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Multinational employers' perceptions of  
the UK workforce

MARCH 2014

RESEARCH

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# Executive Summary

The UK is rated second out of seven countries, for the overall skills of its workforce, just behind Germany and just ahead of the USA.

Workforce skills and work ethic are important influences on multinational employers' decisions on territories to target for their inward investment: around four-fifths of employers see these as important, when prompted with a list of factors. Their significance is, however, of a lesser order than the availability of a *market for the firm's products and services*.

The specific skills which are most important to multinational employers largely tend to be 'softer' skills such as *business development, sales and marketing* (particularly among French multinationals and ICT multinationals not yet in the UK); *team working and motivational skills* (particularly among the largest multinationals, with 5,000+ global staff); and *managerial / leadership skills*.

That said, multinationals may be thinking of these 'softer' skills in an 'applied' sector-specific context, as nearly three-fifths of employers say that, overall, ready-to-deploy specialist skills are more valuable to them than a good basis of general skills. Around one in six are overt in their desire for 'hard' applied skills, in that they cite *job-specific technical skills* as the single most important workforce skill area (a skill area chosen as key particularly among German multinationals not yet in the UK). The 'applied' skill in question is more likely to be *engineering* or *sector-specific technology* than anything else.

Perceptions of the UK workforce appear to be weaker for these key skill areas, relative to their perceived importance to employers (i.e. for each of *business development, sales and marketing skills; team working and motivational skills; managerial and leadership skills; and job-specific technical skills*, multinationals are more likely to choose it as their single most important skill area than they are to spontaneously cite it as a perceived UK strength). The reverse is true of the UK's level of *relevant qualifications; and communication skills* – i.e. employers are more likely to cite these as UK workforce strengths than they are to single them out as their most important skill area.

Analysis of the competitive set for the skill areas that multinationals value the most (and in which, relative to its importance, perceived UK performance is weaker) reveals that:

- For *business development, sales and marketing skills*, the UK is perceived to be behind the Netherlands, and the USA (ranked first and second on this attribute respectively). However, there is an opportunity to bolster the UK's reputation, in that multinationals already present in the UK tend to rate its workforce as ahead of that of its key overall rival, Germany (the UK workforce is also perceived to be ahead of those of China and, to a lesser extent, France, for this factor).
- For *team working and motivational skills*; the UK is perceived to be behind China, the country rated the highest on this attribute.

- For *managerial and leadership skills*; the UK is perceived to be slightly behind Denmark (rated the highest on this skill), but ahead of China and, to a lesser extent, France.
- For *job-specific technical skills*, the UK is perceived to be behind Germany (the highest rated country on this attribute) and, among multinationals based in the UK, Denmark and the USA (rated second and third on this skill, behind Germany, among those with a UK presence). To a lesser extent, it is also perceived to be behind Denmark.

There is a mixed picture for the UK's level of *relevant qualifications*, and *work ethic*: though seen as strengths by many multinationals, substantial minorities see these as weaknesses. For its *work ethic*, the UK is perceived to be behind Germany (the highest rated country on this attribute) and, to a lesser extent, Denmark, but is ahead of China.

The UK is also perceived to be ahead of Germany and the USA for *commercial awareness*; and *communication skills*; but behind Germany and the USA for *problem solving and multi-tasking skills*; and *level of relevant work experience*.

Very small proportions report that skills and work ethic at the low skilled manual staff level are of any great consequence in influencing their inward investment decisions. Workforce skills and work ethic at *senior management, intermediate / professional, and skilled manual levels* are all of key importance. *Intermediate / professional level* skills are more likely to be of importance to firms with an existing UK base.

There is a further opportunity to bolster the UK's reputation in this area: multinational firms in the UK already rate the UK workforce more highly for its skills at *professional / intermediate* and (to a lesser extent) *skilled manual* levels, than those not currently in the UK – suggesting that skills at these levels are under-rated by multinationals who have yet to invest in 'UK PLC'.

There is also a positive message in that multinational employers tend to perceive the UK workforce's skills base to be either stable or on an upward trajectory. The nature of the perceived improvement tends to revolve around improved *commitment or work ethic*; increased *education or competence*; and an increasingly *global focus*, whilst the most-mentioned desired improvement to UK workforce skills in future is that of *improved training or education opportunities*. Those already based in the UK are more likely to believe the UK workforce to have improved (four-fifths feel skills in their sector, at their key level of staff, have stayed the same or improved over the past 5 years), compared with those not in the UK (just over three-fifths perceive stability or improvement).

These multinational firms already in the UK appear, for the most part, to have had a positive experience of inward investment into the UK, and this seems set to pay dividends in future: nearly three-quarters of those already in the UK are happy with their decision to bring their operations here, and these firms are also significantly more likely to invest further in future (40% of multinationals already in the UK say they are likely to invest further, compared with 25% of those not in the UK who are likely to invest in the UK for the first time). ICT firms already in the UK market are particularly likely to add to their existing investment.

Those not in the UK currently are, therefore, a 'harder target' in inward investment terms, although multinationals based in Europe appear to be better disposed to entering the UK for the first time than those based in North America. These prospective 'new' inward investors into the UK are more likely to set up an operation 'from scratch' than to buy a stake in an existing firm, and they are slightly more likely to set up all of their functions in the UK than to dedicate their UK operation to a specific function. They predominantly employ staff in sales (and are significantly more likely to do so than firms who are *not* likely to enter the UK), followed by customer service, admin, production, marketing, logistics and specialist technical roles – particularly engineers.

Compared with multinationals who are not likely to enter the UK, they are significantly more likely to value workforce skills most at senior management levels; to *cite business development, sales and marketing and commercial awareness* as important specific skills; to have a favourable impression of the UK workforce's skills overall; and to *cite job-specific technical skills, team-working and motivational skills and IT skills* as perceived UK workforce strengths. There is an area of potential vulnerability for the UK here, however: among these prospective 'new' inward investors, the one skill area in which the UK workforce's perceived performance appears to lag behind the importance that these employers place on it is that of *business development, sales and marketing*.

Multinational employers both with and without a UK presence report that their perceptions of the workforces of these territories are predominantly based on direct dealings with individuals.

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# Introduction

## Background

Reforming the skills system, developing a world-class vocational education system that delivers the skills that employers need and boosting the UK population's engagement in learning sit at the heart of the Coalition Government's strategy to accelerate growth in the economy.

A key measure of success in building an internationally competitive skills base is the percentage of people who have achieved particular levels of qualifications, compared with international benchmarks. Drawing on insight derived from analysis of the Labour Force survey, the UK Commission for Employment and Skills<sup>1</sup> predicted in 2010 that over the following decade – *without targeted interventions* - the UK's overall relative skill levels would not have improved (with, specifically, small improvements forecast in terms of our higher level skills but offset by a relative deterioration in our intermediate and low level skills). Concerns have also been raised about the impact that this might have on productivity; the latest international comparisons<sup>2</sup> show that economic output per hour in the UK was eleven percentage points lower than the average of the other G7 countries in 2010.

In November 2010, the Coalition Government published *Skills for Sustainable Growth*<sup>3</sup>. The strategy affirmed a commitment to creating a simplified skills system that would be responsive to the needs of employers, and the economy as a whole. Commitments were made to expanding the numbers of adult Apprenticeships available, with a particular focus on creating a wider pool of workers with technical and scientific skills at Level 3.

*Skills for Sustainable Growth* signalled the Coalition Government's interest in supporting co-funded training programmes in new or rapidly changing parts of the economy, for example to meet skills needs arising from the transition to a low-carbon economy. Strategic analyses of opportunities for the UK in the evolving global economy have consistently highlighted significant sectors where the UK can maintain and develop a competitive advantage. The *New Industry, New Jobs*<sup>4</sup> report highlighted the importance of a number of key growth sectors, specifically low carbon industries, IT, life sciences and pharmaceuticals, and advanced manufacturing in areas such as aerospace, materials and industrial biotechnology. In *Skills for Jobs, Today and Tomorrow*<sup>5</sup>, UKCES identified financial and business services as one of the economically significant sectors for the future potentially constrained by skill deficits. The common thread across these sectors is their high-skills / high technology position – and for them to deliver against their potential and provide impetus to the rest of the economy requires the country's skills base to keep up.

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<sup>1</sup> Ambition 2020: World Class Skills and Jobs for the UK, 2010 report. UKCES, July 2010.

<sup>2</sup> International Comparison of Productivity -2010 – Final Estimates, Office of National Statistics, March 2012

<sup>3</sup> Skills for Sustainable Growth – Strategy Document. BIS, November 2011.

<sup>4</sup> Building Britain's Future: New Industry, New Jobs. BERR, April 2009.

<sup>5</sup> Skills for Jobs: Today and Tomorrow - The National Strategic Skills Audit for England 2010. UKCES, March 2010.



These sectors are seen as key areas where the UK can attract inward investment. The UK Inward Investment Report for 2010/11<sup>6</sup> measured progress in attracting investment in these areas, highlighting the UK's success in, for instance, attracting 177 advanced manufacturing projects, and the development of 'Tech City' in East London. A key question is whether international employers perceive that the UK can supply the workforce needed to tackle these sorts of projects and grow these sorts of sectors. This study explores perceptions of the skills and productivity of the UK workforce as a potential brake on inward investment from foreign multinationals.

The UK has a strong record on attracting inward investment. The World Bank declared the United Kingdom to be the best place in the EU and G8 to do business in 2011. London has a dominant position as the leading international financial centre, and is home to more European company headquarters than the rest of Europe combined. It has the largest industries in Europe for life sciences, ICT, financial services and creative industries. The latest data from Ernst and Young's Investment Monitor 2011<sup>7</sup> showed the UK as having the highest share of Foreign Direct Investment (FDI) in the Eurozone (17%) above Germany and France (on 15%). The UK Inward Investment Report for 2010/11 highlighted the continuing strong relationship with the US, with this investment creating or safeguarding over 36,000 jobs.

Ernst & Young's 2011 *UK Attractiveness Survey*<sup>8</sup> collected the views of a representative panel of international commercial decision makers. This revealed that eight in ten business people surveyed rated the UK very or fairly attractive as a location where companies can employ skilled labour, an increase on the figure from 2004. There were, however, warning signs regarding the competitiveness of the UK workforce – almost one in ten investors felt that Germany had the advantage over the UK in terms of a more qualified labour force.

This research explores how perceptions of the UK may influence their decisions going forward, and what skills in particular they feel UK workers are missing.

The balance of the world economy is shifting fast, and this study is needed to provide timely information on how the UK can continue to prove attractive to the powerhouse economy of the US and to the high growth economies of China, India and Brazil. The latest investment figures for 2010/11 show India now as the third largest investor in the UK, providing employment for over 6,000 people. China stands at seventh for Foreign Direct Investment (FDI) into the UK. There is extensive investment in infrastructure, with Chinese companies leading successful bids to operate ports and power stations, and taking substantial stakes in utilities<sup>9</sup>.

Many of the jobs currently being safeguarded through Chinese investments are through acquisitions of European companies. Whilst this is often aimed at gaining entry to new markets and new distribution channels, the primary business case can be to gain access to particular advanced technologies developed in established economies. This can have significant implications for the labour market; the BIS Economics Paper International Trade and Investment – the Economic Rationale for Government Support, warned that 'technology seeking' FDI, where foreign companies invest to gain access to expertise or

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<sup>6</sup> UK Inward Investment Report 2010/11. UKTI, July 2011.

<sup>7</sup> European Investment Monitor 2011. Ernst and Young.

<sup>8</sup> Destination UK: sustaining success in the new economy - Ernst & Young's 2011 UK Attractiveness Survey

<sup>9</sup> <http://www.guardian.co.uk/business/2012/may/03/china-shopping-spree-uk-businesses>

knowledge, are associated with negative effects on skilled jobs, whilst mergers tend to lead to a fall in employment at firm level. It has therefore been suggested that there was a need for policy focus on high quality projects, capable of generating productivity enhancing spillover benefits, and likely to contribute positively to knowledge intensive business activity in the UK<sup>10</sup>.

Opportunities for growth are not only concentrated in developing economies. Within the Eurozone, through 2010/11 there was significant investment in the UK by German and French companies, representing the fourth and fifth largest number of investment projects. The investment figures for 2010/11 also signalled increases in investment from other developed economies such as the Netherlands. Notwithstanding the challenges that are being experienced in the Eurozone, there is clearly also potential for the UK economy to be further boosted through investment from countries closer to home, perhaps through joint development of energy and cleantech projects – provided that the workforce is in place to service such projects.

## Objectives

The objectives of this study are to investigate:

- How the perceptions that foreign businesses and business people have of the UK as a place to do business, and of the skills that the UK workforce is able to deploy, will impact on their willingness to invest in the UK;
- Whether overseas businesses tend to have the perception that the UK operates within a low skills equilibrium compared to other countries, with skills challenges and deficiencies at mid and lower levels in particular;
- Which skills in particular, if any, the UK workforce is perceived to be lacking; and
- What are the influences on multinational employers' perceptions of workforces in different territories.

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<sup>10</sup> <http://www.bbc.co.uk/news/business-17197907>

# Methodology

## Approach

Data was collected through a telephone survey of multi-national employers in selected key industry sectors in a number of key investor countries. Some of the employers surveyed were already investing in the UK, others were not.

The study focused on multinational employers in the following countries and sectors:

**Table 1: Countries and sectors within scope for the study**

Countries	Sectors
France	Financial Services
Germany	ICT
Denmark	Bio-pharmaceuticals / Life Sciences
Netherlands	Energy Technologies
USA	Advanced Manufacturing
Brazil	
India	
China	

## Sampling: defining, measuring, accessing and profiling the population

The sampling constituted one of the key challenges for this project.

The first challenge was that no established population statistics exist to size the market of multinational employers in the target sectors and countries. We therefore used a business database held by Bureau Van Dijk (BvD) which can be interrogated to detail information on international investments, ownership structures and sector (among other “fields”) to both size the populations<sup>11</sup> and provide sample / contact details.

These estimates were then sense-checked against other estimates.

The definitions used to search the database and define the population were as follows:

- **Country:** Defined as the location of the multinational employer’s HQ or the country in which ultimate ownership resides;

<sup>11</sup> These estimates were then sense-checked against other estimates.

- **Investment status:** Multinational firms were categorised as having a 'UK presence' or 'no UK presence' on the basis of whether they have either business sites established in the UK or have a 50%+ stake in UK businesses;
- **Sector:** Financial Services, ICT, Bio-pharmaceuticals / Life Sciences and Energy were defined in line with a previous UKTI survey<sup>12</sup>.

There was more work to be done in establishing a definition of Advanced Manufacturing. IFF, in collaboration with BIS, agreed definitions, at specific sub-sector level, based on existing government and sector skills council work (Table 2).

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<sup>12</sup> The UKTI's 'UK Reputation in Overseas Markets' survey.

**Table 2: Sub-sector level definitions of Advanced Manufacturing**

Sub sector identified	Sources that use these definitions			
	<i>Advanced Manufacturing: Building Britain's Future</i> (BIS, July 2009)	<i>Growth Review Framework for Advanced Manufacturing</i> (BIS, December 2010)	<i>Skills and the Future of Advanced Manufacturing</i> (the SEMTA sector skills council, 2009)	<i>BIS Economics Paper No. 18: Industrial Strategy: UK Sector Analysis</i> (BIS, September 2012)
Aerospace		Yes	Yes	Yes
Automotive		Yes		Yes
Chemicals		Yes		Yes
Composites	Yes		Yes	Yes
Construction Products, Materials and Systems		Yes		Yes
Food and drink		Yes		
Industrial Biotechnology	Yes		Yes	Yes
IT				Yes
Nanotechnology			Yes	
Natural Science				Yes
Plastic/Printable Electronics	Yes		Yes	
Retail				Yes
Silicon Electronics	Yes		Yes	

Advanced Manufacturing firms were identified by selecting broadly relevant SIC and/or NACE codes (e.g. Manufacture of electronic components; Research and experimental development on biotechnology). In addition, text searches were used: firstly, examples of specific companies of interest in each of these sub-sectors were identified. IFF then examined, within the BVD database, the entries for these companies to generate text descriptions to be used as the basis for searches for other relevant companies.

## Fieldwork

Prior to the main stage of fieldwork, a pilot was conducted in the USA market (i.e. using firms where the global ultimate owner, or the company HQ, resides in the US) involving seven pilot interviews over the course of a week, from Monday 10th to Monday 17th December, in order to test the quality of the available sample; gauge respondents' perceptions and understanding of the questions being asked; and gauge / establish interview length. The firms interviewed included a spread of industry sectors and a mix of companies with or without a UK presence<sup>13</sup>.

Some (relatively minor) modifications were made to the questionnaire following the pilot. The pilot also highlighted that the 'screen out' rate was somewhat higher than anticipated, meaning that achieving the target number of interviews would be challenging with the relatively limited sample available. The high screen out rate reflected the difficulty in obtaining a sample that wholly fitted within the strict definitions required for this study in terms of investment status and sector. This meant that, in effect, a census-style survey was conducted among multinational firms in the sectors and territories within scope for the study.

At the main stage, a total of 400 computer assisted telephone interviews were conducted with multinational employers. Fieldwork was conducted from the UK in order to ensure consistency and maintain quality assurance processes. It was conducted by our fieldwork partner, RSM, using native speaking business-to-business interviewing specialists from all of the target territories, meaning that centralised supervision and expertise in interviewing senior business audiences was combined with local cultural sensitivities.

## Notes on the analysis and reporting

As we developed counts of the survey population and a sampling strategy, consideration was given to whether it would be possible to present the survey data on a weighted basis (in order to present estimates of potential future investment). Our assessment was that, whilst the survey population drawn from the BvD database was in the correct 'ballpark', a lack of authoritative population data for the target firms meant that weighting was inappropriate. This report, therefore, presents the findings from un-weighted data.

