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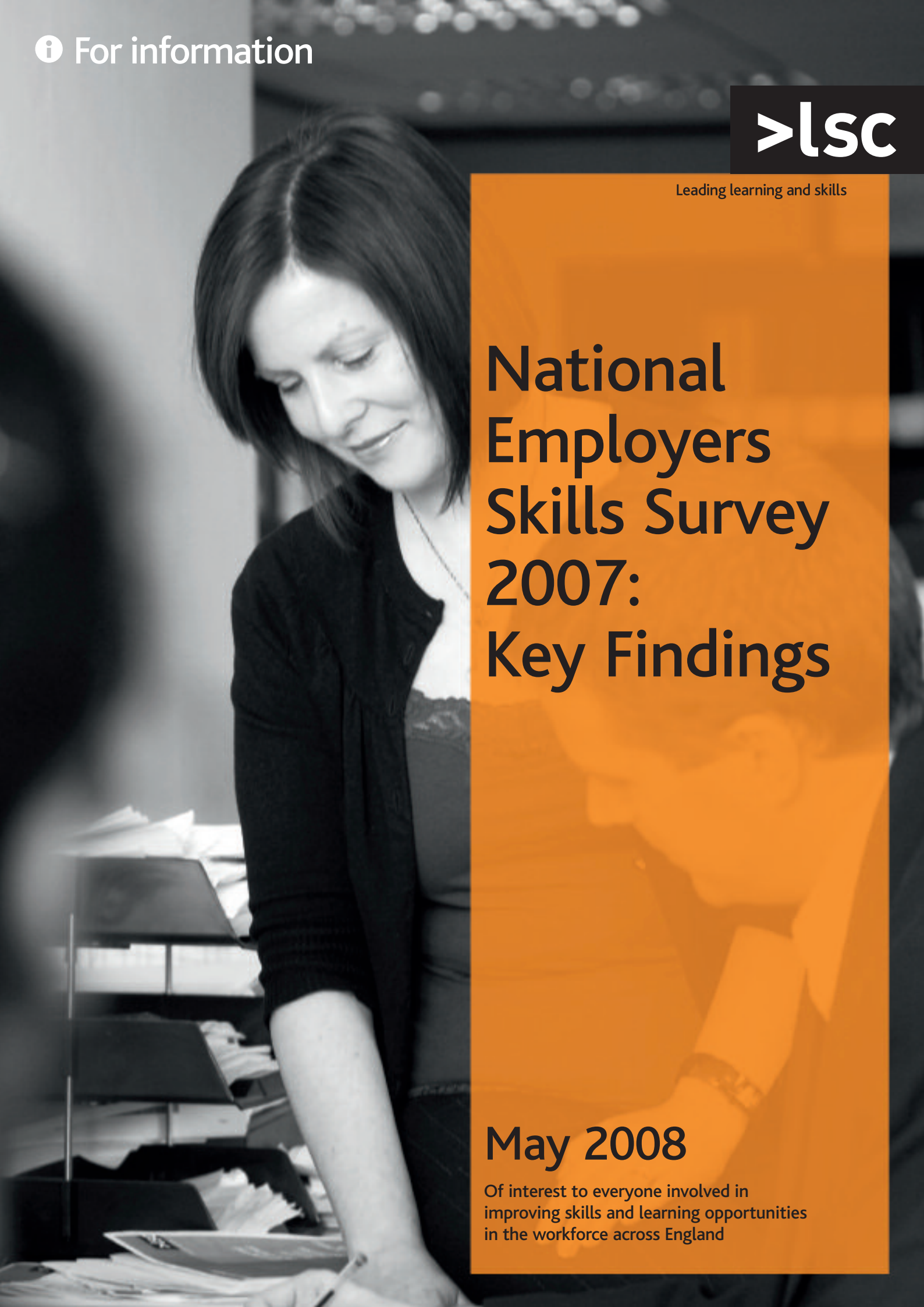

Leading learning and skills

National Employers Skills Survey 2007: Key Findings

May 2008

Of interest to everyone involved in improving skills and learning opportunities in the workforce across England

The National Employers Skills Survey 2007 (NESS07) provides detailed information on the incidence, extent and nature of skills problems facing employers, in terms of both recruitment and skills gaps within their existing workforce. It explores employers' activities and expenditure in relation to training.

NESS07 was produced by the Learning and Skills Council in partnership with the Department for Innovation, Universities and Skills and the Sector Skills Development Agency.

Acknowledgements
Many individuals and organisations have been involved in the design and execution of the National Employers Skills Survey 2007. IFF Research was the lead contractor on the study and had overall responsibility for its day-to-day management as well as inputting into the design, managing the data reduction, weighting and analysis process and writing this report. Fieldwork was conducted by three research agencies: BMG, IFF and GfK NOP.

At the Learning and Skills Council, Tracy Mitchell was the project manager. A steering group chaired by the LSC oversaw the overall direction of the study and guided on specific technical issues. Members of the steering group: Tracy Mitchell and Rob Cirin, LSC National Office; David Swales, LSC West Midlands office; John Doherty, Department for Innovation, Universities and Skills; Richard Garrett and Chris Lawton, Sector Skills Development Agency. Tony Clarke at the Department for Children, Schools and Families also assisted greatly with the analysis of the cost of training study.

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Foreword

It is with great pleasure that I introduce the National Employers Skills Survey (NESS) 2007.

With increasing international competition, it is more important than ever to understand the skills issues facing employers. Only then can we work with companies to help them address their skills and recruitment needs, thereby enabling the British economy to remain competitive within the global market. NESS gathers and analyses data on the issues employers face in terms of recruitment, skills gaps and training.

NESS is the most comprehensive survey of its kind, with the 2007 study involving over 79,000 interviews with employers of different sizes across different sectors and localities in England. It is produced by the Learning and Skills Council (LSC) in collaboration with the Department for Innovation, Universities and Skills (DIUS) and the Sector Skills Development Agency (SSDA).

The survey is an essential comprehensive tool for organisations with a role in helping to meet the skills needs of learners and employers.

In addition to the information contained within the report, there is a rich source of data that lies behind the results. It can be accessed and analysed on our website **(http://researchtools.lsc.gov.uk)**. We would encourage other organisations to make full use of this resource.

The NESS series has been undertaken in its present form since 2003 and builds on earlier surveys dating back to 1999. The skills gap has continued to fall steadily since 2001 (from 23 per cent in to 15 per cent in 2007). There has been a steady increase in employers providing training for at least some of their staff (67 per cent in 2007 compared with 59 per cent in 2003). Employers' investment in training totalled £38.6 billion for the 12 months prior to NESS07 – an increase of 16 per cent on the 2005 study (10 per cent in real terms when inflation is taken into consideration).

All of this is encouraging, but we recognise that we must do more to accelerate the pace of change if we are to meet the challenges for achieving economic success set out in Lord Leitch's report, *Prosperity for all in the global economy – world class skills* (published by HM Treasury in 2006).

The introduction of a system that responds to employer demand and the significantly increased investment in Train to Gain – our service to employers to give them the training they need to improve the skills of their workforce – will be key to closing the skills gap further and to meeting the economic and social challenges we face as a country.

Christopher N Banks CBE
Chairman
Learning and Skills Council

Introduction

1 The National Employers Skills Survey 2007 (NESS07) was commissioned by the Learning and Skills Council (LSC) along with its partners, the Department for Innovation, Universities and Skills (DIUS) and the Sector Skills Development Agency (SSDA).

2 The overarching aim of NESS07 is to provide the LSC and its partners with robust and reliable information from employers in England on skills deficiencies and workforce development to serve as a common basis to develop policy and assess the impact of skills initiatives.

3 It is the latest in a series of employer surveys, which includes NESS05, NESS04 and NESS03 as well as the earlier Employer Skill Survey (ESS) series commissioned by the former Department for Education and Skills. NESS07 further develops this trend data on skills issues. It incorporates responses from just over 79,000 employers and thus represents by far the largest and most comprehensive source of information on current skills issues affecting employers in England. Its importance to policy-makers charged with raising the country's skill levels lies not just with its scale, but also in the following.

- It is a key source of labour market information on skill-shortage vacancies, skills gaps and workforce development activity, and is a crucial part of the evidence to inform skills policy. Results from NESS05, for example, were quoted extensively in Lord Leitch's report.

- The partnership approach developed by the LSC, DIUS and SSDA allows the key agencies involved in skills policy to develop a shared understanding of skills deficiencies and workforce development issues through the use of one overarching survey with widely accepted terminology and definitions.

- The survey has been sampled by the sector skills council (SSC) sector. The SSCs have been charged with having primary responsibility for gathering and disseminating labour market intelligence within a common framework. The survey, in reporting regionally and by SSC sector, can inform: regional strategic plans being drawn up by regional partners to identify priority areas; the sector skills agreements being developed by the SSCs to identify sector priorities and to influence the supply of learning and training to meet employer needs; and, at a national level, policy papers such as Lord Leitch's report.

The scope of the survey

4 The survey was designed to include employers across all sectors of business activity in England. 'Employers' were defined as establishments (individual sites) rather than enterprises; hence some enterprises may be represented in the survey by more than one of their sites. The sample for the survey was drawn from Experian's National Business Database.

5 All establishments with at least two people working in them were within the scope of the sample, but single-person establishments were excluded.

6 Data measuring this population was established through the Office for National Statistics, based on the Inter-departmental Business Register counts for March 2006. These indicated a total population of 1.45 million employers, with 22.3 million people working within them.

7 In addition to the main NESS07 survey, a separate follow-up survey was conducted with employers identified during the main interview as providing training to their staff. The purpose of this subsidiary research was to estimate the cost to employers of providing training. A total of 7,190 employers provided data for the cost of training survey, with the sample selected such that it was representative of the profile of employers providing training by establishment size, region, sector and the type of training provided (off-the-job only, on-the-job only or both). The main NESS07 survey data was used to derive these population profiles.

The structure of this report

8 This report presents key findings from NESS07. A more detailed investigation of the data can be found in the full report – *National Employers Skills Survey 2007: Main Report*.

9 This key findings report is divided into the following sections.

- Key Findings.
- Recruitment and Recruitment Problems.
- Skills Gap.
- Recruitment of Young People.
- Training Activity and Expenditure.

Key Findings

10 The key headline findings from the National Employers Skills Survey 2007 (NESS07) are listed in Table 1 in the final column of data, with comparisons shown from NESS05, NESS04, NESS03 and the Employers Skills Survey (ESS) 2001.

Table 1: NESS07 headline findings with 2001, 2003, 2004 and 2005 comparisons

	ESS 2001	NESS03	NESS04	NESS05	NESS07
Recruitment and recruitment problems					
% of establishments with any vacancies	14%	17%	18%	17%	18%
% of establishments with any hard-to-fill vacancies	8%	8%	8%	7%	7%
% of establishments with skill-shortage vacancies (SSVs) (unprompted or prompted)	n/a	n/a	6%	5%	5%
% of all vacancies which are SSVs (unprompted or prompted)	n/a	n/a	24%	25%	21%
Number of SSVs (unprompted or prompted) in 000s	n/a	n/a	145	143	130
Number of SSVs (unprompted or prompted) per 1,000 employees	n/a	n/a	7	7	6
Skills gaps					
% of establishments with any staff not fully proficient	23%	22%	20%	16%	15%
% of staff not fully proficient	9%	11%	7%	6%	6%
Training and workforce development activity					
% of establishments training staff over the last 12 months	n/a	59%	64%	65%	67%
% of establishments providing off-the-job training in the last 12 months	35%	n/a	47%	46%	46%
% of establishments with a training plan	n/a	39%	44%	45%	48%
% of establishments with a budget for training	n/a	31%	34%	33%	35%
Employees trained per 1,000 employees	n/a	567*	609	609	628

*This is higher than the 53 per cent indicated in the NESS03 report due to reworking the figure to be comparable with NESS04 and NESS05 by excluding 'Don't know' responses from the base.

