



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

UK Commission's Employer Skills Survey 2011: Wales Results

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Introduction

The UK Commission's Employer Skills Survey 2011 is the key UK data source on employer demand for and investment in skills. It is the first UK-wide employer skills survey, and is one of the largest employer skills surveys undertaken in the world, involving over 87,500 interviews with employers. In Wales 6,012 interviews were completed across all sectors and covering all sizes of employer. The survey covered topics such as skill related recruitment difficulties, skills gaps, training investment and the work-readiness of education leavers. Headline findings on these and other topics are provided below.

Work-readiness of education leavers

In Wales around a quarter of establishments (24 per cent) had recruited at least one person straight from education in the two to three years prior to the survey, in line with the proportions seen across the UK. As in the UK as a whole, employers mostly found these education leavers to be well prepared for work; the proportion saying this increased with the recruit's age and / or educational level (from 56 per cent recruiting 16 year-old school leavers up to 80 per cent of those recruiting from Higher Education). Interestingly 17-18 year olds leaving FE College were reported to be better prepared for work than their 17-18 year-old peers leaving school; suggested reasons for this include college students being more likely to be studying vocational courses which are more relevant to working life, and college students also being more likely to combine work and learning and therefore to have amassed more work-relevant experience.

Where education leavers were found to be poorly prepared for work this was most commonly put down to a lack of experience of the working world, life experience or maturity.

Employers, recruitment and skill shortages

At the time of the survey (March to July 2011) 11 per cent of establishments in Wales had a vacancy, totalling 25,500 vacancies across Wales. As a proportion of the workforce in each occupation demand was highest for Associate Professionals, with 5.7 vacancies for every hundred current employees in this area. Establishments in the Education, Health and Social Work and Manufacturing sectors were most likely to have a current vacancy at the time of the survey, but the highest vacancy density was seen in Electricity, Gas and Water (4.5 vacancies for every 100 employees).

The labour market is largely able to meet the recruitment requirements of most establishments; however four per cent of establishments reported having a vacancy they were finding it difficult to fill (a "hard-to-fill vacancy"). Overall 8,500 hard-to-fill vacancies were reported, equating to a third of all vacancies. Of these, 5,700 are proving hard to fill due to a difficulty in finding applicants with the skills, qualifications and experience required for the role; this equates to over a fifth of all vacancies and is an issue reported by three per cent of establishments. It is amongst Associate Professional and Machine Operative roles where employers experience the greatest difficulties in meeting their demand for skills from the available labour market. Skill-shortage vacancies were most common among establishments in the Manufacturing and Electricity, Gas and Water sectors, and most prevalent (i.e. made up the highest proportion of all vacancies) in the Business Services sector.

Whilst the proportion of establishments experiencing hard-to-fill vacancies and skill-shortage vacancies was similar to that in the UK as a whole, the total proportion of vacancies that were classed as hard-to-fill vacancies and the total classed as skill-shortage vacancies was higher in Wales than the UK. This suggests the problem is more acute in Wales. These differences were almost entirely driven by establishments in Mid Wales, where the proportion of vacancies proving problematic was far higher than in the other regions of Wales.

Whilst these recruitment difficulties may not be common in terms of the proportion of establishments experiencing them, where they do exist their impact can be significant. Almost all establishments with hard-to-fill vacancies said they were having an impact on the establishment, most commonly on the workload of existing staff which will risk knock-on effects on morale and retention, but also a more direct impact on performance such as meeting customer service objectives, delaying the development of new products and services, and even causing the establishment to lose business to competitors.

Internal Skills Mismatch

Internal skills mismatch considers the proficiency of existing staff: whether they have the skills they need to do their job and whether their skills are being fully utilised in their current role. It also looks at retention of employees, as retention issues can cause skills to be lost from the workforce.

The majority of employers report their workforce are all proficient in their current job role, however 13 per cent report having one or more employee who is not fully proficient at their job, i.e. they have a "skills gap". Overall 53,700 employees were reported as having skills gaps, equating to five per cent of the workforce in Wales. This is similar to the levels of proficiency seen in the UK as a whole. Skills gaps were most common amongst staff working in Machine Operative roles. Establishments in the Hotels and Restaurants sector were among those most likely to have a skills gap, and also had the highest proportion of their staff experiencing gaps; this sector was also most likely to suffer retention difficulties so their skills gaps were likely to be caused by new staff. Establishments from the Public Administration sector on the other hand were also among the most likely to have a skills gap, but had among the lowest proportions of the workforce with a gap suggesting that the high incidence here is driven by better systems to identify skills lacking.

