UK COMMISSION FOR EMPLOYMENT AND SKILLS

UK Commission's Employer Skills Survey 2011: Wales Results

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UK Commission's Employer Skills Survey 2011: Wales Results

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Foreword

I am keenly aware of how crucial the skills of staff are to the success of business. Our company isn’t just a brewer, it’s also the home of hundreds of hospitality retailers who operate across Wales and the west of England. Our pubs, bars and coffee shops rely on the skill and tenacity of managers and landlords who know their staff and know their local markets.

This kind of detailed knowledge and understanding underlies the work of the UK Commission for Employment and Skills to study and report on the labour market in Wales and across the UK. To tackle an issue successfully, you first have to understand it.

By understanding more about the labour market, business and government alike can understand where there are problems but also opportunities. Along with the UK, the Welsh economy is growing only very slowly. Much pain remains: for people out of work; for businesses struggling to survive. In my view, this makes it more important, not less, to build on the understanding we have of our teams and to work to improve them. At Brains – as in all businesses – the people we work with are the most important part of the company. Putting their skills to the best use is not a separate agenda to growing Welsh business. It is at the centre of that effort.

The UK Commission’s Employer Skills Survey is a vital source of evidence and analysis of business vacancies, skills shortages, and training regimes in Wales and across the UK. This means that what you are reading is not just a report; it is a resource you can use to understand and to act upon.

If you are in business, I urge you to look at what it tells you about your industry, and think about the skills of your employees and how you approach the challenge of staff development.

And if you are a teacher, trainer, or you work for a college, I urge you to use its results to target your offer to meet the needs that businesses across Wales have told the UK Commission they require.

The training and development picture is complex, and different regions, industries, and occupations have their own stories. One of the benefits of this report is that, for the first time, we are able to compare directly between Wales and other parts of the UK. This is due to the cooperation of the Welsh Government with its partners in Northern Ireland, Scotland and England. These comparisons show that we have much to be proud of, and in many areas we are ahead of our partner nations. But there is no room for complacency, and there are also measures that show where Wales is falling behind. Here we need to take responsibility together and use this insight to plan how to respond.

I would like to thank the 6,000 businesses across Wales who gave their valuable time to answer the survey, helping to inform the UK Commission's most comprehensive report yet into the challenges and opportunities available to Welsh business.

Scott Waddington
Commissioner and Chief Executive, SA Brain & Co Ltd.

Acknowledgements

Many individuals and organisations have been involved in the design and execution of the UK Commission's Employer Skills Survey 2011 and the Wales Results. Particular thanks are given to the 6,000 businesses who gave their time to speak to us. As the lead contractor, we have been supported by the research agencies who conducted much of the fieldwork: BMG Research and Ipsos MORI.

The project was sponsored by the four UK governments who came together to ensure the delivery of this first UK employer skills survey was possible. A steering group was established to guide the direction of the project.

Members attending this group were: Mark Langdon, Department for Business, Innovation and Skills (BIS); Dominic Rice, BIS; Kathy Murphy, BIS; Euan Dick, Scottish Government; Sarah Munro, Scottish Government; Joanne Corke, Welsh Government; Graeme Belshaw; Department for Employment and Learning Northern Ireland (DELNI); Linda Bradley, DELNI; Tim Devine, DELNI; Mauricio Armellini, Department for Work and Pensions (DWP); Jacqui Hansbro, DWP; Alasdair Yeo, DWP; Anthony Clarke, Department for Education (DFE); Muriel Bankhead, Alliance of Sector Skills Councils; Sally Walters, Alliance of Sector Skills Councils; Helen Lindsay, Alliance of Sector Skills Councils and Mark Spilsbury of the UK Commission for Employment and Skills.

The report was completed with the assistance of Rachel Stephens and James Carey at the Welsh Government.

Thanks are due to staff at the UK Commission who supported the preparation of this report, including Allan Noy, Carol Stanfield, and Dr Vicki Belt. Ken Manson worked on the survey throughout and managed the Wales Results from September 2012.

Special thanks are due to the UK Commission project manager throughout the course of the survey, Dr Susannah Constable.

Jan Shury

Joint Managing Director, IFF Research Ltd.

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Glossary

This glossary gives a short guide to the key terms used in this report:

Employment	The overall number of people employed.
Establishment (also referred to as workplace, business, employer, site)	A single location of an organisation with people working at it.
ESF	European Structural Fund. For the purposes of European Union ESF programmes, Wales is divided into two regions, East Wales and West Wales and the Valleys.
Hard-to-fill vacancies	Vacancies which are proving difficult to fill, as defined by the establishment (from question: "Are any of these vacancies proving hard to fill?").
Hard-to-fill vacancy density	The number of hard-to-fill vacancies as a proportion of all vacancies.
Occupations	For definitions of the occupational groups used in this report please refer to Appendix E.
Sector	For definitions of the different sector groupings used in this report please refer to Appendix D.
Skill-shortage vacancies (SSVs)	Vacancies which are proving difficult to fill due to the establishment not being able to find applicants with the appropriate skills, qualifications or experience.
Skill-shortage vacancy density	The number of skill-shortage vacancies as a proportion of all vacancies

Skills gaps	A "skills gap" is where an employee is not fully proficient, i.e. is not able to do their job to the required level. See Appendix B.
Skills gap density	The number of staff reported as being not fully proficient as a proportion of all employment.
Vacancy density	The number of vacancies as a proportion of all employment.
Working proprietors	An owner or part-owner of the organisation who also acts as a member of staff.

Executive Summary

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-Dearne, UKCES), available at www.ukces.org.uk

1 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 also one of the largest employer skills surveys undertaken in the world with over 87,500 achieved interviews across the UK and over 6,000 in Wales among large and small businesses in every sector.

The full UK report is published on the UK Commission website.[2] This report focuses on the findings from the interviews in Wales in 2011, and how this compares to the overall UK population.

A skills survey was carried out in Wales in 2005, Future Skills Wales. The approach to sampling and weighting paired with the differences in the question wording mean the data from that study is not directly comparable with the 2011 survey, therefore results from this 2005 survey are not referenced in this report. Appendix A shows data tables comparing equivalent populations in the 2011 and 2005 surveys where the questionnaire has been similar enough to allow such a comparison.

This report delves into the rich data provided by the survey to set out the extent of employer demand for skills; experiences of skill deficiencies and approaches to workforce development, and how this varies among different groups of employers. Viewing this information, alongside evidence of the product strategies used by business units, enables us to look at the extent of employer ambition, and to start to explore what impact this might have on training patterns and the emergence of skill deficiencies.

1.1 Methodological overview

The UK Commission's Employer Skills Survey 2011 was a telephone-based survey. It was conducted in three parts: a core population survey of UK workplaces, and a (smaller) follow-up survey of workplaces which had provided training for some of their employees in the 12 months preceding the survey, looking at employers' investment in training ("Investment in Training Survey"), Below we briefly summarise the key features of the methodology adopted across the surveys. Further details can be found in Appendix C and the separate Technical Report.

[2] 'The UK Commission's Employer Skills Survey 2011: UK Results' http://www.ukces.org.uk/publications/employer-skills-survey-2011

1.2 Sampling

The sample analysed in this report comprises establishments (i.e. individual sites of an organisation) that have one or more people working at them, excluding sole traders (where a site has one worker and this person also owns part or all of the business). It encompasses establishments across the full geographical spread of Wales, in all sectors of the economy (across the commercial, public and charitable spheres). It should be noted that the presence of establishments from multi-site organisations in the survey means that in some instances interviews will have been completed with more than one site of an organisation.

A stratified random approach was taken to sampling the core survey, using population statistics from the Office for National Statistics' (ONS) Inter-Departmental Business Register (IDBR), and setting quotas for establishment size crossed by sector within each region.

A stratified random approach was also taken for the Investment in Training survey, with targets set based on country, size, sector and the type of training establishments reported arranging for employees during the core survey.

All of the employers interviewed for the follow-up surveys had previously been interviewed as part of the core survey (and had given their permission to be contacted for further research).

1.3 Questionnaire

The core survey questionnaire was designed in several stages, with the co-operation of the four constituent nations of the UK. There were considerable pressures on the questionnaire both in terms of balancing the need for consistency across the UK with the need for continuity with legacy questionnaires; and also in terms of the drive to cover a wide range of issues without over-burdening employers and creating a lengthy questionnaire. The questionnaire was extensively piloted in May 2010 and again in February 2011, an exercise which included 10 follow-up cognitive interviews.

The questionnaire used for the 2011 Investment in Training follow-up exercise was the same as that used in the "Cost of Training Survey" in England in 2009. The questionnaire used for the survey can be found on the UK Commission website and within the Technical Report.

1.4 Fieldwork

Fieldwork for the core survey was undertaken between March and July 2011, involving interviews averaging around 24 minutes in length.

Fieldwork for the follow-up survey of training expenditure was undertaken in May to July 2011, and involved more than 11,000 interviews across the UK (around 1,500 in Wales) with employers who had taken part in the first survey. Table 1.1 shows the total number of interviews in Wales in each of the two facets of the survey, along with the respective response rate for each.

Table 1.1 Survey response rates

	Total interviews	Response rate
Core survey	6,012	55%
Investment in Training follow up	1,501	69%

Response rates are shown as a proportion of all completed contacts (completes, refusals and stopped interviews).

1.5 Data weighting

Findings from the core survey have been weighted and grossed up to reflect the total population of establishments in Wales with one or more people working there, excluding sole traders. The weighting was designed and undertaken on an interlocking size and sector basis separately for each country. Separate weights have been generated which allow findings to be presented (a) based on the number of workplaces reporting a particular experience, and (b) based on the number of employees and/or job roles affected by different challenges.

Findings from the Investment in Training Survey have been weighted and grossed up to reflect the population of training employers as defined by the weighted core survey findings.

1.6 Reporting conventions

The survey was carried out at an establishment level; the terms “establishment”, “employer”, “workplace” and “business unit” are used for this interchangeably throughout this report to avoid excessive repetition and to aid reading.

The scale and scope of data collected by the UK Commission's Employer Skills Survey 2011 means that it is a valuable research resource supporting detailed and complex statistical analysis of the inter-relationships between employer characteristics, and their practices and experiences. The findings presented in this report have been produced through a more descriptive exploration of the data. The large base sizes on which most of the findings are based mean that we can have a good degree of confidence in the patterns described in the text; the document should not be read as a statistical report, however. A table showing confidence intervals is shown in Appendix F to give some indicative guidance as to what can be considered a "significant" difference at sub-group level. Throughout the report unweighted base figures are shown on tables and charts to give an indication of the statistical reliability of the figures. These figures are always based on the number of *establishments* answering a question, as this is the information required to determine statistical reliability. Therefore, for example, where percentages are based on "all vacancies", the base figure quoted is the number of establishments with vacancies.

As a general convention throughout the report, figures with a base size of fewer than 25 establishments are not reported (with a double asterisk, "**", displayed instead), and figures with a base size of 25 to 49 are italicised with a note of caution.

In tables, "zero" is denoted as a dash "-" and an asterisk "*" is used if the figure is larger than zero but smaller than 0.5.

For more detail on the survey methodology, sampling and weighting, questionnaire design and analysis, refer to the UK Commission's Employer Skills Survey 2011: Technical Report.

2 Nature of Welsh establishments

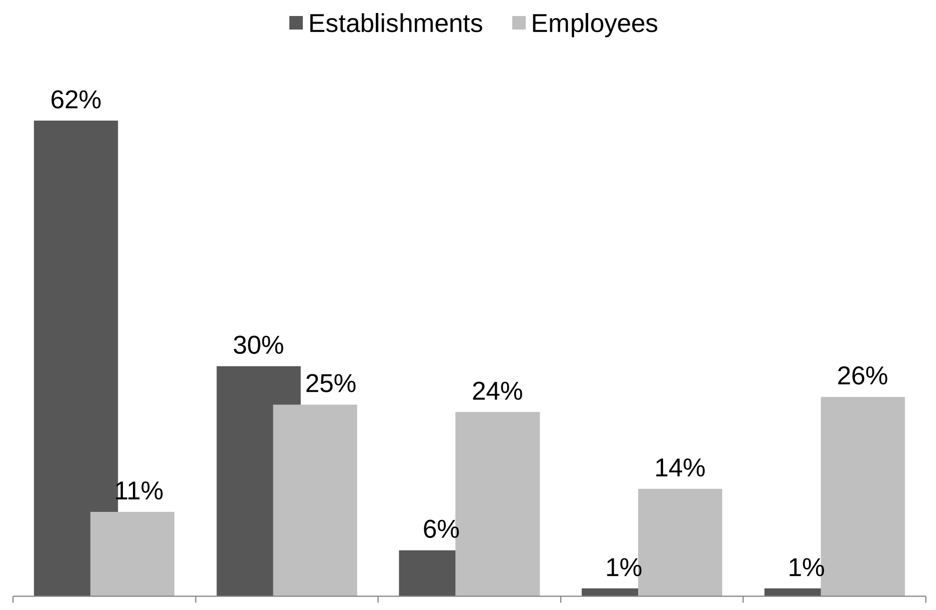
In order to give some context to the findings that are presented in this report, and to facilitate understanding of the differences in employers' experiences and practices, this section describes some of the key characteristics of the business establishments in Wales. These include their size and sector distribution; and the geographical spread of establishments across the nation.