Headline findings

11 Key headline findings are as follows.

- While the proportion of employers with vacancies has risen by one percentage point since 2005 to 18 per cent, the proportion of employers with at least one hard-to-fill vacancy and the proportion with at least one skill-shortage vacancy (SSV) have remained static at 7 and 5 per cent.
- The actual number of SSVs has fallen, however, from 143,000 in 2005 to 130,000 in 2007.
- Relative to the total number of vacancies, this represents a fall from SSVs forming 25 per cent of all vacancies in 2005 to 21 per cent in 2007.
- Relative to the total workforce, the fall is from 7 SSVs per 1,000 in 2005 and 2004, to 6 per 1,000 in 2007.
- Skills gaps are experienced by a minority of employers (15 per cent), and form a small proportion of the total workforce – 6 per cent of all staff are considered to lack full proficiency.
- The proportion of employers reporting skills gaps has fallen slightly since 2005, continuing a downward trend seen since a high of 23 per cent in 2001.
- The proportion of the workforce with skills gaps has remained static since 2005 at the lowest level seen at any point in the employer survey series.
- Skills gaps are more common in 'lower-level' occupations both in absolute terms and relative to the total employment in those occupations – 8 per cent of elementary staff and 9 per cent of sales and customer service staff are thought to lack full proficiency. By contrast, just 4 per cent of managers have skills gaps and 5 per cent of professionals.
- Over two-thirds of employers provide training for at least some of their staff (67 per cent), continuing a steady increase since training was first measured in 2003 (59 per cent).
- The proportion of the workforce receiving training has also increased from 61 per cent in 2005 and 2004 to 63 per cent in 2007.
- A total of 218 million days of training were arranged or funded by employers in the 12 months prior to NESS07 – equivalent to 9.8 days per annum for every worker in England, or 15.6 days for trainees.
- The cost to employers of providing training totalled £38.6 billion for the 12 months prior to NESS07, up 16 per cent on 2005 (10 per cent when inflation is taken into account). The largest share of this total is due to the labour costs of those receiving training (47 per cent of the total) and those delivering on-the-job training or organising training (37 per cent). Providing training is estimated to cost an average of £1,725 per employee.

Recruitment and Recruitment Problems

12 Recruitment problems are relatively uncommon and affect only a minority of employers. At the time of interview, 7 per cent of establishments reported having any hard-to-fill vacancies (HtFVs) (less than half of the 18 per cent of establishments reporting vacancies) and 5 per cent reported having any skill-shortage vacancies (SSVs). As illustrated in the 'Recruitment and recruitment problems' section of Table 1, there has been little if any change in these headline findings in recent years.

13 There has been more change in the overall numbers of vacancies, HtFVs and SSVs, and in the proportion of vacancies that are hard-to-fill and skills-related (Table 2).

14 In absolute terms, while the number of vacancies has increased from 2005 to 2007, the numbers of HtFVs and SSVs have fallen, continuing the trend from 2004.

15 In relative terms, the proportion of vacancies that were hard to fill has fallen steadily since 2004, and the proportion of vacancies that were hard to fill because of a lack of available skills in the labour market has fallen, in 2007, after a rise in 2005.

16 So, overall, compared with 2005, there are fewer SSVs in 2007 in absolute terms and a lower proportion of vacancies are proving hard to fill because of skill shortages.

Recruitment difficulties by size of establishment

17 There is a clear relationship between size and the likelihood that an employer will experience vacancies, but the relationship is less clear in terms of HtFVs and SSVs.

18 Larger employers are generally more likely to experience vacancies and recruitment difficulties than smaller ones. However, smaller establishments account for a disproportionately high percentage of vacancies which are hard to fill. Half of all vacancies and more than three in five HtFVs fall within establishments with fewer than 25 staff, although only a third of the workforce is employed in businesses of this size (Figure 1). By contrast, although establishments with 100 or more staff are the most likely to report vacancies and recruitment difficulties, the actual volume of vacancies, HtFVs and SSVs experienced by these establishments is low, both relative to their share of employment and in absolute terms. That is, the smallest establishments experience a disproportionate degree of difficulty when recruiting.

19 Around a quarter of vacancies among establishments with fewer than 25 employees are hard-to-fill because of skill shortages, compared to around one in eight among employers with more than 200 staff.

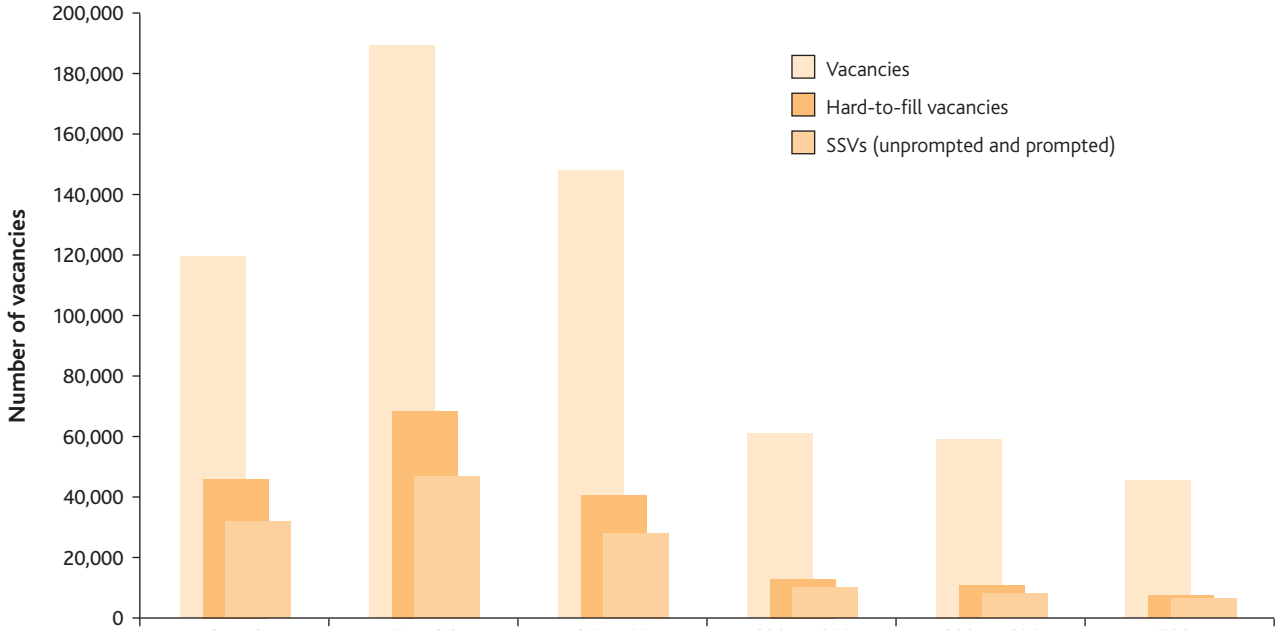
Table 2: Trends in the number of vacancies and recruitment difficulties 2004 to 2007

	2004	2005	2007
Unweighted base (employers)	**27,172**	**74,835**	**79,018**
Total employment	21,583,788	21,504,975	22,259,634
Number of vacancies	616,800	573,900	619,675
Number of HtFVs	227,175	203,550	183,475
Number of SSVs	145,475	143,125	130,000
Vacancies as proportion of all employment	2.9%	2.7%	2.8%
HtFVs as a proportion of vacancies	37%	35%	30%
SSVs as a proportion of vacancies	24%	25%	21%

Base: All employers.
Note: Vacancies figures rounded to the nearest 25.
Source: NESS07, NESS05, NESS04

Figure 1: Number and share of vacancies, hard-to-fill vacancies and skill-shortage vacancies by size of establishment

	2 to 4	5 to 24	25 to 99	100 to 199	200 to 499	500+
Share of employment	9%	23%	25%	12%	15%	16%
Share of all vacancies	19%	30%	24%	10%	9%	7%
Share of all HtFVs	25%	37%	22%	7%	6%	4%
Share of all SSVs	24%	36%	21%	8%	6%	5%



	2 to 4	5 to 24	25 to 99	100 to 199	200 to 499	500+
Unweighted base (vacancies)	*3,828*	*13,332*	*15,919*	*6,677*	*7,074*	*6,037*
Weighted base (vacancies)	*119,093*	*188,343*	*147,520*	*60,689*	*58,745*	*45,292*
Unweighted base (employers with vacancies)	*2,415*	*7,575*	*5,363*	*1,393*	*866*	*327*

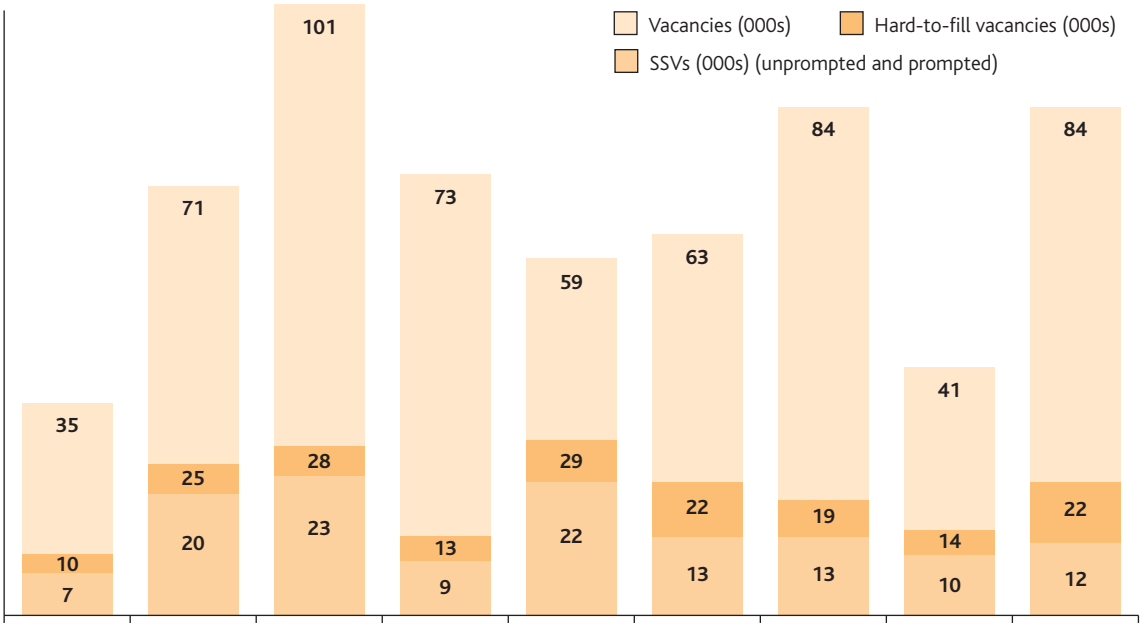
Base: All vacancies.

The pattern of recruitment difficulties by occupation

20 Figure 2 illustrates how vacancies and recruitment difficulties differ by occupation, showing the numbers of vacancies, HtFVs and SSVs reported for each occupational group.

21 Table 3 then shows the prevalence of SSVs by occupation in terms of employment density (SSVs per 1,000 employees) and in relation to recruitment activity (as a proportion of all vacancies).

