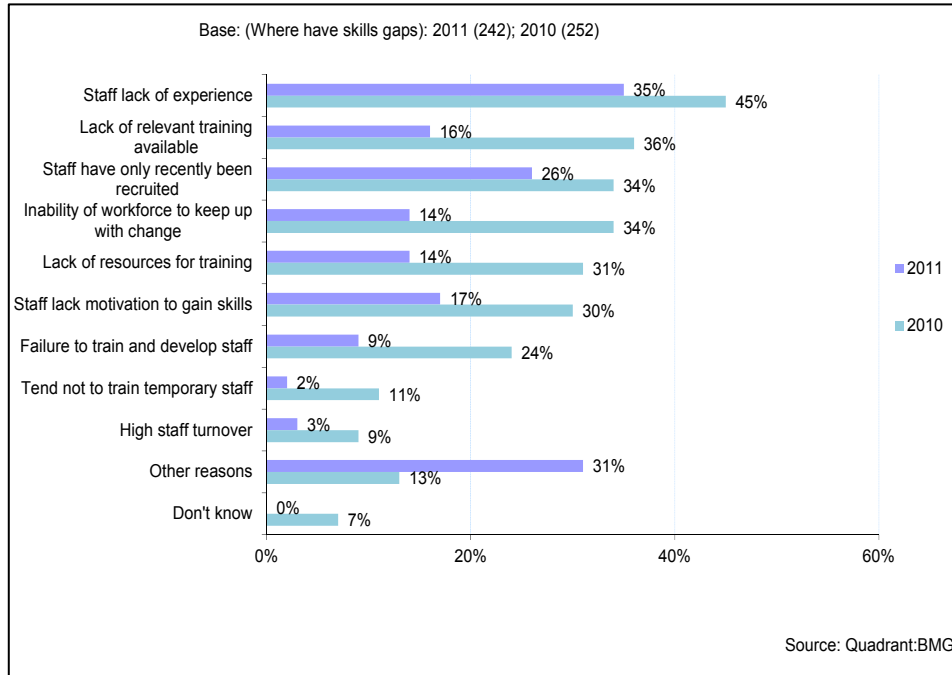


Source: - East Sussex Business Survey 2011

10. The main reason given for staff not being fully skilled in their job was 'staff lack of experience' at 35% of respondents (down from 45% in 2010) – see Figure 2.5 below. This was followed by 'staff have only been recently recruited' at 26% (down from 34% in 2010) and 'staff lack in motivation' to gain skills at 17% (also down from 2010's figure of 30%). Note the small base sizes.

11. It is interesting to note that "lack of relevant training available" appears to be less of an issue in 2011 than it was in 2010 and, perhaps surprisingly, "lack of resources for training" was cited as a barrier by only 14% of respondents compared to 31% in 2010.

Figure 2.5: Reasons for staff not being fully skilled in their roles



Source: - East Sussex Business Survey 2011

12. Other reasons given have increased from 13% in 2010 to 31% in 2011. The most common 'other' reasons (note small base sizes for each) were:

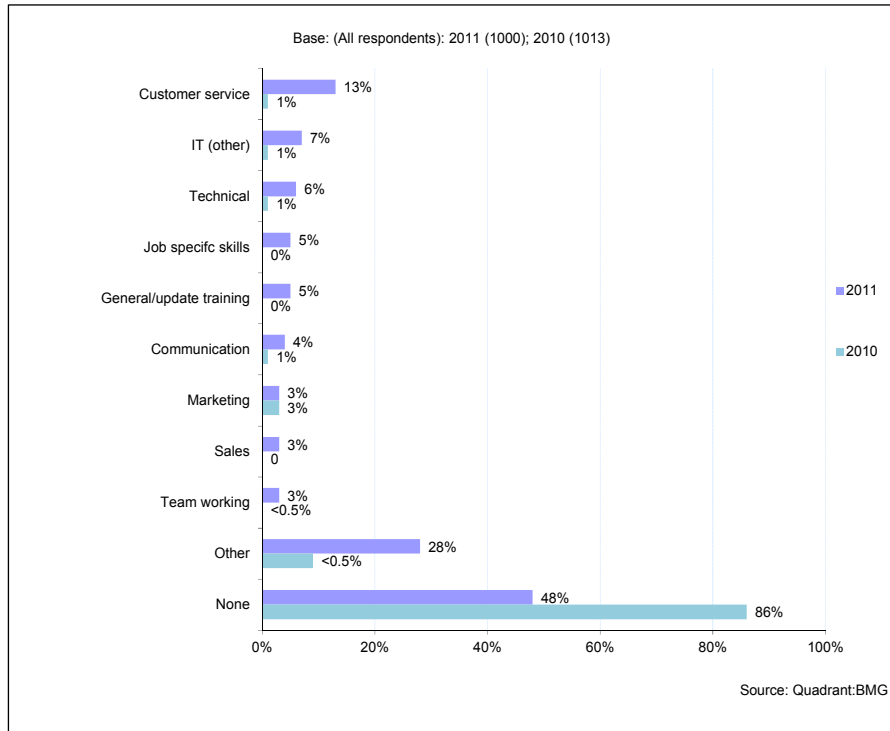
- Staff attitude e.g. lack of confidence, initiative, motivation
- Continuous ongoing training due to business nature e.g.dentistry
- A lack of spare time to train
- Continuous stream of new European regulations and laws
- A belief that there is always room for improvement

13. Eastbourne had significantly more businesses reporting that staff needed to improve skills. This included 11% who felt that the majority of their staff needed to improve skills (against a county average of 9%), and a further 19% who said that only a few staff needed to improve skills' (the average was 12%).

14. 'The Construction sector reported the fewest skills gaps while the Education and Health sector reported the lowest percentage of fully proficient workforce at 72%. 15% of businesses in that sector felt that the majority of their staff were not fully skilled'.