ONS figures show there were around 100,000 "in-scope" establishments in Wales in March 2010, with around 1.2 million people working in them.[3]

2.1 Size

IDBR data shows us that the majority of Welsh establishments (62 per cent) were small, employing fewer than five people. Sites employing 250 or more staff represent only one per cent of all establishments but account for one-quarter (26 per cent) of overall employment (see Figure 2.1). Distribution of establishment and employment by size is similar in Wales to the rest of the UK.

Figure 2.1 Size distribution of establishments and employees



	1 to 4	5 to 24	25 to 99	100-249	250+
Number of establishments:	*61,200*	*29,900*	*6,200*	*1,100*	*500*
Employment:	*133k*	*295k*	*283k*	*163k*	*309k*

Source: IDBR March 2010
Number of establishments rounded to nearest 100; employment rounded to nearest 1,000.

[3] All establishments excluding sole traders were in-scope for the survey.

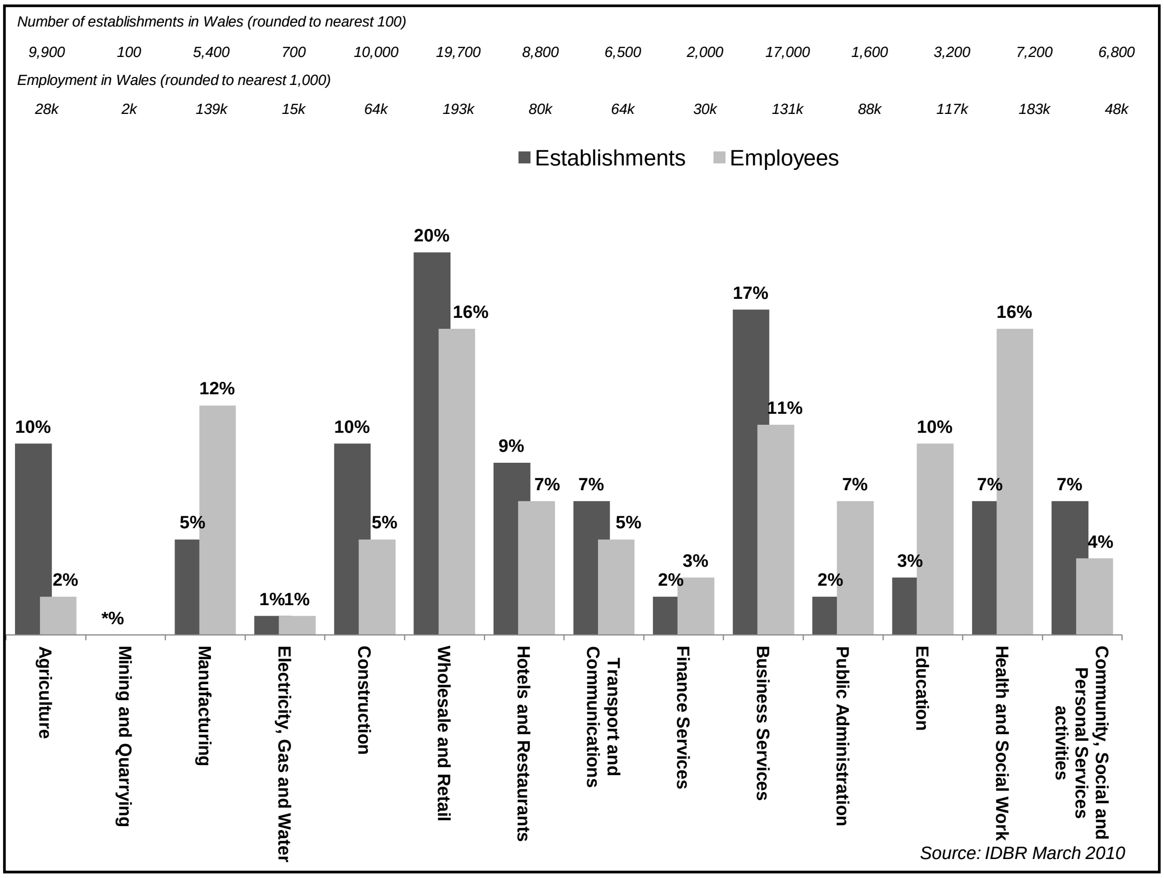
2.2 Sector

Sectoral analysis in this report is defined by a 14 sector split, based on the establishment's Standard Industrial Classification (SIC) 2007 code.[4]

IDBR statistics show that Wholesale and Retail and Business Services (this sector includes, among other things, real estate activities, consultancy, advertising and employment agencies) are the two largest sectors in terms of the number of establishments. Together, these two sectors account for more than a third (37 per cent) of establishments in Wales. When measured in terms of people working in the sector, however, the two largest sectors are Wholesale and Retail and Health and Social Work, each of which employ 16 per cent of the workforce in Wales

The sector profile of Wales differs from that of the rest of the UK. The most striking difference is in the proportion of establishments in the Agriculture sector, at 10 per cent in Wales but just four per cent in the UK as a whole (with two and one per cent of all employment falling into this sector respectively). Conversely the proportion operating in Business Services is just 17 per cent in Wales compared to 24 per cent in the UK as a whole, where it is the largest sector, and 11 per cent of the workforce is employed in this sector in Wales compared to 17 per cent of the UK workforce as a whole.

Figure 2.2 Sectoral distribution of establishments and employment

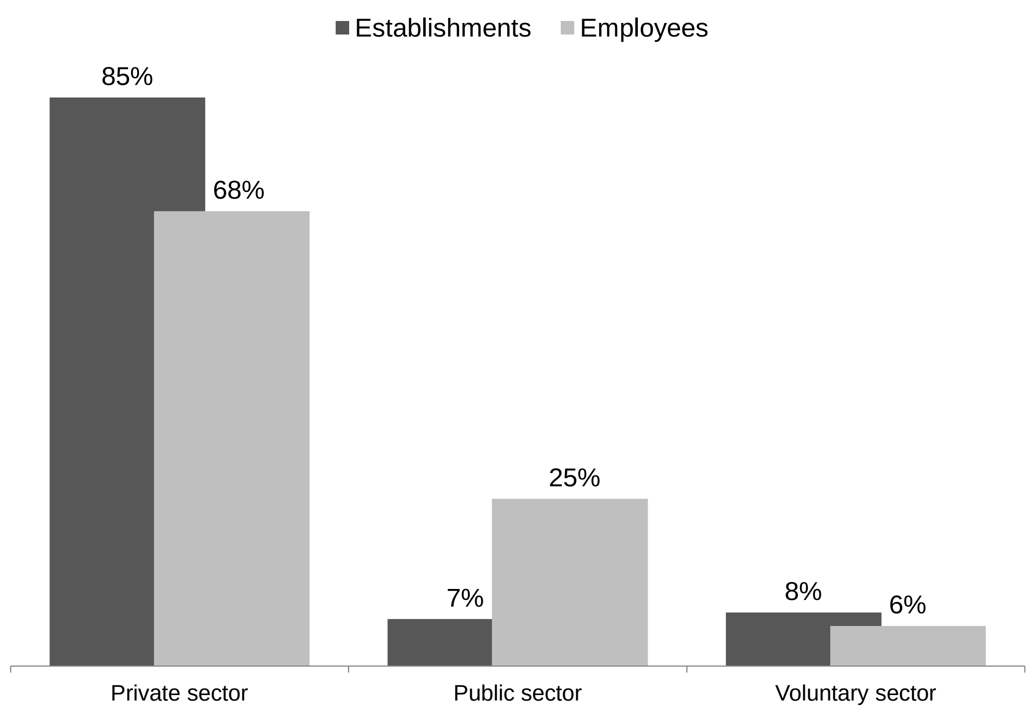


[4] Full details of the SIC codes associated with each sector are presented in Appendix D to this report.

The Health and Social Work, Public Administration and Education sectors have a higher proportion of large establishments and employ a disproportionately high percentage of workers compared to the percentage of establishments in their sectors. For example, Education has only three per cent of all establishments, but 10 per cent of employment. The Manufacturing sector also represents a higher than average proportion of larger establishments that employ a relatively large proportion of the workforce: Manufacturing has five per cent of the enterprises in Wales, but 12 per cent of the workforce. Conversely, the Agricultural sector comprises 10 per cent of establishments, but employs only two per cent of the workforce in Wales, meaning that establishments in this sector are likely to be smaller.

Most establishments in Wales (85 per cent) described themselves in the survey as operating in a commercial sphere, with small minorities operating in the public sector (seven per cent) and in the third sector (eight per cent). Establishments in the private sector tend to be relatively small, accounting for 85 per cent of total establishments, but only 68 per cent of employment. Conversely, establishments in the public sector tend to be larger than those in the private sector; these account for only seven per cent of establishments in Wales, but employ one-quarter (25 per cent) of the workforce.

Figure 2.3 Establishments and employment by Private, Public and Third sector



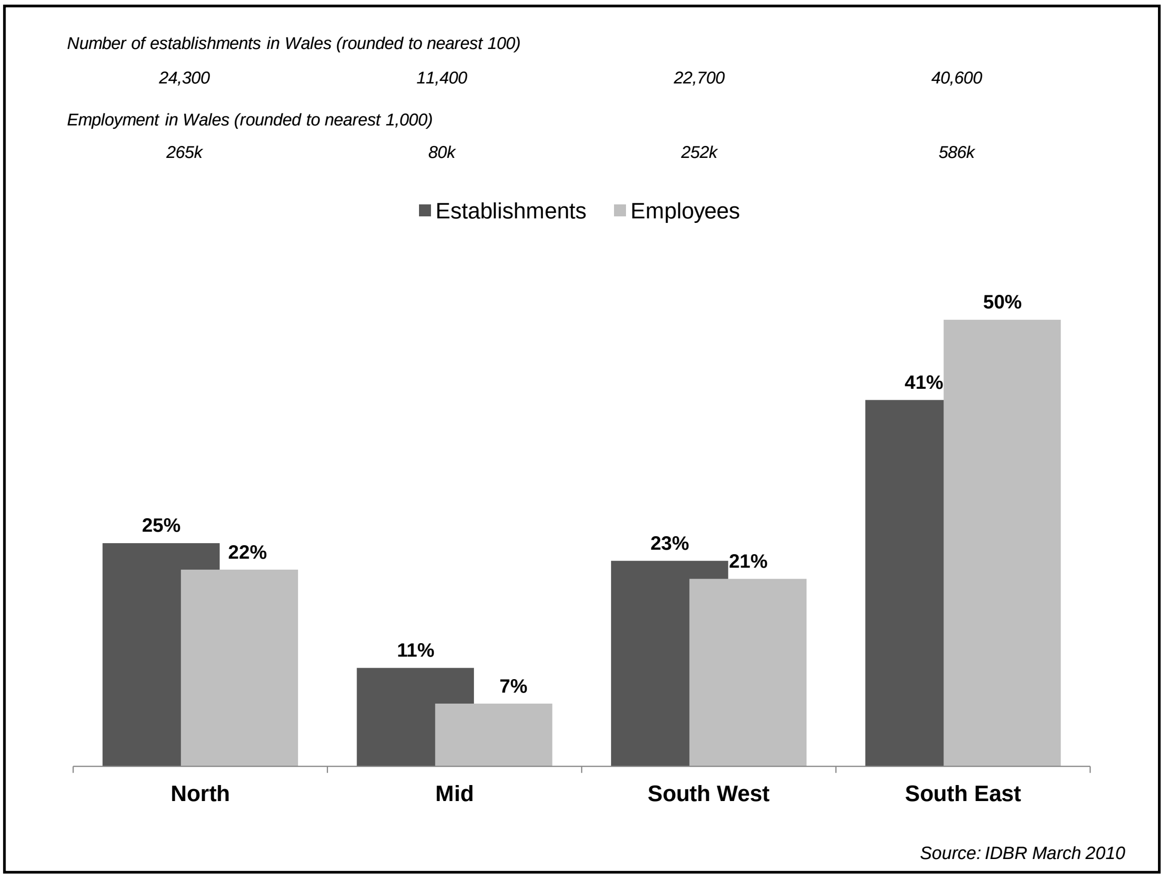
Base: All establishments in Wales: 6,012 (unwtd)

Source: UKCESS 2011

2.3 Region

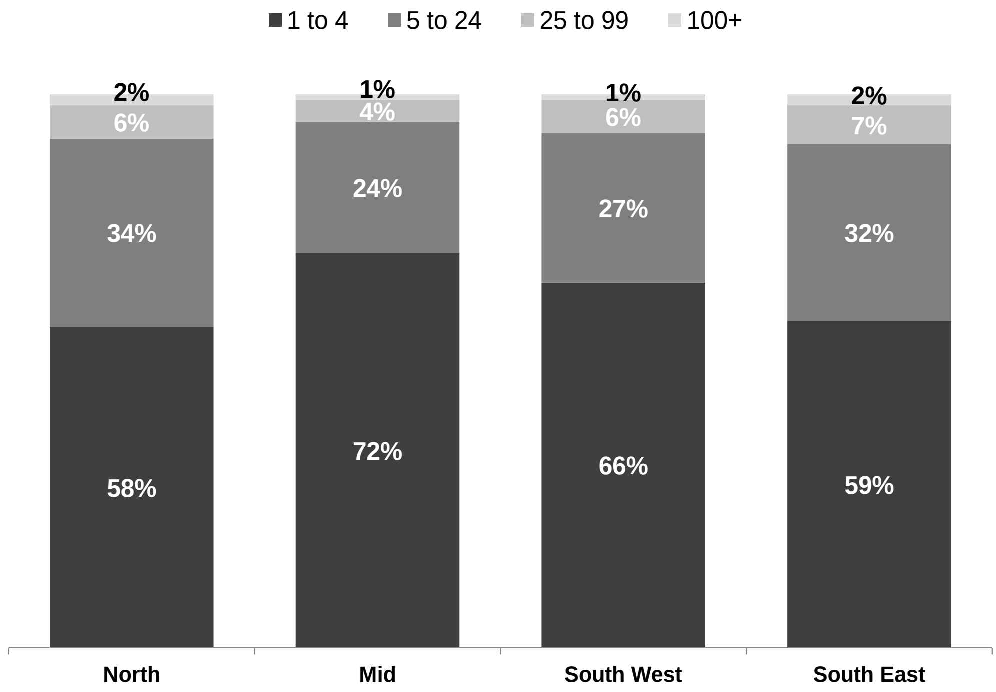
As shown in Figure 2.4, South East Wales has the largest number of both establishments and employees. This region is the most built-up of the four and contains the cities of Cardiff and Newport; it accounts for over two-fifths (41 per cent) of establishments, and half (50 per cent) of the workforce in Wales. Mid Wales is the smallest region with only 11 per cent of establishments, employing seven per cent of the workforce; this might be expected as the region is predominantly rural. North Wales and South West Wales are of similar size, both holding around a fifth to a quarter of both establishments and employees.