Within this report, the term 'investment' is sometimes used as shorthand for a multinational employer's activities in extending its operations into a new territory, by building or acquiring sites, branches or shareholdings.

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<sup>13</sup> The US was chosen as the basis for the pilot in order to avoid the need for questionnaire translation at the pilot stage, given the possibility of significant post-pilot questionnaire amendments.

Within the questionnaire, multinational employers were asked a series of questions about the workforce skills and the wider factors that are important to them when choosing territories into which to extend their operations; and regarding their perceptions of the workforces of the UK and selected competitors. For many of these questions, respondents were asked to answer:

- In relation to their sector; and
- At the level of staff (i.e. senior / management, intermediate / professional, skilled manual or low skilled manual) that they consider to be most important in making their investment decisions.

The reporting of many of the survey results is, therefore, on this basis (i.e. in relation to the employer's sector and at the level of staff that they consider to be key).

Figures may not sum exactly to 100 per cent either due to figures being rounded up or down to the nearest 1 per cent, or due to respondents being allowed to give more than one response to a question.

All differences between sub-groups that are commented on in the report are statistically significant at 95 per cent confidence level, unless otherwise stated.

## **Profile of firms surveyed**

Table 3 (overleaf) shows the number of interviews achieved with firms who had a UK presence, by country and sector and table 4 then contrasts this with the profile of multinational firms with no UK presence. These two groups will form key sub-groups referenced throughout this report.

**Table 3: Interviews with firms with a UK presence by sector and country**

	France	Germany	Denmark	Netherlands	USA	Brazil	India	China	Total
Financial services	4	1	1	4	7	1	3	0	21
ICT	10	2	3	6	17	1	3	0	42
Bio-pharmaceuticals	1	1	6	4	11	0	7	0	30
Energy technologies	1	3	1	1	5	0	0	0	11
Advanced manufacturing	13	44	4	13	47	0	3	1	125
<b>Total</b>	<b>29</b>	<b>51</b>	<b>15</b>	<b>28</b>	<b>87</b>	<b>2</b>	<b>16</b>	<b>1</b>	<b>229</b>

The following table outlines the number of interviews achieved with those who had no UK presence by country and sector.

**Table 4: Interviews with firms with no UK presence by sector and country**

	France	Germany	Denmark	Netherlands	USA	Brazil	India	China	Total
Financial services	3	2	2	2	3	0	1	0	13
ICT	13	3	3	3	5	1	0	0	28
Bio-pharmaceuticals	6	5	3	0	2	0	1	0	17
Energy technologies	2	6	6	1	3	0	2	0	20
Advanced manufacturing	13	35	6	3	23	4	7	2	93
<b>Total</b>	<b>37</b>	<b>51</b>	<b>20</b>	<b>9</b>	<b>36</b>	<b>5</b>	<b>11</b>	<b>2</b>	<b>171</b>



## Characteristics of multi-national employers

The firms with *no UK presence*, are already likely to have operations in Europe (70% did so – in particular in Germany, 20%). Two-fifths have operations in Asia (43%), and a third have operations in China (32%), or the USA (32%).

Multinational employers with a presence in the UK *and* investments in other countries outside of their own, were also most likely to have sites or businesses elsewhere in Europe (84%), in particular France (43%) or Germany (39%). Around two-fifths of these firms also had sites or businesses in China (44%) or the USA (41%).

Table 5 categorises firms with a UK presence into size bands, by the numbers of employees employed globally, globally within their relevant sector, and within their relevant sector in the UK. Firms were instructed to include both full and part time employees on their payroll, as well as any working proprietors or owners, but to exclude the self-employed and any outside contractors or agency staff.

**Table 5: Total number of employees of firms with a UK presence employed globally, globally within sector and with the UK in relevant sector**

	Number of employees globally	Number of employees globally within sector	Number of employees within the UK within sector
<i>Base</i>	229	209	229
	%	%	%
Under 50	3	6	53
51-99	5	6	10
100-499	25	28	25
500-999	9	12	3
1000-4999	29	24	4
5000+	29	22	4
Don't know	1	1	1

Table 6 outlines the number of employees who are employed globally, and globally within sector, by firms with no UK presence.

**Table 6: Total number of employees of firms with no UK presence employed globally, globally within sector and with the UK in relevant sector**

	Number of employees globally	Number of employees globally within sector
<i>Base</i>	171	171
	%	%
Under 50	9	19
51-99	12	13
100-499	30	30
500-999	9	9
1000-4999	25	19
5000+	15	9
Don't know	1	1

Multinational firms were asked a small number of questions to ascertain how they structure their operations internationally.

Firstly, they were asked what the nature of their operations is within their target sector and were allowed to choose as many operational strategies as applied to them. Table 7 demonstrates that most firms report owning sites within the countries in which they have invested. This is particularly high among firms with a UK presence, in relation to their investments *outside of the UK* (83%).

**Table 7: Nature of operations of firms with a UK presence who operate in the UK, firms with a UK presence who operate elsewhere and firms with no UK presence**

	Firms with a UK presence		Firms with <u>no</u> UK presence
	Nature of investments in the UK	Nature of other international investments (i.e. outside of 'home' territory)	Nature of international investments (i.e. outside of 'home' territory)
<i>Base</i>	229	209	171
	%	%	%
Own sites within the territory	74	83	71
Have shares in a company within the territory	30	52	49
Have a replica of entire operation in the territory	29	40	39
Have specific functions based in the territory	69	66	53
Have some other relationship between operations in the territory and the rest of their business	36	33	59

This shows that:

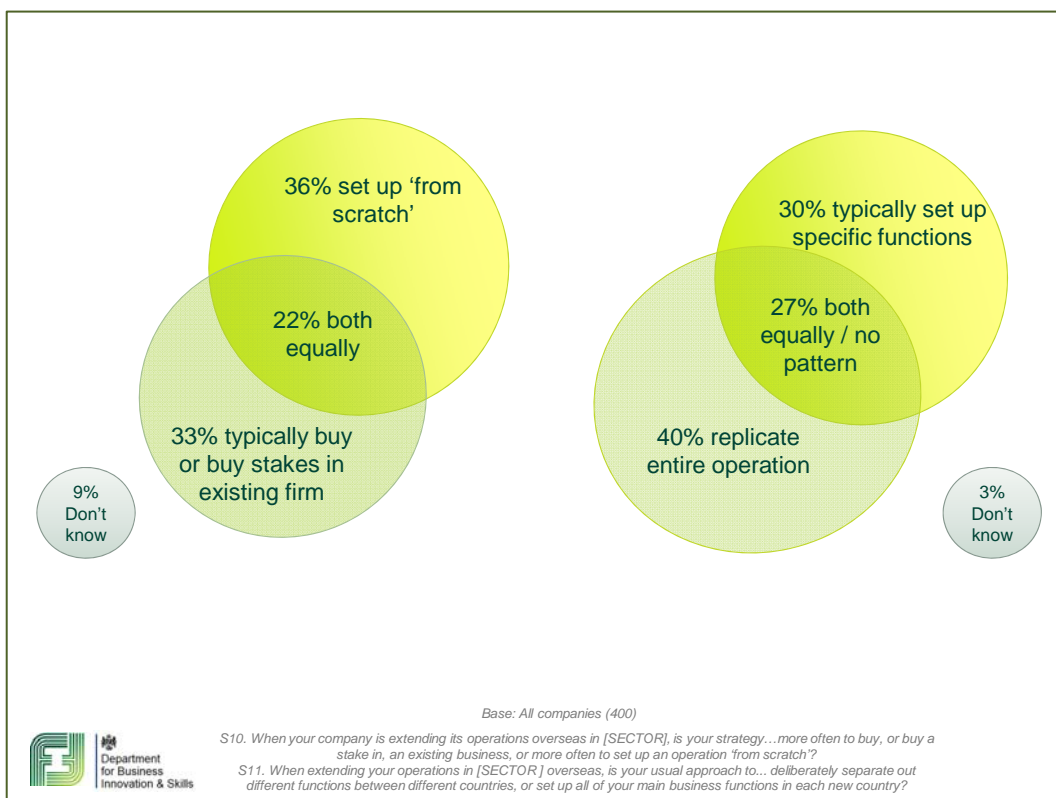
- Multinational firms tend to follow broadly similar strategies wherever they choose to invest
- When investing in the UK, multinationals are less likely to do so by purchasing / holding shares in companies on a “share ownership” basis than they are when investing in other countries
- When investing in the UK, multinationals are also less likely to replicate their entire operations here than when they are investing in other countries
- Most of the multinationals which invest in the UK also have investments elsewhere, with most owning sites in other countries

Figure 1 outlines how the firms surveyed (those with a UK presence and those without combined) typically go about extending their operations overseas, i.e. whether they typically:

Set up sites or branches ‘from scratch’, or buy a stake in an existing business; and

Create a replica of their entire operation in the ‘new’ territories, or set up specific functions there.

**Figure 1: Multinational firms’ typical approach to extending their operations into ‘new’ territories**



There is a fairly even split between those firms who say they tend to typically buy, or buy stakes in, an existing business (33%) and those who typically set up 'from scratch' (36%) when extending their operations overseas.

Firms are more likely to replicate their entire operation when entering a 'new' territory, than they are to dedicate territories to specific functions: two in five firms (40%) tend to replicate their entire operation when extending their operations, compared to just under a third (30%) who typically set up specific functions in countries outside of their own.

There were no differences in the patterns of findings between those with a UK presence and those without.

Firms were asked about the length of time that they have been operating in their relevant sector anywhere in the world and in the UK specifically (if they had a UK presence). The majority of firms, both with and without a UK presence, have been operating outside of their 'home' country for 10 years or more (Table 8). A small proportion of firms with a UK presence are relatively new to operating in the UK (2% under 1 year, and a further 10% at least 1 year but less than 5 years).

**Table 8: Length of time operating anywhere in the world and in the UK**

	Firms with a UK presence		Firms with <u>no</u> UK presence
	Nature of investments in the UK	Nature of other international investments (i.e. outside of 'home' territory)	Nature of international investments (i.e. outside of 'home' territory)
<i>Base</i>	229	229	171
	%	%	%
Under 1 year	2	0	0
At least 1 year but less than 5 years	10	0	4
At least 5 years but less than 10 years	18	3	13
10 years or more	71	96	83

Finally, as indication of the 'health' of the multinational employers surveyed, they were asked about the future outlook for their business over the next 12 months. Among those with a UK presence, the majority are optimistic: three-quarters (74%) expect their business to grow (27% grow significantly and 48% grow slightly). A small proportion (8%), however, feel their business will contract over the next 12 months (7% contract slightly and 1% contract significantly or close down) and around one in six (16%) believe their business will remain at about the same level.

The outlook for firms with no UK presence is much the same, with three-quarters (76%) expecting their business to grow (25% grow significantly and 51% grow slightly). Again, a small number of these firms (6%) feel their business will contract over the next 12 months (5% contract slightly and 1% contract significantly or close down) and 18% believe their business will remain much the same.

# Important factors in investment overseas

## Key findings

- Businesses expand their operations into new territories when they perceive there to be a market in those territories which is ripe to be exploited, and when the climate / environment is stable and propitious.
- The survey evidence suggests that the skills and work ethic of the workforce are very much a secondary consideration for multinational employers. That said, given a choice of territories with positive markets, the one with the strongest workforce skills and work ethic is likely to win the day.
- It is the skills of the management, intermediate / professional and skilled manual tiers of the workforce that are the most important. The skills and work ethic of low skilled manual staff is of far less consequence.
- The specific skills which are most important to multinational employers largely tend to be 'softer' skills such as business development, sales and marketing; team working and motivational skills; and managerial / leadership skills. That said, approaching three-fifths of employers say they value ready-to-deploy specialist skills over a good basis of general skills, implying that multinationals may be thinking of these 'softer' skills in an 'applied' sector-specific context.
- Around one in six, however want 'hard' job-specific technical skills most likely to be engineering or sector-specific technology.

## Factors influencing choice of territories to enter

In order to attract inward investment it is critical to understand what it is that drives multinational employers to extend their operations into certain territories and not others. Employers were asked to describe how the process of choosing countries to invest in, works within their organisation.

They were also asked what factors are important to them, when thinking about a country's suitability as a territory in which to expand their operations: they were first asked to mention factors spontaneously, and were then prompted with a list. This list of factors included workforce-related ones – i.e. the availability of a knowledgeable and skilled workforce; and the availability of a workforce with a strong work ethic – alongside wider factors, such as a stable economic environment and a favourable bureaucratic, political

and regulatory environment. They were then asked to decide which of these factors has the single greatest influence on their investment decisions.

It is a market for the firm's products and services that repeatedly emerges as the key factor in the choice of a new territory. When multinational employers are asked to spontaneously describe the process of choosing countries to invest in, a *market for their products and services* is the most mentioned consideration (UK presence: 56%; no UK presence: 53%).

By comparison, *the availability of a knowledgeable, skilled workforce* and a *workforce with a strong work ethic*, - i.e. the factors of key interest to this study - are well down the list, being spontaneously mentioned as a consideration by a minority of multinational employers (11% of those with a UK presence and 15% of those without cite a *knowledgeable, skilled workforce*; 4% of those with a UK presence and 5% of those without cite a *workforce with a strong work ethic*).

When asked to identify the single most important factor in choosing a country in which to extend operations, the market again emerges as key.

Figure 2 highlights the single most important factor that multinational employers (both with and without a UK presence) state influences their decisions on where to invest, showing these in bold bars. This shows a *market for their products and services* is by far the single most important reason, and is particularly critical for those who have chosen to invest in the UK.

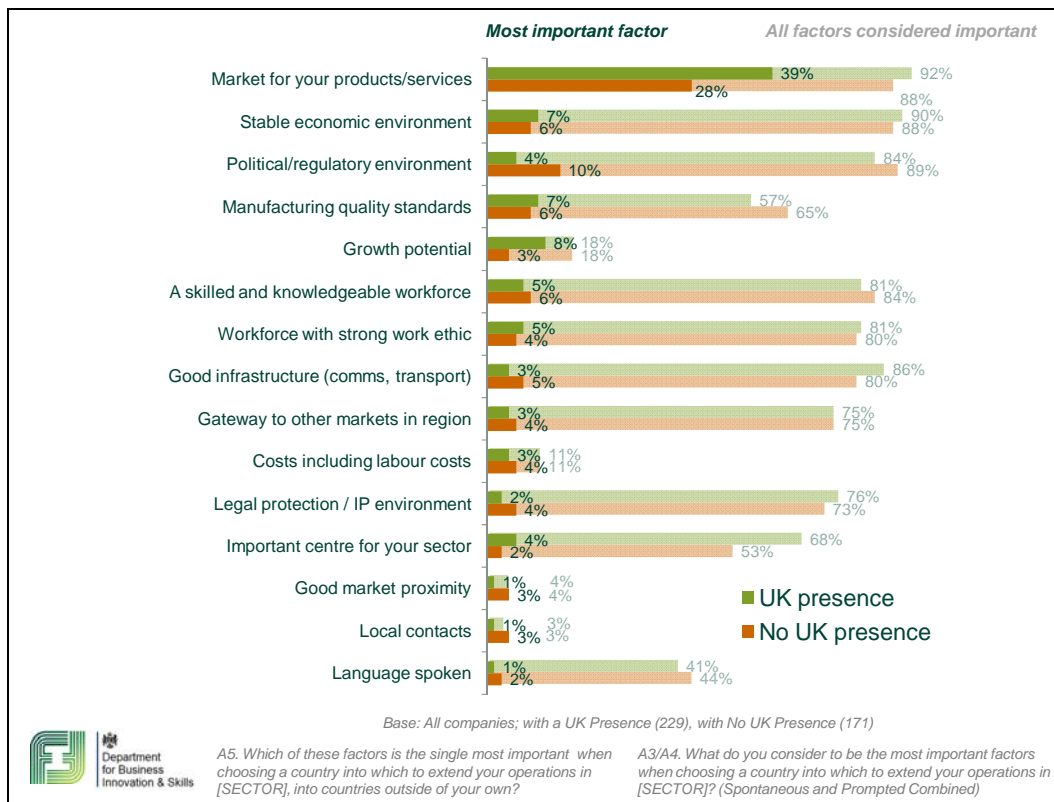
The chart then shows – in the lighter “shadow” bars lying underneath the main bar - the proportion of multinational employers citing each factor as *one of the most important* (i.e. when firms are able to cite more than one factor as being important in choice of country into which to extend operations). The chart combines their spontaneous answers with their answers when prompted with a list.

When allowing multinational employers to cite multiple factors as an influence on their decisions, there is less differentiation between the various factors: although nearly all employers now see a *market for their products and services* (UK presence: 92%; no UK presence: 88%) as one of the most important factors, at least eight in ten employers, both with and without a UK presence, also see a *stable economic environment* (90%, 88% respectively), a *favourable political / regulatory environment* (84%, 89% respectively), *good infrastructure* (86%, 80% respectively), a *skilled and knowledgeable workforce* (81%, 84%) and a workforce with a *strong work ethic* (81%, 80% respectively) as being among the most important factors when choosing a country into which to extend operations.

It is notable that, even when prompted, under half of employers believe that a *good reputation for research and innovation* (UK presence: 35%; no UK presence: 40%) and *language spoken* (UK presence: 41%; no UK presence: 44%), factors which may be expected to feature as more key, are among the most important factors when choosing a country in which to invest.



**Figure 2: The single most important factor in choice of country in which to extend operations**



Multinational employers with a presence in the UK tend to follow the same pattern as employers with no direct dealings in the UK in terms of what they identify as the most important factors in overseas investment decisions, with the exception of a territory being an *important centre for businesses in your sector*, which is less likely to be seen as important by those with no UK presence (53%, vs. 68% among those with a UK presence).