15. Customer Service was the top skills priority amongst 13% of respondents, as shown in Figure 2.6, followed by a variety of other skills, such as Technical Skills (6%), IT (7%), job specific skills (5%) and update/general training (5%).

Figure 2.6: Top skills priorities for staff improvement



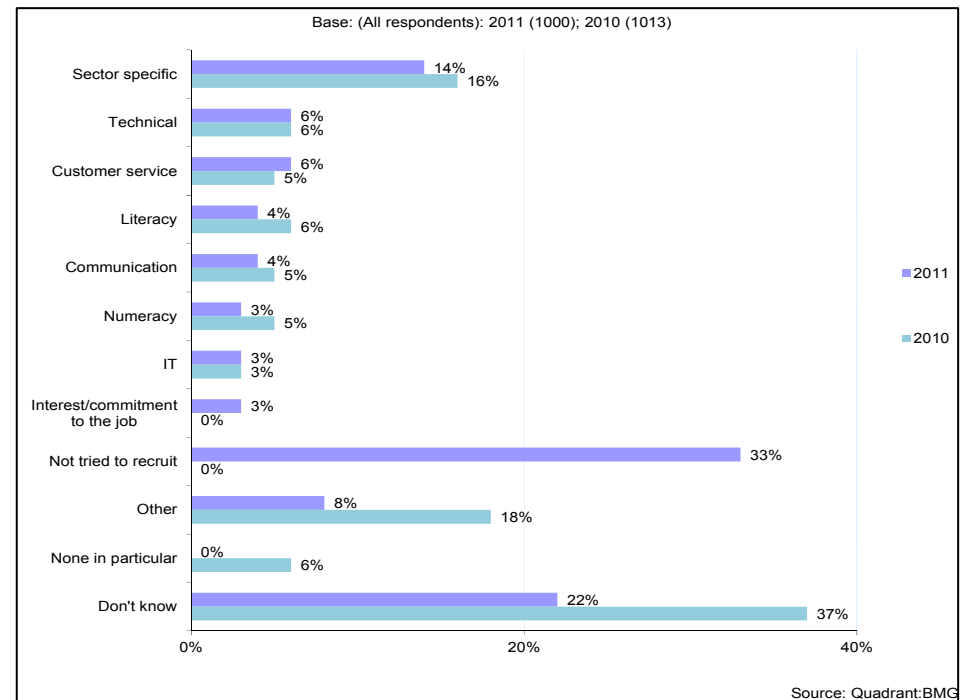
Source: - East Sussex Business Survey 2011

- 16. Industry sectors where customer service was especially high as a skills priority were Hotels & Restaurants at 41% and Wholesale & Retail at 27%.
- 17. 48% of businesses thought there were *no* priorities for skills improvement. The sector with the highest response for thinking there were no priorities for skills improvement was Construction at 69%. This echoes the finding in Point 14 above, where the sector reported the fewest skills gaps. 86% of those with no skills priorities were businesses of 1-5 employees, a proportion of which will be sole traders.
- 18. A feature of businesses emphasising customer service as a top skills priority was that 80% of them had business aims of either 'to

grow' or 'to grow fast' over the next 3-5 years, versus an East Sussex average of 60%.

- 19. Sector specific skills were seen as the area of greatest skill shortage when recruiting, by more than one in ten respondents (14%), a similar level to 2010 (16%). These were followed by technical skills (6%) and customer service skills (6%), though at lower levels (see Figure 2.7).
- 20. Poor Literacy and Numeracy being reported as a skills gap when recruiting has fallen against a national trend which is rising¹

Figure 2.7: Greatest skills shortages when recruiting



Source: - East Sussex Business Survey 2011

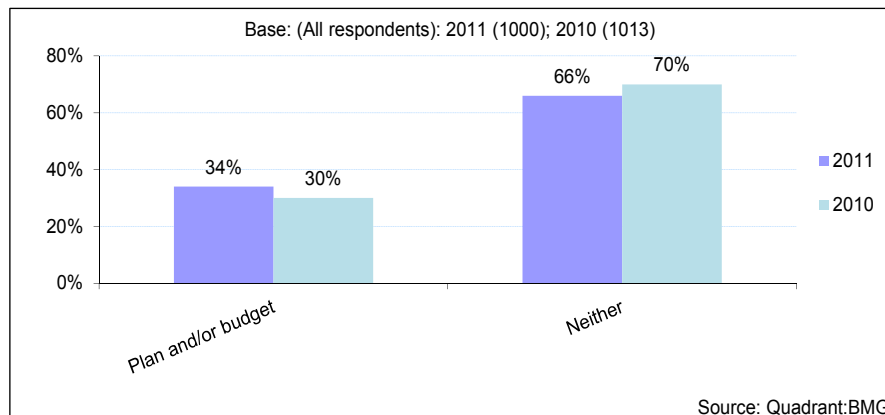
¹ NESS (UKCES) published March 2010

21. In contrast to its priorities for staff skills improvement, the Construction sector saw a significantly higher proportion of respondents commenting on sector specific skill shortages when recruiting, at 25% (versus 14% average).

2.2 Status of Training amongst East Sussex Businesses

22. Two-thirds of businesses (66%) have neither a plan, specifying the level and type of training needed by staff, nor a training budget, down slightly from the 2010 level (70%), as shown in Figure 2.8. These figures are higher than national figures (57% with no training plan; 67% with no training budget)².

Figure 2.8: Businesses with or without a training plan or budget



Source: - East Sussex Business Survey 2011

23. The Education & Health sector had a significantly higher proportion of businesses than other sectors with either a plan (43%) or a budget (35%) for training. This aligns with the finding in Point 18 above, where the sector reported the highest level for skill gaps.

24. Whilst all Districts, including the Regeneration areas, were similar to the East Sussex average (22%) for having a training budget, **Eastbourne** (36%) and **Lewes** (35%) were more likely than the East Sussex average (28%) to have a training plan.