Figure 2.4 Establishments and employment by Region



The size distribution of establishments is not uniform between regions; establishments in Mid Wales are more likely to be smaller whilst those in South East Wales and North Wales are more likely to fall into one of the larger sizebands. Throughout this report size will be highlighted as a main driver of difference for a lot of the measures; therefore understanding the different size profiles of the regions will aid the interpretation of any differences seen between the regions.

Figure 2.5 Size distribution within Region



Number of establishments in Wales (rounded to nearest 100)

North	Mid	South West	South East
24,300	*11,400*	*22,700*	*40,600*

Source: IDBR March 2010

Similarly, there is some difference in the sector distribution of establishments between the different regions. Mid Wales has a far higher proportion of Agriculture establishments, with over a quarter of establishments in this region falling into this sector compared to 10 per cent in Wales as a whole. In turn, it has far fewer establishments than the other regions in Construction and Wholesale and Retail. South West Wales on the other hand has a higher prevalence of Wholesale and Retail compared with the Wales average (see Table 2.1). Along with size, sectoral differences account for much of the differences seen between regions.

Table 2.1 Sector distribution within Region

Sector	Wales	North Wales	Mid Wales	South West Wales	South East Wales
Total number of establishments	*98,950*	*24,300*	*11,400*	*22,700*	*40,600*
	%	%	%	%	%
Agriculture	10	8	26	12	6
Mining and Quarrying	*	*	1	*	*
Manufacturing	5	6	6	5	5
Electricity, Gas and Water	1	1	1	*	1
Construction	10	11	6	10	11
Wholesale and Retail	20	17	13	24	21
Hotels and Restaurants	9	12	11	8	7
Transport and Communications	7	6	5	6	8
Financial Services	2	3	1	1	2
Business Services	17	17	17	15	19
Public Administration	2	2	1	2	2
Education	3	3	2	3	4
Health and Social Work	7	7	6	7	8
Community, Social and Personal Services activities	7	7	5	6	8

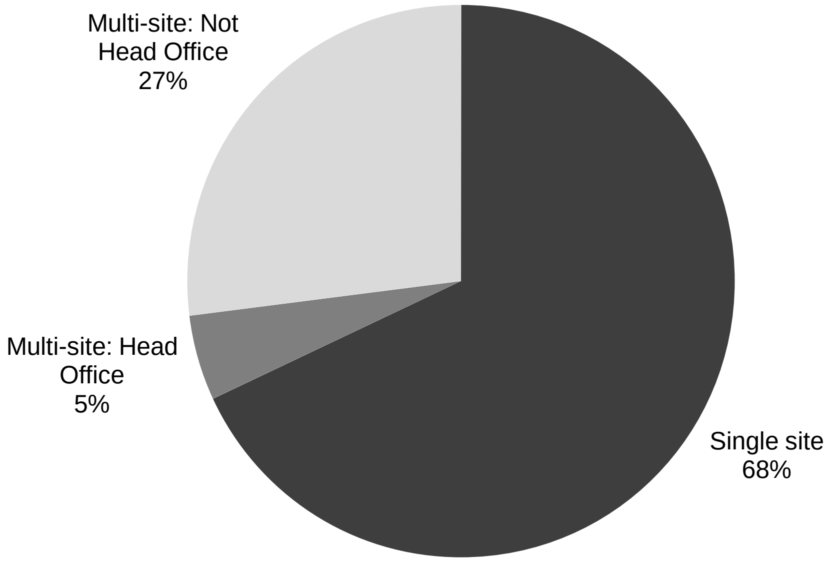
Source: ONS IDBR March 2010

2.4 The structure of establishments

The size of an establishment is important in that it determines both the skills and employment challenges employers face and the ways in which they react to these challenges. However, establishments can be part of wider organisations, and this can bring a different dimension to their experience and practice. The size of an establishment does not necessarily tell a complete story about, for example, its access to skills or other resources when the establishment is part of a larger, multi-establishment (and potentially multi-firm) organisation.

A third of all establishments (32 per cent) report that they are part of a larger organisation; this is broadly in line with the UK average of 36 per cent. The likelihood of an establishment being part of a larger organisation varies with size, with over four-fifths (83 per cent) of establishments with more than 250 employees reporting they are part of a larger organisation compared to just over one-fifth (23 per cent) of establishments with 1-4 employees.

Figure 2.6 Single or Multi site organisation



Base: All establishments in Wales: 6,012 (unwtd)

Source: UKCESS 2011

The survey confirms that decisions about recruitment and training are most commonly taken at site level (and this is the natural level to discuss these issues in subsequent sections of the report). The majority of establishments in Wales are single site organisations (68 per cent) and therefore have full responsibility and autonomy when it comes to decisions about recruitment and training; a further five per cent are the Head Offices of multi-site organisations, and as such we can assume that they too have full autonomy in these areas. This leaves just over one-quarter of employers which are sites within larger organisations, most of whom, nevertheless, have substantial or even complete autonomy of these issues (just 12 per cent of establishments have no input into recruitment and training decisions).

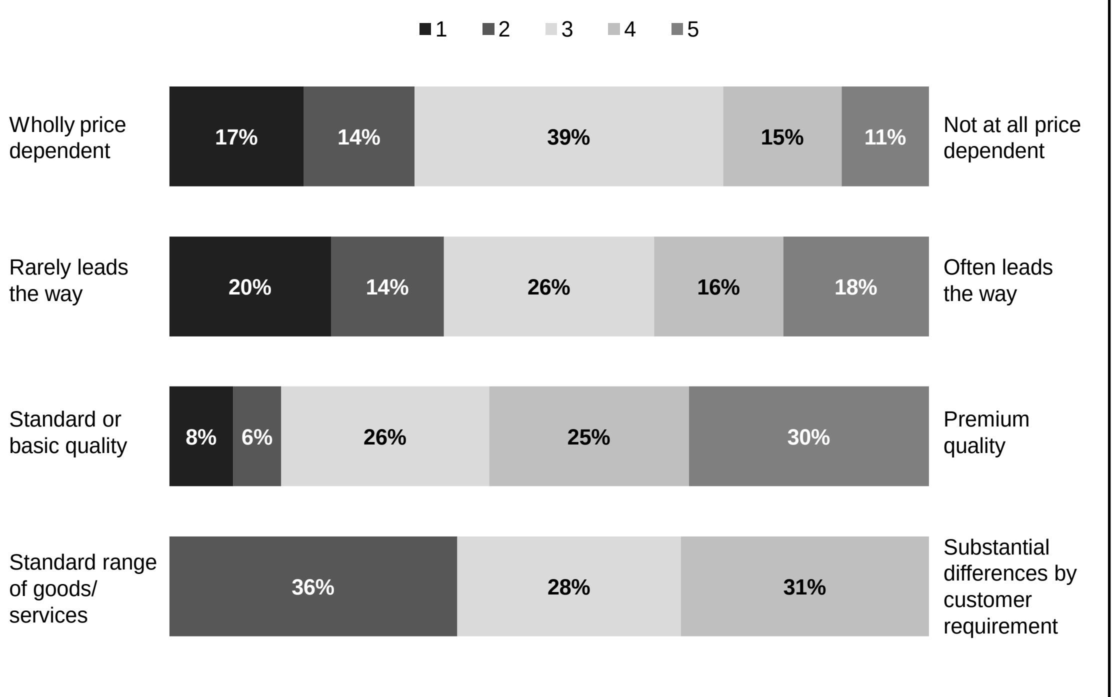
2.5 Business strategies

The UK Commission's Employer Skills Survey 2011 included a series of questions which asked establishments how they compared to others in their industry on a range of indicators including innovation, quality of product, price dependency and customisation. Together these indicators can be seen to give a sense of the overall type of 'product market strategy' (PMS) being adopted by the establishment. Private sector employers were asked to rate their establishments, compared to others in their industry, in terms of:

- the extent to which success of products/services was dependent on price;
- the extent to which they perceive their establishment to lead the way in their sector in terms of developing new products, services or techniques;
- whether they compete in a market for standard/basic or premium quality products or services;
- and whether they offered a standard range of goods or services, or customised products/services with substantial differences according to customer requirements.

Figure 2.7 shows overall responses to each of these individual position statements; these are similar to the responses seen in the UK for the same questions.

Figure 2.7 Product Market Strategy positions

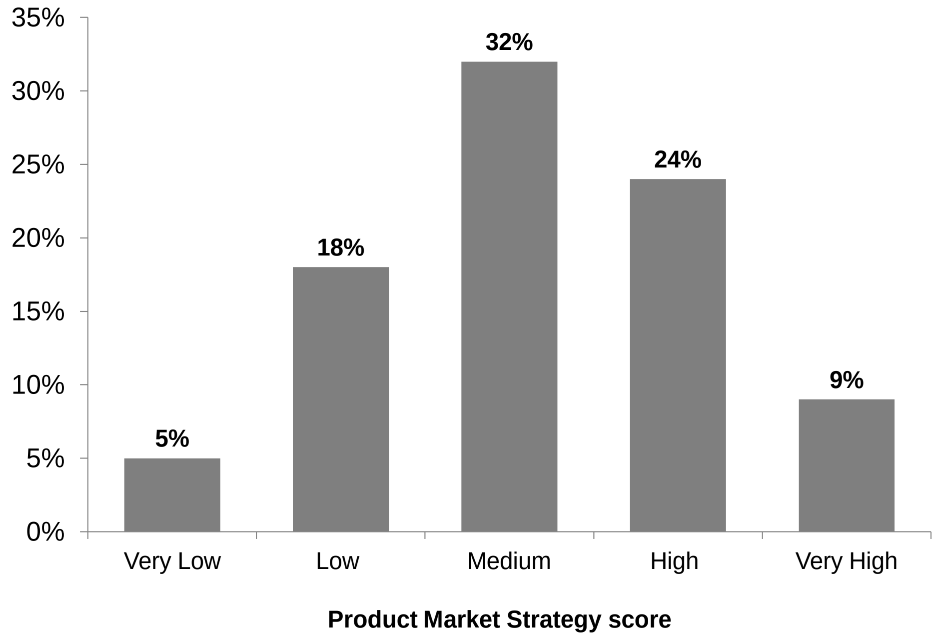


Base: All establishments in Wales in the private sector: 4,743 (unweighted)

Source: UKCESS 2011 survey

Responses to these individual product market positions were then aggregated to derive a composite product market score[5] on a scale from "very low" to "very high" as illustrated in Figure 2.8. The distribution of product market strategy scores was very similar in Wales to that seen in the UK as a whole. Overall establishments were more likely to score a high level product market strategy position than a low one. A third of establishments (32 per cent) describe a product market strategy which places them in the middle of their sector, with a similar number (32 per cent) categorised as having a high or very high product strategy. A fifth of establishments scored 'low' or 'very low'; the remainder could not be classified as they had not given answers to all of the necessary questions.

Figure 2.8 Product Market Strategy positions



Base: All establishments in Wales in the private sector : 4,743 unweighted

Note: 14 per cent of private sector establishments could not be classified into a PMS score as they answered "don't know" at one or more of the questions that make up the composite measure.

Source: UKCESS 2011 survey

Table 2.2 shows where there are differences in each sizeband; smaller establishments are more likely to have a "low" or "very low" score on the PMS scale than larger ones; these larger establishments are more likely to fall into the group with a "high" score.