Where gaps exist their impact can be significant, and as with hard-to-fill vacancies the impact is most commonly felt by an increased workload for other employees of the establishment. However far fewer employers with gaps than employers with hard-to-fill vacancies reported that they had an impact on the establishment; indeed around two-in-five employers with skills gaps reported they did not have any tangible impact on the performance of the establishment. This may be related to skills gaps being caused in some instances by new staff having been taken on, in which circumstance the skills gaps will often be both anticipated and temporary (in support of this, the most common causes of skills gaps were training only being partially completed, and the employee in question being new to the role).

The finding that employees being new to the role is often a cause of skills gaps is of concern to establishments who have difficulties retaining staff, as these establishments will regularly be taking on new employees and potentially experiencing skills gaps as the new staff become familiar with their roles. Overall across Wales six per cent of establishments reported they had difficulties retaining staff, most commonly among Skilled Trades occupations and Elementary staff. Most commonly these difficulties were attributed to a lack of interest in the work in question, a factor in three-fifths of all establishments with retention difficulties. As with hard-to-fill vacancies and skills gaps, the impact is largely felt by other employees of the establishment.

Almost half (45 per cent) of establishments in Wales reported having at least one employee with both qualifications and skills that are more advanced than required for their current job role, amounting to 14 per cent of the total workforce in Wales. These findings resulted from an experimental question asked for the first time in this survey. This enables us to get an employer perspective on a measure that has traditionally been asked of individuals.

Employer Investment in Training and Workforce Development

Three-fifths (59 per cent) of establishments had provided on- or off-the-job training for some or all of their staff in the 12 months preceding the survey; this is the same level as seen across the UK as a whole. During this period employers had arranged or funded training for approximately 650,000 staff, equivalent to 56 per cent of the total workforce in Wales at the time of the survey, and provided five million days of training (equivalent to 4.2 days per employee per annum and 7.5 days per person trained).

Employees in Professional roles and in Caring, Leisure and Other services roles were most likely to have received training; conversely Administrative and Clerical staff, Elementary occupations and Managers were least likely. This is similar to findings from the UK as a whole.

Employer expenditure on training over these 12 months was £1.72 billion, which is equivalent to £1,450 per employee and £2,600 per person trained. Whilst overall volume of training is equivalent to that seen in the UK as a whole, this per trainee spend is lower in Wales than it is in the UK. This could be related to there being lower wages in Wales than across the UK as a whole. Another possibility is that it results from the *specific types* of training undertaken in Wales (i.e. the average cost of these is lower than across the UK more widely). Furthermore, the fact that a slightly higher proportion of staff in Wales are trained than across the UK as a whole may also explain why the difference widens between the per capita and per trainee expenditure.

Half of total expenditure covers the cost of paying staff while they are being trained, whilst just eight per cent is accounted for by fees to external providers.

The extent to which establishments plan their training varied, with fewer than half (44 per cent) having either a training plan (38 per cent) or a budget for training expenditure (26 per cent). Many workplaces undertake training on an *ad hoc* basis, with over half of those providing training saying they did not have a formal training plan in place.

The most common reason for not training is that employers consider their staff to be fully proficient and / or that their staff did not need training (mentioned spontaneously by 65 per cent of non-trainers). Few point to failures in training supply as a reason for not training.

High Performance Working

“High Performance Working Practices” are those designed to increase employee discretion over their work and effectively use and develop skills that employees possess. **Most establishments in Wales were engaging in practices that could be considered “high performance working practices”**, most commonly through providing a varied, flexible working environment where employees have discretion to do their work.¹

Communication with employees was also widespread, most commonly via scheduled team meetings.

In terms of people management, around two-thirds of establishments gave formal job descriptions to at least some of their employees and a half of establishments had annual performance reviews for at least some staff. However fewer used pay and incentive schemes to motivate staff: the most common scheme was to award bonuses based on overall company performance, used by 23 per cent of establishments.

Larger establishments and those in South East Wales were most likely to have high performance working practices in place.

¹ For more information on High Performance Working, see UKCES (2010), *High Performance Working: A Policy Review* (Wath-upon-Deerne, UKCES), available at www.ukces.org.uk

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

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