UK COMMISSION FOR
EMPLOYMENT AND SKILLS

UK Commission's Employer Skills Survey 2011: Northern Ireland National Report

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October 2012

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Executive Summary

Introduction

The UK Commission's Employer Skills Survey 2011 is the key UK data source on employer demand for and investment in skills. This report focuses on the 2011 results from Northern Ireland's employers on their skills challenges, recruitment and training activities and looks back at the earlier Northern Ireland Skills Monitoring Surveys (NISMS) allowing time-series comparisons from 2005 and 2008.

The survey results form a rich source of information about: the extent and nature of employer demand for skills; employer involvement in skills development activities and their approaches to workforce development; the experiences of skill deficiencies across different groups of employers. Results are presented by size, sector, occupation, and geography.

The nature of Northern Ireland's establishments

Differences in experiences and practices will depend upon key characteristics of Northern Ireland's employers such as their size, sector, location, whether they are part of a larger organisation or not and whether the site is part of the public, private or voluntary sector.

Most business establishments in Northern Ireland are small: 79 per cent employ fewer than 10 people. However, large organisations (employing 50+) account for two-fifths (43 per cent) of overall employment. There has been a slight increase in the average site size since 2005. One third of sites in Northern Ireland were part of a multisite organisation, and eighty per cent of establishments were part of the private sector, six percentage points less than in 2005.

The largest numbers of establishments operate in the Wholesale and Retail, Business Services and Construction sectors. The sectoral mix of employers has changed since 2005. There have been decreases in the proportion of establishments in the Manufacturing and Wholesale and Retail sectors, and increases in the proportion of establishments in the Construction and Transport and Communications sectors.

Establishment size varies greatly from sector to sector. The Construction, Community, Social and Personal Service Activities and Agriculture sectors were dominated by small establishments. The Manufacturing, Health and Social Work, Public Administration and Education sectors were dominated by larger employers.

By geography Belfast contains a substantial share of Northern Ireland's large organisations: it contains only 21 per cent of employers but 32 per cent of workers. The Southern, South East and South West regions continue to be populated by smaller establishments, similar to 2005 and 2008.

Recruitment and skills shortages

At the time of the survey (March-July 2011), 10 per cent of establishments in Northern Ireland reported having a vacancy. Although the percentage of establishments reporting a vacancy has declined slightly, the total number of vacancies grew from 17,400 in 2008 to 19,800 in 2011. And the number of vacancies available per 100 employees (vacancy density) rose from 2.4 to 2.7 during this same period.

For the most part the labour market can meet the requirements of employers. In 2011 four per cent of all establishments reported having a vacancy that they were having difficulty filling i.e. that was "hard-to-fill". This remains unchanged from 2008. However the total number of vacancies reported as hard-to-fill rose during this period to 6,400, representing a third of all vacancies (32 per cent, a rise of 3 percentage points from 2008).

Three per cent of Northern Ireland's establishments reported in 2011 having a vacancy that they were having difficulty filling specifically due to a lack of skills, qualifications or experience in applicants for the role (i.e. a "skill-shortage vacancy"). This is the same as 2008. A total of 5,500 skill-shortage vacancies were reported across Northern Ireland (2,400 more than in 2008). This means that 28 per cent of all vacancies were hard-to-fill due to skills shortages, which is a 10 percentage point rise compared to 2008.

This high proportion of vacancies that are proving hard-to-fill due to a lack of skilled recruits is higher than seen previously and offers a considerable challenge to Northern Ireland's recruiting employers, at the same time as individuals are experiencing high unemployment rates.

Within this overall picture of vacancies that are increasingly difficult-to-fill due to a lack of skilled recruits, the survey results show:

- concentrated pockets of vacancies and skills deficiency, reporting greater than average levels in 2011, and greater than average increases since 2008 that are unevenly distributed across the economy;
- areas of the economy which experienced *decreased* or *increased* density of skill-shortage vacancies between 2008 and 2011 in contrast to the overall trend.

Employer size

The total number of vacancies was similar for both the smallest employers with fewer than five employees (6,200) and larger employers with more than 50 employees (6,800). However it was the smallest establishments that saw the greatest growth in vacancies between 2008 and 2011. In all other establishment sizes, all three vacancy measures decreased. The decline in vacancies was especially large for establishments with five to 10 staff.

While Northern Ireland's smallest employers are recovering well from the economic downturn in terms of vacancy growth, they are finding these vacancies difficult to fill; 41 per cent of vacancies were reported by the smallest establishments as hard-to-fill. This compares with 33 per cent among the largest establishments. Both of these groups of employers reported a rise in the number and density of hard-to-fill vacancies between 2008 and 2011, whereas other size bands of employers reported decreases. The overall proportion and number of vacancies that were skills shortage vacancies also follows a similar pattern, with the smallest and largest groups of employers standing out – around third of their vacancies were skills shortage vacancies.