Those who did not mention, either spontaneously or when prompted, that *availability of a knowledgeable and skilled workforce* or *availability of a workforce with a strong work ethic / hardworking* were among the most important factor when choosing a country into which to extend operations, were asked a follow up question specifically asking them about the importance of these factors. Their answers suggest that workforce skills and work ethic are of moderate importance:

- Of those with a UK presence who do not identify availability of a knowledgeable and skilled workforce as one of the most important factors, 60% said this is either very important (19%) or fairly important (42%) when prompted on a scale of very important to not at all important. A similar proportion of employers with no UK presence (56%) also feel this is important when considering extending operations in countries outside of their own (19% very important, 37% fairly important).
- In terms of those with a UK presence who do not identify availability of a workforce with a strong work ethic / hardworking as one of the most important factors, 67% said this is either very important (14%) or fairly important (53%) when prompted on

a scale of very important to not at all important. A similar proportion of employers with no UK presence (62%) also feel this is important when considering extending operations in countries outside of their own (21% very important, 41% fairly important).

## Requirements from the workforce in 'new' territories

Employers were asked a series of questions regarding their requirements of a workforce in a 'new' territory being considered for inward investment. In order to more precisely focus respondents' answers, they were first asked at what specific level of staff, the availability of a skilled workforce with a strong work ethic matters the most when weighing up a country's suitability as a territory in which to extend their operations.

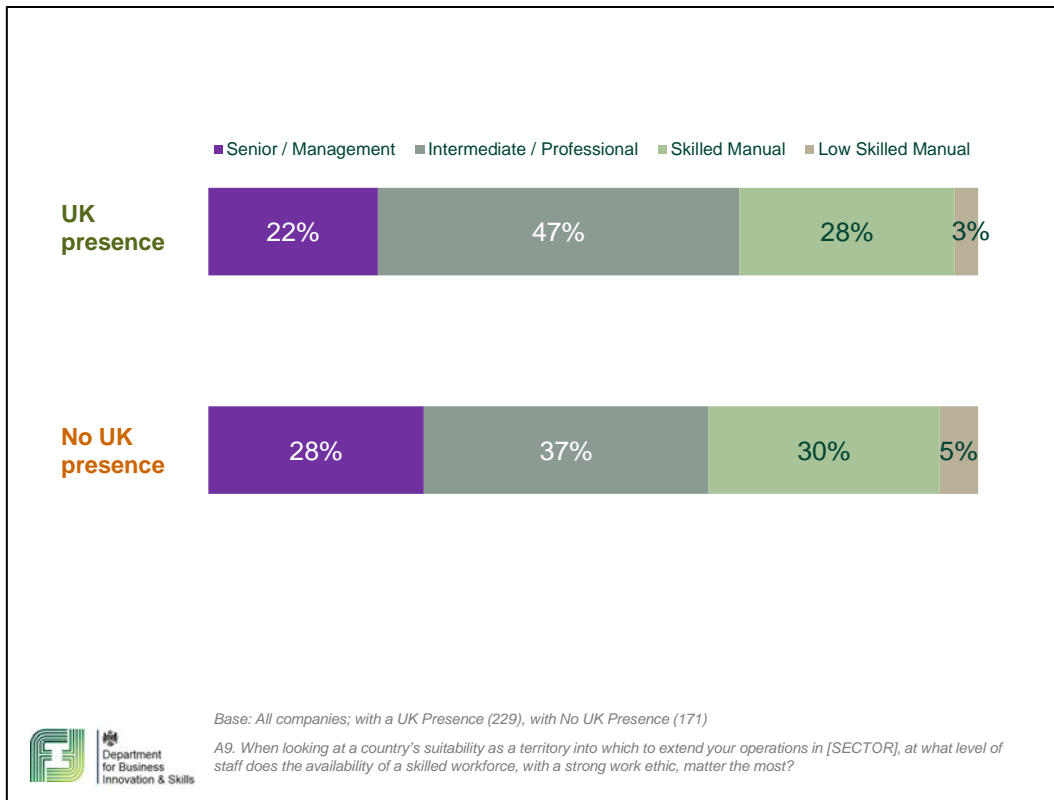
Skills and work ethic at all levels, with the exception of the low skilled manual level, are key when considering new territories (Figure 3).

The intermediate / professional level of staff is more likely to be of key importance to multinational employers with a UK presence: almost half (47%) cite this staff level as key, compared with 37% of those with no UK presence.

Just over a quarter (28%) of those with a UK presence cite skilled manual as the level of staff which matters the most, followed by around a fifth (22%) who cite the senior management as their key staff level. Only three per cent of those with a UK presence say the low skilled manual staff level is key.

Among multinational employers with no UK presence, the lower proportion citing 'intermediate / professional' as their key staff level means that there is a slightly more even split between those who think the intermediate / professional level of staff (37%), the skilled manual level (30%) and the senior / management level of staff (28%) matters the most in investment decisions. Again, a very small proportion feels that the low skilled manual level of staff is of key importance in their decision-making (5%).

**Figure 3: Staff level at which a skilled workforce with a strong work ethic matters the most**

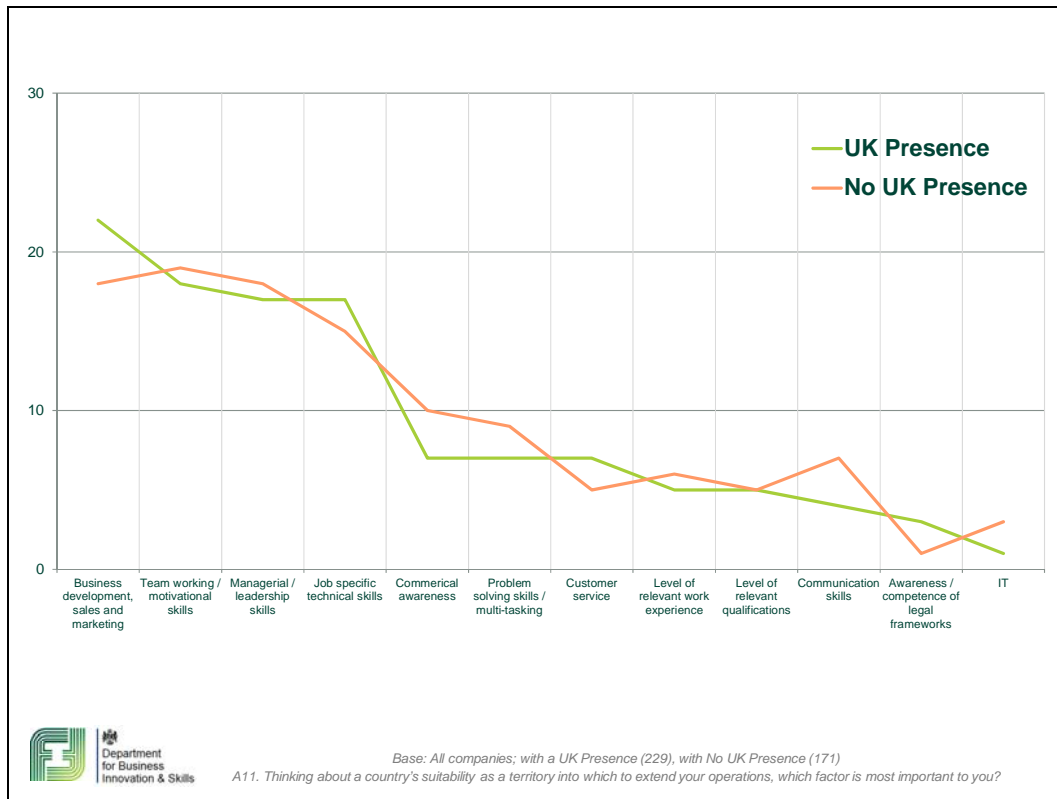


The responses given by multinational employers regarding the level of staff that matters the most, was used to frame their answers to further questions.

In order to understand how workforce skills impact on employers' willingness to invest in the UK and other territories, employers were asked which specific sets of skills are important to them. Firms were prompted with a list of skills and were asked which are important, when thinking about a country's suitability as a territory in which to expand their operations. They were then asked to choose which of these skills is the single most important in influencing their investment decisions.

Figure 4 shows that the workforce skills which are most important to employers, both with and without a UK presence, largely tend to be 'softer' business skills (skills that are more subjective and often associated with personal attributes or character) such as *business development*, *team working* and *leadership*. In addition, however, *job specific technical skills* also sits towards the top of the priority list for multinationals when considering the workforces of target territories for investment.

**Figure 4: The single most important factor in relation to workforce skills when thinking about a country's suitability as a location in which to extend operations**



Among multinational employers with a UK presence, *business development, sales and marketing* (22%) is the single most important workforce skill when considering a country's suitability in which to invest. This is particularly important to French multinationals with a UK presence, with around half (52%), citing it as the single most important workforce skill when considering overseas investments. *Business development, sales and marketing* is also relatively important to multinationals with no UK presence (18% cite it as the single most important factor), and it is especially likely to be important to multinationals without a UK presence in the ICT sector (32%) and, again, those that are based in France (35%).

The single most important factor to those with no UK presence, however, is *team working / motivational skills*, cited by a fifth (19%). The largest multinationals in this group (5,000 or more employees globally within sector) are more likely to cite this as their most important workforce skill than employers in other size bands (44%). Among multinationals *with a UK presence*, just under a fifth (18%), cite this as the most important workforce skill in their decisions to invest overseas.

*Managerial and leadership skills* are also important to employers both with and without a UK presence (17% and 18% respectively cite it as their single most important factor). This is, unsurprisingly, more likely to be of importance to multinationals who valued skills at senior / management level the most, when asked at what level of staff skills had the biggest impact (37% of these employers with a UK presence, and 27% of these employers with no UK presence, cite *managerial and leadership skills* as their single most important skill).

The primary 'hard' skill area<sup>14</sup> that stands out as important to multinationals is *job specific technical skills*, rated as the single most important workforce skill by around one in six multinational employers (17% with a UK presence, 15% with no UK presence). This was especially important to Germany-based multinationals with no UK presence, with a quarter (24%) of these citing *job specific technical skills* as their single most important skill.

When widened to include *any* skill that employers believe are important when thinking about a country's suitability in which to extend operations (i.e. when respondents are able to select multiple skills as important), there is less differentiation in employers' responses. Two thirds or more of employers see all of the factors shown in Figure 4 as important.

When more than one factor can be chosen as important, the proportion of employers citing *team working / motivation skills* rises to the top of the list of most important factors, cited by around nine in ten employers (UK presence: 91%; no UK presence: 92%). Notably, this is closely followed by *communication skills* (UK presence: 90%; no UK presence: 87%), despite the fact that, when asked to choose the *single* most factor, this sits towards the bottom of the priority list.

It is worth noting that, although *business development, sales and marketing; team working / motivational skills; and managerial and leadership skills* emerged as the single most important workforce factors, multinational employers, both with and without a UK presence, claim that they want specialist skills that are ready-to-deploy in their sector (as shown in Figure 5).

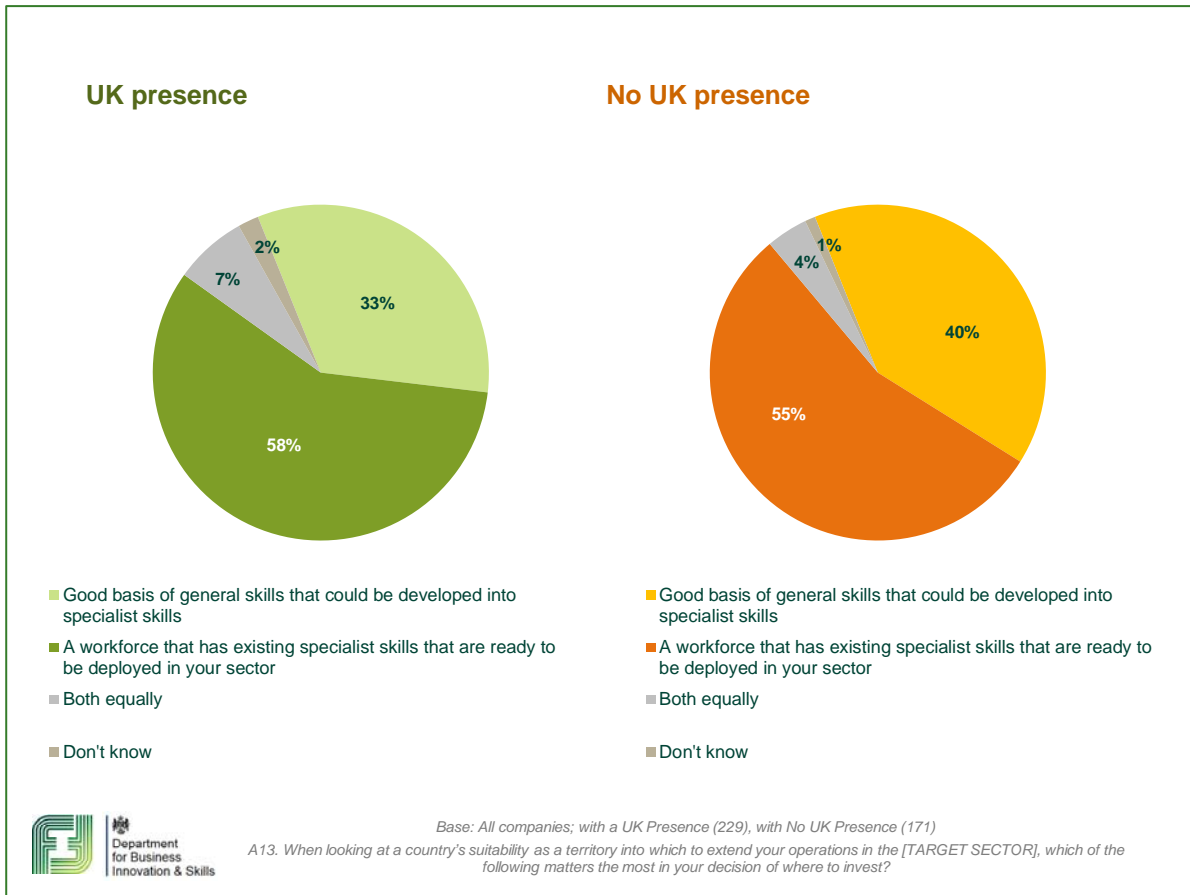
Allowing firms to give multiple answers so as to include *any* skill considered important (as previously shown in Figure 3) gives us sufficient responses to enable us to examine the individual *job-specific technical skills* that multinational employers value. These are most likely to be *engineering* (UK presence: 11%; no UK presence: 13%) or *sector-specific technology* (UK presence: 10%; no UK presence: 12%), followed by *manufacturing / production skills* (UK presence: 7%; no UK presence: 7%).

Figure 5 shows that multinational employers are more likely to want *ready-to-deploy specialist skills* (UK presence: 58%; no UK presence: 55%), than *a good basis of general skills* (UK presence: 33%; no UK presence: 40%). This may imply that employers are thinking of these so-called 'softer' skills (i.e. *business development, sales and marketing; team working / motivational skills; and managerial and leadership skills*) in an 'applied' sector-specific context.

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<sup>14</sup> By "hard skill areas" we are referencing specific, teachable abilities that are based in fact.

**Figure 5: Whether general skills or existing specialist skills are more important when looking at investment**



# Perceptions of the UK workforce

## Key findings

- The UK is rated second out of seven countries, for its workforce skills overall (just behind Germany and just ahead of the USA).
- In terms of specific skills, multinational employers hold relatively positive perceptions of the UK workforce's team working and motivational skills; and communication skills. Though seen as strengths by many, the UK's level of relevant qualifications, and work ethic, are more polarising, in that substantial minorities see these as weaknesses.
- Though viewed as a UK workforce strength, team working and motivational skills appears to be an area in which perceptions of the UK workforce appear to be weaker, relative to its perceived importance to employers. This is also true of managerial and leadership skills; business development, sales and marketing skills; and job-specific technical skills.
- The UK is perceived to be ahead of Germany and the USA for commercial awareness; and communication skills; but behind Germany and the USA for problem solving and multi-tasking skills; and level of relevant work experience.
- Multinational firms not currently in the UK under-rate the UK workforce for its skills at professional / intermediate and (to a lesser extent) skilled manual levels of staff (firms in the UK rate skills at these levels more highly).
- The most-mentioned desired improvement to UK workforce skills, for employers both with and without a UK presence, is that of improved training or education opportunities.
- These perceptions are primarily driven by direct dealings with individuals in different territories, particularly among employers with a UK presence. Although direct dealings with individuals in different territories was also the most mentioned influence for employers with no UK presence, this group of employers was more likely to those with a UK presence to mention general media consumption and trade press in driving their impressions of the workforce in different territories.