Figure 2: Overall numbers of vacancies



	Managers and senior officials	Professionals	Associate professionals	Administrative and secretarial	Skilled trades	Personal service	Sales and customer service	Machine operatives	Elementary occupations
Unweighted base (vacancies)	*3,252*	*6,517*	*7,704*	*6,130*	*4,905*	*4,807*	*7,439*	*4,052*	*7,272*
Unweighted base (employers with vacancies)	*1,732*	*2,338*	*3,210*	*3,153*	*2,461*	*2,105*	*2,831*	*1,512*	*2,846*

Base: All vacancies.

Table 3: Vacancies and skill-shortage vacancies by occupation

	Vacancies	SSVs	% of vacancies that are SSVs	SSVs per 1,000 employees
Unweighted base	52,867	10,399	%	N
All England	619,675	130,000	**21**	**6**
Managers and senior officials	35,300	7,250	**21**	**2**
Professionals	71,150	19,675	**28**	**7**
Associate professionals	100,800	22,600	**22**	**14**
Administrative and secretarial	72,925	8,900	**12**	**3**
Skilled trades	58,775	21,925	**37**	**14**
Personal service	62,700	13,325	**21**	**8**
Sales and customer service	83,875	12,525	**15**	**4**
Machine operatives	41,375	9,800	**24**	**7**
Elementary occupations	84,275	12,250	**15**	**4**

Base: All vacancies.
Note: Weighted figures rounded to the nearest 25.

22 Employers report the greatest volume of SSVs in professional, associate professional and skilled trades occupations. These three occupations account for approximately half of all SSVs (49 per cent) as compared with 26 per cent of employment.

23 Among these three occupational groups, the proportion of vacancies where skill shortages were encountered was above average, but it was particularly high for skilled trades positions where for almost two in five vacancies (37 per cent) skill shortages were experienced by employers.

24 Skilled trades and associate professional positions are also characterised by a high density of SSVs in relation to employment in these occupations. For both, there are 14 SSVs for every 1,000 existing members of staff in these occupations, as compared with an average of 6 SSVs per 1,000 staff overall.

25 For sales occupations, the number of vacancies is high but the proportion of these where skill shortages are encountered (15 per cent) is below average.

26 The pattern seen in the distribution of vacancies, HtFVs and SSVs by occupation is broadly similar to that seen in 2005. However, relative to the total number of vacancies, SSVs have dropped in all occupational groups except professionals, and have fallen substantially in associate professional and skilled trades occupations.

Skills lacking in connection with skill-shortage vacancies

27 Technical, practical and job-specific skills continue to be at a particular premium where SSVs exist, and are lacking in just over half of all instances of SSVs (a similar proportion to that seen in 2005).

28 There has been some movement in the hierarchy of skills lacking compared with previous NESS surveys, with significant decreases in several 'softer' skills being reported as lacking in the external labour market: for example, customer-handling (32 per cent in 2007, 38 per cent in 2005); problem-solving (29 per cent in 2007, 34 per cent in 2005); and team-working (26 per cent in 2007, 34 per cent in 2005).

29 There has also been a decrease in the reporting of literacy and numeracy shortages among job applicants: literacy was mentioned in connection with 22 per cent of SSVs in 2007 compared with 28 per cent in 2005; and numeracy in connection with 18 per cent in 2007 compared with 23 per cent in 2005.

30 The only notable rise has been in the proportion of SSVs attributed to a lack of information technology (IT) professional skills, which was cited in connection with 13 per cent of SSVs in 2007 compared with 10 per cent in 2005.

31 Table 4 both details the skills lacking at overall level and how the pattern of skills challenges varies by occupation. The findings highlighted in orange indicate the occupations in which particular skills are at a premium.

Table 4: Main skills lacking by occupation where skill-shortage vacancies exist

Column percentages	Managers	Professionals	Associate professionals	Administrative	Skilled trades	Personal service	Sales	Operatives	Elementary	Overall
Unweighted base (SSVs)	620	1,830	1,647	681	1,722	812	1,062	968	897	10,399
Weighted base (SSVs)	7,250	19,680	22,602	8,898	21,935	13,333	12,519	9,807	12,238	130,004
Unweighted base (establishments with SSVs in occupation)	407	748	863	469	947	394	478	372	402	4,588
	%	%	%	%	%	%	%	%	%	%
Technical and practical skills	**59**	**53**	52	41	**65**	34	46	**54**	40	52
Oral communication skills	28	26	**37**	30	28	**39**	**47**	20	35	33
Customer-handling skills	32	22	29	**36**	26	**36**	**49**	28	**35**	32
Problem-solving skills	25	25	28	26	**33**	28	**35**	19	28	29
Team-working skills	24	15	24	21	**33**	**39**	25	21	**32**	26
Written communication skills	24	23	24	30	20	**35**	**35**	**36**	17	25
Management skills	**47**	26	25	17	19	23	26	10	20	23
Literacy skills	19	16	15	29	18	**33**	**32**	20	**36**	22
Numeracy skills	16	11	12	21	18	20	**27**	17	**24**	18
Office/admin skills	18	8	13	**29**	8	10	18	5	12	13
IT professional skills	11	16	**19**	**20**	13	5	14	5	5	13
Foreign language skills	**15**	10	9	12	13	13	13	7	**17**	12
General IT user skills	12	11	12	**25**	9	11	**19**	7	8	12

Base: All SSVs.
Note: Percentages do not sum to 100 since multiple responses were allowed. Orange text indicates particularly high values.

The regional picture of recruitment difficulties

32 There is little variation in the proportions of establishments in different regions that experience recruitment difficulties. London establishments are the most likely to be experiencing recruitment problems, with 8 per cent reporting HtFVs and 7 per cent reporting SSVs. Establishments in the East Midlands region are the least likely to report that they have vacancies that are proving hard to fill (5 per cent do so) or that they currently have SSVs (3 per cent). Otherwise, on these measures, employers are within one percentage point of the England average.

33 A more marked regional pattern emerges when comparing the **total numbers** of vacancies, HtFVs and SSVs. Reflecting the fact that London establishments account for the largest share of overall national employment, the London region accounts for the largest number of SSVs: a quarter of all SSVs reported nationwide are being experienced by establishments in London, pointing to high levels of competition for skilled workers in the capital. This stands in contrast to the situation in 2005 when the capital's share of recruitment problems was relatively low.

34 The effect extends to the wider South East region, where again the proportion of SSVs (20 per cent), and HtFVs (20 per cent) exceed the region's share of employment (16 per cent).

35 Across the other regions, the proportion of vacancies, HtFVs and SSVs experienced by establishments are in line with their share of employment.

Recruitment difficulties across the sectors

36 As seen in previous NESS surveys, there is substantial variation in the extent of recruitment difficulties across different industry sectors.

37 Employers in sector skills council (SSC) sectors largely composed of public sector establishments are the most likely to report vacancies, matching the pattern found in 2005. However, the proportion of establishments reporting SSVs is highest in the sectors covered by GoSkills, Semta and ConstructionSkills SSCs.

38 In general, the relationship between the incidence of SSVs and HtFVs is relatively stable across sectors, although in the People 1st, SkillsActive, Skills for Health and Skills for Care and Development sectors, the incidence of SSVs is slightly lower than average despite the incidence of HtFVs being average or slightly above average, indicating that where employers are experiencing difficulties in filling vacancies, this is less likely to be due to skill shortages than is the case in other sectors.

39 Table 5 illustrates the sectoral pattern of skill shortages in density terms. In volume terms, the large group of employers not currently covered by an SSC account for the most skill-shortage vacancies overall. Apart from this group, two SSCs dominate: employers covered by ConstructionSkills and People 1st account for more than 27,000 SSVs – nearly a fifth of those for the country as a whole (21 per cent), and a substantial rise from around 25,000 across these two sectors in 2005.

40 For employers covered by ConstructionSkills, the proportion of vacancies where skill shortages are encountered is higher than average, whereas in the People 1st sector the density of SSVs is below average.

41 In addition to employers covered by ConstructionSkills, the density of SSVs is also relatively more acute in the Lantra and e-skills UK sectors.

Table 5: Vacancies and skill-shortage vacancies by sector skills council

	Employment	*Vacancies*	HtFVs	*SSVs*	% of vacancies that are SSVs	SSVs per 1,000 employees
Overall	**22,259,634**	**619,675**	**183,472**	**130,000**	**21**	**6**
	%	%	%	%		
Lantra	1.4	1.4	2.2	1.9	29	8
Cogent	1.7	1.1	1.1	1.1	21	4
Proskills UK	1.2	0.6	0.8	0.7	24	3
Improve Ltd	1.6	0.9	0.5	0.4	10	2
Skillfast-UK	0.9	0.6	0.7	0.8	25	5
Semta	5.3	3.7	4.8	5.5	31	6
Energy & Utility Skills	1.1	1.0	!	!	!	!
ConstructionSkills	4.6	5.9	10.2	11.3	40	14
SummitSkills	1.0	1.3	1.3	1.5	25	9
Automotive Skills	2.1	1.8	2.2	2.3	27	6
Skillsmart Retail	10.4	8.5	6.9	5.6	14	3
People 1st	7.0	10.9	11.3	9.8	19	8
GoSkills	1.8	1.7	2.0	1.9	23	6
Skills for Logistics	2.9	1.8	1.7	1.6	19	3
Financial Services Skills Council	4.0	4.9	3.1	3.6	16	5
Asset Skills	3.6	4.0	3.9	3.9	21	6
e-skills UK	2.9	3.7	4.0	4.8	28	10
Government Skills	1.6	1.6	!	!	!	!
Skills for Justice	1.4	0.6	!	!	!	!
Lifelong Learning UK	3.6	3.1	2.1	2.0	13	3
Skills for Health	7.4	4.9	4.3	3.0	13	2
Skills for Care and Development	3.9	4.8	4.4	3.6	16	5
Skillset	0.6	1.1	1.7	2.2	41	23
Creative & Cultural Skills	1.0	1.2	1.2	1.3	23	8
SkillsActive	1.2	1.1	1.1	1.1	20	5
Non-SSC employers	25.8	27.6	26.7	28.4	22	6

Note: Findings based on fewer than 25 interviews are replaced by '!'.

Skills Gaps

42 The previous section examined difficulties experienced when recruiting staff, in particular those relating to skill shortages among applicants. This section discusses internal skills gaps that employers experience in their existing workforce.

The incidence and extent of skills gaps

43 Employers are described as having a 'skills gap' in cases where they have staff whom they believe to be not fully proficient at their job.

44 Skills gaps were reported by a minority of employers (15 per cent). The proportion of employers reporting skills gaps continued to fall in 2007, down one percentage point from 2005 (16 per cent), following a more substantial fall from 20 per cent of employers in 2004 and 22 per cent in 2003.

45 In total, the proportion of the workforce considered to be not fully proficient was 6 per cent, the same proportion of the workforce considered to have skills gaps in 2005 (Table 6).

46 The incidence of skills gaps increases with the size of establishment, as does the proportion of the workforce lacking skills: 4 per cent of the workforce employed by the smallest establishments are described as not fully proficient compared with 8 per cent among the largest employers.

47 The overall fall since 2005 in the proportion of employers reporting any skills gap is not consistent across all sizes of employer, and is driven by a decrease in the incidence of skills gaps among employers with 5–99 staff, with the largest decrease seen among those in the 25–99 size band (from 35 per cent in 2005 to 30 per cent in 2007).

48 Among the largest employers (with 500 or more staff), the proportion reporting a skills gap has actually increased since 2005, returning to approximately 2004 levels (47 per cent in 2004; 41 per cent in 2005; 48 per cent in 2007).