[5] For the "standard range of goods / services – substantial differences by customer requirement" position, which was recorded as a 3 point scale, scores were coded as either 2, 3 or 4 to facilitate the aggregation.

Table 2.2 Product Market Strategy by Size

	Wales Total	1-4	5-24	25-99	100+
Unweighted base	*4,740*	*1,050*	*2,771*	*759*	*163*
Column %	%	%	%	%	%
Very Low	5	5	4	2	1
Low	18	20	15	10	6
Medium	32	31	33	34	36
High	24	22	26	33	33
Very High	9	8	10	11	14

Base: All establishments in the private sector

NB 100-249 and 250+ groups have been combined in this table to give a more robust base size

Source: UKCESS 2011

There was little difference in product market strategy score between the four regions. Table 2.3 sets out the differences in the levels of product market strategy between the two designated ESF regions: West Wales and the Valleys and East Wales. There were few differences between the two regions, however, East Wales was more likely to be scored high or very high (36 per cent) than West Wales and the Valleys (30 per cent). At the low end of the scale the variation was smaller: 23 per cent were scored low or very low in West Wales and the Valleys, compared with 20 per cent in East Wales.

Table 2.3 Product Market Strategy by ESF Region

	West Wales and the Valleys	East Wales	Wales Total
Unweighted base	*2,934*	*1,806*	*4,740*
Column %	%	%	%
Very Low	5	3	5
Low	18	17	18
Medium	31	33	32
High	22	27	24
Very High	8	9	9

Base: All establishments in the private sector

Source: UKCESS 2011

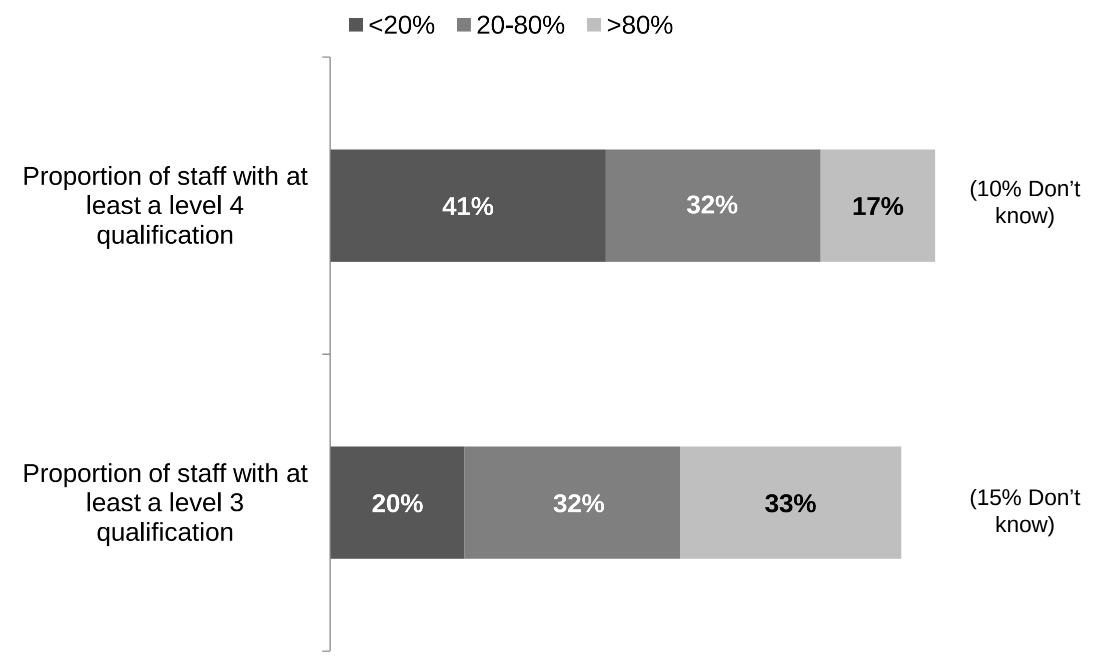
2.6 Product Market Strategy and workforce skill level

The business strategy adopted by an establishment will affect the skill levels it requires staff to have. The UK Commission's Employer Skills Survey uses workforce qualification levels as a means of identifying employers with high level skills requirements.

For the purposes of this report workforce qualification levels are based on the distribution of Level 4 qualifications and group employers into three bands: those where fewer than 20 per cent of the workforce hold a Level 4 qualification ("Low"); those where between 20 and 80 per cent hold a Level 4 qualification ("Medium") and those where more than 80 per cent of the population hold a Level 4 qualification ("High"). Figure 2.9 shows how establishments in Wales split by these three groups, and also shows how the proportion of staff with Level 3 qualifications or above is distributed. For example, it shows that in 41 per cent of establishments, fewer than 20 per cent of the workforce hold Level 4 or above qualifications, but that in 17 per cent of establishments 80 per cent or more of the workforce hold Level 4 qualifications or above and in 33 per cent of establishments 80 per cent or more of the workforce hold Level 3 qualifications or above.

Establishments in Wales reported slightly lower proportions of their workforces as qualified to Level 3 than the UK as a whole, where 41 per cent had at least 80 per cent of their staff qualified to Level 3. The difference between Wales and the UK at Level 4 was slightly less pronounced with 23 per cent of establishments across the UK having at least 80 per cent of their workforce qualified to that level.

Figure 2.9 Proportion of staff qualified to Level 3 and Level 4



Base: All establishments in Wales: 6,012 (unweighted)

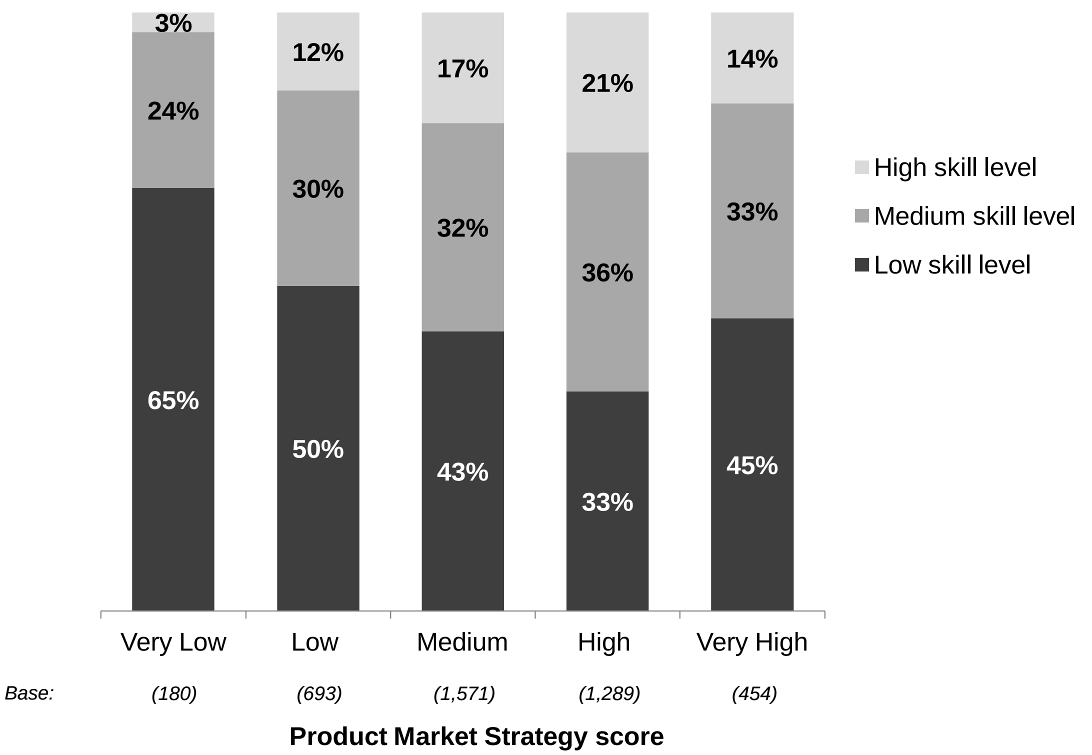
Source: UKCESS 2011

Establishments most likely to have a 'highly skilled' workforce using this definition (80 per cent or more of staff hold at least a Level 4 qualification) are most likely to be:

- small establishments (23 per cent of establishments with 1-4 staff had a highly skilled workforce, compared to nine per cent of those with 5-24 staff, six per cent of those with 25-99 staff and five per cent of those with 100 or more staff),
- in Business Services (31 per cent), Community, Social and Personal Services activities (22 per cent) or Transport and Storage (21 per cent),
- in the East Wales ESF region (21 per cent, compared to 15 per cent in West Wales and the Valleys).

Establishments who score highly in the product market strategy measure also tend to have a higher level of skills among their staff (defined as the proportion qualified to at least Level 4, see Figure 2.9). In the UK as a whole we see there is a pattern that as the product market strategy score increases the proportion of establishments with a highly skilled workforce also increases (and conversely the proportion with low skilled workforce decreases). The same holds for Wales except for the "very high" PMS score group, which drops back down to just 14 per cent with a highly skilled workforce compared to 21 per cent in the "high" PMS score group.

Figure 2.10 Skills level by Product Market Strategy



Base: All establishments in Wales in the private sector
Source: UKCESS 2011 survey

Having set out the key characteristics of establishments in Wales, the remainder of this report now presents findings from the survey.

2.7 Structure of this report

The characteristics described in this chapter will be used to analyse the UK Commission's Employer Skills Survey 2011 data for Wales in the following areas:

- the work-readiness of leavers from education, which explores the incidence of recruiting education leavers and how well prepared they are for the working world;
- recruitment and skill shortages, which looks at employer recruitment activity and measures the extent and causes of labour market shortages, focusing particularly on skill shortages, and identifying the impact that such labour market failure has on establishments;
- internal skills mismatch, which explores the proficiency levels of establishments' existing workforce, measuring and describing skills gaps in detail, and retention issues. The survey also takes a preliminary look at the under-use of skills, where establishments report that employees have more skills and qualifications than required for their current job role;
- the extent and nature of employer training and workforce development, including the investment made in training.

3 Work-readiness of education leavers

Chapter Summary

In Wales around a quarter of establishments (24 per cent) had recruited at least one education leaver in the two to three years previous to the survey. The majority of these employers found their recruits to be well prepared for work; the minority that did not most commonly put this down to a lack of experience of the working world, life experience or maturity, or to poor attitude, personality or a lack of motivation.

The proportion of employers finding education leavers to be well prepared for work increased with age / educational level:

- 56 per cent among those recruiting 16 year-old school leavers found them well prepared;
- 65 per cent of those recruiting 17-18 year-olds from school;
- 75 per cent of those recruiting 17-18 year-olds from Further Education;
- 80 per cent of those recruiting from Higher Education institutions.

3.1 Introduction

Before considering recruitment activity and skills levels more broadly (in Chapters Four and Five), this chapter looks at the recruitment and skill levels of education leavers. More specifically, it looks at the proportion of employers that have recruited anybody into their first job on leaving education in the past two to three years, before then exploring employers' perceptions of these recruits in terms of their readiness for work and their skills.

Employers in Wales were asked about four groups of leavers: 16 year-olds from school, 17-18 year-old school leavers, 17-18 year-old FE college leavers, and those entering employment straight from Higher Education. Higher Education leavers could be of any age as long as they were entering their first job on leaving education.

3.2 Incidence of recruitment of school, college and HE leavers

In the last two to three years, just under one-quarter of establishments in Wales (24 per cent) had recruited at least one education leaver to their first job on leaving education. There was no variation in this proportion between Wales and the UK as a whole. More specifically, between eight and 10 per cent of establishments had taken on education leavers from each of the four groups (see Table 3.1).

The larger the establishment, the more likely they were to have taken on each type of recruit from education. In part, this is simply a product of larger establishments being more likely to recruit *per se* (current recruitment activity is discussed in Chapter Four), and is a trend that holds for all levels of education leaver.

There were some differences in recruitment of education leavers by sector. Establishments in Education were considerably more likely to have taken on any education leavers (45 per cent), and they were more than three times as likely as the average to have taken on leavers from university or Higher Education (37 per cent, compared with 10 per cent of all establishments). Recruitment from education was also particularly common in the Health and Social Work sector (32 per cent), Hotels and Restaurants (29 per cent) and Community, Social and Personal Service Activities (29 per cent). Establishments in the industries of Agriculture (11 per cent) and Transport and Communications (14 per cent) were the least likely to have taken on any education leavers.

There was some variation between different regions in Wales. Establishments in South East Wales were most likely to have recruited education leavers (26 per cent), while only a fifth (20 per cent) in Mid Wales had recruited staff of this kind. Although the proportion of establishments who had recruited education leavers was equal between ESF regions, establishments in East Wales were more likely to have recruited university or HE leavers. This ties in with the finding presented in Chapter 2 that establishments in this region were more likely to have a highly skilled workforce.

Table 3.1 shows these figures in full.