25. 66% of those businesses with neither a training budget nor a training plan were Micro-businesses of 1-10 employees. 75% of 1-5 employee businesses had neither a plan nor a budget. Whilst this was perhaps to be expected, since some will be sole traders, the finding that over half (54%) of 6-10 employee businesses had neither a budget or plan was less expected.

26. Interestingly, whilst 70% of businesses claimed they had no training plan or budget in the 2010 survey, leaving 30% with a plan and/or budget (see Figure 2.8 above) over half of East Sussex businesses surveyed in 2011 (59%) did provide some form of training for some or all of their workforce over the last 12 months, similar to that for 2010 and higher than the 42% nationally³. This suggests that the difference may be as a result of ad hoc or impromptu rather than planned decisions or that health and safety, induction or job specific training is considered part of the job rather than 'training'.

27. The industry sector with most businesses with more than half the workforce being trained was Education & Health - 50% versus the East Sussex average of 38% – the same finding as in 2010. This may reflect the larger average size of businesses in the sector and legislative requirements, as well as the finding in Point 14 above, where the sector reported the highest level for skill gaps.

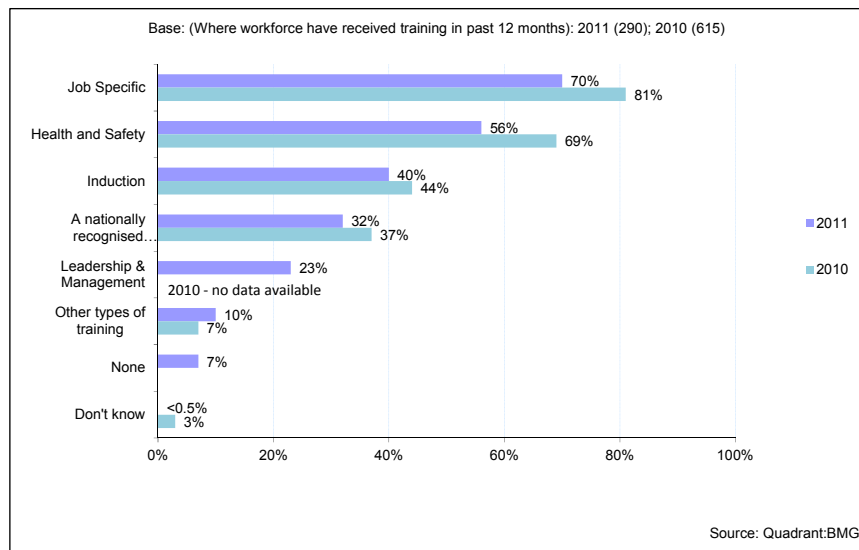
28. The **Polegate/Hailsham** area had more business with less than a quarter of the workforce receiving training than elsewhere (14% against the East Sussex average of 8%).

² NESS (UKCES) published March 2010

³ NESS (UKCES) published March 2010

29. The most common training undertaken during the past 12 months was Job Specific training (at 70%, down from 81% in 2010). This was followed by Health and Safety training at 56% (69% in 2010). Also noteworthy is that Leadership and Management training (unprompted in 2010) was high, at 23% of businesses undertaking training (see Figure 2.9)

Figure 2.9: Training funded or arranged over the last 12 months



Source: - East Sussex Business Survey 2011

30. The other common types of training to feature in East Sussex over the last 12 months were:

- Induction, at 40% of businesses undertaking training (versus 44% in 2010)
- A nationally recognised qualification at 32% (versus 37% in 2010)

31. Sector differences from the average East Sussex training profile were as follows:

- Manufacturing – saw a lower percentage of national qualifications (e.g. NVQ) at 14% versus the East Sussex average of 32% (note a low base)
- Construction – a higher percentage of national qualifications at 44% versus the average of 32%
- Both Wholesale & Retail and Hotels & Restaurant sectors showed similar training profiles and similar differences to the East Sussex norm. Both showed higher induction training at 54% and 60% respectively, versus the average of 40%; also higher health and safety at 67% and 69% versus the 56% East Sussex average. This may reflect higher staff turnovers in these industry sectors.
- Education & Health reflected the biggest differences from the East Sussex average, with health and safety training at 76% of businesses (56% average), job specific training at 79% (70% average) and leadership and management training at 39% (23% average).

32. Notable variations for Districts from the East Sussex overall averages for training were:

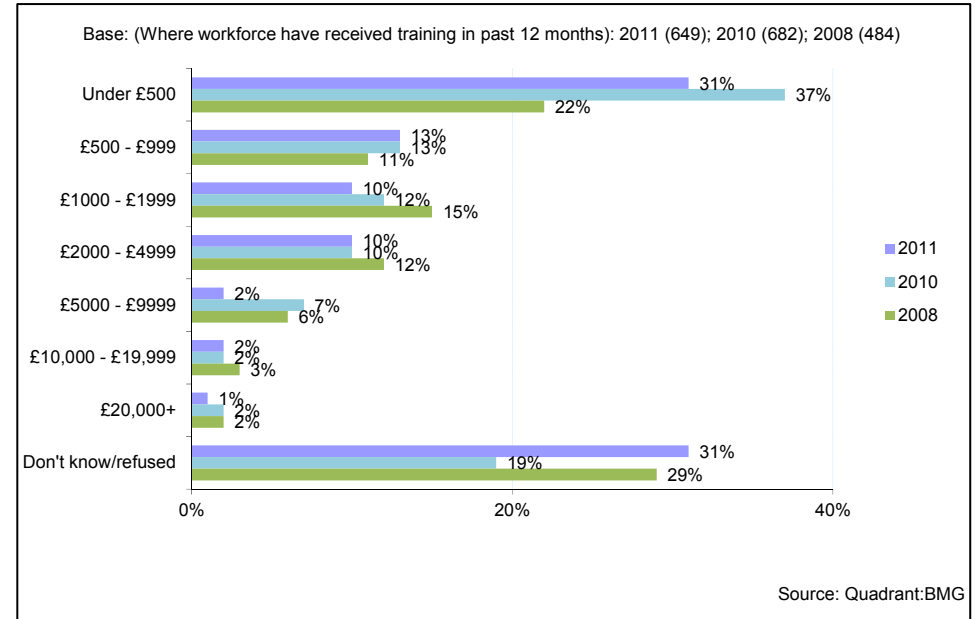
- **Eastbourne** saw higher levels of induction training at 50% versus the average of 40%.
- **Hastings** had higher health and safety training levels at 64% versus the average of 56%.
- **Rother** had lower health and safety training levels at 48% versus the average of 56% and lower leadership and management training at 15% versus a 23% average.