49 Figure 3 shows the number of workers (in thousands) in each major occupational category described as not fully proficient at their job (the numbers on the lower part of each column). The full height of each column (and the figure shown at the top of each column, again in thousands) shows total employment within each occupation. The boxed percentage figure within each column of data shows the proportion of each occupation described as not fully proficient. The percentages along the top of Figure 3 show the proportion of the workforce working in each of the nine occupational groups.

50 In absolute terms, skills gaps are most likely to be found in 'lower-level' occupational groups, particularly sales and customer service and elementary positions. Over a third of all staff described by employers as lacking proficiency work in these two occupational groups (36 per cent), despite those occupations accounting for just over a quarter (28 per cent) of all employment. The density of skills gaps is also highest in these two occupations: 9 per cent of sales and customer services staff and 8 per cent of those employed in elementary positions were described as lacking full proficiency.

51 Consistent with previous years, the occupational groups with the lowest proportion of staff with skills gaps are managerial staff (4 per cent) and professionals (5 per cent).

Reasons why staff lack skills

52 As in previous years, a lack of experience and staff having been recently recruited was by far the most common cause of skills gaps, with over two-thirds of skills gaps discussed being attributed, at least in part, to this cause.

53 Two other factors relating to recruitment – high staff turnover and recruitment problems – are also quite commonly mentioned; each forms part of the cause of around one in seven skills gaps (15 per cent). In both cases the underlying implication is that experienced staff have left and employers have had to fill vacancies with inappropriately skilled people.

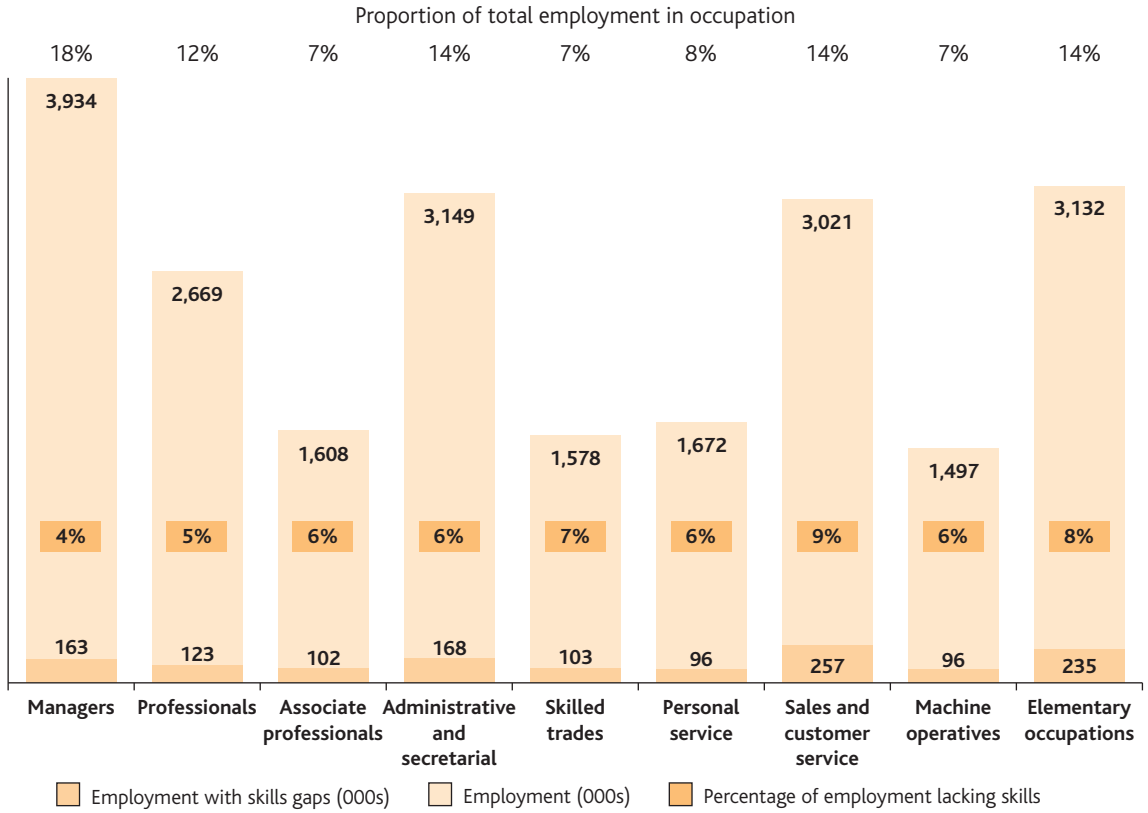
54 A lack of staff motivation (28 per cent), failure to train and develop staff (20 per cent), and the failure of staff to keep up with change (19 per cent) were also common causes.

55 The hierarchy of causes remains the same as that observed in 2003, 2004 and 2005.

Table 6: Skills gaps 2003 to 2007

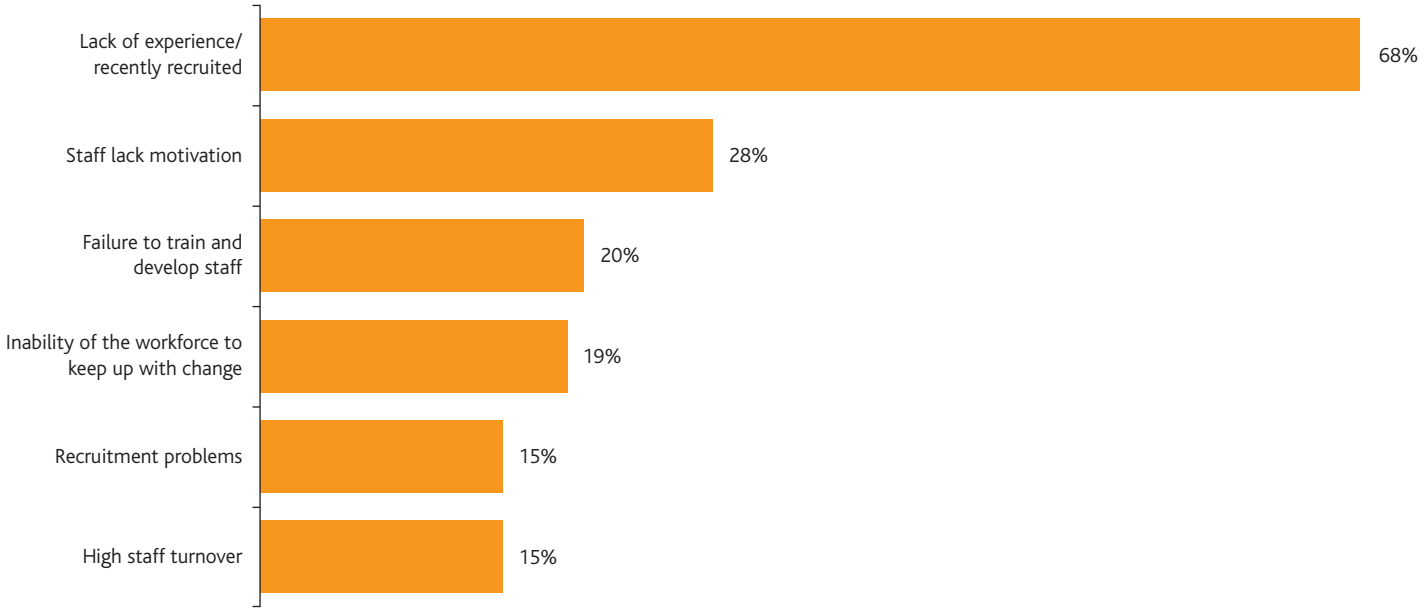
	NESS03	NESS04	NESS05	NESS07
All establishments				
% of establishments with a skills gap	22%	20%	16%	15%
% of staff described as having a skills gap	11%	7%	6%	6%

Figure 3: The distribution of skills gaps by occupation



Base: All employment.

Figure 4: Main causes of skills gaps



Base: All skills gaps followed up (unweighted = 120,592; weighted = 1,121,271).

56 The causes of skills gaps vary by occupation. While for all of the main occupational groups, lack of experience/recently recruited staff is the most common cause of skills gaps, the secondary reasons vary. For managerial staff the second most common cause of skills gaps is felt to be the company's own failure to train (explaining, at least in part, 32 per cent of managerial skills gaps). This is also more likely than average to explain skills gaps in machine operative occupations. One-fifth (20 per cent) of professional skills gaps were attributed, at least in part, to recruitment problems. For sales and customer services staff and those employed in elementary occupations, a lack of motivation and high staff turnover were more common causes of skills gaps than average.

The nature of skills gaps

57 When describing the skills lacking among their staff, employers generally focus on technical, practical or job-specific skills: half (51 per cent) of employees described by their employers as lacking full proficiency are felt to lack these skills. Skills gaps are more concentrated in technical, practical or job-specific skills areas than in previous years (44 per cent in 2005; 45 per cent in 2004; and 43 per cent in 2003).

58 As in previous National Employers Skills Surveys, employers are also relatively likely to report soft skills as gaps, in particular customer-handling, oral communication, and team-working skills, each of which is mentioned as lacking in around two in five employees who are not fully proficient. Other soft, generic skills such as problem-solving and written communication skills were the next most commonly mentioned.

59 Less common, though still found in around a quarter of cases where staff lacked proficiency, were insufficient general information technology (IT) user skills and a lack of management skills. Clearly, gaps in regard to managerial skills have particular potential to impact on business performance and growth.

60 The skills that staff lack vary by occupation as follows.

- In three out of four cases where **managers** lack proficiency, they specifically lack management skills. Managers who are not fully proficient are also more likely than average to lack IT, team-working, problem-solving and office administration skills.

- **Professionals** who lack proficiency are more likely than average to lack management skills (almost half lack this), though overall their most common shortfall is in regard to technical and job-specific skills. IT skills and problem-solving skills are also both mentioned at above-average levels.

- Skills gaps among **associate professionals** are slightly more likely than average to involve a lack of IT professional skills. Technical, practical and job-specific skills were mentioned as lacking in over half of all skills gaps for this occupation (52 per cent), in line with the all-occupation average (51 per cent).

- Unsurprisingly, office administration skills are the most common skills gap for **administrative and clerical staff**, mentioned in connection with half (51 per cent) of those lacking skills. A lack of written communication and IT skills were also more common than average within this occupational group.

- Skills gaps among **skilled trades** are concentrated in technical, practical or job-specific skills, with these mentioned in more than two in three cases.

- **Personal service staff** were reported as lacking the widest range of skills, and around half of those with skills gaps were described as lacking job-specific/practical skills (59 per cent), team-working skills (54 per cent), oral and written communication skills (51 and 49 per cent respectively) and customer-handling skills (49 per cent). Literacy and numeracy skills were also more commonly mentioned than average – indeed, this is the occupation where literacy and numeracy skills were most likely to be reported as lacking.

- For **sales** staff, customer-handling skills is the main gap, explaining at least in part nearly two-thirds of skills gaps in this occupation. Oral communication and team-working skills were also mentioned more commonly than average, and along with job-specific skills are gaps for between two in five and half of those not fully proficient.

- The skills most often seen as lacking among **plant and machine operatives** are technical, practical or job-specific skills (57 per cent). However, basic literacy and numeracy skills deficiencies are also much more common than average among this occupational group.

- A lack of literacy and numeracy skills are also more common than average among **elementary** staff who are not considered to be fully proficient (mentioned in connection with between a fifth and a quarter of elementary skills gaps). Elementary staff skills gaps are also more likely than average to be characterised by a lack of technical and practical, team-working, customer-handling and oral communication skills (each mentioned as lacking in around half of elementary staff with skills gaps).