Table 3.1 Incidence of recruitment from education in last 2-3 years

	Unwtd base	Any %	16 year olds recruited to first job from school %	17 or 18 year olds recruited to first job from school %	17 or 18 year olds recruited to first job from FE College %	Recruited to their first job from University or other Higher Education institution %
Wales Total	***6,012***	**24**	**8**	**8**	**10**	**10**
UK total	*87,572*	24	7	9	8	10
Size						
1-4	*1,216*	12	4	3	4	4
5-24	*3,474*	38	12	14	15	15
25-99	*1,074*	59	18	28	29	37
100-249	*151*	69	21	33	33	53
250+	*97*	73	32	53	55	61
Sector						
Agriculture	*102*	11	2	2	3	4
Mining and Quarrying	*22*	**	**	**	**	**
Manufacturing	*468*	27	9	13	10	8
Electricity, Gas and Water	*111*	25	6	10	6	9
Construction	*503*	23	13	6	8	4
Wholesale and Retail	*1,069*	26	11	12	14	8
Hotels and Restaurants	*675*	29	12	15	14	12
Transport and Communications	*439*	14	4	3	4	7
Financial Services	*173*	22	5	7	7	15
Business Services	*791*	21	5	5	7	13
Public Administration	*130*	20	2	9	10	17
Education	*391*	45	4	7	13	37
Health and Social Work	*580*	32	4	9	14	17
Community, Social and Personal Services activities	*558*	29	9	10	13	9
Region						
North Wales	*1,431*	24	8	8	9	11
Mid Wales	*798*	20	5	7	8	8
South West Wales	*1,389*	22	8	8	10	8
South East Wales	*2,394*	26	8	9	11	12
ESF Region						
West Wales and the Valleys	*3,732*	24	8	9	10	9
East Wales	*2,276*	24	7	8	9	12

Base: All establishments

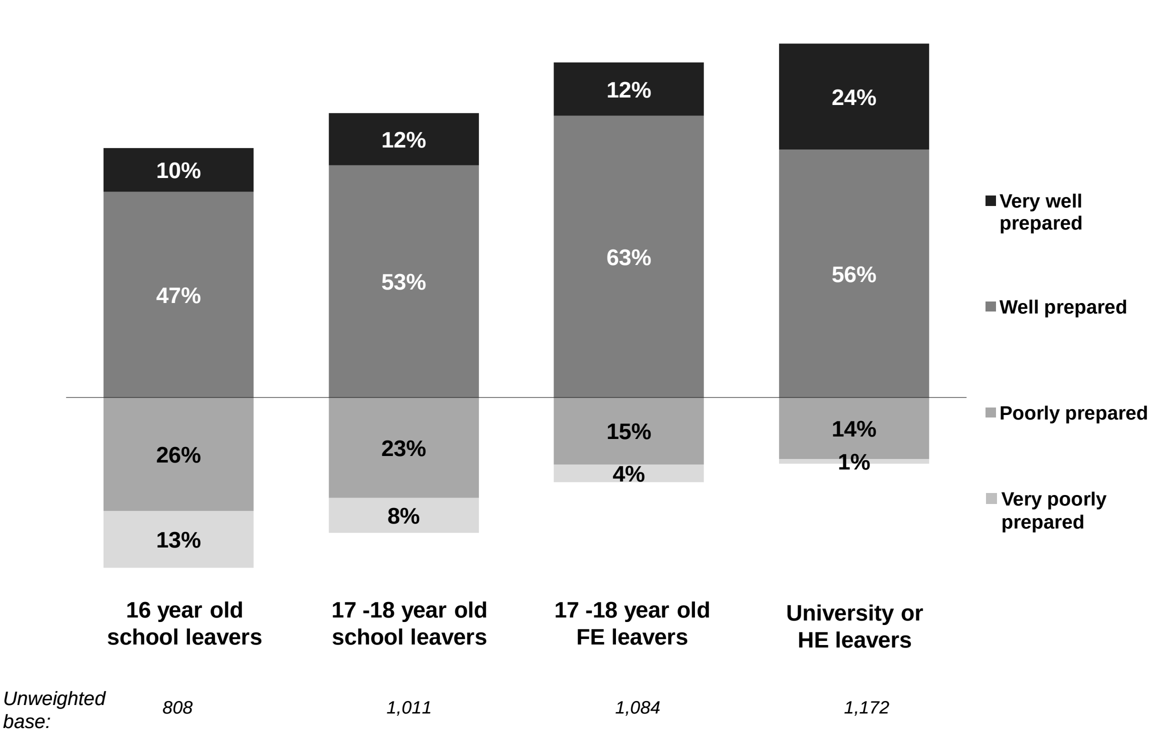
*'**' denotes base size under 25: too low to report.*

3.3 Perceived work-readiness of education leavers

In order to gauge the perceived work-readiness of recruits that had been taken on in the last two to three years straight from education, employers who had taken any on were asked whether they considered these recruits to be very well prepared, well prepared, poorly prepared or very poorly prepared for work.

Employers were more likely to feel that recruits from education were well prepared for work than poorly prepared, and the perceived level of work-readiness increases with the amount of time recruits have spent in education (see Figure 3.1). Four-fifths (80 per cent) thought that university or HE leavers were well prepared, compared with only 56 per cent who thought the same of 16 year old school leavers. This is similar to the pattern seen across the UK.

Figure 3.1 Perceived work-readiness of education leavers in the last 2-3 years



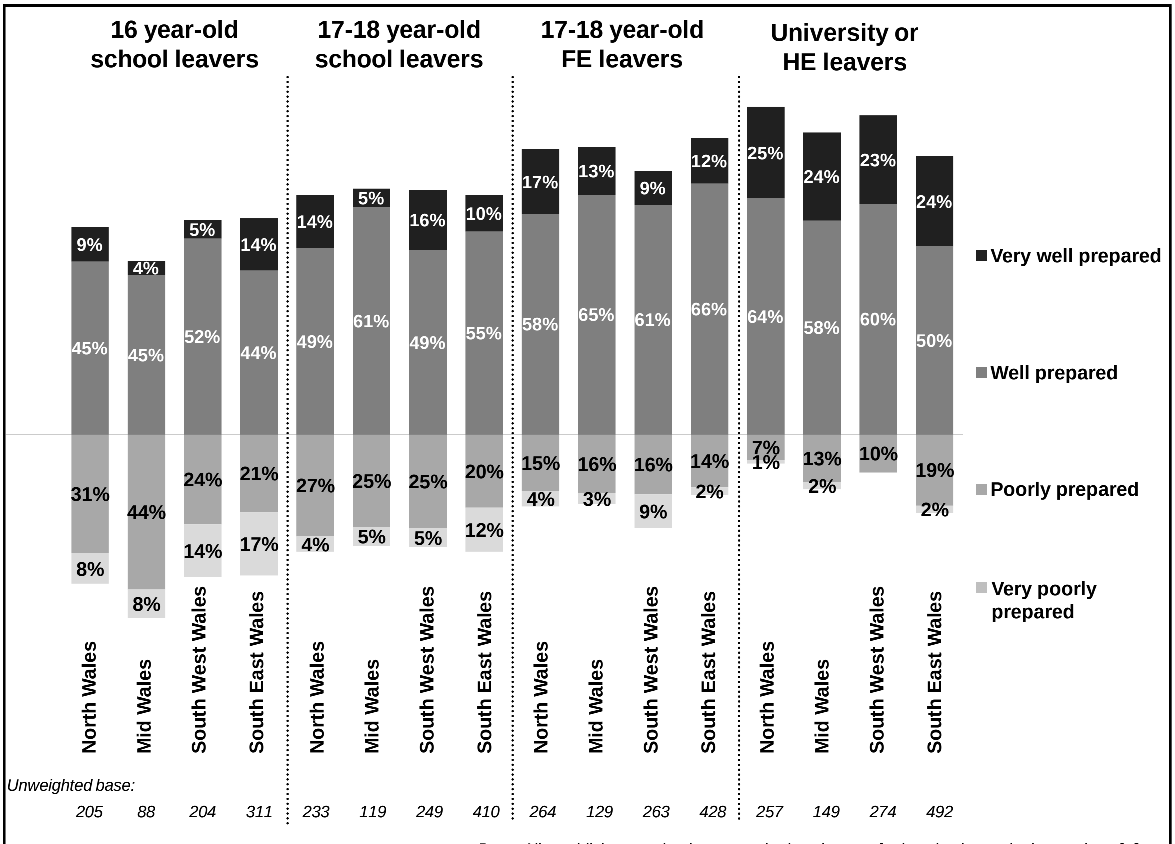
Base: All establishments in Wales who have recruited education leavers of each type in the last 2-3 years
Note "don't know" responses are not shown on the graph, hence bars sum to <100%

There are a number of possible reasons why recruits from Higher Education may be seen as better prepared for work than younger recruits: it could be because of the additional time graduates have spent in education or because employers may invest more resources in graduate recruitment and therefore be likely to find more suitable individuals. It may also simply be because graduates are older and therefore more mature generally.

There are also various hypotheses that could explain why 17-18 year-old FE recruits are seen as being more work-ready than contemporaries recruited from schools. These include college students being more likely to be studying vocational courses, and college students also being more likely to combine work and learning and therefore to have amassed more work-relevant experience.

Establishments in South East Wales were less likely to see their university leavers as well prepared for work; just 74 per cent did so compared to 80 per cent in Wales as a whole. Those in Mid Wales were least likely to see 16 year-old school leavers as well prepared, with 49 per cent saying they were compared to 56 per cent across Wales as a whole. Establishments in North Wales were most likely to find university leavers well prepared or very well prepared for work (88 per cent found them so). Figure 3.2 shows perceived work-readiness by region.

Figure 3.2 Perceived work-readiness of education leavers in the last 2-3 years by region



Base: All establishments that have recruited each type of education leaver in the previous 2-3 years in England, Northern Ireland and Wales

3.4 Skills and attributes lacking among education leavers

Those employers who reported that the education leavers they had recruited were poorly-prepared for work were asked to indicate what skills or attributes they were lacking.

The key findings are as follows (see Table 3.2):

- a lack of working world or life experience or maturity was the reason most commonly stated among all groups. This was a particular issue in relation to younger recruits (21 per cent of establishments recruiting 16 year-olds from school), and was more likely to be cited in relation to 17-18 year-old school leavers than for FE college leavers of the same age (18 per cent compared with 10 per cent);
- poor attitude, personality or a lack of motivation was commonly reported by employers recruiting 16 to 18 year-olds. This was an issue for approaching one-in-five (19 per cent) of employers taking on 16 year-old school leavers, and 14 per cent of those recruiting 17-18 year-old school leavers. This lessens as the recruits get older: nine per cent of those recruiting 17-18 year-old FE college leavers and just four per cent taking on graduates felt they had a poor attitude, personality or a lack of motivation;
- slightly under one-in-ten establishments taking on each type of education leaver felt they lacked specific skills or competencies, such as technical or job-specific skills;
- among each of the groups, only a small proportion of employers cited a lack of literacy / numeracy skills (i.e. basic skills).

Table 3.2 Skills lacked by education leavers

		16 year olds recruited to first job from school	17 or 18 year olds recruited to first job from school	17 or 18 year olds recruited to first job from FE College	Recruited to their first job from University or other Higher Education institution
Column %		*%*	*%*	*%*	*%*
Skills	*Base (unwtd)*	*808*	*1,011*	*1,084*	*1,172*
Lack of working world / life experience		21	18	10	7
Poor attitude / personality or lack of motivation		19	14	9	4
Lack required skills or competencies		9	8	8	7
Lack of common sense		6	4	1	3
Literacy/numeracy skills		3	4	3	2
Poor education		6	4	1	1

Base: Establishments who have recruited education leavers from each type in the last 2-3 years

3.5 Conclusion

For those employers in Wales who recruit education leavers, the majority find them well prepared for work. Only a minority of employers find their recruits from education to be poorly prepared for work.

In Wales 24 per cent of employers had recruited someone straight from education in the 2 to 3 years prior to the survey, in line with the proportion also seen across the UK as a whole. Employers' views of the preparedness of such recruits increases both with age of recruit and time spent in education: 56 per cent of establishments that had taken on 16 year-old school leavers found them to be well prepared, rising to 65 per cent that had taken on 17-18 year-old school leavers, 75 per cent that had taken on Further Education leavers and 80 per cent that had taken on Higher Education leavers.

There may be several reasons why employers see recruits from Higher Education as better prepared for work than younger recruits. It may be as a result of the additional time graduates have spent in education or it may be related to employers investing more resource in graduate recruitment, so that they are more likely to find more suitable individuals, or simply because graduates are older and therefore more experienced and mature generally.

In Wales (as in the rest of the UK) there is a difference between employer views on 17-18 year-old FE college leavers and 17-18 year-old school leavers, with the former found to be better prepared. There could be a number of reasons for this, including FE college students being more likely to be studying vocational courses. FE college students may also be more likely to combine work and learning than their counterparts at school, and therefore have more work experience, which appeals to employers.

In Mid Wales establishments were less likely to recruit school leavers, whether in the 16 year-old or 17-18 year-old categories, but those that did were more likely to say the 16 year-old school leavers they have recruited were poorly prepared for work. Education leavers of this age might be expected to seek employment locally on leaving school, perhaps more so than their elder contemporaries, so this could be an indicator that the pre-16 schooling in the region is not well matched to the employment available in the region or an indicator of the of work-readiness by employers.