## Perceived strengths and weaknesses of the UK workforce

Multinational employers were asked what they considered to be the strengths and weaknesses of the UK workforce. Respondents answered in relation to the workforce in their sector, and at the level of staff (i.e. senior / management, intermediate / professional,

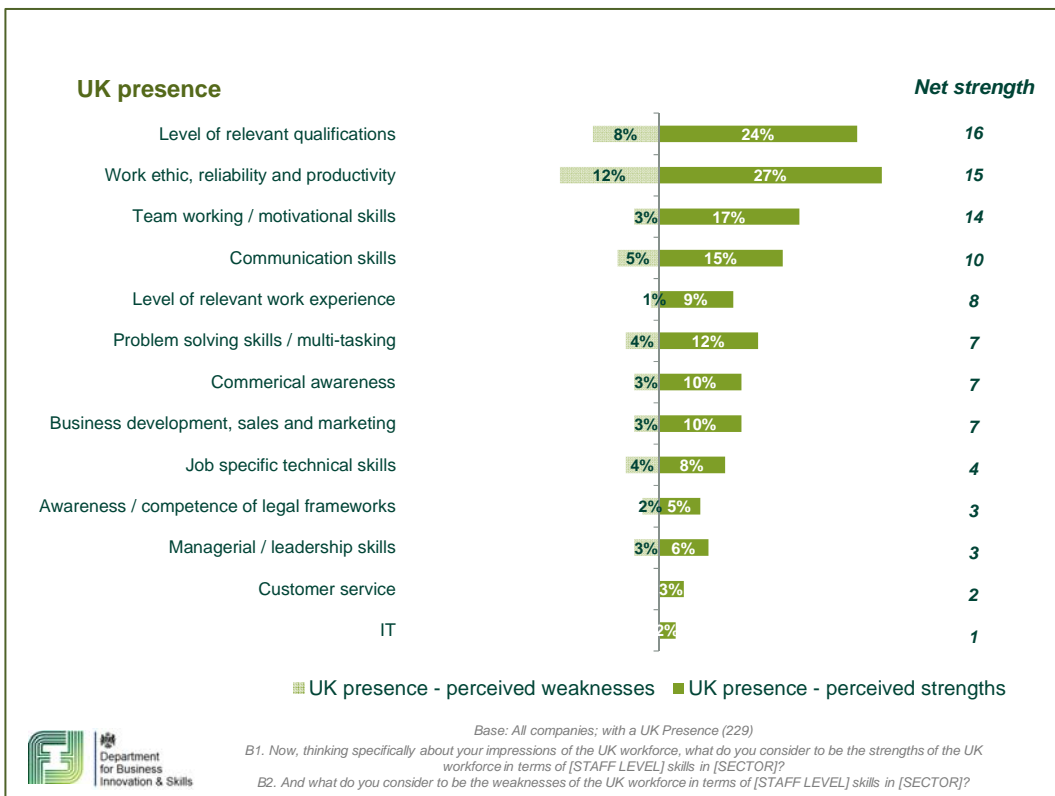
skilled manual or low skilled manual) that they had chosen as most important in making their investment decisions.

By subtracting the percentage selecting each skill as a perceived weakness, from the percentage selecting each skill as a perceived strength, we can calculate a figure for the net perceived strength of the UK workforce for each skill. The results are shown in the following two charts (Figure 6 and Figure 7).

Using these net strength scores, we can see that employers with a UK presence, and those without one, are consistent in being relatively positive in relation to the UK workforce's *level of relevant qualifications; team working and motivational skills; communication skills; and work ethic, reliability and productivity. Managerial / leadership skills* are perceived *less positively* by those *with* a UK presence than those without one.

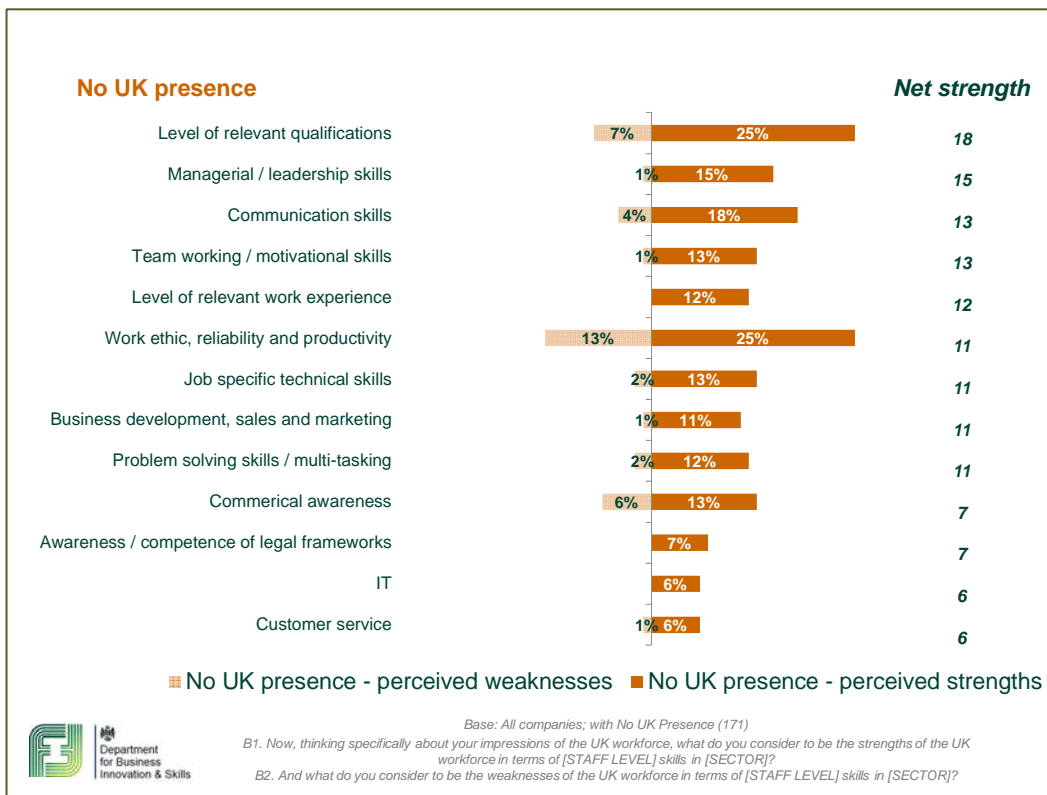
Relatively small proportions cite each skill as a weakness, with two notable exceptions: *level of relevant qualifications; and work ethic, reliability and productivity* both elicit more polarised responses, with substantial proportions citing them as both strengths and weaknesses. This is true of both those with, and those without, a UK presence currently.

**Figure 6: Perceived strengths and weaknesses of the UK workforce (multinational employers with a UK presence)**





**Figure 7: Perceived strengths and weaknesses of the UK workforce (multinational employers with no UK presence)**



The chart overleaf compares the proportion of employers citing each skill as the single most important in their investment decisions (represented by the solid lines), with the net perceived strength of the UK workforce for each skill (represented by the individual data points)<sup>15</sup>. This gives us an indication of how perceptions of the UK workforce compare with the factors that multinational employers consider important when choosing territories into which to extend their operations. Findings for employers *with* a UK presence are in the graph on the left; and those *without* are in the graph on the right (Figure 8).

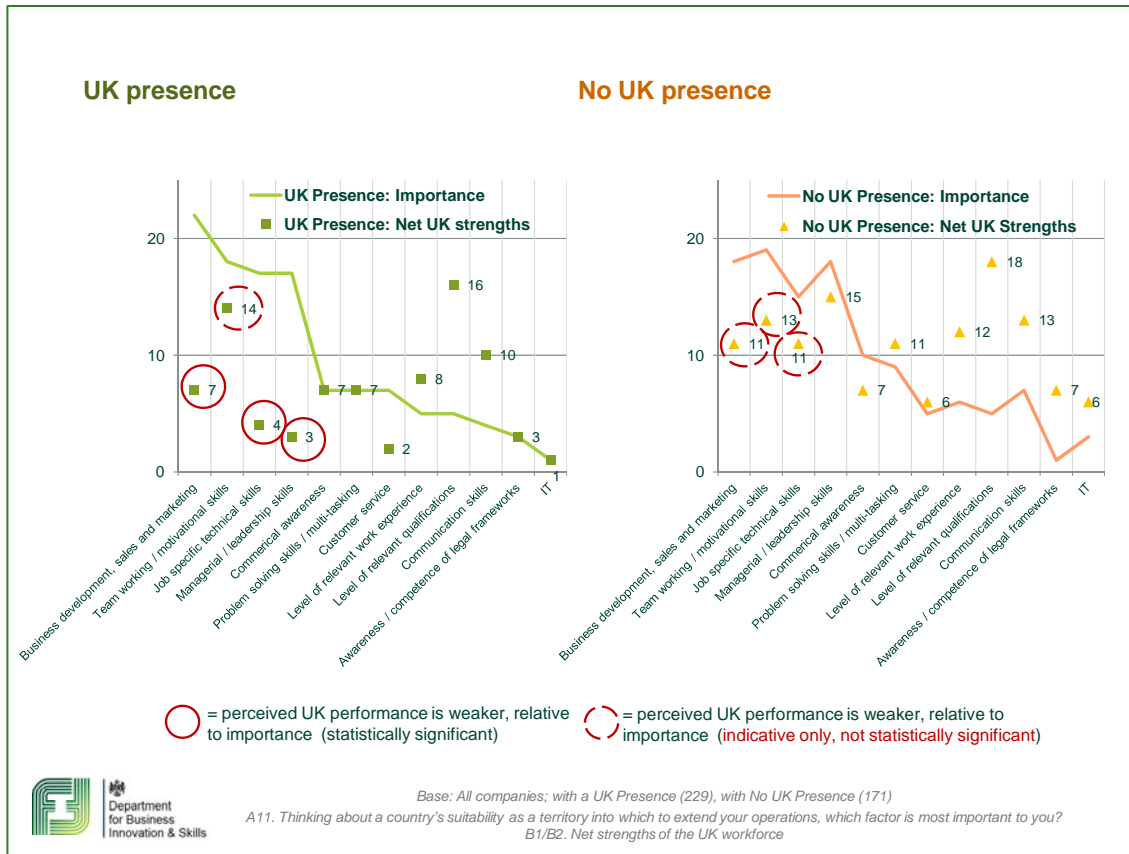
*Team working and motivational skills; business development, sales and marketing skills; and job-specific technical skills*, are all areas in which perceptions of the UK workforce appear to be weaker, relative to their perceived importance in choosing ‘new’ territories as targets for investment. Among employers with a UK presence, *Managerial and leadership skills* are also perceived to be weaker in terms of UK performance relative to their perceived importance.

The ‘gap’ between importance and net strength is statistically significant for those skills indicated by a solid red circle, i.e. *managerial and leadership skills; business development,*

<sup>15</sup> I.e. by subtracting the percentage selecting each skill as a perceived weakness, from the percentage selecting each skill as a perceived strength. Again, respondents answered in relation to the workforce in their sector, and at the level of staff (i.e. senior / management, intermediate / professional, skilled manual or low skilled manual) that they had chosen as most important in making their investment decisions.

sales and marketing skills; and job-specific technical skills, among those with a UK presence.

**Figure 8: Net strengths of the UK workforce versus perceptions of the most important factor**



As respondents' answers about the perceived strengths and weaknesses of the UK workforce were given in relation to the level of staff / skills (i.e. senior / management, intermediate / professional, skilled manual or low skilled manual) that they had chosen as most important in making their investment decisions, we can compare the net perceived strengths of the UK workforce between one staff level and another<sup>16</sup> (Figure 9). Each staff level is represented by a coloured line, with the individual skills running along the bottom axes. The perceptions of employers with a UK presence are represented by the graph on the left; and those of employers without a UK presence by the graph on the right.

By comparing the two graphs, we can see that firms *with* a UK presence rate UK workforce skills most highly at the Professional / Intermediate level (the solid purple line) and the Skilled Manual level (the dashed turquoise line).

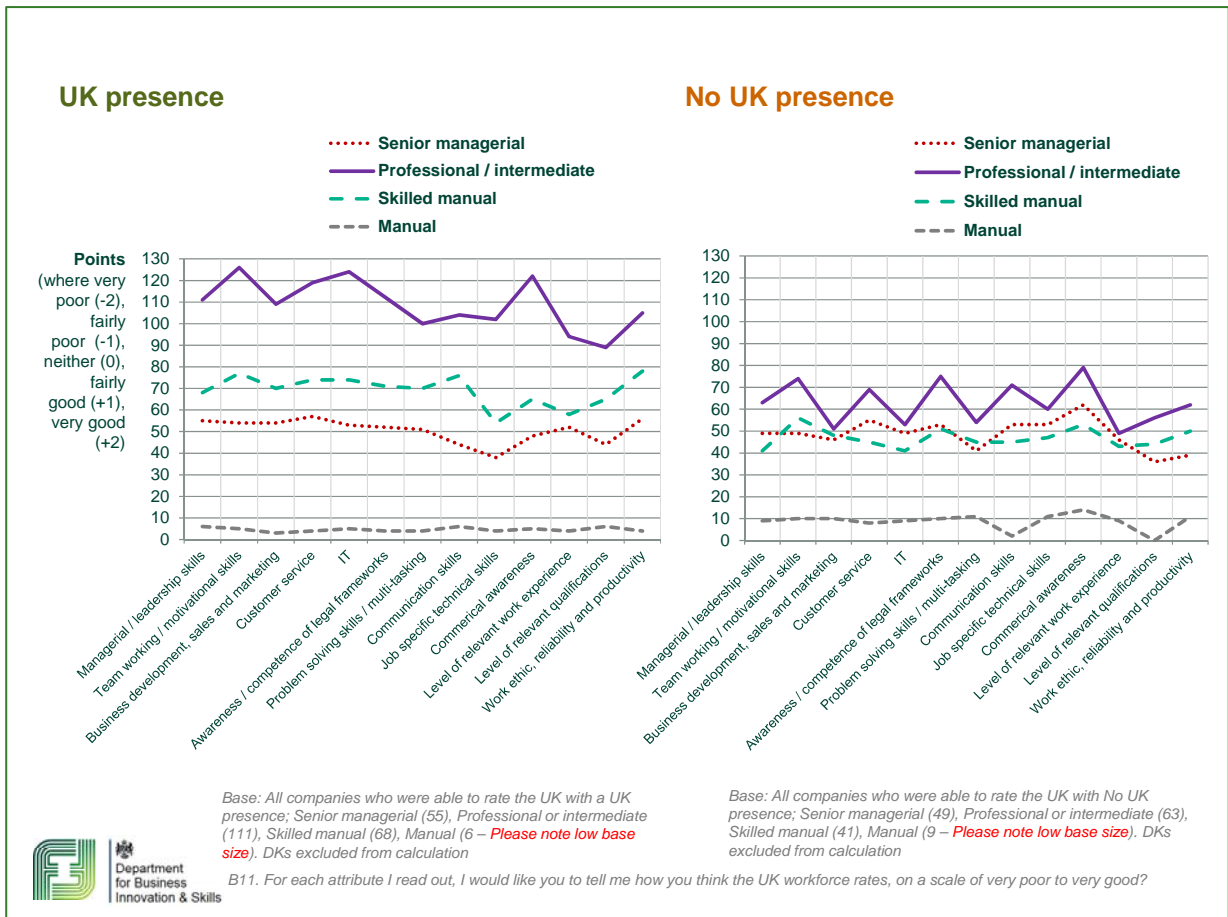
The UK workforce is under-rated for these skills levels by those *not* present in the UK (i.e. because the net strength figures for the workforce at the Professional / Intermediate and

<sup>16</sup> Again, responses were given in relation to the workforce in their sector.

Skilled Manual levels are higher among those already in the UK, than among those not in the UK currently).

There is less variance in the rating of the skills of senior managers.

**Figure 9: Net strengths of the UK workforce by most important staff / skill level when thinking about a country's suitability into which to extend operations**



## Comparative perceptions of the UK workforce and their skills

In order to understand how the UK workforce is perceived to perform against multinational employers' needs – and by comparison with other countries' workforces – respondents were asked to:

- Give their overall impression of the UK workforce, and those of six selected competitor territories, for their skills (in the respondent's sector, and at the staff level they consider to be key<sup>17</sup>), on a scale from 'very unfavourable' to 'very favourable';

<sup>17</sup> Respondents answered in relation to the workforce in their sector, and at the level of staff (i.e. senior / management, intermediate / professional, skilled manual or low skilled manual) that they had chosen as most important in making their investment decisions.

- Rate the UK workforce and one competitor workforce on a number of skills attributes (again, for staff in the respondent's sector, and at the staff level they consider to be key). The competitor country chosen was the one to which the respondent had given the highest favourability rating<sup>18</sup>.

The table overleaf summarises the ratings of favourability towards the overall skills of each workforce, together with how the ratings of its specific skills compare with the UK workforce<sup>19</sup> (Table 9).

The UK is rated second out of the seven countries explored, for perceptions of its workforce skills overall (just behind Germany, and just ahead of the USA).

It is more differentiated from Germany, the USA, and China, in terms of ratings of specific workforce skills, than it is from the Netherlands, Denmark or France. The extent to which the UK is ahead of or behind its competitors, for perceptions of specific skills, varies from one competitor to another.

There are however, some elements of commonality: the UK is perceived to be behind both Germany and the USA for problem-solving and multi-tasking skills and relevant work experience<sup>20</sup>; but ahead of Germany and the USA for commercial awareness and communication skills (it is also perceived to be ahead of Denmark for the latter).

Considering how this analysis of the competitive set compares to the skill areas that multinationals value the most:

- For business development, sales and marketing skills, the UK is perceived to be behind the USA, and the Netherlands. However, there is an opportunity to bolster the UK's reputation, in that multinationals in the UK tend to rate its workforce as ahead of that of its key overall rival, Germany (the UK workforce is also perceived to be ahead of those of China and, to a lesser extent, France, for this factor);
- For team working and motivational skills; the UK is perceived to be behind China;
- For managerial and leadership skills; the UK is perceived to be slightly behind Denmark, but ahead of China and, to a lesser extent, France;
- For job-specific technical skills, the UK is perceived to be behind Germany and, among multinationals based in the UK, the USA. To a lesser extent, it is also perceived to be behind Denmark.

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<sup>18</sup> If the respondent gave two or more countries the same favourability rating, one of them was picked at random by the Computer Assisted Telephone Interviewing (CATI) program.

<sup>19</sup> In each instance, employers have been excluded from rating the workforce of the territory in which they themselves are based (in relation to both the overall workforce favourability ratings and the ratings of workforces for individual skills).

<sup>20</sup> In relation to the USA, this perception that the UK is behind in terms of relevant work experience is true only in relation to employers with no UK presence.