The impact of skills gaps

61 An increased workload for other staff was by far the most common negative impact experienced as a result of staff having skills gaps (reported by 55 of establishments with skills gaps). Increased operating costs, difficulties meeting quality standards, and difficulties introducing new working practices were each reported by around a quarter of those with skills gaps, although a similar proportion also said that having skills gaps was having no particular negative impact on the business (26 per cent).

62 Three-quarters of employers with skills gaps are trying to overcome them by increasing training activity or spend, and this is by far the most common reaction to skills gaps. Far fewer are reacting by providing greater staff supervision (11 per cent), or by providing more staff appraisal (9 per cent), the next most common responses. Just 9 per cent of employers with skills gaps are taking no action to overcome their staff's skills deficiencies.

The regional pattern of skills gaps

63 Employers in the North East region are the most likely to be experiencing skills gaps (19 per cent), followed by London (17 per cent) and the South West (16 per cent). All other regions have incidence of skills gaps at average or below average levels (all 14 to 15 per cent).

64 There is less variation in the proportion of all staff described as lacking skills, and only in London is the density above average (7 per cent). In all other regions the proportion of staff with skills gaps is in the 5 per cent to 6 per cent range. Only in London is the share of employment in the region (18 per cent) markedly different from the share of all gaps accounted for by establishments in the region (21 per cent) (Table 7).

Table 7: Incidence and density of skills gaps by region

	% of establishments with any skills gaps	% of staff reported as having skills gaps	Share of employment	Share of all skills gaps
	Row percentages		Column percentages	
Overall	**15**	**6**	**100**	**100**
North East	19	6	5	5
London	17	7	18	21
South West	16	6	10	10
South East	15	6	16	16
East Midlands	15	6	8	8
East of England	15	6	10	11
Yorkshire and the Humber	14	5	10	8
North West	14	6	13	12
West Midlands	14	5	10	9

The sectoral picture of skills gaps

65 Table 8 shows the incidence, number and density of skills gaps by sector skills council (SSC) sector. SSC sectors have been ranked in descending order of the proportions of staff described as having skills gaps (the third column of data).

Table 8 also shows in the final two columns of data the profile of skills gaps against employment.

66 It is possible to group the SSC sectors by the nature of the skills issues they are facing, as follows.

- Those with particular skills challenges, where the incidence and density of skills gaps is higher than average. This covers: Government Skills, People 1st, Cogent, Improve Ltd, Skillsmart Retail and Lifelong Learning UK.
- Those where the incidence of skills gaps is average or below average, but where the density is above average; where they exist, skills issues are particularly 'concentrated'. This covers: e-skills UK, Skillset and Skillfast-UK.

Table 8: Incidence and number of skills gaps by sector skills council sector

	% of establishments with any skills gaps	Number of employees not fully proficient (i.e. number of skills gaps)	% of staff reported as having skills gaps	Share of employment	Share of all skills gaps
	Row percentages			Column percentages	
	%		%	%	%
Overall	**15**	**1,361,100**	**6**	**100**	**100**
Lantra	11	16,800	5	1	1
Cogent	18	31,200	8	2	2
Proskills	15	15,600	6	1	1
Improve Ltd	19	24,500	7	2	2
Skillfast-UK	14	14,100	7	1	1
Semta	17	75,000	6	5	6
Energy & Utility Skills	16	11,800	5	1	1
ConstructionSkills	14	58,800	6	5	4
SummitSkills	19	14,200	6	1	1
Automotive Skills	17	24,600	5	2	2
Skillsmart Retail	18	163,200	7	10	12
People 1st	19	140,300	9	7	10
GoSkills	15	24,600	6	2	2
Skills for Logistics	13	32,700	5	3	2
Financial Services Skills Council	19	56,000	6	4	4
Asset Skills	11	40,700	5	4	3
e-skills UK	13	49,900	8	3	4
Government Skills	29	35,700	10	2	3
Skills for Justice	26	14,500	5	1	1
Lifelong Learning UK	17	55,300	7	4	4
Skills for Health	16	96,100	6	7	7
Skills for Care and Development	18	43,900	5	4	3
Skillset	11	8,600	7	1	1
Creative & Cultural Skills	11	10,600	5	1	1
SkillsActive	16	16,100	6	1	1
Non-SSC employers	14	286,500	5	26	21

Base: First column – all establishments; remainder – all employment.
Note: The number of employees not fully proficient has been rounded to the nearest 100.

- Those with higher than average incidence of staff lacking proficiency but where the actual density of skills gaps is no higher than average; where there are skills issues they affect relatively few staff. This covers: Semta, Financial Services Skills Council, SummitSkills, Automotive Skills, Skills for Care and Development, and Skills for Justice.

- Those where the incidence and density of skills gaps closely match the all-sector average. This covers: GoSkills, SkillsActive, Skills for Health, ConstructionSkills, Proskills and Energy & Utility Skills.

- Those less affected by skills issues than average. This covers: Creative & Cultural Skills, Asset Skills, Lantra and Skills for Logistics.

67 Most sectors fall into three broad categories in terms of the types of skills lacking in their workforces. There are those where technical, practical and job-specific skills are critical (including the sectors covered by Semta, Proskills, Cogent, SummitSkills. ConstructionSkills and Lifelong Learning UK); those where customer-handling skills are particularly likely to be lacking (the sectors covered by Skillsmart Retail, People 1st, GoSkills, Financial Services Skills Council, Skillset and SkillsActive SSC sectors); and the remainder, where the skills most likely to be lacking are communication skills, customer-handling or team-working skills.

68 There are particular skills that are relatively more frequently lacking in specific SSC sectors:

- **Technical and practical**
  Cogent, Proskills, Semta, SummitSkills, Lifelong Learning UK
- **General IT user skills**
  Skills for Health, Skillset
- **IT professional skills**
  e-skills UK, Lifelong Learning UK
- **Management skills**
  Skillset, Government Skills, Asset Skills, Lifelong Learning UK
- **Office admin skills**
  Skills for Justice, Skills for Health
- **Customer-handling skills**
  People 1st, Skillsmart Retail, Skillset, GoSkills, SkillsActive
- **Problem-solving skills**
  Skillset, Government Skills, Skills for Justice
- **Team-working**
  Skillset, Skills for Health
- **Literacy**
  Skills for Health, Asset Skills, Cogent, Skills for Care and Development
- **Numeracy**
  Improve Ltd, Cogent, Skills for Health
- **Oral communication**
  GoSkills, Skills for Health
- **Written communication**
  Skills for Health, Skills for Care and Development, Asset Skills
- **Foreign languages**
  Asset Skills, e-skills UK

Recruitment of Young People

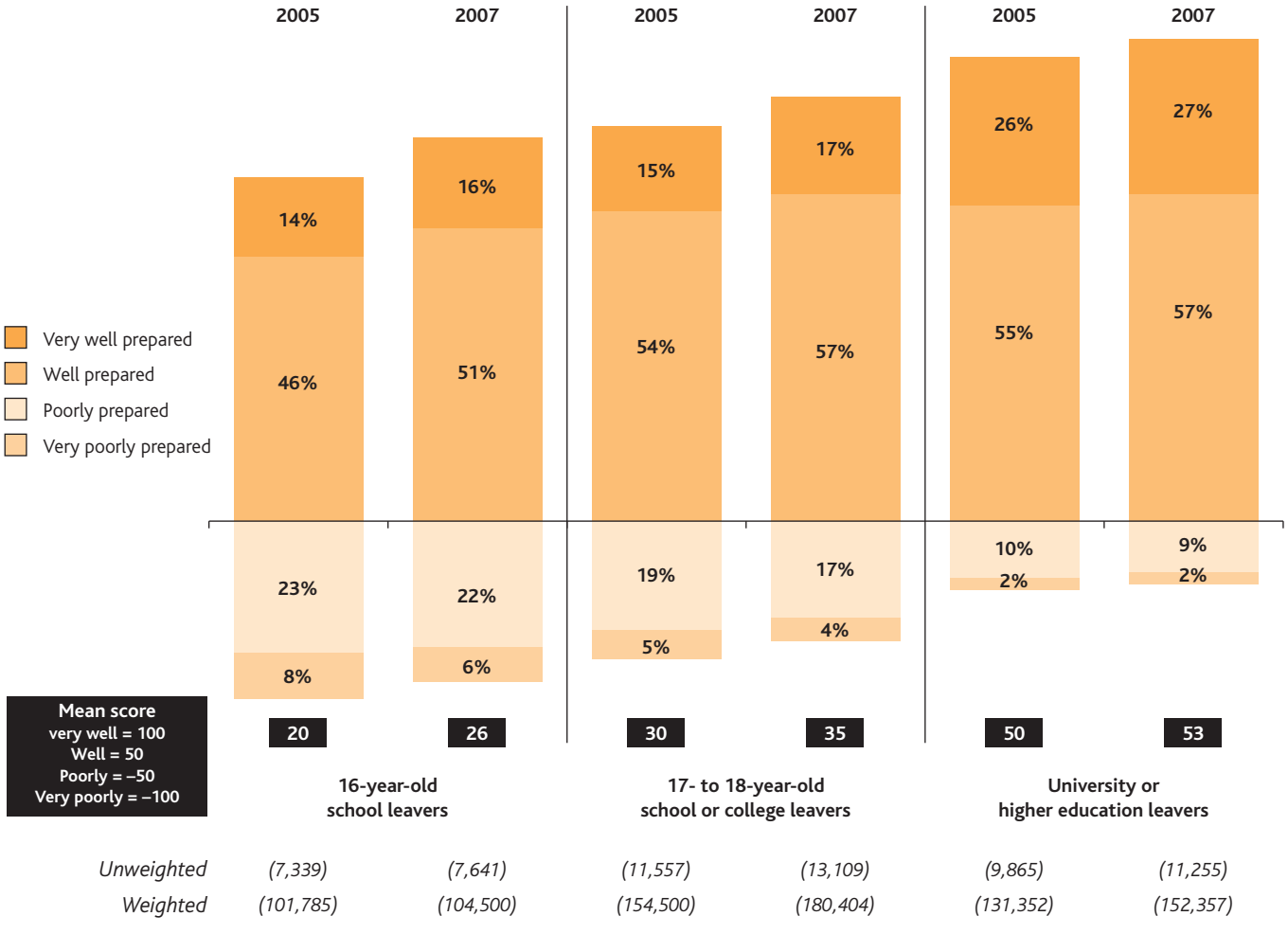
69 Two-fifths of employers (40 per cent) had recruited staff aged 16 to 24 in the past 12 months and a quarter of employers (26 per cent) had recruited at least one young person under 24 to their **first job** on leaving education – a statistically significant increase on 2005 (21 per cent).

70 As in 2005, school and FE leavers aged 17 and 18 were the group of young people most commonly recruited straight from education (recruited by 12 per cent of employers). One in ten employers had recruited a higher education leaver under the age of 24 in the last 12 months, and 7 per cent had recruited at least one 16-year-old straight from school.

71 Employers who had taken on young recruits direct from education were asked whether they considered recruits to be very well prepared, well prepared, poorly prepared or very poorly prepared for work. Results for 2005 and 2007 are presented in Figure 5. Mean scores are also shown (using a scale of 100 for 'very well prepared', 50 for 'well prepared', -50 for 'poorly prepared' and -100 for 'very poorly prepared').