33. Regeneration area businesses showed some variations from the East Sussex average – note, though, a low base number of businesses:

- Induction training; **Bexhill** (52%) and **Newhaven** (53%) had higher levels than average (40%).
- Health and safety training; all three areas had higher levels (between 68% and 70% of businesses) than the average (56%).
- National qualifications; **Bexhill** (47%) saw higher training levels than average (32%)
- Leadership and management training; **Bexhill** (36%) was again higher than average (23%)

34. Almost a third of all businesses surveyed that carried out training (31%) spent less than £500 on training over the year, significantly lower than national levels⁴; perhaps to be expected when the majority are Micro-businesses. Another third of businesses involved with training spent between £500 and £5,000 (a total of 33% of respondents across the three tiers from £500 to £4,999), with very few over £5,000 (5% of businesses). Almost a third either refused or didn't know. Figure 2.10 shows the pattern since 2008.

Figure 2.10: Amount spent on training over the last 12 months



Source: - East Sussex Business Survey 2011

35. Analysis of the findings shows there has been a net overall fall in training investment levels in East Sussex of 12% between 2008 and 2011 (2008 and 2011 had comparable levels of 'Don't knows/refused'). Nationally, overall total employer expenditure is rising, although when inflation is factored in, this is equivalent to a decrease in real terms of only 5%⁵

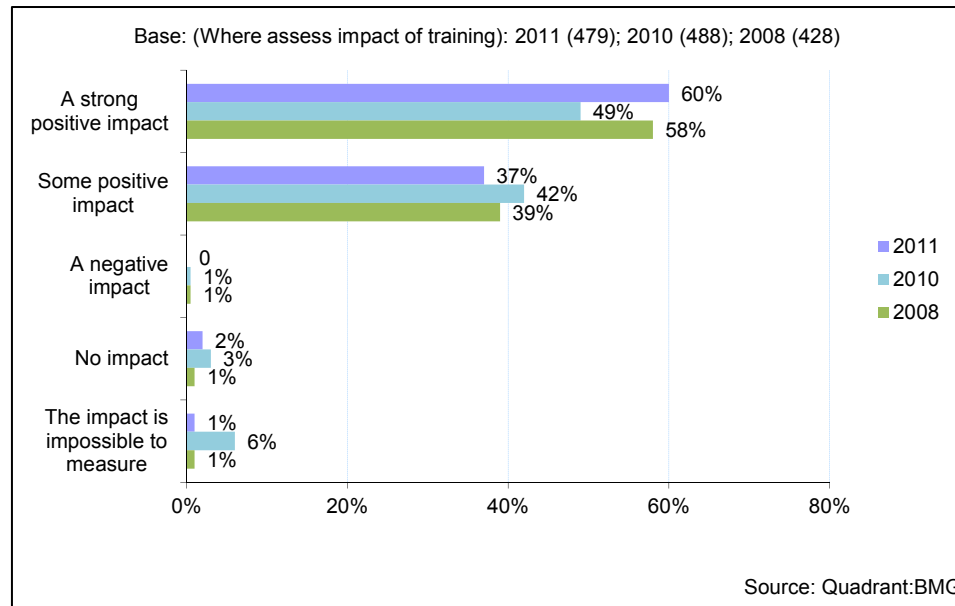
36. There were no significant variations regarding training investment evident for Districts or Regeneration areas from the East Sussex average.

⁴ NESS (UKCES) published March 2010

⁵ NESS (UKCES) published March 2010

- 37. Over half of all businesses (58%) assess whether training and development impacts on the performance of trained individuals. Half also (52%) assess the impact of training on the business as a whole. Almost a third (29%) does not assess the impact or effect of training at all.
- 38. Education & Health organisations are significantly more likely (70%) to assess the performance of individuals following training than other industry sectors (58% average). Furthermore, they are more likely to be Small (76%) or Medium/Large (81%) businesses.
- 39. 60% of businesses said training had had a strong, positive impact, up from 49% in 2010 and back to 2009 levels (58%) as shown in Figure 2.11:

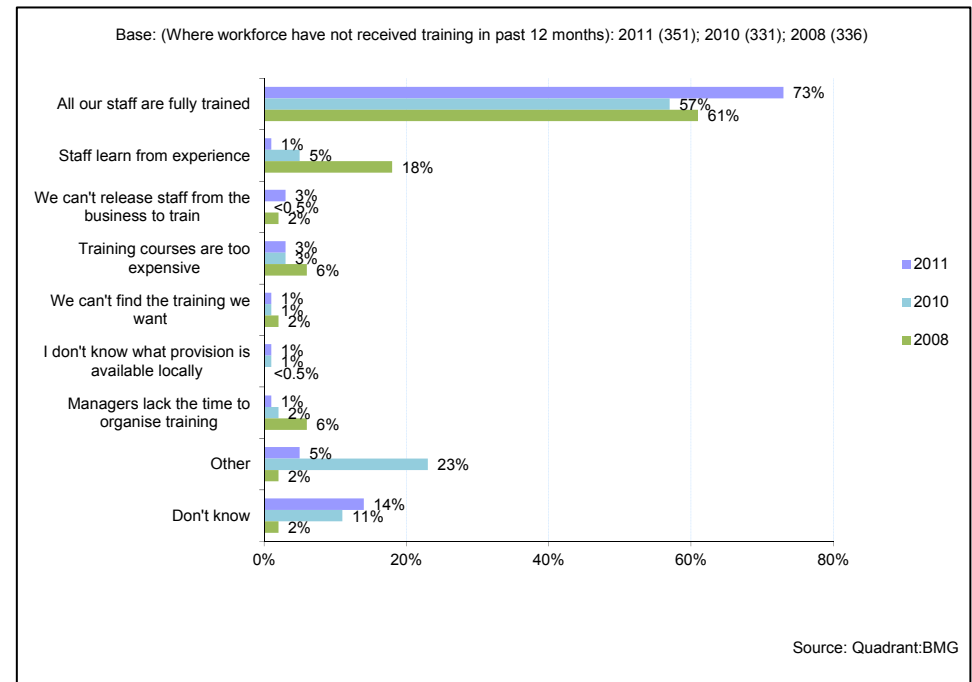
Figure 2.11: Impact levels of training and development



Source: - East Sussex Business Survey 2011

- 40. Education & Health businesses, in particular, stated training had a strong impact, at 80% of businesses versus the 60% overall average for East Sussex.
- 41. **Bexhill** had significantly more businesses (73% in total of those arranging training) than **Newhaven** (48%) describing training as having a strong impact rather than simply some impact.
- 42. Where businesses had not funded or arranged training, almost three quarters (73%) stated their staff were already fully trained, higher than in the previous two years, as shown in Figure 2.12;

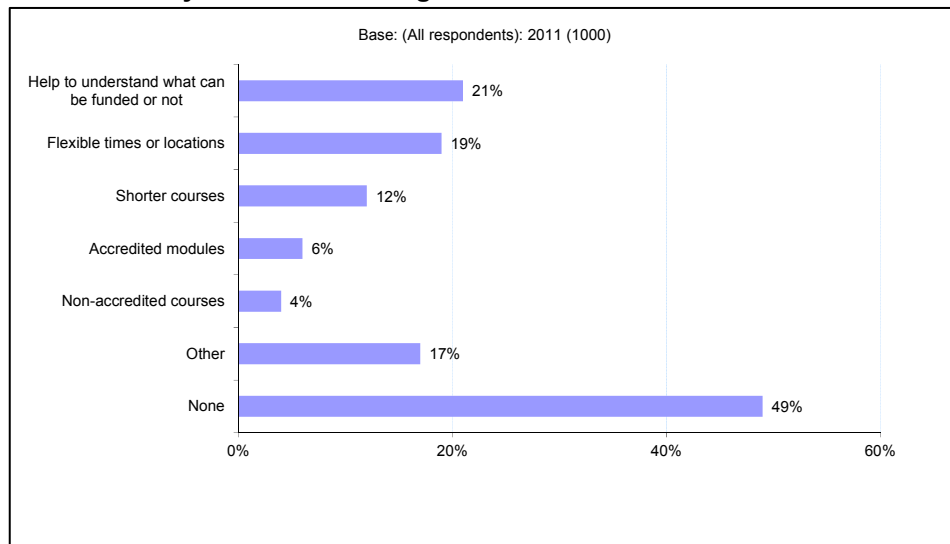
Figure 2.12: Reasons for businesses not funding or arranging training over last 12 months



Source: - East Sussex Business Survey 2011

43. An interesting feature over three years is the falling number of businesses saying ‘staff learn from experience’, (falling from 18% in 2008 to 1% in 2011) and ‘training courses are too expensive’ (6% in 2008 to 3% in 2011 against national figures of 9%) Another feature is a growth in the number of businesses over the same period saying ‘they don’t know’ why the business has not arranged training, rising from 2% to 14%.
44. Other reasons for not funding or arranging training such as ‘we can’t release staff from the business’, ‘we can’t find the training we want’ and ‘I don’t know what provision is available locally’ have remained constant but at a low level.
45. A new question this year asked what training providers could do that would make businesses more likely to access training. The two most common prompted responses were ‘helping to understand which training can or can’t be funded’ (21%) and more ‘flexible times or locations’ (19%) as shown in Figure 2.13:

Figure 2.13: What training providers could do to make businesses more likely to access training



Source: - East Sussex Business Survey 2011

46. Industry and geographic sector variations from the average of note were:

- The Construction sector had significantly more businesses than average wanting accredited modules (15% versus the average of 6%).
- The Hotels & Restaurants sector had significantly more businesses wanting help to understand funding possibilities for training (35% versus the average of 21%).
- **Eastbourne** (27%) and **Lewes** (25%) Districts and the **Newhaven** area (30%) had higher than average (21%) numbers of businesses wanting help understanding what training can or can’t be funded

2.3 Raising the Participation Age

47. A majority of businesses (62%), did not know that the law has changed and will now place requirements on their business if they employ under 18 year olds. 6% knew about the legal change but without knowing the details, leaving one third (32%) fully aware of this change in the law.