Thus, it appears that the smallest and largest establishments in Northern Ireland are demanding more skill, and perhaps, are growing, but that growth is at risk by a lack of access to suitable skills in the labour market. In contrast, in England, it is the mid sized establishments (employing between 25 and 199 staff) that experience this trend. Due to the structure of the business population in Northern Ireland, all employers are categorised as 'larger' establishments once they employ over 50 staff.

Sector

There were substantial differences in the number of establishments reporting vacancies across sectors.

The largest number of vacancies was in Business Services (6,800), which saw an increase of 5 percentage points in the proportion of establishments reporting vacancies between 2008 and 2011 (and an additional 4,200 vacancies compared to 2008). Correspondingly the sector had one of the largest increases in the number of hard-to-fill vacancies between 2008 and 2011; in particular, the proportion of vacancies reported as skills shortage vacancies (vacancy density) increased from 24 to 33 per cent, and the absolute number of skill-shortage vacancies rose from 600 to 2,300.

Public Administration and Health and Social Work both showed a large decline in the proportion of establishments with a vacancy over the period 2008 to 2011 (17 and 10 percentage point declines respectively) reflecting public sector spending cuts (this follows earlier vacancy growth over the period 2005 to 2008). Smaller vacancy declines were seen in Transport and Communications, Construction, Manufacturing and Wholesale and Retail.

A number of sectors were struggling more than average to find suitable applicants for their vacancies. The Community, Social and Personal Service sector had seven per cent of establishments reporting a hard-to-fill vacancy in 2011, a 4 percentage point rise compared to 2008. This sector also reported a higher than average proportion of its vacancies as skills shortage vacancies (27 per cent). In the Hotels and Restaurants sector six per cent of establishments reported skills shortage vacancies, this equates to a quarter of vacancies in this sector being skills-shortage vacancies.

Some sectors however were experiencing a less challenging time compared to average finding the right people for their vacancies. Only three per cent of establishments in the Education sector had vacancies that were hard-to-fill and the Health and Social Work sector saw the biggest decreases in all three measures of hard-to-fill vacancies. Between 2008 and 2011 the Health and Social Work sector also saw the largest decrease in skill-shortage vacancies with the percentage of employers reporting them dropping from eight to three per cent, the skills shortage vacancy density decreased from 32 to 21 per cent.

Geography

The prevalence of vacancies varies considerably across the six sub regions of Northern Ireland.[1] Belfast reported the most vacancies by far (8,200) and the highest vacancy density (3.5 per cent). Employers in the North East region had the fewest vacancies (1,200) and the vacancy density was the lowest in the South and South East regions (1.8 per cent). Taken across the 2005 to 2011 period as a whole, only the Belfast and Northern region have higher proportions of establishments with vacancies at the end of the period compared to the beginning of the period.

[1] Regions based on Northern Ireland's 'Workforce Development Forums'.

The Belfast region had the most hard-to-fill vacancies by all three indicators (incidence, volume and density). Belfast employers were only slightly more likely than average to report vacancies as skills-shortage vacancies (4 per cent of establishments), however it moved from having an average proportion of its vacancies in skills shortage in 2008 (14 per cent) to being the region with the highest proportion of vacancies in skills shortage in 2011 (42 per cent). The number of skills shortage vacancies in Belfast increased substantially from 900 to 3,500 between 2008 and 2011. The South West region had the second highest density of skills-shortage vacancies (37 per cent of vacancies).

Some regions were less likely to be having difficulties finding the right staff. Establishments experiencing the fewest hard-to-fill vacancies were in the Northern region (two per cent of sites, 10 per cent vacancy density and 500 vacancies) and the North West region (two per cent of sites, 16 per cent vacancy density and 200 vacancies). Between 2008 and 2011 the Northern region saw the largest drop in hard-to-fill vacancy density (from 31 to 10 per cent).

Occupation

Between 2008 and 2011 the occupations that saw the largest increases in vacancies (in terms of vacancy density and number of vacancies) were Professionals, Skilled Trades and Machine Operatives. Whereas Sales and Customer services saw the largest decline.

Professionals had the highest skill-shortage density (60 per cent) in 2011 and the highest number of skills shortage vacancies (1,200). Skilled Trade occupations were also struggling, having 1,000 skill-shortage vacancies, 27 per cent of vacancies were skills-shortage vacancies. This compares with Administrative and Clerical occupations that had the lowest proportion (four per cent) and lowest number of this type of vacancy.