72 Just over two-thirds (67 per cent) of employers that recruited a young person who had completed only compulsory education found them to be well or very well prepared for work, as did almost three-quarters (74 per cent) of employers that recruited 17- or 18-year-old college or school leavers, and 84 per cent of employers that recruited young university or higher education leavers into their first job. Compared with 2005, the perceived readiness for work of those recruited direct from education had improved across all categories.

Figure 5: Work-readiness of 16- to 24-year-old leavers from education



Base: All employers that have recruited each type of 16- to 24-year-old leaver from education in the previous 12 months.

73 However, significant minorities of employers still feel that recruits from school, college or university are poorly or very poorly prepared for work. Just over a quarter (27 per cent) considered the 16-year-old school leavers they recruited to have been poorly or very poorly prepared for work, as did just over a fifth (21 per cent) of those that recruited 17- or 18-year-old school leavers and around one in eight (12 per cent) of those recruiting young people direct from higher education.

74 Different skills and types of skills were reported to be lacking for the different groups.

- The skills that were more commonly reported as lacking in young recruits from higher education were technical, practical or job-specific (20 per cent of employers experiencing poorly prepared graduate recruits), closely followed by a lack of experience of the working world (18 per cent – significantly higher than the 12 per cent in 2005). A relatively large proportion (23 per cent) also gave a response relating to poor motivation, commitment and/or attitude, including an unwillingness to work long hours (though this proportion has fallen compared with 2005 when it stood at 28 per cent).

- Responses relating to poor motivation, commitment and/or attitude, including an unwillingness to work long hours, are commonly reported by employers experiencing poorly prepared 16- and 17- or 18-year-old leavers from education (an issue for around a third of employers in each case). Slightly fewer employers, though, gave these responses than in 2005.

- A lack of oral communication skills remains one of the most commonly cited problems across all three groups, and was mentioned by 12 to 15 per cent of employers reporting that recruits within each group had been poorly prepared for work.

- Across all three groups of leavers from education, the hierarchy of skills seen as lacking is little changed from 2005.

75 For the first time, the National Employers Skills Survey 2007 (NESS07) contained a series of questions relating to employers' use of Apprenticeships and Advanced Apprenticeships (referred to collectively as 'Apprenticeships' throughout this section). Employers were asked to focus specifically on Apprenticeships for which they or a training provider working on their behalf had received government funding. NESS07 explored the use of Apprenticeships within the workforce as a whole and the number of young people recruited to start Apprenticeships.

76 Overall, 14 per cent of employers offer Apprenticeships to their staff, though only 8 per cent had actually had any staff undertaking an Apprenticeship at any point in the last 12 months. In total, 6 per cent of employers had recruited at least one 16- to 24-year-old to start an Apprenticeship in the last 12 months and 5 per cent had recruited at least one 16- to 18-year-old to an Apprenticeship.

77 Just over three in five of all apprentices taken on (62 per cent of the total) were aged 16 to 18, equivalent to 5 per 1,000 people in the workforce as a whole.

Training Activity and Expenditure

78 In total, two-thirds of employers (67 per cent) had provided training or development in the previous 12 months. This is a small but significant increase on 2005 (65 per cent) and 2004 (64 per cent). This rise is driven by an increase in the proportion of employers providing on-the-job training; the proportion providing off-the-job training has remained static.

79 Employers provided training for a little under 14 million staff in the 12 months prior to the National Employers Skills Survey 2007 (NESS07); this is equivalent to 63 per cent of all staff receiving training. This is up from 13.1 million workers receiving training in the 12 months prior to NESS05, equivalent to 61 per cent of the total workforce.

80 Table 9 summarises overall findings from NESS07 and provides comparison with previous employer surveys.

81 The larger the establishments, the more likely they are to provide training. Larger establishments also provide training for a greater proportion of their workforce. In establishments with 25 or more staff, around two-thirds of workers had received training in the 12 months prior to NESS07. In establishments with between 5 and 24 staff, 61 per cent of staff had received training. This falls to just 46 per cent in establishments with between two and four staff.

Training planning and budgeting

82 The proportion of establishments with a training plan and the proportion with a specific training budget have increased slightly since 2005. A total of 48 per cent of employers in NESS07 reported having a training plan, continuing the steady rise seen year-on-year since NESS04 (44 per cent). The same is true for training budgets: 35 per cent of employers reported having a training budget in 2007, up from 33 per cent in 2005.

83 A little over three-quarters of employers provide formal written job descriptions for at least some of their staff (78 per cent). This too has increased, from 74 per cent in 2005. Formally assessing whether staff have gaps in their skills has also become more common since 2005: 57 per cent of employers reported doing so in NESS07 as compared with 55 per cent in NESS05.

The nature and extent of training provision

84 For both on- and off-the-job training, only 11 per cent of employers providing training had provided exclusively health and safety or induction training. This suggests that most employers are providing training with skills development in mind rather than simply inducting new staff or meeting health and safety requirements.

85 Of the 14 million employees that had received training in the previous 12 months, 2.6 million (18 per cent of all trainees) had been trained towards a nationally recognised qualification, and of these employees, just under half had been trained towards a national vocational qualification (NVQ) – a total of 1.2 million employees. Overall, around a third of all employers had trained any staff towards a nationally recognised qualification in the previous 12 months (32 per cent), and around one in six (17 per cent) had trained staff towards an NVQ.

Table 9: Training and workforce development activity and planning

	NESS04	NESS05	NESS07
% of establishments training staff over the last 12 months	64%	65%	67%
% of establishments providing off-the-job training in the last 12 months	47%	46%	46%
% of establishments providing on-the-job training in the last 12 months	51%	51%	54%
% of establishments with a training plan	44%	45%	48%
% of establishments with a budget for training	34%	33%	35%
% of employees receiving training	61%	61%	63%

86 As was the case in both 2004 and 2005, where employers provide training they typically do so for a large proportion of their workforce: three-quarters (74 per cent) arrange it for a majority of their staff. Indeed, for well over two-fifths (45 per cent) the number of staff trained over the previous 12 months represents 90 per cent or more of their current workforce. For only 9 per cent of trainers did the number trained over the previous 12 months represent less than a quarter of their current workforce.

87 In absolute terms, the largest numbers of staff trained off-the-job are found in professional roles (around 1.4 million staff) and managerial roles (also a little under 1.4 million), though in the case of managers this is a product of the large numbers of workers employed in these roles; the large number of off-the-job trainees actually represents only 35 per cent of total employment. Relative to the number of people employed in each occupational group, those working in professional roles and personal service roles are the most likely to receive off-the-job training. In both cases, 52 per cent of staff receive off-the-job training.

88 Looking at provision of on-the-job training by occupation, professionals and personal service staff are again among the most likely to receive such training (59 per cent and 67 per cent respectively). The proportion of sales (61 per cent) and associate professional staff (57 per cent) in receipt of on-the-job training is also high.

89 Table 10 summarises results on the volume of training in terms of total training days, and days per employee and per trainee.

90 Overall, employers funded or arranged a total of 218 million days of training in the 12 months prior to NESS07. This is the equivalent of every worker in England receiving 9.8 days of training over the course of the year.

91 Looking just at those establishments that provide training, the total number of training days provided equates to 11.2 days per employee in these establishments, or 15.6 days per person trained.

92 These figures represent large increases compared with 2005, when employers had funded or arranged 162 million training days, equivalent to 12.3 days of training per person trained over the course of the previous 12 months.

Use of training providers and Train to Gain

93 Around a quarter of those providing training had done so through a further education (FE) college (26 per cent), a slightly smaller proportion than in 2005 (28 per cent). Although the proportion of employers providing training in the previous 12 months increased from 2005 to 2007, there was still a slight fall in the proportion of all employers using FE colleges in the last 12 months, from 18 per cent in 2005 to 17 per cent in 2007. The great majority of those using FE colleges were satisfied or very satisfied with this provision (84 per cent).

94 Use of other (non-FE) training providers has also fallen, from 53 per cent in 2005 to 51 per in 2007. Use of higher education over the last 12 months, measured for the first time in NESS07, stood at 7 per cent of all employers providing training.

95 Also new to NESS07 were measures of awareness and involvement with Train to Gain, which was rolled out nationally in the second half of 2006. A total of 28 per cent of employers said they were aware of Train to Gain; 4 per cent described themselves as actively involved.

Employer expenditure on training

96 In addition to the main NESS07 survey, a follow-up survey to measure employer training expenditure was conducted among employers who reported during the main interview that they had funded or arranged training in the previous 12 months. This repeated an exercise first conducted as part of NESS05.

97 The total cost of providing training (including labour costs) is estimated to have been £38.6 billion in the 12 months

Table 10: Training days per annum (overall and per capita)

	NESS07
Total training days (millions)	217.7
Per capita training days (total workforce)	9.8
Per capita training days (training employers' workforce)	11.2
Per trainee training days	15.6
Days off-the-job training per off-the-job trainee	7.3
Days on-the-job training per on-the-job trainee	13.8

prior to NESS07. This represents an increase in total expenditure of £5.3 billion (16 per cent) over the NESS05 figure of £33.3 billion. This increase is equivalent to £3.5 billion (10 per cent) when inflation is taken into account.

98 The total training costs and the individual components from which these totals are calculated are shown in Table 11.

99 Just over half of total employer training expenditure is on the costs of providing on-the-job training (£20.3 billion – 52 per cent of the total) with the remainder spent on off-the-job training. Costs associated with on-the-job training have increased by the greater proportion since 2005 (an increase of 23 per cent as compared with an increase of 9 per cent in the cost of providing off-the-job training).

100 The great bulk of the cost of providing training is due to the labour costs of those receiving training and of those delivering or organising training. The labour costs of those receiving training (£18.1 billion) form 47 per cent of the total figure of £38.6 billion, in line with the 48 per cent share accounted for by trainee labour costs in 2005. Labour costs of those delivering on-the-job training (£8.4 billion) and of managing training (£5.7 billion) account for a further 37 per cent of the total cost.

101 By comparison, the direct costs of fees to external providers for courses (£1.9 billion) and for other off-the-job training (£0.7 billion) form a relatively small share of the total cost of training (7 per cent).

102 As described earlier, employer expenditure on training in the previous 12 months increased in real terms from 2005 to 2007. Part of this increase is a result of the fact that since 2005 both the size of the total workforce within England and the number of staff receiving training have increased. The total workforce falling within the scope of NESS07 is a little under 22.3 million people as compared with 21.5 million people in 2005; the total number of trainees was 14 million people in the 12 months prior to NESS07 (63 per cent of the workforce) as compared with 13.1 million in 2005 (61 per cent of the workforce). However, there has also been an increase in training expenditure per trainee per annum, from £2,550 in 2005 to £2,775 in 2007, an increase of 9 per cent.

103 Although the average cost per establishment of providing training increases with size, this is a product of the larger volume of trainees employed by larger employers. In fact, per trainee costs fall with size of establishment, generally speaking, from £6,125 per trainee in the smallest establishments to just £925 in those with 500 or more staff.

Training activity and expenditure: the sectoral picture

104 Key measures of training and training expenditure are shown by sector skills council (SSC) sector in Table 12.

105 As in 2005, training activity was most common among those sectors dominated by public service sector establishments. At least 85 per cent of employers covered by Government Skills, Lifelong Learning UK, Skills for Care and Development, Skills for Justice and Skills for Health SSCs offered training, and in all of these sectors the proportion of staff receiving training was higher than average. Outside of these sectors, employers covered by the Financial Services Skills Council, Asset Skills, Energy & Utility Skills and SkillsActive SSCs were also more likely than average to train.

106 Establishments covered by Skillfast-UK, Lantra (52 per cent) and GoSkills (55 per cent) SSC sectors were the least likely to train.