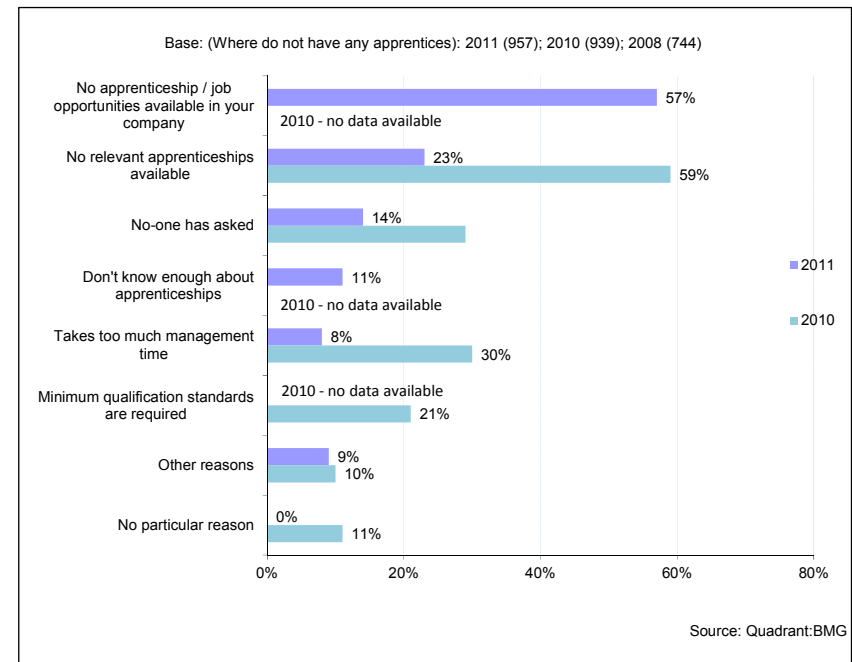
- Businesses in **Eastbourne** were more aware of the law change (39%) than businesses elsewhere in East Sussex (32% average) and significantly more than in **Lewes** (28%) and **Rother** (29%)
- The Hotels & Restaurants sector was generally more aware of the law change (43%) than other sectors (32% average for East Sussex).
- The Financial & Real Estate sector was least aware of the law change (69%) across industry sectors (62% average).

48. Unsurprisingly, 93% of those businesses unaware of the legal change were Micro-businesses, with the proportions of Small and Medium/Large businesses aware much greater (47% and 63% respectively versus 30% for Micros).

2.4 Apprentices in East Sussex

49. Only a small proportion of East Sussex businesses, 4%, had any government funded apprentices, down from 7% in 2010. The few apprentices that existed were largely in the Construction (9%) or Education & Health (11%) sectors. Apprenticeships were negligible in other sectors.
50. **Eastbourne** businesses had more apprentices (8%) than other areas (4% average for East Sussex) and significantly more than **Hastings** (3%) and **Rother** (3%) – note low absolute number of businesses, with 13 Eastbourne businesses reporting they had apprentices.
51. The reasons given for not having apprenticeships were varied, with the main reason being there were simply no apprentices/job opportunities available (57%), and implying there was no work capacity. Almost a quarter (23%) said for their particular businesses, there were no relevant apprenticeships/job opportunities available and a quarter (23%) said there were no relevant apprentice frameworks - see Figure 2.14:

Figure 2.14: Reasons for businesses not having apprentices



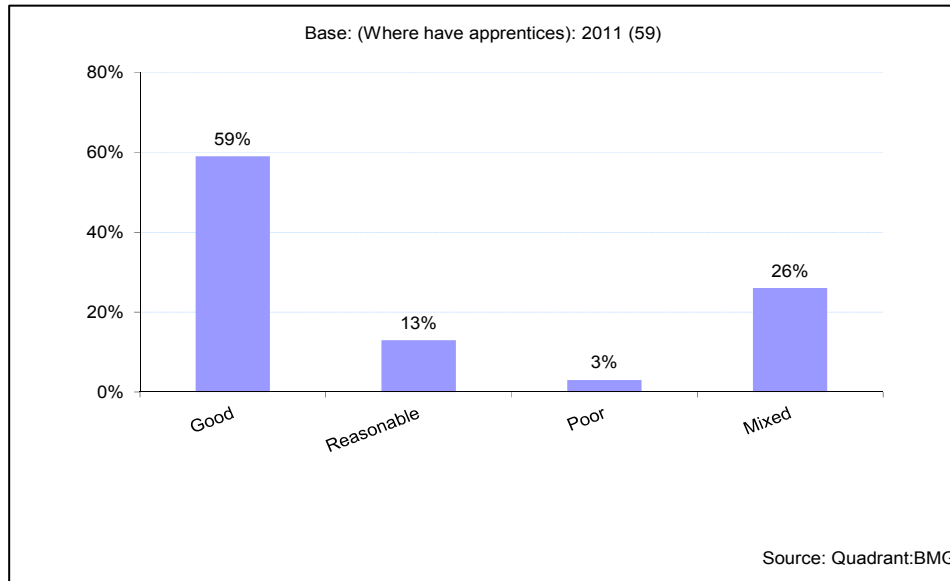
Source: - East Sussex Business Survey 2011

52. The Financial and Real Estate sector had a significantly higher number of businesses in their sector (30%) saying no relevant apprentice frameworks were available (versus the average of 23%). Nationally, employers in the Financial Intermediation and Business Services sector are least likely to offer apprenticeships.⁶
53. One in ten businesses (11%) said they did not know enough about apprenticeships.

⁶ NESS (UKCES) published March 2010

54. As Figure 2.15 shows, a majority of those with experience of apprenticeships had a positive experience – 59% a good one, and 13% reasonable. However of some concern is a significant minority, 29% (of a small base), had either a mixed or poor experience:-