Table 9: Comparative perceptions of UK workforce skills

	Overall favourability towards workforce skills – in their sector and at their key staff level (% saying 'very' or 'fairly' favourable)		Ratings of workforce on specific skills, vs. the UK – in their sector and at their key staff level
	UK presence	No UK presence	
<i>Base</i>	229	171	
	%	%	
Germany (1 <sup>st</sup> )	80	82	<ul style="list-style-type: none"> <li>• <b>Germany ahead of UK</b> for IT, relevant work experience, problem solving/multi-tasking, job-specific technical skills and work ethic;</li> <li>• <b>UK ahead of Germany</b> for commercial awareness, relevant qualifications and communication;</li> <li>• Those <i>with</i> a UK presence rate the UK as <i>ahead</i> for business development</li> </ul>
UK (2 <sup>nd</sup> )	78	67	-
USA (3 <sup>rd</sup> )	75	66	<ul style="list-style-type: none"> <li>• <b>USA ahead of UK</b> for problem solving/multi-tasking and, among those with no UK presence, business development and level of relevant work experience;</li> <li>• <b>UK ahead of USA</b> for legal awareness/competence, commercial awareness and communication;</li> <li>• Those with UK presence rate UK as behind for job-specific technical skills.</li> </ul>

	Overall favourability towards workforce skills – in their sector and at their key staff level (% saying 'very' or 'fairly' favourable)		Ratings of workforce on specific skills, vs. the UK – in their sector and at their key staff level
	UK presence	No UK presence	
	Base	Base	
	229	171	
	%	%	
Netherlands (4 <sup>th</sup> )	61	62	<ul style="list-style-type: none"> <li>• Less differentiation in ratings of UK vs. Netherlands;</li> <li>• <b>Netherlands ahead of UK</b> for business development;</li> <li>• <b>UK ahead of Netherlands</b> for customer service;</li> <li>• Those with no UK presence rate UK as ahead for legal awareness/ competence.</li> </ul>
Denmark (5 <sup>th</sup> )	47	54	<ul style="list-style-type: none"> <li>• Little differentiation in ratings of UK vs. Denmark;</li> <li>• <b>Denmark slightly ahead of UK</b> for managerial/leadership skills, job-specific technical skills and work ethic;</li> <li>• <b>UK ahead of Denmark</b> for customer service and (especially among those with a UK presence) relevant qualifications and communication skills.</li> </ul>

	Overall favourability towards workforce skills – in their sector and at their key staff level (% saying 'very' or 'fairly' favourable)		Ratings of workforce on specific skills, vs. the UK – in their sector and at their key staff level
	UK presence	No UK presence	
	Base	Base	
	229	171	
	%	%	
China (=6 <sup>th</sup> )	38	45	<ul style="list-style-type: none"> <li>• <b>China ahead of UK</b> for relevant qualifications, team working/motivation, customer service (especially among those with no UK presence); communication; and commercial awareness (especially among those with a UK presence);</li> <li>• <b>UK ahead of China</b> for managerial/leadership skills, business development and work ethic (especially among those with no UK presence); and relevant work experience.</li> </ul>
France (=6 <sup>th</sup> )	39	43	<ul style="list-style-type: none"> <li>• Little differentiation in ratings of UK vs. France;</li> <li>• <b>UK slightly ahead of France</b> for business development; and (particularly among those with a UK presence) managerial / leadership skills;</li> <li>• Those with a UK presence rate UK as slightly ahead for IT (but those with no UK presence rate the UK as behind France for this).</li> </ul>

## Potential improvements to the UK workforce

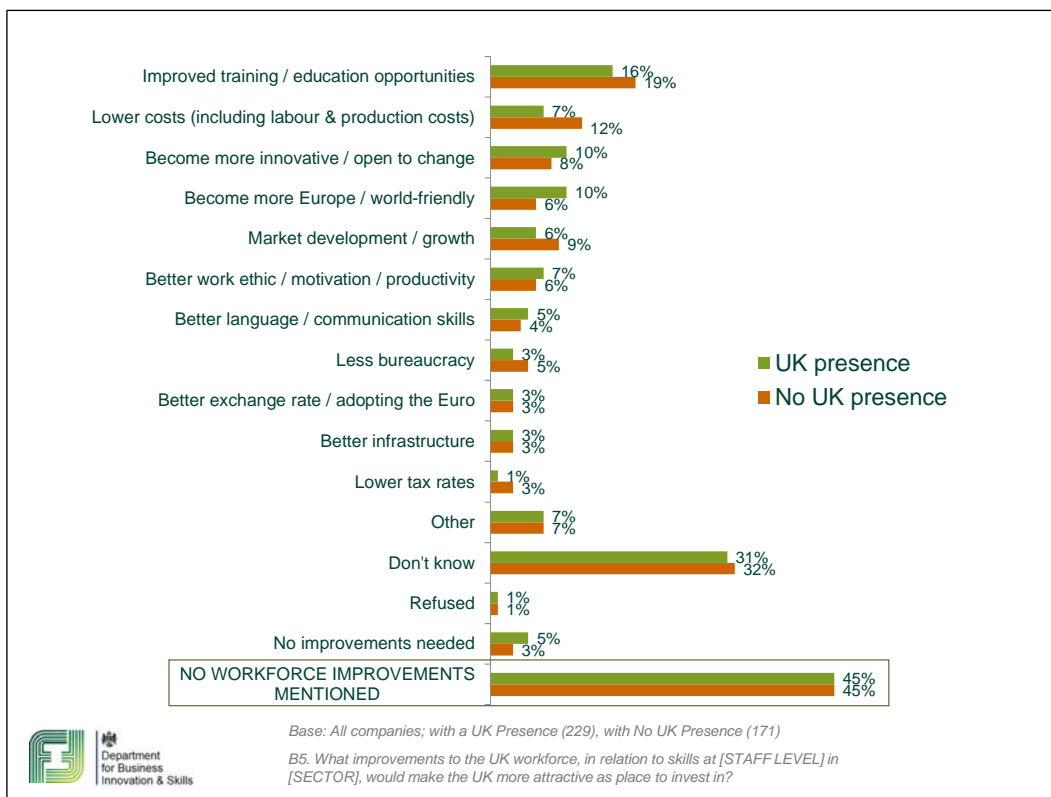
Employers were asked what improvements to the UK workforce would make the UK more attractive as a target for their inward investment<sup>21</sup> (Figure 10).

The most-mentioned desired improvements relate to *improved education and training opportunities* (cited by 16% of those with a UK presence, and 19% of those without one); *becoming more innovative and open to change* (10% of those with a UK presence; 8% of those without); and *becoming more Europe / world-friendly* (10% of those with a UK presence; 6% of those without). Responses from employers with a UK presence, and those without, are largely consistent.

Only around one in twenty state that no improvements are needed (5% of those with a UK presence; 3% of those without).

Some of the improvements suggested, however, are wider issues, rather than workforce-specific ones (e.g. *tax rates, infrastructure, and the exchange rate*). When this, and the proportion saying 'don't know', is taken into account, this gives us 45% (of employers both with, and without, a UK presence) who do not identify any workforce improvements.

**Figure 10: Improvements to the UK workforce that would increase the UK's appeal as a place to invest in**



<sup>21</sup> Again, respondents were prompted to answer in relation to the workforce in their sector, and at the level of staff (i.e. senior / management, intermediate / professional, skilled manual or low skilled manual) that they had chosen as most important in making their investment decisions. Responses were spontaneous, i.e. not prompted by a list of options.



Among employers *with* a UK presence:

- Those choosing intermediate / professional or skilled manual as the most important staff level in making their investment decisions are more likely to cite improved training or education opportunities as an improvement needed (18% and 22% respectively, vs. 4% of those who choose senior / managerial as their key staff level);
- Those who choose skilled manual as the most important staff level are also more likely to cite lower costs (12%, vs. 2% of those choosing senior / managerial as their key staff level);
- Those who choose senior / managerial as the most important staff level in making their investment decisions are more likely to cite better language / communication skills as desired improvements (each mentioned by 10%, compared with 2% of those who choose skilled manual as their key staff level);
- Those based in Europe are more likely to cite becoming more Europe / world-friendly (15% vs. 3% of those in North America); and
- Those in the Bio-pharmaceuticals / Life Sciences sector are more likely to cite better language / communication skills (13%, vs. 3% of those in Advanced Manufacturing).

Among employers *without* a UK presence:

- Those choosing intermediate / professional as the most important staff level in making their investment decisions are more likely to cite improved training or education opportunities as an improvement needed (27%, vs. 10% of those who choose senior / managerial as their key staff level). This is consistent with the findings for those with a UK presence; and
- Those based in North America are more likely to cite lower costs (28%, vs. 5% of those based in Europe).

## Influences on perceptions of other territories

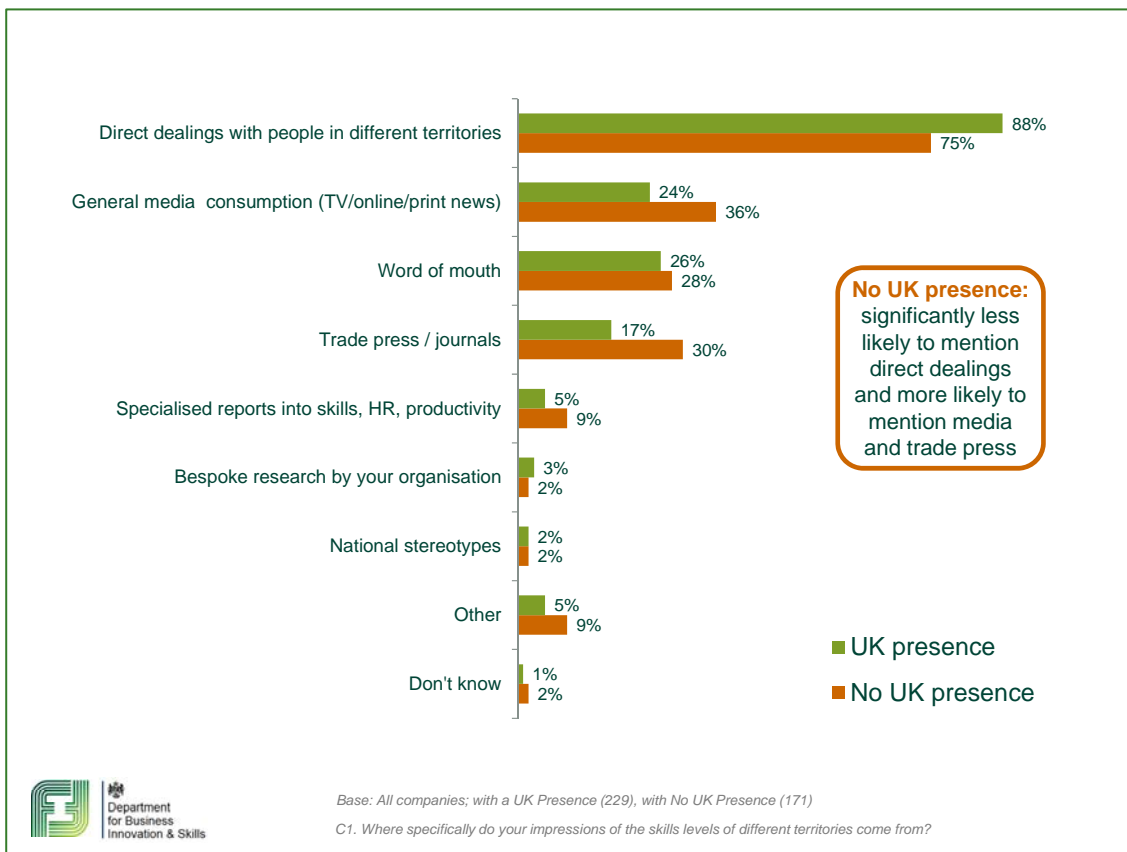
Multinational employers were asked where specifically their impressions of the skills levels of different territories come from<sup>22</sup> (Figure 11).

*Direct dealings with individuals in different territories* is by far the most cited influence. Those with no presence in the UK currently are significantly *less* likely to mention this (75% of those without a UK presence cite *direct dealings* as an influence, vs. 88% of those with one), and are significantly *more* likely to mention *general media consumption* (36% of those with no UK presence vs. 24% of those with one) and trade press or journals (30% of those with no UK presence vs. 17% of those with one). Suggesting, as would be expected, that those with no UK presence rely more on 'hear say' to inform their perceptions.

*Word of mouth* is more likely to be mentioned by firms based in Europe than firms in North America, for both those with a UK presence (37% vs. 16%) and those without one (35% vs. 11%).

Among employers both with, and without, a UK presence, the numbers of respondents holding unfavourable views of the UK workforce overall are too small to permit sub-group analysis; and there are no significant differences according to whether or not firms are likely to extend / further extend their operations into the UK.

**Figure 11: Influences on perceptions of other territories**



<sup>22</sup> Responses were spontaneous, i.e. not prompted with a list.

# What might the future hold?

## Key findings

- Multinational employers tend to perceive the UK workforce's skills base to be either stable or on an upward trajectory, although those already based in the UK are more likely to say this (four-fifths feel skills in their sector, at their key level of staff, have stayed the same or improved over the past 5 years), compared with those not in the UK (just over three-fifths perceive stability or improvement).
- The nature of the perceived improvement tends to revolve around improved commitment or work ethic; increased education or competence; and an increasingly global focus.
- Multinational firms appear, for the most part, to have had a positive experience of inward investment into the UK, and this seems set to pay dividends in future: nearly three-quarters of those already in the UK are happy with their decision to bring their operations here, and these firms are also significantly more likely to invest further in future. ICT firms already in the UK market are particularly likely to add to their existing investment.
- Those not in the UK currently are, therefore, a 'harder target' in inward investment terms, although multinationals based in Europe appear to be better disposed to entering the UK for the first time than those based in North America.
- Consistent with firms' general approach to choosing territories to enter, the availability of a market for their products and services dominates their thinking in terms of whether or not to invest, or invest further, into the UK specifically.

## Perceived direction of travel of the UK workforce

Multinational employers were asked whether they think that the UK workforce's skills (in the employer's sector, and at the staff level they consider to be key<sup>23</sup>) have improved, stayed the same, or worsened over the past 5 years.

Firms are more likely to perceive UK workforce skills to have improved than worsened (among employers with a UK presence, 37% perceive improvement vs. just 7% who

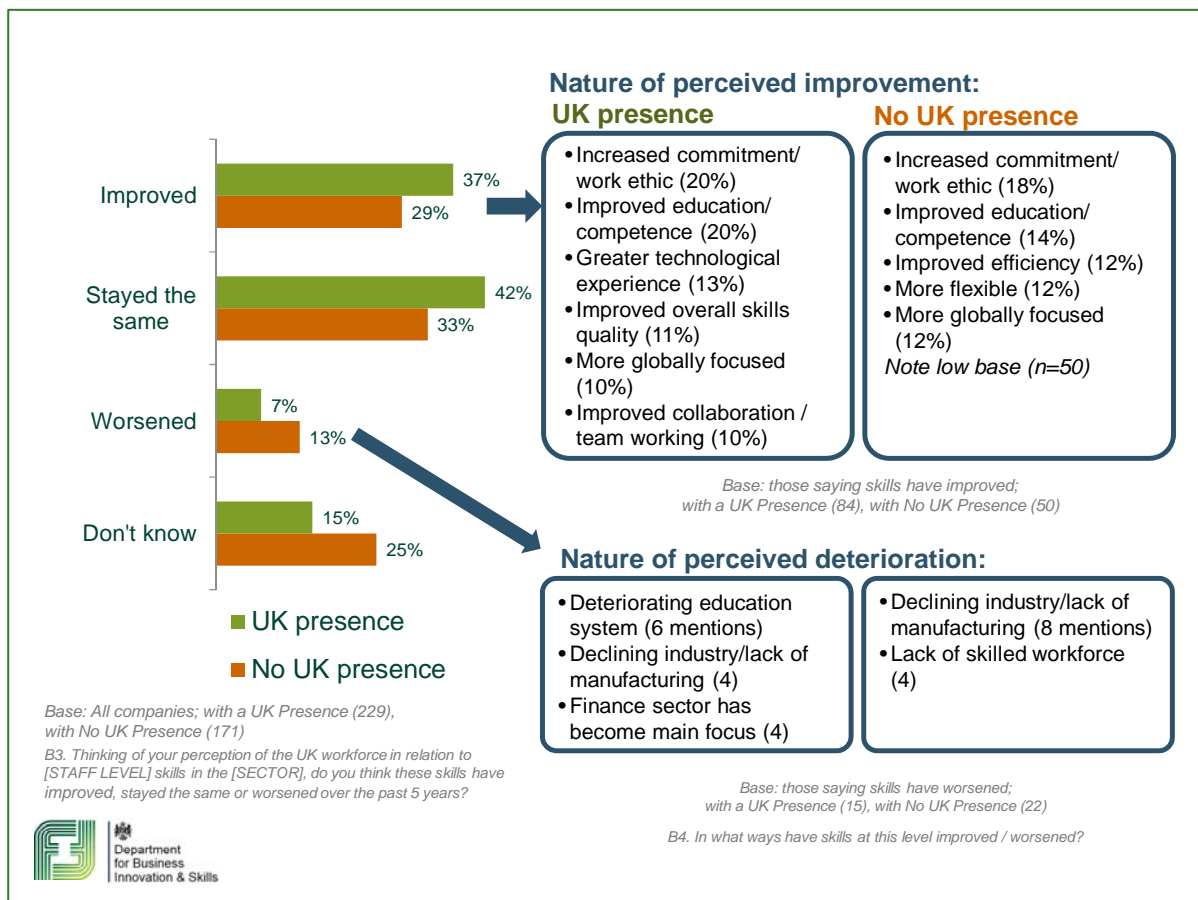
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<sup>23</sup> Respondents answered in relation to the workforce in their sector, and at the level of staff (i.e. senior / management, intermediate / professional, skilled manual or low skilled manual) that they had chosen as most important in making their investment decisions.

perceive decline; among employers without a UK presence, 29% perceive improvement vs. 13% who perceive decline – Figure 12).