Cause and impact

Nearly half of establishments reporting hard-to-fill vacancies believed their hard-to-fill vacancy problem was linked to a lack of qualifications (46 per cent). The second most common cause was too much competition from other employers (cited by 40 per cent of employers).

This varies though considerably by size and location of establishment. For the largest employers (those employing over 50 staff) both of these reasons were stated by over 70 per cent of establishments reporting hard-to-fill vacancies, similarly over 60 per cent in the Belfast region stated lack of qualifications or too much competition from other employers. However for the smallest establishments the causes of hard-to-fill vacancies were much more wide-ranging which suggests a diverse group of smaller employers facing a more varied set of challenges.

While the majority of employers are not struggling with hard-to-fill vacancies, 90 per cent of establishments who have them report an impact on their business which can be significant. The most commonly reported consequence of hard-to-fill vacancies was the increased workload for other staff (73 per cent), followed by delays developing new products or services (47 per cent).

Internal Skills Mismatch

This section considers the proficiency of existing staff, the causes and impact of any skills gaps experienced by employers.

Most of Northern Ireland's employers have the skills they require, however 33,600 employees (five per cent of all employees) were deemed not fully proficient (have a skills gap) and 12 per cent of establishments reported having at least one employee with a skills gap. The incidence of skill gaps appears to have declined at the overall level; a reduction in skills gaps is seen across all size bands, sectors, occupations, and geographies.

Incidence of skills gaps increases with establishment size from seven per cent for sites with fewer than five staff to 36 per cent for sites with more than 50 workers, but the proportion of the workforce with a skill gap was broadly consistent. The pattern of skills gaps increasing with employer size replicates the pattern seen in both 2005 and 2008.

Some occupations and industries are impacted by skills gaps more than others. There was a broad correlation between incidence and density of skill gaps across sectors with the exception of Education and Public Administration. Whereas Public Administration and Education sectors have relatively high incidence, the density was far lower, this suggests that skill gaps were more diffuse across these sectors. Incidence was highest and above average for establishments in the Hotels and Restaurants, Wholesale and Retail and Public Administration sectors (with 18, 17 and 16 per cent of establishments respectively reporting a skill gap) and the incidence in terms of proportion of the workforce was highest in the Hotels and Restaurants sector. These three sectors all had an above average incidence of skills gaps in 2008, and for Hotels and Restaurants and Public Administration this trend stretches back to 2005.

By occupation, seven per cent of staff in Elementary and Sales & Customer Services positions were described as lacking full proficiency, this compares with two per cent of Professionals and three per cent of Managers. Elementary and Sales & Customer Service occupations also had an above average percentage of staff with skills gaps in 2008, suggesting this is a persistent problem over time for these groups.

By geography the incidence of skill gaps was highest for organisations in the Belfast, Northern and South West regions (13 per cent of sites) though broadly in line with the overall average and the lowest in the North West region (nine per cent). The density ranged from a high of seven per cent of the workforce in the South West region to three per cent in Belfast region.

The most common cause of skill gaps was staff being new to the role and training only being partially completed, with 49 per cent and 52 per cent of all skill gaps, respectively, being attributed at least partly to these reasons.

Where skills gaps exist, their impact can be significant, 70 per cent of employers reported that their skill gaps were having an impact on the business; as with hard-to-fill vacancies, the most commonly reported consequence of a skill gap was an increase in the workload for other staff, reported by 58 per cent of establishments. This was followed by an increase in operating costs (36 per cent), and difficulties introducing new working practices (29 per cent).

Skill gaps were much more common than skill-shortage vacancies (skill gaps affect 12 per cent of establishments compared with three per cent for skills shortage vacancies), 14 per cent of establishments were suffering from either form of skill deficiency and only one per cent were affected by both.

Employer Investment in Training and Workforce Development

Three-fifths of establishments in Northern Ireland (63 per cent) provided some form of training for any of their staff in the previous 12 months and almost nine in 10 (88 per cent) provided either training or workforce development. The overall incidence of training declined between 2008 and 2011 by 11 percentage points following an earlier increase of seven percentage points between 2005 and 2008. As a result, incidence of training in 2011 was generally below 2005 levels. While this decline is a reflection of the difficult trading environment, the reduced incidence of training may have long term consequences for the competitiveness of the Northern Ireland economy.

The incidence of training varies by site size, sector and by occupation of the employee. As in previous years the largest establishments were more likely to provide training, this trend has been further exaggerated in 2011. The smallest establishments were much more likely to cut training between 2008 and 2011, training fell for these establishments by 13 percentage points compared to three per cent in the largest establishments (with over 50 staff). Similar to 2008 employers in the Education and Public Administration sectors were the most likely to provide training, and contrary to the overall picture there was barely any change between 2008 and 2011 in the proportion of these employers doing any training. In contrast, the Construction and Manufacturing sectors saw drops of over 20 percentage points in total training compared to 2008, moving these employers from having around average training levels in 2008 to below average levels in 2011.