Figure 2.15: Businesses experience of apprenticeships



Source: - East Sussex Business Survey 2011

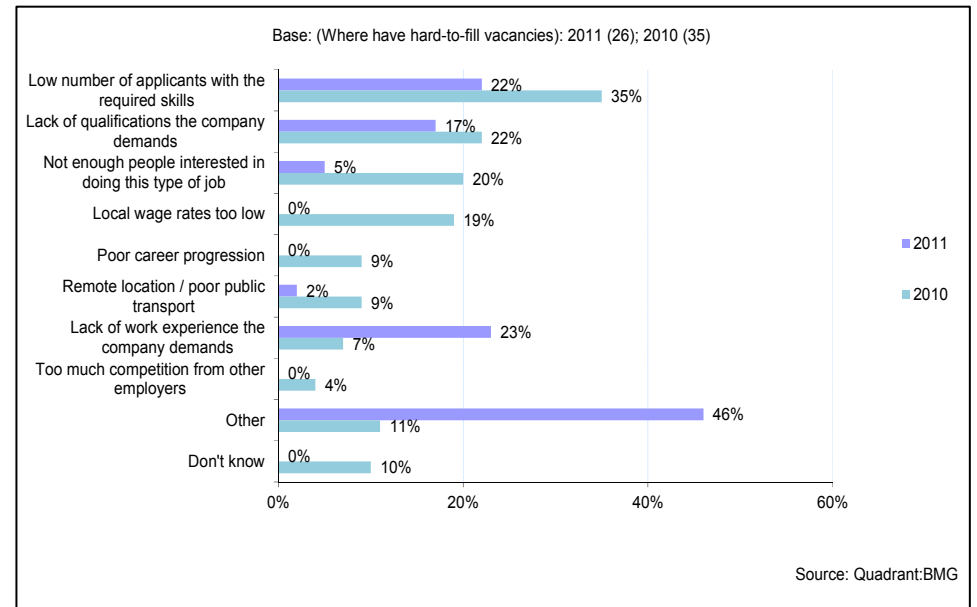
55. Most of the few companies that had a mixed or poor apprentice experience (12 businesses out of the 43 in total in the survey that had apprentices) were in either Construction or Wholesale & Retail.

2.5 Vacancies in East Sussex

56. Approximately one in ten (11%) East Sussex businesses who advertised vacancies in the last 12 months, had vacancies that they were unable to fill, with a similar pattern across all business sectors. This is slightly lower than the equivalent for 2010 (14%).

57. The two largest single reasons are lack of relevant work experience (23%) and a low number of applicants with the required skills (22%) as per Figure 2.16. This probably reflects the higher number of applicants for each vacancy. It is also interesting to note that, low local wage rates and poor career progression are not perceived to be the barriers to filling vacancies that they were in 2010. Note the low base number of respondents in both 2011 and 2010, which limits further analysis (see Figure 2.16).

Figure 2.16: Reasons for vacancies proving hard to fill

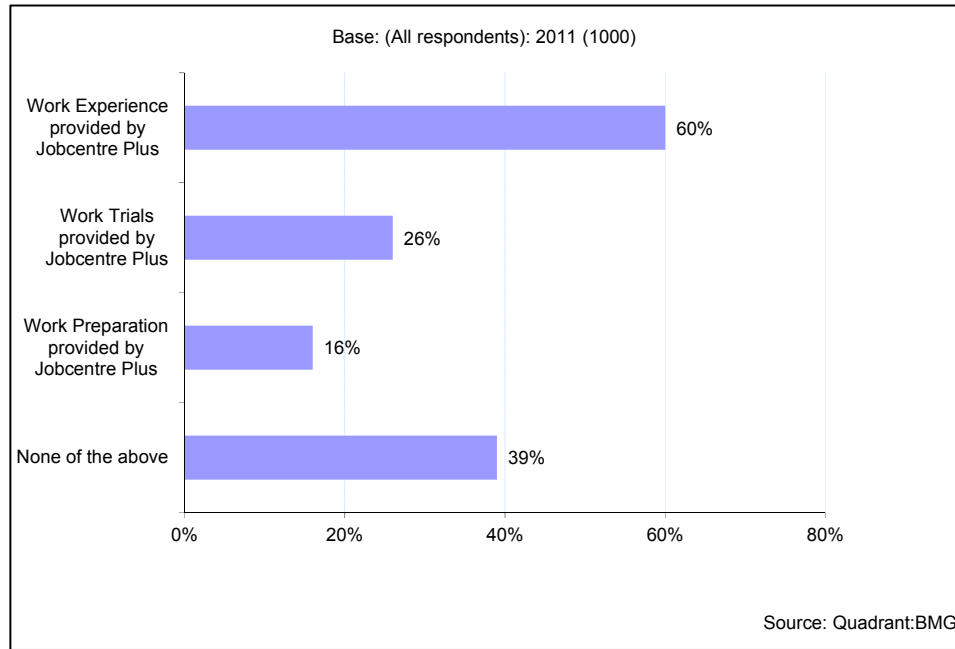


Source: East Sussex Business Survey 2011

58. All respondents were asked if they had heard of various services supplied by Jobcentre Plus (see Figure 2.17). The most well-known service was Work Experience, with almost two thirds (60%) having heard of it. The other services were less well known, with Work Trials at 26% and Work Preparation at 16%. 39% had not heard of any of the services offered. This would suggest that an awareness raising exercise would be beneficial.

59. **Hastings** had slightly higher awareness than other Districts of both Work Trials and Work Preparation.

Figure 2.17: Awareness of Jobcentre Plus Services



Source: East Sussex Business Survey 2011

APPENDIX 1

Size of business definitions:

- Micro: 1-10 employees.
- Small: 11 – 49 employees.
- Medium: 50 – 249 employees.
- Large: 250+ employees.

Business sectors included in the survey were:

- Manufacturing.
- Engineering (defined by SIC 27-33).
- Construction.
- Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods.
- Hotels and restaurants.
- Financial, Real Estate, Renting and Business Services
- Education, Health, other community.
- Other (Agriculture, hunting and forestry / Fishing / Mining and quarrying / Electricity, gas and water supply / Transport, storage and communication).