Overall, the majority believes UK workforce skills to have either stayed the same or improved (79% of those with a UK presence; and 63% of those without a UK presence). The proportion of those *with* a UK presence who believe this to be the case is significantly higher than it is among those *without* a UK presence. There are no significant differences by sector or region in which employers are based.

**Figure 12: Perceived direction of travel of UK workforce skills**



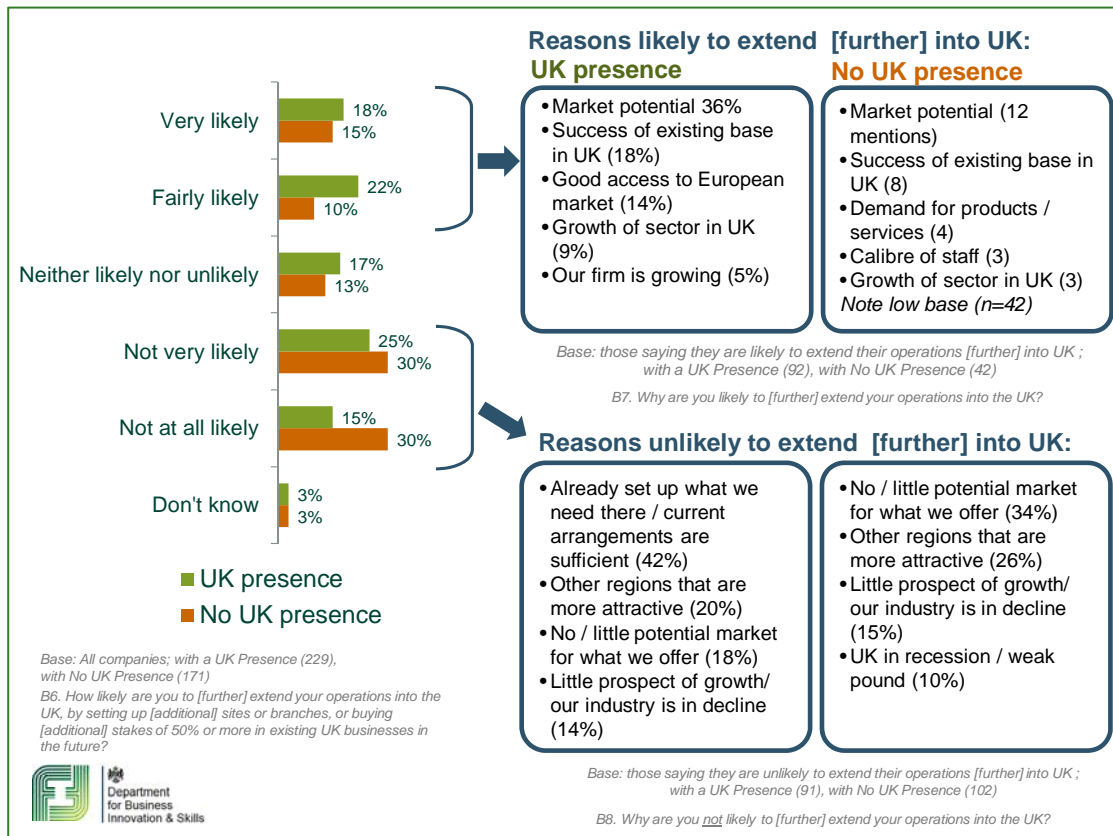
There are commonalities in the nature of the perceived improvement, between employers with and without a UK presence: among groups, an *increased commitment or work ethic*, and *improved education or competence* are the key specific improvements noted (in each case these are mentioned by between one in ten and a fifth of employers perceiving an improvement). An *increased global focus* is also a common theme (cited by 10% of those with a UK presence and 12% of those without one). Again, there are no significant differences by sector or region in which the employer is based.

## Future prospects for expanding into the UK

Multinational employers were asked how likely they are to extend their operations into the UK in future, or – if they already have a UK presence, to *further* extend their existing UK base<sup>24</sup>. Those already in the UK were also asked to what extent their organisation is happy with its decision to locate operations in the UK.

The findings suggest that multinational firms have, for the most part, had a positive experience of inward investment into the UK. Nearly three-quarters (73%) of those with a UK presence are happy with their decision to enter the UK<sup>25</sup>, and these firms already in the UK are also more likely to invest further than those without a UK presence (40% of those with a UK presence are likely to invest further<sup>26</sup>; compared with 25% of those without one – Figure 13).

**Figure 13: Future prospects for expanding / expanding further into the UK**



There are some differences between specific groups of employers:

- Among those with no UK presence, a higher proportion of firms based in Europe are 'very likely' to extend into the UK (19%, vs. 3% in North America); and

<sup>24</sup> By setting up sites or branches, or buying stakes of 50% or more in existing UK businesses.

<sup>25</sup> Thirty-seven per cent are 'very happy', 37% 'fairly happy', and most of the remainder are 'neither happy nor unhappy' (20% say this). Only 3% report being 'fairly unhappy' and none are 'very unhappy'.

<sup>26</sup> Either 'very' or 'fairly' likely to do so.

- Among those with a UK presence, a higher proportion of ICT firms are 'very likely' to further extend into the UK (29%, vs. 14% in Advanced Manufacturing).

Consistent with the key factors influencing multinational firms' choice of territories to enter, the reasons given for being likely to expand or expand further into the UK largely revolve around having a *potential market for their products or services*: the most-cited reasons among those with a UK presence include *market potential* (36%), *good access to the European market* (14%), and *growth of our sector in the UK* (9%) – all clearly market-related – whilst, among those with no UK presence, the single most-mentioned reason is *market potential* (mentioned by 12 of the 42 firms claiming they are likely to expand into the UK).

The leading reason that is not explicitly market-related – the *success of our existing base in the UK* (mentioned by 18% of those with a UK presence and 8 firms without a UK presence<sup>27</sup>) does not explicitly reference the UK workforce or its skills either. Relatively small proportions cite explicitly *workforce/skill-related* reasons for future UK inward investment: *calibre of staff* is mentioned by 4% of those with a UK presence and three firms with no UK presence<sup>28</sup>; and an *English-speaking workforce* is cited by two firms with no UK presence (but not by any of those with a UK presence).

- Among those with a UK presence, firms based in North America are more likely to cite access to the European market as a reason for further expansion into the UK (23%, vs. 2% of those in Europe).
- Workforce/skill-related issues have a similarly low profile when multinational firms give their reasons for being unlikely to expand / expand further into the UK. Just 4% of those with a UK presence and 7% of those without one mention calibre of staff – the sole workforce-related reason cited by those who are unlikely to invest into the UK in future.

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<sup>27</sup> In the case of the latter, it is reasonable to assume that the firms without a UK presence are referring to more informal arrangements through which they trade in the UK market.

<sup>28</sup> Out of the 42 firms without a UK presence who say they are likely to extend their operations into the UK. This is a small base, which is why numbers of individual firms rather than percentages are used to report findings for this group.

# Potential targets when attracting UK inward investment

## Key findings

- Potential 'new' inward investors tend to have a presence in Europe already and are most likely to currently set up operations from scratch.
- For this group of investors, the market is the key driving factor in determining investment in the UK.
- Overall impressions of the UK workforce among potential 'new' investors is positive, however, perceived weaknesses of the UK workforce are work ethic, a UK-centric attitude and lack of flexibility / adaptability.
- Non market-driven investors tend to choose countries to invest in by acting on existing relationships or networks, potential growth within the country and a favourable political, bureaucratic or regulatory environment (once a market for a firm's products and services is removed. Among this group of non market-driven investors the UK's perceived performance appears to lag behind the perceived importance of the skill for managerial, leadership and supervisory skills and job-specific technical skills (for those both with and without a UK presence) and for business development, sales and marketing (for those with a UK presence only).
- The most requested future improvement among non market-driven investors is that of improved education and training opportunities, as cited by firms in general

## The needs and perceptions of prospective 'new' inward investors

This section discusses the needs and perceptions of prospective 'new' inward investors into the UK, i.e. firms with no UK presence who say they are likely to invest in the UK in future.

These 'new' inward investors tend to have a presence in Europe already (74% do so, considerably ahead of their presence in other regions – North America is Europe's closest rival, with 50% having a current presence there). Within Europe, they are most likely to already be in Germany (29%), Spain (14%), or France (10%).

In common with multinational employers in general, these firms are market-driven: 67% spontaneously cite a *market for their products or services* as an important factor when choosing a country in which to invest (by far the most-mentioned factor). Those likely to

invest in the UK are significantly more likely to cite this as a factor than those who are unlikely to invest (67% vs. 44%). This is mirrored by their reasons for being likely to enter the UK specifically: 29% cite *market potential*, 19% cite the *success of the existing UK base*, and 10% cite *demand for their product*.

By comparison, *workforce skills* and *work ethic* have a relatively low profile in the decision-making of future investors: 14% cite a *knowledgeable and skilled workforce* and 7% a workforce with a *strong work ethic* as factors in their decision-making (similarly, just 7% cite staff calibre as a reason for entering the UK specifically). This may not reflect the true importance of workforce skills, however: those who are likely to expand into the UK are significantly more likely to report having a favourable impression of the UK workforce's skills (86% rate their impression as 'very' or 'fairly' favourable, vs. 62% of those who say UK investment is unlikely).

When entering the UK market, they are likely to set up an operation 'from scratch' (48% describe this as their typical approach, ahead of the 29% who tend to buy a stake in an existing firm); and they are slightly more likely to set up all of their functions in the UK (40% typically do this) than to dedicate their UK operation to a specific function (33% typically do this).

The staff levels and types that they already employ in overseas markets may give us some indication of their requirements when entering the UK. They predominantly employ staff in sales (90% do so, significantly higher than among those *not* likely to enter the UK, 73%). This is followed by customer service (71%), admin (67%), production (60%), marketing (60%), logistics (57%), and specialist technical roles (52%). These specialist technical roles are more likely to be engineers than anything else.

The staff level at which workforce skills and work ethic matter the most, however, is senior management (48% say this, compared with 26% citing intermediate / professional staff and 24% choosing skilled manual staff). This is another respect in which these prospective 'new' investors into the UK differ from other firms without a UK presence: the 48% selecting senior management as the key level of staff compares with 22% saying this among firms who are unlikely to invest in the UK.

As with multinational employers in general, they are more likely to want *sector-specific specialist skills* (64%) than a *good basis of general skills* (36%). The specific skills that are most-often chosen as important, however, are generic and, therefore, either contradict this, or imply that they are thinking of these skills in a sector-specific context: *team-working and motivation* (93%); *communication* (90%); *business development, sales and marketing*; and *commercial awareness*. These latter two skills are further points of difference between those who are likely to enter the UK and those who are not: 83% cite *business development, sales and marketing* as important (vs. 67% of those unlikely to enter the UK); and 81% cite *commercial awareness* (vs. 60% of those unlikely to enter the UK).

As noted above, these firms' perceptions of the UK workforce's skills tend to be positive (86% report having a favourable impression of UK workforce skills in their sector, at the level of staff that is key for them). They perceive the UK workforce strengths to include its *level of relevant qualifications* (33%); its *work ethic, reliability and productivity* (33%); and its *job-specific specialist skills* (26%).



On the other hand, they perceive the UK workforce's weaknesses to be *work ethic* (a polarising factor – 33% cite it as a strength but 21% as a weakness); a *UK-centric attitude* (12% cite this as a weakness); and *lack of flexibility and adaptability* (10% cite this as a weakness).

Among these perceptions, there are several ways in which these prospective 'new' investors differ from those who are unlikely to invest in the UK: they have more decided views on the UK's *work ethic* (the 33% citing this as a strength is significantly higher than the 18% of those unlikely to invest who see this as a strength, and the 21% who see it as a weakness is significantly higher than the 9% of those unlikely to invest who say this). These prospective 'new' investors are also more likely to cite as perceived strengths *job-specific technical skills* (26%, vs. 10% of those unlikely to invest); *team working and motivation skills* (24% vs. 9%); and *IT skills* (12% vs. 1%). They are, on the other hand, more likely to see *lack of assertiveness* as a weakness (5%, vs. 0% of those unlikely to invest).

If we compare what these firms' cite as their single most important skill when making investment decisions, with the net perceived strengths of the UK workforce (i.e. subtracting the proportion citing each skill as a weakness from the proportion citing it as a strength), we can get an indication of how perceived UK workforce performance compares with perceived importance, for a range of specific skills. Among this group of prospective inward investors into the UK, for nearly all of the specific skills discussed, the UK workforce's perceived performance is either closely aligned with, or exceeds, the perceived importance of the skill. The one exception is *business development, sales and marketing*, for which perceived performance appears to lag behind importance.

As with multinational firms in general, they are more likely to perceive the UK workforce's skills (in their sector and at the staff level they regard as key) to have improved over the past 5 years (36%) than to have worsened (10%). The most-cited perceived improvement in the past 5 years is that of improved education / competence.

The most requested future improvement is that of *improved education and training opportunities*, cited by 19%. As with firms in general, nearly half (48%) do not mention any *workforce-related* improvements; and 10% say that no improvements are required at all (none of those unlikely to invest in the UK said this). Furthermore, comparing to those with a current presence in the UK we can see that the requested improvements of these potential 'new' investors closely aligns with the reality of improvements requested by those currently in the UK (where 16% requested *improved education and training* and nearly half do not mention any *workforce-related* improvements (45%)).

## The needs and perceptions of non market-driven investors

Multinational employers' decisions about territories into which to expand their operations are predominantly driven by the availability of a market for their own products and services in the territories being targeted for inward investment. The skills and work ethic of the workforce are of a lower order of significance (see chapter 4).

This section discusses the needs and perceptions of non market-driven investors and potential investors into the UK, i.e. multinational employers who don't see a market for

their products/services as the single most important driver in their investment decision making. This group is defined by *excluding* those who:

Spontaneously cite the *market* as a factor in their decision-making (i.e. it is as the forefront of their minds as an influence); or

Choose the *market* as the single most important factor in their decision-making.

With the *market for a firm's products/services* having been excluded as an influence, these firms tend to choose countries to invest in by acting on existing relationships or networks (21% of those with a UK presence; 20% of those without); *potential growth within the country* (23% of those with a UK presence; 20% of those without); or a *favourable political, bureaucratic or regulatory environment* (23% of those with a UK presence; 14% of those without). When prompted to choose the single most important factor in choice of 'new' territory, *favourable political, bureaucratic or regulatory environment* is a recurring theme for those not currently in the UK (cited by 15% of those without a UK presence; and 8% with one), followed by *manufacturing / production quality standards* (14% of those without a UK presence; 6% with one).

By comparison, workforce skills and work ethic have a slightly lower influence in deciding which markets to enter: 8% of those with a UK presence and 5% of those without cite a *knowledgeable and skilled workforce*; 12% of those with a UK presence and 3% of those without cite a *workforce with a strong work ethic* as the single most important factors in their decision-making.

The 'typical approach' that non market-driven investors use to set up their operations in a 'new' market, differs between those with a UK presence and those without:

Those with a UK presence are almost equally likely to set up an operation 'from scratch' (32% typically do this), or to buy a stake in an existing firm (36% typically do this); and they are more likely to set up all of their functions in the 'new' territory (38% typically do this) than to dedicate their 'new' operation to a specific function (29% typically do this);

Those with no UK presence are more likely to set up an operation 'from scratch' (41% describe this as their typical approach, ahead of the 29% who tend to buy a stake in an existing firm); and they are equally likely to set up all of their functions in the 'new' territory or to dedicate their 'new' operation to a specific function (29% in each case).

They predominantly employ staff in sales (UK presence: 87%; no UK presence: 61%); customer service (UK presence: 80%; no UK presence: 56%); and admin (UK presence: 77%; no UK presence: 66%). Employing staff in the finance function is also relatively common among those with no UK presence (56% do so).

The staff level at which *workforce skills* and *work ethic* matter the most differs between non market-driven investors with a UK presence, and those without one. For those with a UK presence, this is intermediate / professional staff (45% say this, compared with 17% citing senior management and 38% choosing skilled manual staff); whereas for those without a UK presence, the key staff level is skilled manual staff (37%, compared with 31% choosing each of senior management and intermediate / professional staff).

As with multinational employers in general, these non market-driven investors are more likely to want *sector-specific specialist skills* (UK presence: 61%; no UK presence: 63%) than a *good basis of general skills* (UK presence: 29%; no UK presence: 31%). The specific skills that are most-often chosen as important, however, are generic and, therefore, either contradict this, or imply that they are thinking of these skills in a sector-specific context: *team-working and motivation* (UK presence: 94%; no UK presence: 92%); *problem-solving and multi-tasking* (UK presence: 91%; no UK presence: 81%); *communication* (UK presence: 88%; no UK presence: 90%); and *customer service* (UK presence: 88%; no UK presence: 69%). Among those with a UK presence, *customer service skills* are a point of difference between non market-driven employers and employers in general (the 88% citing of non market-driven firms citing *customer service skills* as important is significantly higher than the 74% of other firms saying this). Non market-driven employers are also differentiated by the importance accorded to *IT skills* (among those with a UK presence, 70% of non market-driven firms cite *IT skills* as important, vs. 44% of other firms); and *relevant work experience* (among those with no UK presence, 80% of non market-driven firms cite *relevant work experience* as important, vs. 63% of other firms).

These non market-driven firms' perceptions of the UK workforce's skills are more likely to be positive than negative, and those with a UK presence are more likely to be well-disposed to the UK workforce than those not currently in the UK (85% of those with a UK presence report having a favourable impression of UK workforce skills in their sector, at the level of staff that is key for them – among those without a UK presence, however, this falls to 56%). The proportion of those with no UK presence who have a favourable impression of UK workforce skills is significantly lower among these non market-driven firms (56% vs. 72%). Non market-driven firms perceive the UK workforce strengths to include its work ethic, reliability and productivity (UK presence: 32%; no UK presence: 29%) and; level of relevant qualifications (UK presence: 21%; no UK presence: 24%). This is consistent with firms in general.