The occupations with the lowest amount of training were Administration and Clerical and Elementary (45 and 47 per cent of workforce received training within the past 12 months, respectively). The occupation with the highest incidence of training was Caring, Leisure and Other Services (82 per cent).

Conclusions

The Employer Skills Survey series allows employers' recruitment, skills deficiencies and training levels to be tracked over time, and in turn can be related back to the economic climate to see how employers have been affected by the recession and ongoing uncertainty.

Both the percentage of establishments reporting vacancies and the proportion of establishments reporting hard-to-fill and skill-shortage vacancies have decreased over the period from 2005 to 2011, although the density and volume of all types of vacancy has risen. Employers believe that most hard-to-fill vacancies and all skill-shortage vacancies (by definition) were caused by applicant-related issues such as lack of skills, qualification and experience (although other factors, such as competition for workers from other employers are also at play). Thus, in order for the labour market of Northern Ireland to meet current employer demand, there is a need to make sure people with the right skills and qualifications are finding the right jobs. Raising employer ambition to move towards higher specification and quality goods and services in order to grow the economy and increase prosperity in Northern Ireland, could exacerbate such shortages unless accompanied by a skills focus in business and economic growth.

In Northern Ireland, skill gaps currently affect 12 per cent of establishments and five per cent of the workforce. Pockets where skills gaps are more likely than average to occur by size, sector, and occupation tend to be consistent through time. Although the incidence of skill gaps has declined since 2008, this does not necessarily mean that the workers are better at their jobs today. Due to the recession, establishments may be less likely to innovate in their working practices, to introduce new technology or to introduce new products or services. Since technological change is a major cause of skill gaps, the decline seen since 2008 may reflect lower investment by employers in innovation rather than an improvement in proficiency of the workforce. The reduction in skill gaps could also reflect the impact of downsizing since firms are probably most likely to lay off staff that are not fully proficient in their jobs first.

The incidence of training has declined in recent years and is currently below 2005 levels but the majority of employers do invest in the training and further development of their workforce. However training was unevenly distributed among workers. In particular, it was those in low skilled occupations, those employed in small businesses and those who work in specific sectors, such as Agriculture and Construction who receive least training. For small businesses in particular this trend of low training levels is persistent through time.

Some groups of employers face multiple skills issues; these may impede their economic recovery in the future. The smallest employers in Northern Ireland are the most likely of all size bands to have a vacancy which is proving hard to fill due to a lack of suitably skilled applicants, yet it continues to be the smallest employers who are least likely to train their existing staff.

Similarly the South West region experienced multiple issues, it had the second highest density of skills shortage vacancies, and the highest skills gaps density across the regions – however employers in this region (as in 2008) were the least likely to be training their staff. By occupation, a high proportion of the workforce employed in Elementary occupations had skills gaps, but were the least likely to be trained by their employers. Finally the Hotel and Restaurant sector is not only struggling with a high proportion of its vacancies being skills shortage vacancies, but was also the sector with the highest proportion of staff with a skills gap.

The impact of the recent recession on Northern Ireland can be seen in this survey. Establishments are investing less in training. However there are still opportunities for workers with the right skills and qualifications as the number of hard-to-fill and skill-shortage vacancies are higher than ever.

Generally, the survey reveals variations on all skill deficiency and training measures by sector, size, geography and occupation. This report provides the detailed analysis that shows the information available at these levels.

The results discussed in this report concentrate on key elements of the survey that can be compared with the previous Northern Ireland Skills Monitoring Surveys capturing the time series position. For a broader story on the training investment behaviour of employers, and how this fits into the wider integrated approach to managing the business, please refer to the UK Report 'UK Commission's Employer Skills Survey 2011: UK Results' (http://www.ukces.org.uk/publications/employer-skills-survey-2011).

The data presented in the report tables and charts can be downloaded in spreadsheet format here: http://www.ukces.org.uk/assets/ukces/docs/supporting-docs/UKESS11-NI-Report-Data-Tables.xml

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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UKCES
Renaissance House
Adwick Park
Wath-upon-Dearne
Rotherham
S63 5NB
T +44 (0)1709 774 800
F +44 (0)1709 774 801

UKCES
Sanctuary Buildings
Great Smith St.
Westminster
London
SW1P 3BT
T +44 (0)20 7227 7800

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ISBN 978-1-908418-02-9

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