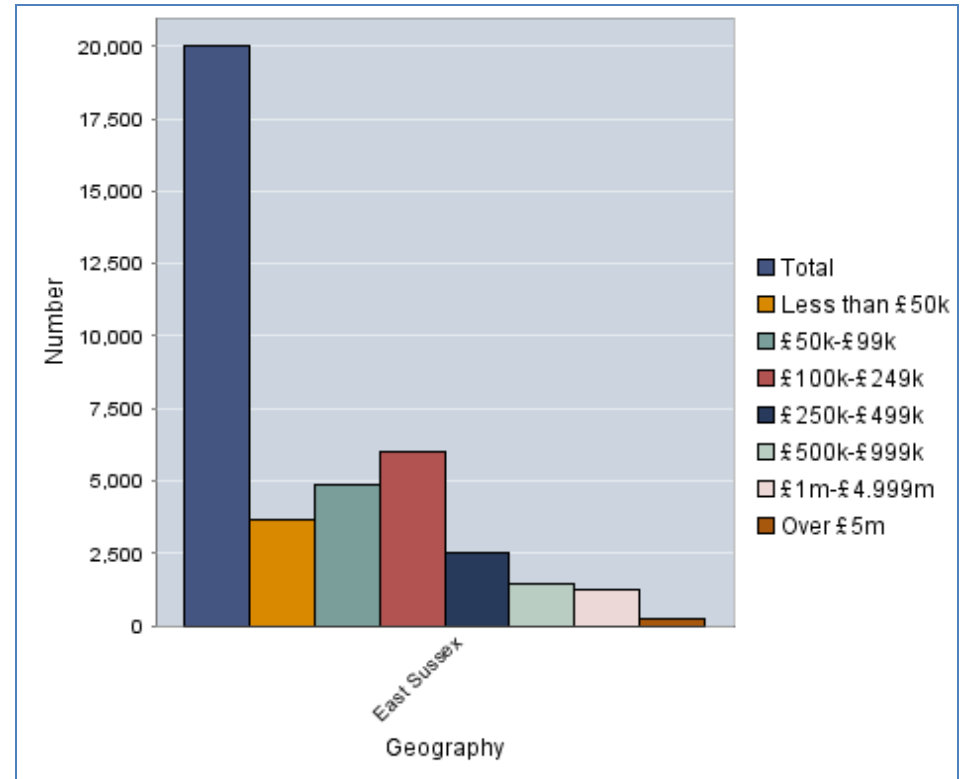
The sectors were defined using Standard Industrial Classifications (SIC).

Topline East Sussex Business Statistics

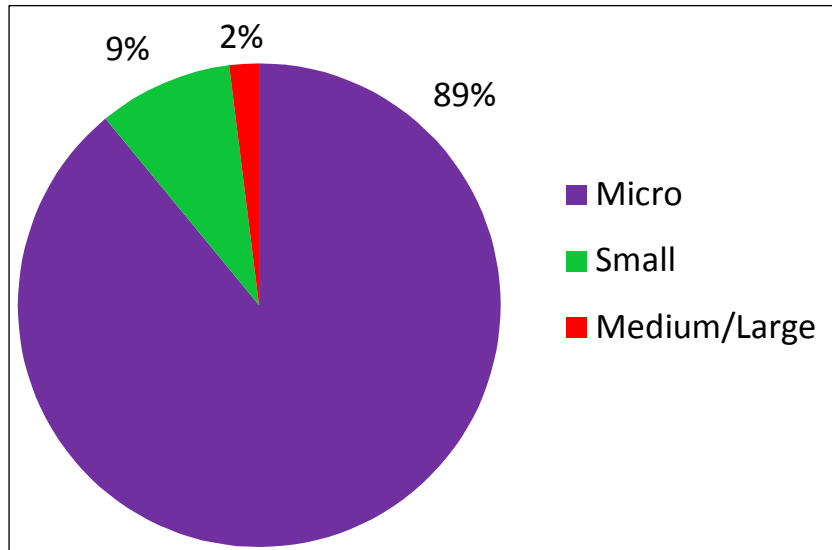
(Source: UK Business Activity, Size and Location 2010, via East Sussex in Figures):

- Number of business enterprises in East Sussex in 2010 – 19,995
- Total turnover of East Sussex business enterprises in 2009 - £10,487,916,000
- Total employment in East Sussex business enterprises in 2010 – 149,855

Number of business enterprises by £ turnover size in East Sussex (2010)

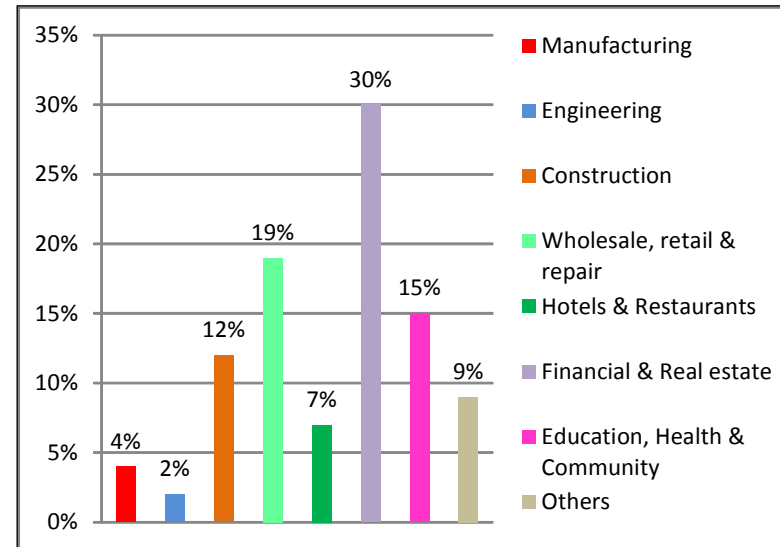


Proportions of Business in East Sussex by Employee Size (2010)



- With regard to East Sussex business sizes, 89% were micro (1-10 employees), 9% were small (11-49) and 2% were medium/large (50+).

East Sussex Survey Business Profile (2010)



- The sector profile of businesses surveyed in the core sample was as above (excluding public sector organisations), similar to the profile established in the Annual Business Inquiry 2007.