On the other hand, they perceive a key UK workforce weakness to be a *lack of relevant qualifications* (this is common to both those with a UK presence – among whom 11% say this – and those without a UK presence – among whom 8% say this). A *lack of flexibility and adaptability* is also a key perceived weakness among those with a UK presence (14%); while opinions on the UK's work ethic are polarised among those *without* a UK presence (as noted above, it is one of the most-mentioned strengths, cited by 29%, and one of the most-mentioned weaknesses, cited by 8%).

If we compare what these firms' cite as their single most important skill when making investment decisions, with the net perceived strengths of the UK workforce (i.e. subtracting the proportion citing each skill as a weakness from the proportion citing it as a strength), we can get an indication of how perceived UK workforce performance compares with perceived importance, for a range of specific skills. Among this group of non market-driven investors, the UK workforce's perceived performance appears to lag behind the perceived importance of the skill, for *managerial, leadership and supervisory skills*; and *job-specific technical skills* (for those both with and without a UK presence); plus (for those with a UK presence *only*) *business development, sales and marketing*; and *customer service*.

Among these perceptions, there are some ways in which these non market-driven investors differ from other firms: in relation to *work ethic*, the net perceived strength is

significantly higher (26% among non-market driven firms with a UK presence and 20% among those without one, vs. 10% and 6% respectively, among other firms). In relation to *problem-solving and multi-tasking* skills, the net perceived strength is significantly higher among those with no UK presence who are not market-driven (19%) compared with other firms with no UK presence (6%).

As with multinational firms in general, they are more likely to perceive the UK workforce's skills (in their sector and at the staff level they regard as key) to have improved over the past 5 years (UK presence: 50%; no UK presence: 34%) than to have worsened (UK presence: 6%; no UK presence: 8%). Among those with a UK presence, non market driven firms are more likely to perceive an improvement (50%, vs. 31% of other firms already in the UK); and the most-cited perceived improvement in the past 5 years is that of increased commitment / work ethic (cited by 24% of those who perceive an improvement).

The most requested future improvement is that of *improved education and training opportunities*, cited by 20% of those with a UK presence and 17% of those without. As with firms in general, around half (UK presence: 42%; no UK presence: 53%) do not mention any *workforce-related* improvements; and a small proportion (UK presence: 6%; no UK presence: 2%) say that no improvements are required at all.

Again, in consistent with firms in general, among these non-market driven investors, firms already in the UK are also more likely to invest further than those without a UK presence (36% of those already in the UK say they are likely to invest further; 17% of those not in the UK report being likely to invest).

# Conclusions

Given that *a market for a firm's products and services* over-rides other considerations in multinationals' decision-making about where to locate, initiatives to enhance the reputation of UK workforce skills and work ethic among potential investors should also build a compelling case for the size of opportunity in the UK as a market.

The UK workforce is perceived to be weaker in several skill areas that are key to multinationals' inward investment decisions.

For some of these skill areas, perception appears to be closely matched to, or slightly exceeds, the reality (in that multinationals already in the UK have similar, or slightly worse, views of its workforce to the perceptions of 'outsiders') – implying a need to build the skills base of the UK workforce in these areas. In doing so, these may be opportunities to learn from competitors whose workforces are perceived to do better. These skill areas, and the competitors who fare better than the UK are as follows:

- For *team working and motivational skills*, the Chinese workforce is perceived to show particular strength;
- For *job-specific technical skills*, Germany is the competitor to emulate.

In another of these key skill areas – *business development, sales and marketing skills* – there may be opportunities to learn from the USA and the Netherlands, whose workforces are perceived to be stronger. However, there is also an opportunity to bolster the UK's reputation among prospective inward investors, as the experience of multinationals already present in the UK suggests that the reality of the UK's skills in this area is stronger than its reputation among 'outsiders', in that those in the UK perceive it to be ahead of that of its key overall rival, Germany.

There is a further opportunity to bolster the UK's reputation among prospective investors regarding its workforce skills at the *intermediate / professional* staff level: the experience of multinationals already in the UK tells us that the UK's workforce skills at this level are better than some parts of the outside world might believe them to be.

Investment in UK workforce skills at *senior / managerial, intermediate / professional* and *skilled manual* staff levels are likely to pay greater inward investment dividends than investment at the *unskilled manual* staff level (as skills at this level are of relatively little consequence to multinationals' decision-making).

The key influence on perceptions of the UK workforce is that of multinational employers' own experience of UK personnel. Reflecting this, multinational employers already in the UK are a 'softer target' for initiatives to encourage further inward investment: those already in the UK tend to have had a positive experience of being based here and are significantly more likely to expand their operations further than 'outsiders' are to invest for the first time. Of the sectors surveyed, ICT firms are particularly likely to build on their existing UK presence.

Among the 'harder target' group of multinationals not currently in the UK, efforts to court inward investment from European-based firms are more likely to prove fruitful (they are better disposed towards entering the UK for the first time than multinationals based elsewhere).

Among prospective inward investors (those not in the UK who are more likely to invest), it will be key to promote the UK's reputation for skills at *senior / managerial* level, and *business development, sales and marketing* and *commercial awareness* skills specifically (the skill areas which these multinationals tend to regard as key). *Business development, sales and marketing* is a particular area of UK vulnerability among this audience – it is the one skill area in which the UK workforce's perceived performance appears to lag behind the importance that these employers place on it. As noted above, this may partly be a case of investing in, and communicating, capacity-building in this skill area; but there is already an opportunity to deploy the message that multinationals in the UK already perceive the UK workforce to be stronger in this area than Germany's.

# Appendices

# Needs and perceptions of multinational employers, by skill

**This chapter discusses the survey findings in relation to specific skills, on a skill-by-skill basis.**

## Managerial / leadership / supervisory skills

### Relative importance of skill in terms of investment

Overall, 80% of employers with a UK presence, and 78% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it in the top 6 six factors (out of 13) for those with a UK presence, and the top 6 factors for those without one, in terms of the most-chosen factors. Those choosing senior / managerial and professional / intermediate staff as their key staff level<sup>29</sup>, were more likely to choose this skill as an important factor (88% and 82% respectively, vs. 69% of those choosing skilled manual as their key staff level), among employers with a UK presence.

Seventeen per cent of employers with a UK presence, and 18% of those without one, choose this skill as their *single most important factor*. This places it in the top 3 (out of 13) for those with a UK presence, and the top 3 for those without one, in terms of the factors most frequently chosen as the single most important. Those with a UK presence choosing senior / managerial staff as their key staff level<sup>30</sup> were more likely to choose this skill as the single most important factor (37%, vs. 15% of those choosing professional / intermediate and 6% of those choosing skilled manual as their key staff level).

### How the UK workforce rates on this factor, and performance relative to key competitors

Six per cent of employers with a UK presence, and 15% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 3% of employers with a UK presence, and 1% of those without, cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 3% for employers with a UK presence; and 15% for those without one. This skill is, therefore, in the bottom 3 for employers with a UK presence and in the top 3 for employers without a UK presence. The UK workforce is, therefore, arguably benefitting from more positive perceptions in relation to this workforce skill, among those without direct experience of operating in the UK.

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<sup>29</sup> When weighing up whether to extend their operations into a 'new' territory.

<sup>30</sup> Again, when weighing up whether to extend their operations into a 'new' territory.



If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be weaker, relative to its perceived importance – particularly for employers with a UK presence.

Comparing perceptions of the UK with those of competitors, the UK is perceived to be ahead of China (particularly among those with *no* UK presence), and France (particularly among those *with* a UK presence); but slightly behind Denmark and (among those with a UK presence only) the Netherlands.

### Gaps in reality versus perception of UK workforce

As noted above, the UK workforce appears to be benefitting from more positive perceptions in relation to this workforce skill, among those *without* direct experience of operating in the UK.

## Team working / motivational skills

### Relative importance of skill in terms of investment

Overall, 91% of employers with a UK presence, and 92% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it as the most important skill for those with a UK presence and for those without one. Those choosing professional / intermediate staff as their key staff level<sup>31</sup> were more likely to choose this skill as an important factor (97%, compared to 80% of those selecting senior managerial as their key staff level), for businesses with a UK presence.

Eighteen per cent of employers with a UK presence, and 19% of those without one, choose this skill as their *single most important factor*. This places it in the top three (of 13 skills areas) for those with a UK presence, and the top three for those without one, in terms of the factors most frequently chosen as the single most important.

### How the UK workforce rates on this factor, and performance relative to key competitors

Seventeen per cent of employers with a UK presence, and 13% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 3% of employers with a UK presence, and 1% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 14% for employers with a UK presence; and 13% for those without one. This skill is, therefore, in the top three for employers with a UK presence and in the top four for employers without a UK presence, indicating that perceptions of the UK from those not operating in the UK is relatively similar to the reality-based perceptions of those with direct experience of operating in the UK.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be weaker, relative to its perceived importance, for employers with and without a UK presence.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of Germany (among those with a UK presence – but just below Germany among those with no UK presence), and the USA (particularly among those with no UK presence); but slightly behind the Netherlands and France (more so by those with a UK presence). The UK, however, is perceived to fall furthest behind China, particularly among those with no UK presence.

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<sup>31</sup> When weighing up whether to extend their operations into a 'new' territory.

### Gaps in reality versus perception of UK workforce

The UK are relatively closely aligned in terms of perception and reality, but there may be potential to communicate that those with experience of the UK workforce rate it as ahead of Germany.

## Business development, sales and marketing

### Relative importance of skill in terms of investment

Overall, 77% of employers with a UK presence, and 70% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This positions this skill as somewhere around the middle in terms of the skills most-chosen as important to overseas investment. Those with and without a UK presence choosing senior / managerial and professional / intermediate staff as their key staff level<sup>32</sup>, were more likely to choose this skill as an important factor (92% vs. 77% overall and 88% vs. 70% overall respectively), whereas those choosing skilled manual as their key staff level were less likely to see this factor as important (58% UK presence, 47% no UK presence).

Twenty-two per cent of employers with a UK presence, and 18% of those without one, choose this skill as their *single most important factor*. This places it as the top single most important skill for those with a UK presence, and in the top two for those without one. Employers with no UK presence based in Europe were more likely to choose this skill as the single most important factor (23%, vs. 6% of employers based in North America with no UK presence).

### How the UK workforce rates on this factor, and performance relative to key competitors

Ten per cent of employers with a UK presence, and 11% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 3% of employers with a UK presence, and 1% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 7% for employers with a UK presence; and 11% for those without one. This skill is, therefore, in the bottom half for employers with and without a UK presence. It would seem, those with no direct experience of operating in the UK have slightly more positive perceptions of the UK workforce in relation to this skill, compared to those who are currently operating in the UK.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be weaker, relative to its perceived importance – particularly for employers with a UK presence.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of Germany (among those with a UK presence only), China (particularly among those with no UK presence) and France; but behind the USA (particularly among those with no UK presence) and the Netherlands.

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<sup>32</sup> When weighing up whether to extend their operations into a 'new' territory.

### Gaps in reality versus perception of UK workforce

These findings suggest that the UK workforce is currently benefitting from more positive perceptions in relation to this workforce skill, among those *without* direct experience of operating in the UK.

## Customer service

### Relative importance of skill in terms of investment

Overall, 78% of employers with a UK presence, and 70% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it as just inside the top half (out of the 13 skills areas), in terms of the most-chosen important skills, for those both with and without a UK presence. Those with a UK presence choosing professional / intermediate staff as their key staff level<sup>33</sup>, were more likely to choose this skill as an important factor (84% vs. 68% of those choosing skilled manual as their key staff level).

Seven per cent of employers with a UK presence, and 5% of those without one, choose this skill as their *single most important factor*. This places it in the top half for those with a UK presence, and the top three-quarters for those without one, in terms of the factors most frequently chosen as the single most important. Those working in the bio-pharmaceuticals / life sciences sector were more likely to choose this skill as the single most important factor (17%, vs. 5% of those in the Advanced Manufacturing sector), among employers with a UK presence.

### How the UK workforce rates on this factor, and performance relative to key competitors

Three per cent of employers with a UK presence, and 6% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, less than 1% of employers with a UK presence, and 1% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 2% for employers with a UK presence; and 6% for those without one. This skill is, therefore, nearly at the bottom for employers with a UK presence and is *the* bottom factor for employers without a UK presence. The UK workforce is therefore perceived relatively negatively in terms of this skill, regardless of whether or not the employer has a UK presence.

However, if we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be slightly weaker, although not significantly, among those with a UK presence, relative to its perceived importance. For employers with no UK presence, UK performance is in line with its relative performance.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be slightly ahead of Germany, the Netherlands, Denmark and the USA (only among those with no UK presence); but slightly behind France and behind China (particularly among those with no UK presence).

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<sup>33</sup> When weighing up whether to extend their operations into a 'new' territory.

### Gaps in reality versus perception of UK workforce

Although perceptions are poorer than in relation to other skills, perceptions of the UK workforce in relation to this skill tended to be slightly more positive among employers with no UK presence. UK performance is already relatively well aligned with the degree of importance that employers attach to this skill when making their inward investment decisions.

## IT (Information Technology skills)

### Relative importance of skill in terms of investment

Overall, 51% of employers with a UK presence, and 49% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it at the bottom (out of the 13 skills areas) for those with and without a UK presence, in terms of the factors most-chosen as being important when making investment decisions. Those with no UK presence choosing professional / intermediate staff as their key staff level<sup>34</sup>, were more likely to choose this skill as an important factor (59%, vs. 49% overall).

One per cent of employers with a UK presence, and 3% of those without one, choose this skill as their *single most important factor*. This places it, again, towards the bottom among all firms, in terms of the factors most frequently chosen as the single most important. There were no significant differences by sub-sector.

### How the UK workforce rates on this factor, and performance relative to key competitors

Two per cent of employers with a UK presence, and 6% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, less than 1% of employers with a UK presence, and only 1% of employers without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 1% for employers with a UK presence; and 6% for those without one. This skill is, therefore, the lowest perceived strength for employers with a UK presence and second from bottom perceived strength for employers without a UK presence. Evidently, few employers (with and without a UK presence) identified this skill as a strength of the UK workforce, although employers with no UK presence were slightly more positive.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be in line with its perceived importance for those with a UK presence. However, for those with no UK presence perceived UK performance on this skill is stronger – relative to its perceived importance.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of China (only among those with no UK presence) and France (only by those with a UK presence; employers without a UK presence perceive them to be behind); but behind Germany and the USA (only among those with no UK presence). The UK's performance on this skill is deemed to be in line with the Netherlands and Denmark.

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<sup>34</sup> When weighing up whether to extend their operations into a 'new' territory.



### Gaps in reality versus perception of UK workforce

Although perceptions are poorer than in relation to other skills, perceptions of the UK workforce in relation to this skill tended to be slightly more positive among employers with no UK presence. UK performance is already relatively well aligned with the degree of importance that employers attach to this skill when making their inward investment decisions

## Awareness / competence of legal frameworks (including Health and Safety and environmental law etc)

### Relative importance of skill in terms of investment

Overall, 62% of employers with a UK presence, and 55% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it towards the bottom (out of the 13 skills areas) for those with a UK presence and for those without one in terms of the most-chosen factors. Employers with a UK presence based in North America were more likely to choose this skill as an important factor (76%, vs. 52% of those based in Europe).

Three per cent of employers with a UK presence, and 1% of those without one, choose this skill as their *single most important factor*. Again, this places it towards the bottom for those with and without a UK presence, in terms of the factors most frequently chosen as the single most important. There were no significant differences by subsector.

### How the UK workforce rates on this factor, and performance relative to key competitors

Five per cent of employers with a UK presence, and 7% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 2% of employers with a UK presence, and no employers without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 3% for employers with a UK presence; and 7% for those without one. This skill is, therefore, in the bottom quarter for employers with and without a UK presence. Evidently, few employers (with and without a UK presence) identified this skill as a strength of the UK workforce, although employers with no UK presence were slightly more positive.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be in line with its perceived importance for those with a UK presence. Among those with no UK presence perceived UK performance is stronger, albeit not significantly so, relative to its importance.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of the USA, the Netherlands (only by those with no UK presence) and slightly ahead of Denmark and China (only by those with no UK presence; it is seen as behind by those with a UK presence); but slightly behind France and Germany.

### Gaps in reality versus perception of UK workforce

As noted above, although this workforce skill is not viewed as a prominent strength, the UK workforce does seem to be benefiting from slightly more positive perceptions in relation to this workforce skill, among those *without* direct experience of operating in the

UK - although, overall, the UK's performance for this skill is relatively closely aligned to the importance employers attach to it.

## Problem solving skills / ability to multi-task

### Relative importance of skill in terms of investment

Overall, 81% of employers with a UK presence, and 85% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it in the top three (out of the 13 skills areas) for those with a UK presence, and the top three for those without one, in terms of the most-chosen factors. Those with a UK presence choosing professional / intermediate staff as their key staff level<sup>35</sup>, were more likely to choose this skill as an important factor (90%), whereas those choosing unskilled manual were less likely to do so (33%). Among those with no UK presence those choosing unskilled manual as their key staff level were also less likely to choose this skill as important (38%).

Seven per cent of employers with a UK presence, and 9% of those without one, choose this skill as their *single most important factor*. This places it in the top half for those with a UK presence and for those without one, in terms of the factors most frequently chosen as the single most important. Those with a UK presence choosing professional / intermediate or skilled manual as their key staff level<sup>36</sup> were more likely to choose this skill as the single most important factor (10% and 9% respectively vs. 0% of those choosing senior managerial).