For the small minority of employers who find education leavers poorly prepared the main reason is a lack of working world experience, life experience or maturity. Again this was most common for younger recruits (21 per cent of those who recruited 16 year-olds compared to just seven per cent of Higher Education leavers). This raises questions about how to improve the opportunities for pupils to gain experience in a workplace to help prepare them for their first job. Following this, concerns about attitudes and motivation were also important, whereas concerns about education or literacy and numeracy skills are cited by a very small number of employers, illustrating that they are seen to be less of a problem by employers.

4 Employers, recruitment and skill shortages

Chapter Summary

At the time of interview, 11 per cent of establishments had a vacancy; this equates to around 25,500 vacancies across Wales. The labour market is largely able to meet the requirements of most establishments, however four per cent of establishments had a vacancy they considered to be "hard-to-fill". This equates to 8,500 hard-to-fill vacancies, a third of all vacancies.

Three per cent of establishments reported having vacancies at the time of the survey that they had difficulties filling due to a lack of skills, qualifications or experience in applicants for the role (a "skill-shortage vacancy"). This equates to 5,700 skill-shortage vacancies across Wales; 22 per cent of all vacancies. 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, far more so than in the UK as a whole. While skill-shortage vacancies may not be common, where they do exist their impact can be significant; almost all establishments with hard-to-fill vacancies (97 per cent) reported they were having an impact on the establishment. The impact that they have on the workload of existing staff risks knock-on effects on morale and retention, and was reported by 86 per cent of establishments with hard-to-fill vacancies. More direct impacts on performance were also commonly cited (50 per cent say they struggle to meet customer service objectives, 48 per cent have had to delay developing new products or services, 41 per cent have lost business to competitors and 41 per cent have seen an increase in operating costs).

4.1 Introduction

This chapter discusses the demand for and availability of recruits from the labour market. Specifically it explores current vacancies across Wales at the time of research; the ability of the market to meet employer demand for new staff and the level of hard-to-fill vacancies. It then looks at the causes of recruitment difficulties focusing particularly on those vacancies that are hard-to-fill specifically as a result of a lack of skills, qualifications or experience (skill-shortage vacancies) and the impact of hard-to-fill vacancies on establishments experiencing them.

4.2 What is the level of demand for new staff?

Overall, one-in-ten establishments (11 per cent) in Wales had a current vacancy at the time they were interviewed. This is in line with the UK average (12 per cent). In total there were 25,500 vacancies across Wales at the time of the survey equating to 2.2 vacancies per 100 employees.

The incidence of vacancies increases in line with establishment size, with almost two-thirds (65 per cent) of establishments with 250+ staff, and half of establishments with 100-249 staff, having a current vacancy, compared with only seven per cent of the smallest establishments. This is logical given that larger employers will have more jobs which have the potential to be vacant at any one time. However, vacancy density (the number of vacancies per 100 employees) showed the opposite pattern, with the smallest establishments showing the highest vacancy density. This mirrors the pattern seen across the UK as a whole as well.

There was also some variation in the proportion of establishments reporting vacancies and in vacancy density according to sector. The Education (19 per cent), Health and Social Work (17 per cent), and Manufacturing (17 per cent) sectors were most likely to report at least one vacancy at the time of the survey. The sectors least likely to have current vacancies were Agriculture (two per cent) and Construction (five per cent). The highest density of vacancies was in the Electricity, Gas and Water (4.5 per 100 employees), Community, Social and Personal Services activities (3.9 per 100 employees), and Business Services (3.4 per 100 employees) sectors. This is similar to the sectoral patterns seen in the UK as a whole. The exception is the Electricity, Gas and Water sector which has the highest vacancy density in Wales. In contrast, at the UK level, the sector has a vacancy density similar to the UK average for all sectors. There was not much variation between regions in incidence of vacancies, however the vacancy density was significantly higher than the average in Mid Wales (4.5). This could in part be driven by the higher prevalence of smaller establishments in Mid Wales.

Table 4.1 shows the picture by size, sector and region.

Table 4.1 Incidence, volume and density of vacancies

		% of establishments with a vacancy	Number of vacancies	Vacancy density
	Unwtd base	%	Rounded to nearest 100	%
Wales total	***6,012***	**11**	**25,500**	**2.2**
UK total	*87,572*	12	635,900	2.3
Size				
1-4	*1,216*	7	7,500	5.7
5-24	*3,474*	14	6,600	2.2
25-99	*1,074*	28	5,800	2.1
100-249	*151*	50	2,500	1.5
250+	*97*	65	3,200	1.0
Sector				
Agriculture	*102*	2	500	1.9
Mining and Quarrying	*22*	**	**	**
Manufacturing	*468*	17	2,100	1.5
Electricity, Gas and Water	*111*	14	700	4.5
Construction	*503*	5	1,000	1.6
Wholesale and Retail	*1,069*	12	3,500	1.8
Hotels and Restaurants	*675*	14	2,500	3.1
Transport and Communications	*439*	11	1,900	3.0
Financial Services	*173*	11	500	1.6
Business Services	*791*	11	4,500	3.4
Public Administration	*130*	16	2,000	2.3
Education	*391*	19	1,600	1.3
Health and Social Work	*580*	17	2,800	1.5
Community, Social and Personal Services activities	*558*	16	1,900	3.9
Region				
North Wales	*1,431*	10	4,400	1.7
Mid Wales	*798*	11	3,600	4.5
South West Wales	*1,389*	11	5,300	2.1
South East Wales	*2,394*	12	12,300	2.1
ESF Region				
West Wales and the Valleys	*3,732*	11	14,700	2.1
East Wales	*2,276*	13	10,900	2.3

Base: All establishments.

Percentages in Column 3 are based on all employment, percentages therefore represent the number of vacancies as a proportion of all employment.

Number of vacancies rounded to nearest 100.

*'**' denotes base size under 25: too low to report.*

As was seen in the UK as a whole, establishments that are leading the way in their industries in terms of innovation, quality and customisation are more active in the recruitment market: the likelihood of establishments having a vacancy increases with their Product Market Strategy (PMS) rating,[6] from five per cent among those with a "Very Low" PMS rating to 13 per cent among those with a "Very High" PMS rating. Establishments with vacancies in the "Very Low" group also had fewer vacancies per establishment, with a mean of 1.3 vacancies compared to the Wales average of 2.3.

The level of vacancies varied slightly according to occupational type.[7] The level of vacancies was highest for Sales and Customer Service roles, Associate Professional, and Elementary occupations. Together, these three groups made up 45 per cent of all vacancies in Wales. However, this might relate to the numbers employed in those occupations, which is illustrated by a much higher vacancy density amongst the Associate Professional group of 5.7 per cent.

The level of vacancies was lowest for managers: this occupation accounted for only three per cent of all vacancies in Wales and had a vacancy density of 0.4 per cent (see Table 4.2).

Table 4.2 Incidence and density of vacancies by occupation

Column %	**% of all vacancies**	**Number of vacancies**	**Vacancy density**
Occupation	%	Rounded to nearest 100	%
Base:	*1,100*	*6,012*	*6,012*
Managers	3	800	0.4
Professionals	11	2,800	2.2
Associate Professionals	15	3,700	5.7
Admin / Clerical	11	2,800	1.8
Skilled Trades	10	2,700	2.4
Caring, Leisure and Other services	14	3,500	3.0
Sales / Customer services	15	3,900	2.9
Machine Operatives	6	1,500	1.6
Elementary	14	3,700	2.2

Base: Column 1: all vacancies in up to six occupational groups followed up, column 2 and 3: all establishments

"Figures are based on all employment, percentages in column 1 therefore represent the proportion of vacancies accounted for by each occupation and column 3 the number of vacancies as a proportion of all employment in that occupation.

Number of vacancies rounded to nearest 100

[6] See Chapter 2 section 2.5 for an explanation of how PMS score is calculated.
[7] Full details of the definitions of each occupational type are presented in Appendix E to this report.

4.3 The ability of the market to meet employer demand for new staff

Four per cent of establishments in Wales reported having at least one hard-to-fill vacancy at the time of research; this figure matches the UK average (also four per cent). This equates to a total of 8,500 hard-to-fill vacancies, representing a third (33 per cent) of all vacancies across Wales (see Table 4.3). This is higher than the proportion of hard-to-fill vacancies in the UK as a whole, where just under a quarter (23 per cent) of vacancies were deemed "hard to fill".

As seen with vacancies in general, the proportion of establishments reporting a hard-to-fill vacancy increased in line with size of establishment: larger businesses were more likely to find a vacancy hard to fill. Only three per cent of the smallest establishments reported a hard-to-fill vacancy, compared with nine, 12 and nine per cent for the three largest size categories.

However, the *proportion* of vacancies considered hard-to-fill decreased as the size of the establishment increased. Among the smallest establishments, almost half of all vacancies (47 per cent) were considered hard-to-fill, while for establishments with 250+ staff this proportion was only two per cent.

Establishments in the Electricity, Gas and Water (nine per cent), Manufacturing (eight per cent) and Hotel and Restaurant (eight per cent) sectors were most likely to have at least one hard-to-fill vacancy; this is similar to the sectoral pattern seen in the UK as a whole, with the exception of Electricity, Gas and Water. This sector also had a higher vacancy density in Wales than in the rest of the UK (see previous section). The incidence of hard-to-fill vacancies in Wales was lowest in the Agriculture, Public Administration and Education sectors (all two per cent). The proportion of vacancies considered hard-to-fill was highest in Public Administration (49 per cent, although the small base size for this sector means figures need to be treated with caution), Hotels and Restaurants (44 per cent) and Business Services (40 per cent).

There was limited variation between regions in the proportion of establishments reporting any hard-to-fill vacancies (ranging from three per cent to six per cent). However, two-thirds (65 per cent) of all vacancies in Mid Wales were hard-to-fill, suggesting a shortage of suitable applicants in this particular area. In other regions, between a quarter and a third of vacancies were hard to fill.

Table 4.3 Incidence, volume and density of hard-to-fill vacancies: 2011

		% of establishments with a hard-to-fill vacancy	Number of hard-to-fill vacancies	% of vacancies that are hard to fill	
	Unwtd base	%	Rounded to nearest 100	*Unwtd base*	%
Wales total	***6,012***	**4**	**8,500**	***1,100***	**33**
UK	*87,572*	4	143,600	*17,166*	23
Size					
1-4	*1,216*	3	3,600	*95*	47
5-24	*3,474*	5	2,300	*567*	36
25-99	*1,074*	9	2,100	*304*	36
100-249	*151*	12	400	*74*	18
250+	*97*	9	100	*60*	2
Sector					
Agriculture	*102*	2	500	*4*	**
Mining and Quarrying	*22*	**	**	*3*	**
Manufacturing	*468*	8	600	*85*	30
Electricity, Gas and Water	*111*	9	200	*16*	**
Construction	*503*	3	400	*39*	*37*
Wholesale and Retail	*1,069*	3	800	*187*	23
Hotels and Restaurants	*675*	8	1,100	*152*	44
Transport and Communications	*439*	6	700	*89*	39
Financial Services	*173*	3	100	*22*	**
Business Services	*791*	4	1,800	*138*	40
Public Administration	*130*	2	1,000	*25*	*49*
Education	*391*	2	100	*94*	6
Health and Social Work	*580*	5	500	*126*	19
Community, Social and Personal Services activities	*558*	5	600	*120*	33
Region					
North Wales	*1,431*	3	1,200	*246*	28
Mid Wales	*798*	6	2,300	*153*	65
South West Wales	*1,389*	5	1,800	*255*	33
South East Wales	*2,394*	4	3,200	*446*	26
ESF Region					
West Wales and the Valleys	*3,732*	4	4,900	*668*	33
East Wales	*2,276*	4	3,700	*432*	34

Base: Columns 1 and 2: all establishments; Column 3: all establishments with vacancies.

Percentages in Column 3 are based on all vacancies, rather than all establishments with vacancies; figures therefore show the percentage of vacancies which are hard-to-fill.

Number of hard-to-fill vacancies rounded to nearest 100.

*'**' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution.*

The proportion of vacancies that are hard to fill is lowest in the Administrative and Clerical occupations[8] (nine per cent of all vacancies for this occupation type) and lowest in absolute terms among Managers (which account for only one per cent of all hard-to-fill vacancies in Wales). By contrast, 71 per cent of vacancies for Machine Operatives are hard to fill, along with 51 per cent of vacancies for Associate Professionals. This is much higher than in the UK, where 22 and 23 per cent of vacancies in these occupations respectively are deemed hard-to-fill. In the UK it is Skilled Trades vacancies that are most commonly hard to fill; however the proportion of vacancies in Skilled Trades that are hard to fill is the same in Wales and in the UK (41 per cent). It was reported at the beginning of this section that the proportion of vacancies that are hard to fill in Wales is higher than the UK average; Table 4.4 suggests that this is primarily in Machine Operatives, Associate Professionals, Caring, Leisure and Other Services and Elementary occupations, all of which are higher than the UK average.