Table 11: Total training costs and training cost components

	NESS07	
Total	**£38.6 billion**	
	Overall cost	%
Off-the-job training: course-related	£16.0 billion	41
Off-the-job training: other (seminars, workshops etc.)	£2.4 billion	6
On-the-job training	£20.3 billion	53

107 As well as being among those most likely to provide training, employers in the Skills for Health, and Skills for Care and Development SSC sectors provided markedly higher numbers of days of training than average (equivalent to 13 days per employee). However, employers in the People 1st sector provided the highest number of days of training per employee (an average of 15 days).

108 The fewest days of training per employee were reported by employers covered by Lantra, Proskills, Skillfast UK and GoSkills SSCs (five days per employee in each sector).

109 SSC sectors with a large proportion of public sector employers were the most likely to have made use of FE colleges in providing training – Skills for Care and Development, Skills for Health, Government Skills and Lifelong Learning UK employers in particular. SummitSkills employers (building services engineering establishments) are also particularly likely to make use of the FE colleges when providing training.

Table 12: Training activity and expenditure by sector

	Train at all	Trainees as % of current workforce	Days training per capita	Train through an FE college	Total training expenditure	Spend per employee	% share of total workforce	% share of total training expenditure
	%	%		%	£ million		%	%
Overall	**67**	**63**	**10**	**17**	£38,648	£1,725		
Lantra	52	47	5	15	£920	£2,975	1	2
Cogent	69	55	7	16	£490	£1,250	2	1
Proskills	58	40	5	10	£621	£2,275	1	2
Improve Ltd	68	57	7	20	£196	£550	2	1
Skillfast-UK	47	33	5	6	£118	£575	1	*
Semta	64	48	9	20	£1,853	£1,575	5	5
Energy & Utility Skills	75	68	11	19	£715	£2,925	1	2
ConstructionSkills	60	54	9	17	£2,809	£2,750	5	7
SummitSkills	69	47	8	39	£556	£2,450	1	1
Automotive Skills	60	49	8	19	£740	£1,600	2	2
Skillsmart Retail	62	61	12	7	£2,841	£1,225	10	7
People 1st	66	65	15	12	£4,025	£2,575	7	10
GoSkills	55	50	5	11	£268	£675	2	1
Skills for Logistics	63	55	7	8	£524	£825	3	1
Financial Services Skills Council	82	69	9	12	£1,262	£1,425	4	3
Asset Skills	71	61	7	12	£2,003	£2,500	4	5
e-skills UK	66	60	12	10	£952	£1,475	3	2
Government Skills	92	66	6	35	£133	£375	2	*
Skills for Justice	89	71	12	26	£439	£1,425	1	1
Lifelong Learning UK	87	68	8	34	£1,657	£2,075	4	4
Skills for Health	85	79	13	36	£1,861	£1,125	7	5
Skills for Care and Development	91	84	13	43	£1,970	£2,275	4	5
Skillset	62	61	9	8	£247	£1,975	1	1
Creative & Cultural Skills	61	55	6	11	£375	£1,700	1	1
SkillsActive	75	67	10	22	£291	£1,050	1	1
Non-SSC employers	70	65	9	21	£10,780	£1,875	26	28

Notes: Where percentages are shown, these are for each row (except in the final two columns).
*Denotes a finding greater than 0 per cent and less than 0.5 per cent.

110 Other than the non-SSC employer sector, which has the single largest training expenditure as a consequence of being by far the largest sector in unit and employment terms, the largest training costs were reported by employers covered by People 1st (£4 billion), Skillsmart Retail (£2.8 billion) and ConstructionSkills (£2.8 billion). Employers covered by People 1st and ConstructionSkills SSCs each accounted for a larger share of total training expenditure than employment, while the reverse was true for employers covered by the Skillsmart Retail SSC sector. This pattern is identical to that seen in 2005.

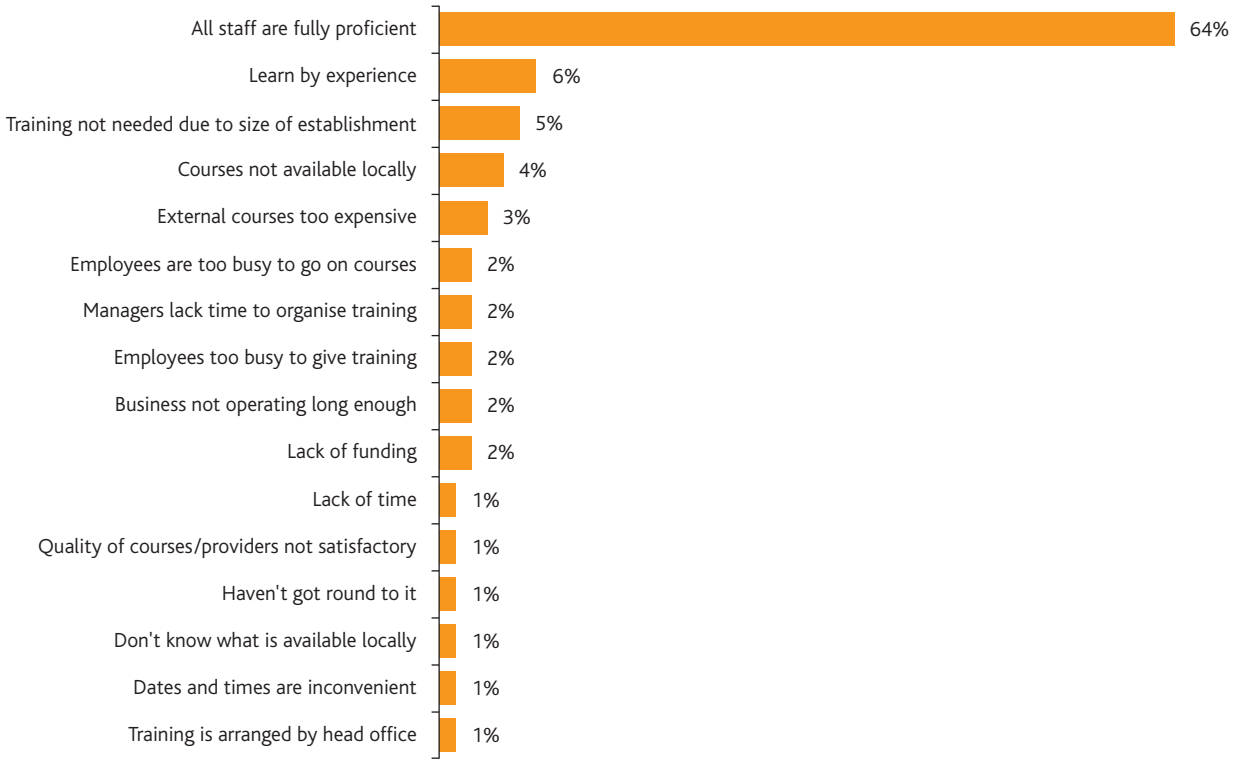
111 On the whole, sectors' shares of the total training expenditure fairly closely match their share of employment. Employers covered by the following SSCs reported particularly high training expenditure relative to their employment:

- Lantra;
- Energy & Utility Skills;
- ConstructionSkills;
- SummitSkills;
- People 1st; and
- Asset Skills.

112 On the other hand, employers covered by the following SSCs reported particularly low expenditure relative to employment:

- Improve Ltd;
- Skillfast-UK;
- GoSkills; and
- Skills for Logistics.

Figure 6: Training activity by sector



Base: All employers not providing training in previous 12 months (weighted = 454,071; unweighted = 19,210).

Reasons for not providing training

113 As in 2005, employers not providing training most commonly put this down to their workforce being fully proficient already (64 per cent). The next most common responses – that staff learn by experience (6 per cent) and that training is not needed due to the establishments' small size (5 per cent) – are similarly making a claim that training is not necessary. Overall, 72 per cent gave at least one of these three reasons. By contrast, relatively few employers cite issues relating to problems of training supply. Results are summarised in Figure 6.

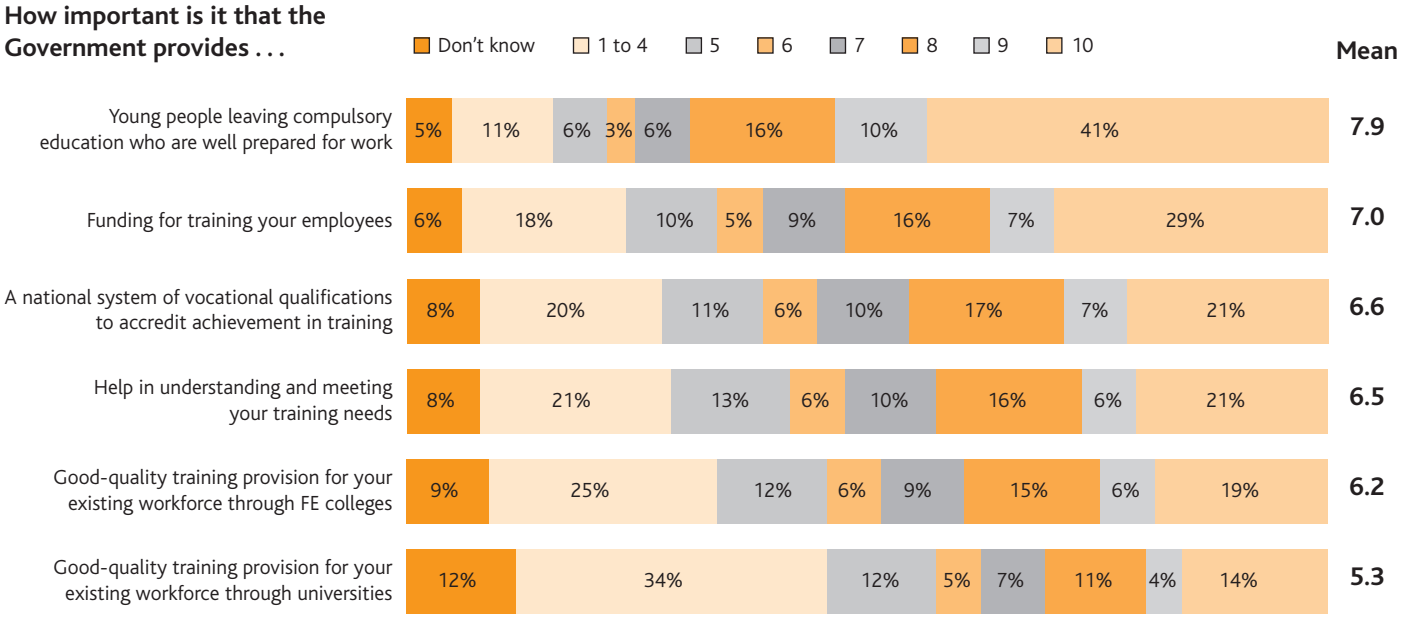
Government support for training

114 Employers were asked how important they consider it to be for the Government to provide support in six specific areas relating to education, training and qualifications. They were then asked to rate the Government's performance in these six areas. These questions were asked of all employers whether or not they had trained, used external training providers or taken on young people direct from education; hence in some cases responses may be impressionistic.

115 Figure 7 shows employers' opinions of the importance of the six areas – employers were asked to respond on a 10-point scale where 1 means 'Not at all important' and 10 means 'Essential'.

116 Employers consider the Government should provide young people leaving compulsory education who are well prepared for work to be the most important of the areas discussed. The average importance score was 7.9, markedly higher than that for any other area. Providing funding for training employees (with a mean importance of 7 out of 10) is considered the second most important of the six.