### How the UK workforce rates on this factor, and performance relative to key competitors

Twelve per cent of employers with a UK presence, and 12% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 4% of employers with a UK presence, and 2% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 7% for employers with a UK presence; and 11% for those without one. This skill therefore ranks somewhere in the middle of the 13 skills areas, among employers with a UK presence, and slightly lower for employers without a UK presence.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that for employers with a UK presence this is a skill in which perceived UK workforce performance appears to be in line relative to its perceived importance; whereas for those with no UK presence the UK's perceived performance is stronger relative to its importance, although not significantly so.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of China (only by those with no UK presence) and slightly ahead of France; but behind Germany (particularly among those with no UK presence) and the USA (particularly by those with no UK presence), as well as being marginally behind the

<sup>35</sup> When weighing up whether to extend their operations into a 'new' territory.

<sup>36</sup> Again, when weighing up whether to extend their operations into a 'new' territory.

Netherlands (only by those with no UK presence). For this workforce skill the UK is in line with Denmark among employers both with and without a UK presence.

#### Gaps in reality versus perception of UK workforce

Perceptions and the experienced reality of this skill are relatively closely aligned.

## Communication skills

### Relative importance of skill in terms of investment

Overall, 90% of employers with a UK presence, and 87% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it in the top two (out of 13 skills factors) for those with a UK presence, and for those without one, in terms of the most-chosen factors.

Only four per cent however, of employers with a UK presence, and 7% of those without one, choose this skill as their *single most important factor*. This places it in tenth and seventh places respectively, in terms of the factors most frequently chosen as the single most important.

### How the UK workforce rates on this factor, and performance relative to key competitors

Fifteen per cent of employers with a UK presence, and 18% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 5% of employers with a UK presence, and 4% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 10% for employers with a UK presence; and 13% for those without one. This skill is, therefore, in the top four for employers with a UK presence and in the top three for employers without a UK presence. Therefore perceptions of UK workforce among those without direct experience are relatively similar to the perceptions of those with direct experience of working with them.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be stronger, relative to its perceived importance – for both employers with and without a UK presence.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be marginally ahead of Germany, the USA, and Denmark (particularly among those with a UK presence); but behind China and France. The UK was rated as on a par with the Netherlands here.

### Gaps in reality versus perception of UK workforce

Perceptions in relation to this workforce skill appear to be fairly similar among those *with* and *without* direct experience of operating in the UK, suggesting that the reality and perception of the UK workforce in this area are matched.

## Job specific technical skills

### Relative importance of skill in terms of investment

Overall, 67% of employers with a UK presence, and 69% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it just inside the top ten (of the 13 skills areas) for those with a UK presence, and just inside the top eight for those without one, in terms of the most-chosen factors. Those with a UK presence choosing professional / intermediate staff or skilled manual staff as their key staff level<sup>37</sup>, were more likely to choose this skill as an important factor (74% and 75% respectively, particularly compared to those choosing senior / managerial as their key staff level, 41%). In addition, those with a UK presence in the ICT sector were most likely to choose this skill as an important factor (83% vs. 57% in the bio-pharmaceuticals sector and 66% of those in the advanced manufacturing sector).

Seventeen per cent of employers with a UK presence, and 15% of those without one, choose this skill as their *single most important factor*. This places it in the top three for those with a UK presence, and the top four for those without one, in terms of the factors most frequently chosen as the single most important. Those choosing senior / managerial staff as their key staff level<sup>38</sup> were less likely to choose this skill as the single most important factor (2% of both those with and without a UK presence compared to 21% and 20% respectively of those choosing professional or intermediate as their key staff level and 23% and 22% respectively of those choosing skilled manual as their key staff level) – perhaps not surprising, as skills at the senior levels are arguably more generic.

### How the UK workforce rates on this factor, and performance relative to key competitors

Eight per cent of employers with a UK presence, and 13% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 4% of employers with a UK presence, and 2% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 4% for employers with a UK presence; and 11% for those without one. This skill is, therefore, firmly inside the bottom half for employers with a UK presence and just inside the bottom half for employers without a UK presence. The UK workforce is, however, arguably benefitting from more positive perceptions in relation to this workforce skill, among those without direct experience of operating in the UK.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be weaker, relative to its perceived importance – particularly for employers with a UK presence.

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<sup>37</sup> When weighing up whether to extend their operations into a 'new' territory.

<sup>38</sup> Again, when weighing up whether to extend their operations into a 'new' territory.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be behind Germany, Denmark and the USA (those with a UK presence only), among those with no UK presence the UK is rated as above the USA and China on this skill. It is perceived to be on a par with the Netherlands, France and China (those with a UK presence only).

#### Gaps in reality versus perception of UK workforce

As noted above, the UK workforce appears to be benefitting from more positive perceptions in relation to this workforce skill, among those *without* direct experience of operating in the UK.



## Commercial awareness (ability to turn new ideas into viable and profitable products)

### Relative importance of skill in terms of investment

Overall, 69% of employers with a UK presence, and 67% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it in ninth place (out of the 13 skills areas) for both those with and without a UK presence, in terms of the most-chosen factors. Those with and without a UK presence choosing senior / managerial as their key staff level<sup>39</sup>, were more likely to choose this skill as an important factor (80% and 79% respectively, vs. 54% and 49% respectively of those choosing skilled manual as their key staff level).

Seven per cent of employers with a UK presence, and 10% of those without one, choose this skill as their *single most important factor*. This places it just inside the top five for those with and without a UK presence, in terms of the factors most frequently chosen as the single most important.

### How the UK workforce rates on this factor, and performance relative to key competitors

Ten per cent of employers with a UK presence, and 13% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 3% of employers with a UK presence, and 6% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 7% for employers both with and without a UK presence. This skill sits however, just inside the bottom half for employers with a UK presence and in the bottom four for employers without a UK presence. The UK workforce is, therefore, arguably suffering from poorer perceptions in relation to this workforce skill, among those without direct experience of operating in the UK, although this is marginal given that both groups achieve the same net score.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be weaker, relative to its perceived importance – for employers without a UK presence. For employers with a UK presence perceived UK workforce performance sits in line with its perceived importance.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of Germany (particularly among those with a UK presence), USA, the Netherlands (especially among those with a UK presence, those with no UK presence rate the UK as on a par with the Netherlands). The UK is also rated as on a par with Denmark. The UK is perceived to be behind China (particularly among those with a UK

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<sup>39</sup> When weighing up whether to extend their operations into a 'new' territory.

presence) and behind France among those with a UK presence (although those with no UK presence rate the UK as slightly ahead of France in terms of this workforce skill).

### Gaps in reality versus perception of UK workforce

As noted above, the UK workforce appears to be receiving weaker perceptions in relation to this workforce skill, among those *without* direct experience of operating in the UK, suggesting that the reality in terms of this skill is better than perceptions.

## Level of relevant work experience

### Relative importance of skill in terms of investment

Overall, 71% of employers with a UK presence, and 69% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it in eighth place (out of the 13 skills areas) for both those with and without a UK presence, in terms of the most-chosen factors.

Five per cent of employers with a UK presence, and 6% of those without one, choose this skill as their *single most important factor*. This places it again as eighth for those with and without a UK presence, in terms of the factors most frequently chosen as the single most important.

### How the UK workforce rates on this factor, and performance relative to key competitors

Nine per cent of employers with a UK presence, and 12% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 1% of employers with a UK presence, spontaneously cite this as a perceived UK workforce weakness; no employers with no UK presence spontaneously cited this as a weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 8% for employers with a UK presence; and 12% for those without one. This skill is, therefore, in the top half for employers with and without a UK presence. The UK workforce is, therefore, arguably benefitting from more positive perceptions in relation to this workforce skill, among those without direct experience of operating in the UK.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be stronger, relative to its perceived importance – particularly for employers with no UK presence.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of China but behind Germany (particularly among those with a UK presence), the USA (only by those with no UK presence) and the Netherlands (although only marginally). Those with no UK presence rate the UK as marginally ahead of France and Denmark on this workforce skill, but those with a UK presence rate them as just behind these two countries.

### Gaps in reality versus perception of UK workforce

As noted above, the UK workforce generally appears to be benefitting from more positive perceptions in relation to this workforce skill, among those *without* direct experience of operating in the UK, with the exception of where the UK was compared to the USA.

## Level of relevant qualifications

### Relative importance of skill in terms of investment

Overall, 81% of employers with a UK presence, and 78% of those without one, choose this skill as an important factor when assessing a country's suitability as a target for inward investment. This places it just within the top four (out of the 13 skills areas) for both those with a UK presence, and for those without one, in terms of the most-chosen factors. Those with a UK presence choosing professional / intermediate staff as their key staff level<sup>40</sup>, were more likely to choose this skill as an important factor (87%, particularly compared to those choosing manual as their key staff level, 33%).

Five per cent of employers with a UK presence, and 5% of those without one, choose this skill as their *single most important factor*. This places it in the bottom five for those with a UK presence, and for those without one, in terms of the factors most frequently chosen as the single most important. Among those with no UK presence, those based in Denmark were more likely to cite this as their single most important workforce skill (25% vs. 5% overall).

### How the UK workforce rates on this factor, and performance relative to key competitors

Twenty four per cent of employers with a UK presence, and 25% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 8% of employers with a UK presence, and 7% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 16% for employers with a UK presence; and 18% for those without one. This skill is, therefore, the top rated UK workforce strength for employers both with and without a UK presence. Perceptions of the UK workforce in relation to this skill by those without a current UK presence are therefore in line with those currently operating in the UK.

If we compare the proportion of employers citing this skill as the single most important in their investment decisions, with the net perceived strength of the UK workforce for this skill, we can see that this is a skill in which perceived UK workforce performance appears to be much stronger, relative to its perceived importance – for employers both with and without a UK presence.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of Germany and Denmark; but slightly behind the Netherlands and the USA (for those without a UK presence). For this skill the UK is also perceived to be a long way behind China (particularly among those with no UK presence).

### Gaps in reality versus perception of UK workforce

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<sup>40</sup> When weighing up whether to extend their operations into a 'new' territory.

Although at the overall level employers with and without a UK presence see this skill in relation to the UK relatively similarly, as noted above, the UK workforce appears to be suffering from more negative perceptions in relation to this workforce skill, among those without direct experience of operating in the UK, when comparing the UK to China and the USA.

## Work ethic, reliability and productivity

### Relative importance of skill in terms of investment

When prompted about the importance of a workforce with a strong work ethic in terms of choosing a country into which to extend operations<sup>41</sup>, 81% of employers with a UK presence, and 80% of those without one, said this skill is an important factor when assessing a country's suitability as a target for inward investment.<sup>42</sup> Those with a UK presence choosing professional / intermediate and skilled manual as their key staff level<sup>43</sup> were more likely to choose this skill as an important factor (84% and 86% respectively vs. 67% senior managerial).

Five per cent of employers with a UK presence, and 4% of those without one, choose this skill as their *single most important factor* when considering extending operations in countries outside of their own<sup>44</sup>. Those with a UK presence choosing skilled manual staff as their key staff level<sup>45</sup> were more likely to choose this skill as the single most important factor (11%, vs. 5% overall).

### How the UK workforce rates on this factor, and performance relative to key competitors

Twenty seven per cent of employers with a UK presence, and 25% of those without one, spontaneously cite this skill as a perceived strength of the UK workforce. On the other hand, 12% of employers with a UK presence, and 13% of those without one, spontaneously cite this as a perceived UK workforce weakness.

Subtracting the proportion citing this as a weakness from the proportion citing it as a strength, this gives us a net perceived strength of 15% for employers with a UK presence; and 11% for those without one. This skill is, therefore, ranked in second place, as a perceived strength for employers with a UK presence and in sixth place as a perceived strength for employers without a UK presence.

Comparing perceptions of the UK with those of competitors for this skill, the UK is perceived to be ahead of China (particularly among those with no UK presence), and slightly ahead of France (among those with a UK presence); but slightly behind Germany, the USA, the Netherlands and Denmark.

### Gaps in reality versus perception of UK workforce

Perceptions of UK workforce in relation to this workforce skill among those with no UK presence tend to be in line with perceptions of the UK workforce among those currently operating in the UK.

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<sup>41</sup> This is taken from a different question (A3/A4) compared to the other workforce skills in this section

<sup>42</sup> This skill has not been ranked out of the 13 skills areas because it was asked in a different format to the other skills and so is not comparable to the other 13

<sup>43</sup> Again, when weighing up whether to extend their operations into a 'new' territory.

<sup>44</sup> This is taken from a different question (A5) compared to the other workforce skills in this section

<sup>45</sup> Again, when weighing up whether to extend their operations into a 'new' territory.

# Needs and perceptions of multinational employers, by territory

**This chapter discusses the survey findings in relation to multinational employers in specific territories, on a territory-by-territory basis.**

## North America

### Relative importance of skills in terms of investment

Among North American-based firms, workforce skills and work ethic are of less significance than a market for their products or services, when thinking about a country's suitability as a territory in which to expand their operations. The potential market is the most-cited factor (spontaneously mentioned by 47% of those with a UK presence and 47% of those without). North American-based firms with a UK presence are significantly less likely to mention this than those based in Europe (47%, vs. 63% of European-based firms). By comparison, smaller proportions mention the availability of a knowledgeable and skilled workforce (8% of those with a UK presence; 19% of those without<sup>46</sup>) or the availability of a workforce with a strong work ethic (3% of those with a UK presence; 11% of those without).

Among North American-based employers, when considering a 'new' territory as a target for inward investment, workforce skills and work ethic are most likely to be of significance in relation to staff at an intermediate / professional level (48% of employers with a UK presence, and 39% of those without, say skills/work ethic matter most at this level). North American-based employers are most likely to cite, as their single most-important specific skill, job-specific technical skills (20% of those with a UK presence, 19% without), team working / motivational skills (17% of those with a UK presence, 22% without), and managerial, leadership and supervisory skills (17% of those with a UK presence, 14% without). Compared with European-based firms, those in North America are less likely to cite business development, sales and marketing as their single most-important specific skill (among those with a UK presence, 13%, vs. 29% of firms based in Europe; and among those with no UK presence, 6%, vs. 23% of firms based in Europe).

When asked whether 'ready-to-deploy' sector-specific specialist skills or a good basis of general skills matter the most<sup>47</sup>, North American-based employers with a UK presence are more likely to choose sector-specific skills (59%). Responses are more evenly balanced among North American-based employers without a UK presence.

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<sup>46</sup> It is worth noting the small base size for North American-based firms with no UK presence, of 36 respondents. This means that 19% represents only 7 employers.

<sup>47</sup> In influencing investment decisions in their sector.

## Perceptions of the UK workforce

The vast majority of North American-based employers are favourable towards the skills of the UK workforce in their sector<sup>48</sup> (84% of those with a UK presence, and 83% of those without). Firms based in North America are significantly more likely to hold these favourable views than those based in Europe (71% of European-based firms with a UK presence, and 62% of those without, give a favourable rating of the UK workforce's skills).

For North American-based firms with a UK presence, job-specific technical skills; and managerial and leadership skills, are areas in which perceptions of the UK workforce appear to be weaker, relative to their perceived importance in choosing 'new' territories as targets for investment. For those with no UK presence, job-specific technical skills (again); and team working and motivational skills are the areas that appear to be of the greatest relative weakness.

North American-based firms are most likely to spontaneously cite work ethic, reliability and productivity; level of relevant qualifications; and communication skills as perceived strengths of the UK workforce (work ethic is cited by 37% of those with a UK presence and 17% of those without; level of relevant qualifications by 28% of those with and 28% of those without; and communication skills by 15% of those with and 19% of those without).

The cost of labour is one of the main perceived weaknesses (cited by 9% of those with a UK presence and 19% of those without). In other respects, the most mentioned UK workforce weaknesses differ between those with a UK presence and those without: those with a UK presence cite a lack of flexibility / adaptability (10%), and a lack of relevant qualifications (10%); whilst those without a UK presence cite work ethic (14%) and commercial awareness (11%).

North American-based firms with a UK presence are more likely to cite work ethic as a perceived UK workforce strength than those based in Europe (37%, vs. 20% of European-based firms) and are less likely to cite it as a perceived UK workforce weakness (6%, vs. 16% of European-based firms). North American-based firms without a UK presence are also more likely to say that there are no UK workforce weaknesses (25%, vs. 6% of those based in Europe).

North American-based firms are more likely to perceive the UK workforce's skills to have improved over the past 5 years than to have worsened (39% of those with a UK presence and 29% of those without report a perceived improvement, compared with 8% and 13% respectively who perceived there to have been deterioration)<sup>49</sup>.

Consistent with multinational employers in general, North American-based firms already in the UK are more likely to invest further than those without a UK presence (36% of those with a UK presence are likely to invest further; compared with 17% of those without one). The most-mentioned reasons for this are market potential (cited by 29% of those with a UK presence), the success of the existing base in the UK (26% of those with a UK presence)

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<sup>48</sup> When asked to give their overall impression of the UK workforce's skills, in the respondent's sector, and at the staff level they consider to be key, on a scale from 'very unfavourable' to 'very favourable'.

<sup>49</sup> In the respondent's sector, and at the staff level they consider to be key.



and good access to the European market (23% of those with a UK presence). Among those with a UK presence, firms based in North America are more likely to cite access to the European market as a reason for further expansion into the UK (23%, vs. 2% of those in Europe).

The most-mentioned desired improvements include improved education and training opportunities (cited by 17% of those with a UK presence, and 17% of those without one). In addition, becoming more innovative and open to change is a key want among those with a UK presence (11%), while lower costs, including labour and production costs, is a key want among those with no UK presence (28% – significantly higher among North American-based firms with no UK presence than among European ones<sup>50</sup>). Employers with a UK presence based in North America are less likely to cite becoming more Europe / world-friendly (3%, vs. 15% of European-based firms). Approaching half of North American-based firms with a UK presence (47%) and without one (42%) do not cite any workforce-related improvements.

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<sup>50</sup> Only 5% of European-based firms with no UK presence (6 individuals) cite this, compared with the 28% (10 individuals) among North American-based firms.

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