Table 4.4 Incidence, volume and density of hard-to-fill vacancies: by occupation

Column %	**Number of hard-to-fill vacancies**	**% of vacancies that are hard to fill**	
Occupation	Rounded to nearest 100	*Unwtd Base:*	%
Managers	100	*69*	11
Professionals	700	*179*	24
Associate Professionals	1,900	*150*	51
Admin / Clerical	200	*174*	9
Skilled Trades	1,100	*164*	41
Caring, Leisure and Other services	1,600	*152*	45
Sales / Customer services	600	*164*	15
Machine Operatives	1,000	*86*	71
Elementary	1,300	*211*	36

Base: Columns 1 and 2 all establishments; Column 3 all establishments with vacancies in each occupation.

Percentages in Column 3 are based on all vacancies, rather than all establishments with vacancies; figures therefore show the percentage of vacancies which are hard-to-fill.

Number of hard-to-fill vacancies rounded to nearest 100.

'' denotes a figure larger than zero but smaller than 0.5.*

[8] Full details of the definitions of each occupational type are presented in Appendix E to this report.

4.4 Causes of hard-to-fill vacancies

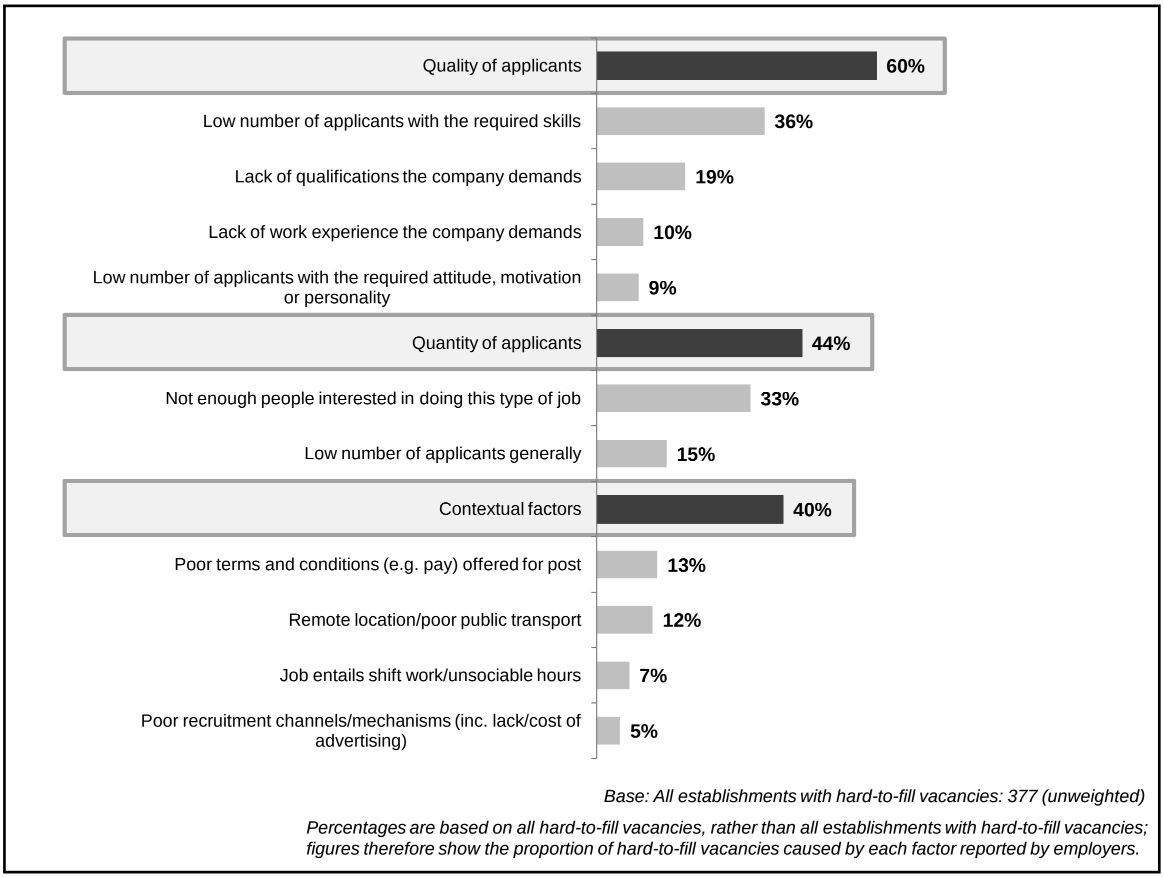
Understanding the causes of hard-to-fill vacancies is clearly a prerequisite to introducing effective measures aimed at easing recruitment difficulties and improving the effectiveness of the labour market. Most importantly, it can identify where there are issues finding applicants with the requisite skills to fill the role. The causes can be broadly split into three areas: issues with the quality of applicants, the quantity of applicants, and contextual factors such as issues with the role, organisation or the establishment's recruitment systems.

The main causes of hard-to-fill vacancies tend to be related to the quality of the applicants, i.e. a lack of skills, qualifications, experience or the attitude of applicants, with these factors cited as a cause of 60 per cent of hard-to-fill vacancies. This is similar overall to the UK (where such factors were cited for 62 per cent of vacancies), however employers in Wales are much less likely than the UK average to say applicants lack experience or have a poor attitude.

The quantity of applicants is also an issue, cited as a problem in 44 per cent of hard-to-fill vacancies. Quantity of applicants was only an issue for a third of hard-to-fill vacancies in the UK as a whole, in particular "not enough people interested in doing this type of job", which was a cause in 33 per cent of hard-to-fill vacancies in Wales compared to just 22 per cent in the UK as a whole.

Contextual factors were slightly more likely to be a factor in Wales (40 per cent) than the UK (36 per cent); the main difference was in "remote location / poor public transport" which was an issue in 12 per cent of hard-to-fill vacancies in Wales compared to just seven per cent in the UK as a whole.

Figure 4.1 Causes of hard-to-fill vacancies



Reasons mentioned by five per cent or more of the base shown.

Note: Summed percentages exceed 100 per cent because of multiple responses.

The perceived causes of hard-to-fill vacancies vary according to sector. Notable differences include:

- More than three-quarters (77 per cent) of hard-to-fill vacancies in the Business Services sector are caused by a lack of applicants with the required skills, and just under two-thirds (64 per cent) by a lack of interest in the type of work offered.
- Shift work and unsociable working patterns were more likely to cause hard-to-fill vacancies in the Hotels and Restaurants sector (21 per cent compared to seven per cent across all sectors.
- Poor terms and conditions were particularly likely to cause hard-to-fill vacancies in the Hotels and Restaurants (41 per cent) and Transport and Communications (26 per cent) sectors.

By region, a general lack of interest in the job role was a particular issue in Mid Wales (75 per cent compared with 33 per cent across Wales as a whole), as was a lack of applicants with the required skills (61 per cent compared with 36 per cent overall). Hard to fill vacancies in South East Wales were more likely to be caused by a low number of applicants generally (28 per cent compared with 15 per cent overall), while the main factor in South West Wales was the remote location and lack of public transport (33 per cent compared with 12 per cent overall). Hard-to-fill vacancies in North Wales were less likely to be due to difficulties finding people with the required qualifications (five per cent) but slightly more likely than average to be down to a lack of applicants with the required attitude, motivation or personality.

There were few differences between the ESF regions. The differences present suggest some problems with supply in West Wales and the Valleys, with 39 per cent of establishments with hard-to-fill vacancies saying that there were not enough people interested in doing the type of job vacant, and 25 per cent saying that they found a lack of qualifications the company demands. The respective figures for East Wales were 22 per cent and 17 per cent.

Table 4.5 Causes of hard-to-fill vacancies (unprompted)

	Base (*unwtd*)	Low number of applicants with the required skills	Not enough people interested in doing this type of job	Lack of qualifications the company demands	Low number of applicants generally	Poor terms and conditions (e.g. pay) offered for post	Remote location/poor public transport	Lack of work experience the company demands	Low number of applicants with the required attitude, motivation or personality	Job entails shift work/unsociable hours	Poor recruitment channels / mechanisms
		%	%	%	%	%	%	%	%	%	%
Wales total	***377***	**36**	**33**	**19**	**15**	**13**	**12**	**10**	**9**	**7**	**5**
UK total	*5,160*	38	22	14	15	13	7	19	16	8	2
Size											
1-4	*43*	48	56	22	9	18	3	6	2	4	-
5-24	*219*	35	17	9	13	11	11	17	19	12	*
25-99	*90*	15	12	26	31	9	29	9	8	7	21
100-249	*17*	**	**	**	**	**	**	**	**	**	**
250+	*8*	**	**	**	**	**	**	**	**	**	**
Sector											
Agriculture	*2*	**	**	**	**	**	**	**	**	**	**
Mining and Quarrying	*3*	**	**	**	**	**	**	**	**	**	**
Manufacturing	*31*	62	12	22	4	14	3	8	19	3	-
Electricity, Gas and Water	*8*	**	**	**	**	**	**	**	**	**	**
Construction	*19*	**	**	**	**	**	**	**	**	**	**
Wholesale and Retail	*46*	13	38	2	33	5	3	14	15	12	-
Hotels and Restaurants	*72*	22	15	1	13	41	13	14	11	21	1
Transport and Communications	*45*	44	18	12	14	26	6	8	8	3	-
Financial Services	*6*	**	**	**	**	**	**	**	**	**	**
Business Services	*51*	77	64	9	4	3	6	18	4	2	-
Public Administration	*4*	**	**	**	**	**	**	**	**	**	**
Education	*10*	**	**	**	**	**	**	**	**	**	**
Health and Social Work	*41*	35	20	11	11	19	13	6	13	15	-
Community, Social and Personal Services activities	*39*	20	26	17	16	14	11	4	22	8	1
Region											
North Wales	*92*	26	17	5	14	12	10	9	19	14	-
Mid Wales	*59*	61	75	25	3	9	8	4	2	4	*
South West Wales	*95*	27	17	13	9	11	33	15	7	8	-
South East Wales	*131*	27	17	22	28	17	5	13	11	6	14
ESF Region											
West Wales and the Valleys	*250*	39	39	25	16	13	9	16	12	9	1
East Wales	*127*	35	22	17	8	21	9	14	9	7	**

Base: All establishments reporting hard-to-fill vacancies

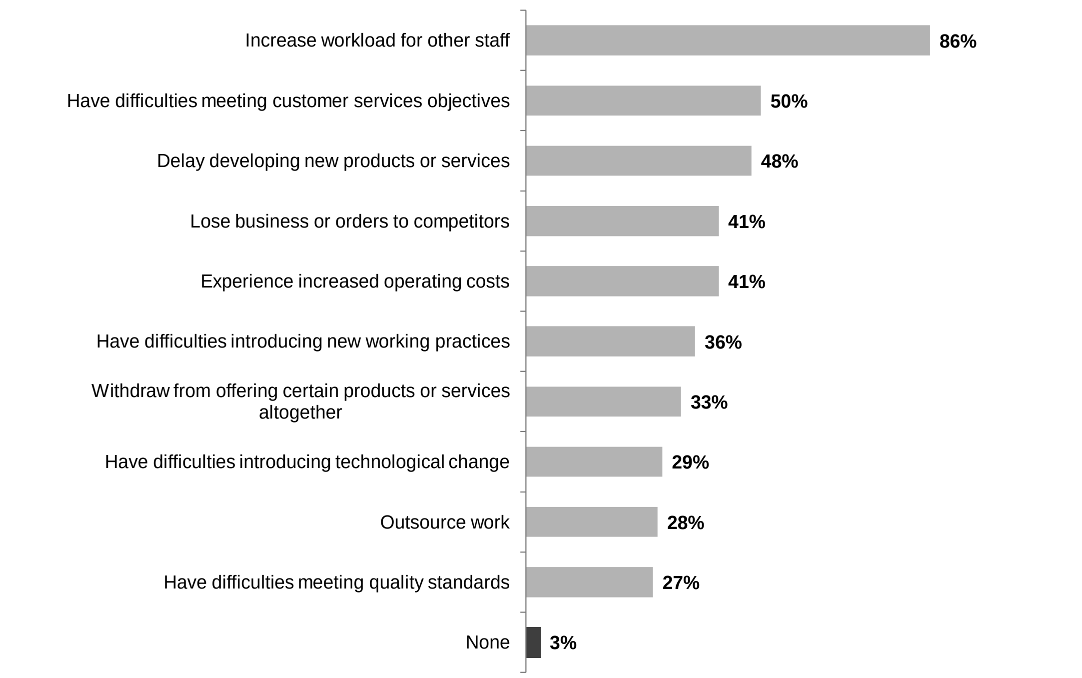
Results are based on hard-to-fill vacancies rather than establishments with hard-to-fill vacancies; the figures therefore show the proportion of hard-to-fill vacancies caused by each factor reported by employers.

'-' denotes a figure of zero; '' denotes a figure larger than zero but smaller than 0.5. '**' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution.*

4.5 Impact of hard-to-fill vacancies

Having established the perceived causes of hard-to-fill vacancies, this section focuses on the impact of all hard-to-fill vacancies on employers. The vast majority (97 per cent) of establishments with hard-to-fill vacancies reported that they had an impact on the establishment; just three per cent had seen no impact. This is a slightly higher level of establishments seeing an impact than was seen in the UK as a whole, where 94 per cent of establishments reported their hard-to-fill vacancies were having an impact.