Figure 7: Employer rating of importance of areas of government support

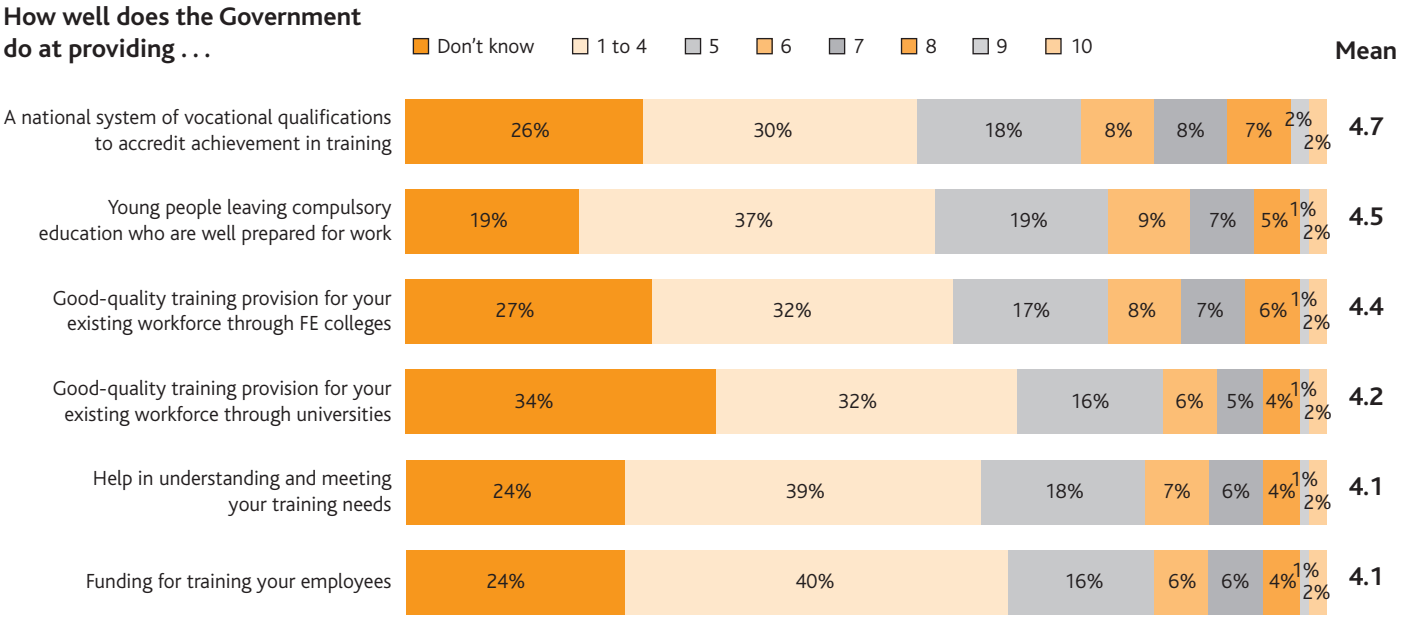


117 That the Government should provide good quality training provision for existing staff through universities was the area of government support considered least important (a mean score of just 5.3).

118 Employers' assessment of the Government's performance in providing this support is shown in Figure 8. Employers were asked to respond on a 1 to 10 scale where 1 means 'the Government is doing extremely badly' and 10 means 'the Government is doing an excellent job'.

119 Government performance was rated most highly with regard to the provision of a national system of vocational qualifications to accredit achievement in training, for which the mean score rating was 4.7. Government provision of funding for training employees and of help in understanding and meeting training needs were considered the weakest areas, with performance rated at 4.1 for both. The range of these two extremes is small and differences between employers' ratings of government support for the six areas were relatively small.

Figure 8: Employer rating of government performance in providing support



Annex A
Sector Definitions

1 As in 2004 and 2005, sector analysis of the National Employers Skills Survey 2007 defines sectors in a manner more consistent with sector skills council (SSC) definitions of the sectors they cover, rather than the more general definitions of sector that had been used in NESS03 and previous employer surveys. The SSCs are listed in the following table together with a description of the sector and a definition in terms of Standard Industrial Classification (SIC). The SIC codes used are a 'best fit' of each SSC's core business sectors and the extent to which this is an exact fit varies between SSCs. In some cases, the use of the core SIC codes excludes elements of the SSC footprint because they are included in other areas. Further information is provided in Table A.1 below.

2 Estimates for April 2007 suggest that 89 per cent of the workforce were covered by an SSC. A process of sector integration is taking place in the Skills for Business network which will take the network's coverage of the UK workforce to an estimated 95 per cent. The category 'Non-SSC employers' represents those SICs not allocated to an SSC at the time of the study.

3 SSCs are ordered in the table below according to where the 'core' of the industry which the SSC represents falls, running through from primary, manufacturing to service sectors.

4 SSCs can provide further depth analysis of skills and productivity within their sector, and website links are provided in the table below.

SSC name	SSC description	SIC definition
Lantra **www.lantra.co.uk**	Environmental and land-based industries	1, 2, 5.02, 20.1, 51.88, 85.2, 92.53
Lantra also covers industries which are small elements of other SIC codes not necessarily within their core, for example, floristry, fencemaking, farriery.		
Cogent **www.cogent-ssc.com**	Chemicals, nuclear, oil and gas, petroleum and polymer industries	11, 23–25 (excluding 24.3, 24.64, 24.7, 25.11, 25.12), 50.5
Cogent also cover the nuclear industry and signmaking, but it is not possible to isolate these in terms of SIC.		
Proskills **www.proskills.co.uk**	Process and manufacturing of extractives, coatings, refractories, building products, paper and print	10, 12–14, 21.24, 22.2, 24.3, 26.1, 26.26, 26.4–26.8
Improve Ltd **www.improveltd.co.uk**	Food and drink manufacturing and processing	15, 51.38
Skillfast-UK **www.skillfast-uk.org**	Apparel, footwear and textile industry	17–19, 24.7, 51.16, 51.24, 51.41, 51.42, 52.71, 93.01
Semta **www.semta.org.uk**	Science, engineering and manufacturing technologies	25.11, 25.12, 27–35, 51.52, 51.57, 73.10
Semta also cover science sectors, not exclusively defined by SSC.		
Energy & Utility Skills **www.euskills.co.uk**	Electricity, gas, waste management and water industries	37, 40.1, 40.2, 41, 60.3, 90.01, 90.02
Energy & Utility Skills also have an interest in gas fitters, covered by SummitSkills SSC.		
ConstructionSkills **www.constructionskills.net**	Development and maintenance of the built environment	45.1, 45.2, 45.32, 45.34, 45.4, 45.5, 74.2
A substantial proportion of construction work is subcontracted to self-employed individuals (without employees) who will be excluded from this survey.		

SSC name	SSC description	SIC definition
SummitSkills www.summitskills.org.uk	Building services engineering (electro-technical, heating, ventilating, air conditioning, refrigeration and plumbing)	45.31, 45.33, 52.72
Automotive Skills www.automotiveskills.org.uk	Retail motor industry	50.1–50.4, 71.1
Skillsmart Retail www.skillsmartretail.com	Retail industry	52.1–52.6
People 1st www.people1st.co.uk	Hospitality, leisure, travel and tourism	55.1, 55.21, 55.23, 55.3–55.5, 63.3, 92.33, 92.71
GoSkills www.goskills.org	Passenger transport	60.1, 60.21–60.23, 61, 62.1, 62.2, 63.2, 80.41
Skills for Logistics www.skillsforlogistics.org	Freight logistics industry	60.24, 63.1, 63.4, 64.1
Skills for Logistics also cover rail and water freight transport, for which there are no specific SIC codes.		
Financial Services Skills Council www.fssc.org.uk	Financial services industry	65–67
Asset Skills www.assetskills.org	Property, housing, cleaning and facilities management	70, 74.7
Facilities management, although included in SIC code 70 as an industry, is also an occupation employed across all industries, so is not fully represented through SIC. Some social housing management activity also falls within 85.31 Social Work activities with accommodation.		
e-skills UK www.e-skills.com	IT, telecoms and contact centres	22.33, 64.2, 72, 74.86
e-skills UK covers IT and telecoms professionals across all industries. Additionally, as a fast-changing sector, sector boundaries are continually changing.		
Government Skills www.government-skills.gov.uk	Central government	75.1, 75.21, 75.22, 75.3
Most of the above SIC codes also incorporate local government. As it is not possible to specify through SIC, employers in these sectors were asked an additional question to ascertain whether they were central or local government establishments.		
Skills for Justice www.skillsforjustice.com	Custodial care, community justice and police	75.23, 75.24
Lifelong Learning UK www.lifelonglearninguk.org	Community-based learning and development, further education, higher education, library and information services, work-based learning	80.22, 80.3, 80.42, 92.51
Skills for Health www.skillsforhealth.org.uk	NHS, independent and voluntary health organisations	85.1
Skills for Care and Development www.skillsforcareanddevelopment.org.uk	Social care including children, families and young children	85.3

SSC name	SSC description	SIC definition
Skillset **www.skillset.org**	Broadcast, film, video, interactive media and photo imaging	22.32, 24.64, 74.81, 92.1, 92.2
Photo imaging is spread across a range of SIC codes, so it is not possible to isolate the retail element. Interactive media, the largest sector in scope to Skillset, is not exclusively coded and is included within the core of e-skills UK; therefore it is excluded from this analysis. Additionally, self-employed people without employees are not included in this survey but represent most of the sector in areas such as film production and independent production. For these reasons combined, the data presented for Skillset should be interpreted with extreme caution.		
Creative & Cultural Skills **www.ccskills.org.uk**	Arts, museums and galleries, heritage, crafts and design	22.14, 22.31, 36.22, 36.3, 74.4, 92.31, 92.32, 92.34, 92.4, 92.52
SkillsActive **www.skillsactive.com**	Sport and recreation, health and fitness, playwork, the outdoors and caravans	55.22, 92.6, 93.04
SkillsActive covers sectors that form only a portion of other SIC codes and so do not make sense to include in analysis. Some sub-sectors, such as playwork, are excluded from the analysis.		
Non-SSC employers	All sectors not covered by an SSC at this point in time, spread across manufacturing and service sectors	All other SICs

Notes

Further Information

Related publications

Learning and Skills Council (2008) *National Employers Skills Survey 2007: Main Report*, Coventry: LSC.

Learning and Skills Council (2007) *Skills in England 2007 Volume 1: Key Messages*, Coventry: LSC (**http://readingroom.lsc.gov.uk/lsc/National/SiE_Volume1final_12Sept07.pdf**).

Learning and Skills Council (2007) *Skills in England 2007 Volume 2: Research Report*, Coventry: LSC (**http://readingroom.lsc.gov.uk/lsc/National/nat-skillsinengland-vol2-sept07.pdf**).

Learning and Skills Council (2007) *Skills in England 2007 Volume 3: Sectoral Evidence*, Coventry: LSC (**http://readingroom.lsc.gov.uk/lsc/National/nat-skillsinengland-vol3-sept07.pdf**).

Learning and Skills Council (2007) *Skills in England 2007 Volume 4: Regional and Local Evidence*, Coventry: LSC (**http://readingroom.lsc.gov.uk/lsc/National/nat-skillsinengland-vol4-sept07.pdf**).

Useful websites

For access to the LSC's extensive research resource (featuring research produced by both the LSC and by its partners), visit **http://research.lsc.gov.uk**.

National Employers Skills Survey 2007 data is available at **http://researchtools.lsc.gov.uk**.

In addition, you can visit the LSC website at **www.lsc.gov.uk** for up-to-date news about the LSC and about education and training in England.

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