Figure 4.2 Impact of hard-to-fill vacancies



Base: All establishments with hard-to-fill vacancies: 377 (unweighted)

The vast majority of establishments with hard to fill vacancies (86 per cent) reported that they increase the workload and demand on existing staff. Half (50 per cent) reported that they caused difficulties meeting customer service objectives and similar proportions experienced delays to the development of new products or services (48 per cent), business lost to competitors (41 per cent), or increased operating costs (41 per cent). This is similar to the impacts seen in the UK.

Table 4.6 Impacts of hard-to-fill vacancies (unprompted)

	Base (*unwtd*)	Increase workload for other staff	Have difficulties meeting customer services objectives	Delay developing new products or services	Lose business or orders to competitors	Experience increased operating costs	Have difficulties introducing new working practices	Withdraw from offering certain products or services altogether	Have difficulties introducing technological change	Outsource work	Have difficulties meeting quality standards	No impact
		%	%	%	%	%	%	%	%	%	%	%
Wales total	***377***	**86**	**50**	**48**	**41**	**41**	**36**	**33**	**29**	**28**	**27**	**3**
UK total	*5,160*	83	45	41	42	39	32	26	22	26	34	6
Size												
1-4	*43*	*84*	*57*	*59*	*51*	*30*	*33*	*44*	*36*	*32*	*57*	*2*
5-24	*219*	89	47	42	37	48	39	27	24	22	47	5
25-99	*90*	91	33	34	24	54	35	20	21	27	27	5
100-249	*17*	**	**	**	**	**	**	**	**	**	**	**
250+	*8*	**	**	**	**	**	**	**	**	**	**	**
Sector												
Agriculture	*2*	**	**	**	**	**	**	**	**	**	**	**
Mining and Quarrying	*3*	**	**	**	**	**	**	**	**	**	**	**
Manufacturing	*31*	*90*	*72*	*72*	*61*	*27*	*37*	*41*	*63*	*68*	*12*	*1*
Electricity, Gas and Water	*8*	**	**	**	**	**	**	**	**	**	**	**
Construction	*19*	**	**	**	**	**	**	**	**	**	**	**
Wholesale and Retail	*46*	*93*	*68*	*54*	*58*	*47*	*41*	*32*	*32*	*9*	*35*	*5*
Hotels and Restaurants	*72*	85	46	43	46	42	19	35	10	15	43	3
Transport and Communications	*45*	*74*	*54*	*58*	*50*	*54*	*53*	*63*	*23*	*44*	*23*	-
Financial Services	*6*	**	**	**	**	**	**	**	**	**	**	**
Business Services	*51*	89	46	29	19	58	21	29	34	21	20	5
Public Administration	*4*	**	**	**	**	**	**	**	**	**	**	**
Education	*10*	**	**	**	**	**	**	**	**	**	**	**
Health and Social Work	*41*	*84*	*30*	*36*	*14*	*42*	*44*	*30*	*22*	*24*	*24*	*6*
Community, Social and Personal Services activities	*39*	*95*	*58*	*56*	*48*	*18*	*56*	*19*	*26*	*33*	*54*	*4*
Region												
North Wales	*92*	81	37	51	39	42	37	27	23	26	27	4
Mid Wales	*59*	98	50	56	38	25	36	54	35	25	14	1
South West Wales	*95*	83	41	33	31	48	17	22	23	36	17	3
South East Wales	*131*	86	62	54	50	43	49	34	34	25	39	4
ESF Region												
West Wales and the Valleys	*250*	84	46	45	43	42	34	27	27	32	22	4
East Wales	*127*	91	57	55	39	38	41	44	33	20	37	2

Base: All establishments reporting hard-to-fill vacancies

'-' denotes a figure of zero; '' denotes a figure larger than zero but smaller than 0.5. '**' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution.*

By ESF region some differences emerge in the types of impacts felt by each group. Establishments in East Wales are more likely to have suffered impacts on their establishment's outputs and ability to perform its role. They are more likely to say their current outputs are affected, with 57 per cent (compared to 46 per cent in West Wales and the Valleys) saying it caused difficulties in meeting customer service objectives, 37 per cent (compared to 22 per cent) difficulties in meeting quality standards and 44 per cent (compared to 27 per cent) have had to withdraw certain product and service offerings altogether. To a lesser extent establishments in East Wales are more likely to say the hard-to-fill vacancies are causing difficulties or delays in developing new products and services (55 per cent compared to 45 per cent), introducing new working practices (41 per cent compared to 34 per cent) and introducing technological change (33 per cent compared to 27).

Conversely establishments in West Wales and the Valleys were more likely to have lost out on business orders (43 per cent compared to 39 per cent), experienced increased operating costs (42 per cent compared to 38), or dealt with it by outsourcing work (32 per cent compared to 20 per cent).

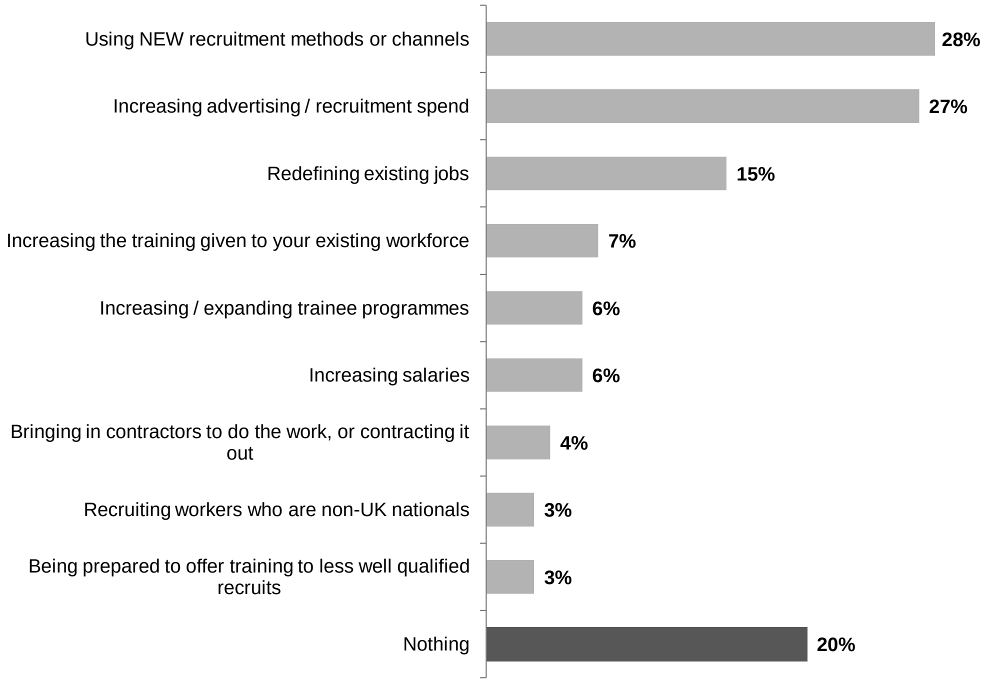
This suggests that establishments in East Wales are more likely to be coping by holding back on quality and innovation, whereas those in West Wales and the Valleys are more likely to be "taking the hit" financially to maintain performance.

4.6 Measures taken to address hard-to-fill vacancies

The survey explored the measures that employers take to fill their hard-to-fill vacancies. Figure 4.3 shows that the vast majority (80 per cent) do take specific measures to address this issue, while a fifth (20 per cent) reported that they do not do anything. Given that most said that their hard-to-fill vacancies were having an impact, there are clearly some establishments who are suffering but are not taking any action to rectify this. Reasons for this might be that the employer does not have the knowledge or resource to take action, or possibly that hard-to-fill vacancies have persisted long enough in the sector that employers are simply used to working around them.

Most often, employers try to address the issue of hard-to-fill vacancies by using new recruitment methods and/or channels (28 per cent) or by increasing expenditure on advertising or recruitment (27 per cent). Smaller amounts look for internal solutions such as redefining existing jobs (15 per cent), or increasing training provided to the existing workforce (seven per cent).

Figure 4.3 Measures taken to address hard-to-fill vacancies



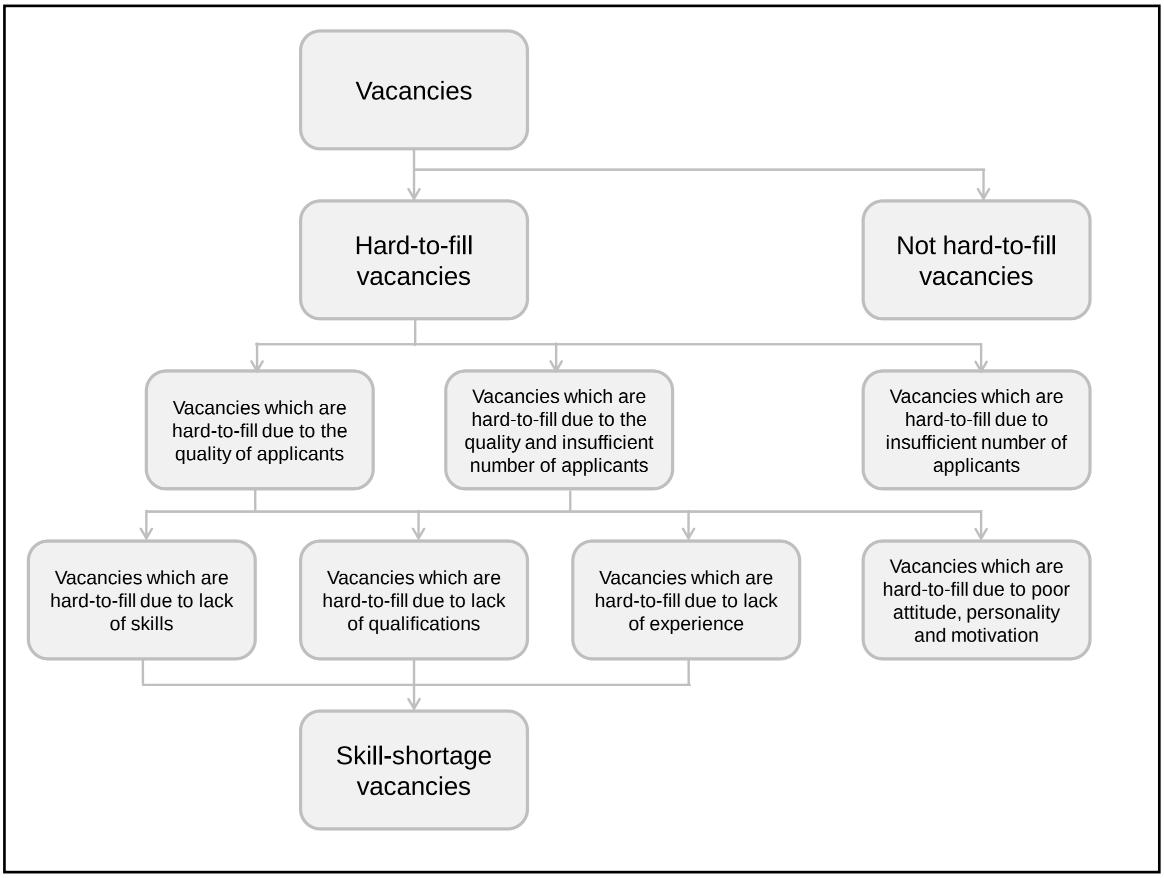
Base: All establishments with hard-to-fill vacancies: 377 (unweighted)

4.7 Skill-shortage vacancies

As discussed above, recruitment difficulties are commonly caused by issues relating to the applicants, be it quality or quantity. Hard-to-fill vacancies caused specifically by a lack of **skills**, **qualifications** or **experience** among applicants are known as "skill-shortage vacancies."[9] Where there is an issue with the attitude, personality or motivation of applicants, these are not skill-shortage vacancies. Figure 4.4 shows a "map" of how skill-shortage vacancies (SSVs) are defined.

[9] Employers were first asked to give their reasons for not being able to fill vacancies spontaneously (i.e. without being presented with a list of possible reasons). Any employers not reporting skills-related issues were then prompted as to whether any of their hard-to-fill vacancies were proving hard-to-fill due to a lack of skills, experience or qualifications among applicants, and these responses combined to give an overall picture of the incidence and volume of skill-shortage vacancies in the market.

Figure 4.4 Skill-shortage vacancies route map



4.8 The incidence, volume, density and distribution of skill-shortage vacancies

For the vast majority of establishments, demand for skills is met through successful recruitment (or through their current workforce, as will be explored in the next chapter). Three per cent of establishments reported having vacancies at the time of the survey that they were having difficulties filling due to a lack of skills, qualifications or experience in applicants for the role (a "skill-shortage vacancy"), the same as the proportion reporting skill-shortage vacancies in the UK as a whole. In absolute terms this equates to 5,700 vacancies resulting from skill-shortages. The proportion of all vacancies in Wales that are caused by skill shortages is 22 per cent, as shown in Table 4.7. This is slightly higher than the UK average, where 16 per cent of all vacancies had skill shortages as a contributing factor.

The incidence of hard-to-fill and skill-shortage vacancies is driven by size: larger establishments are more likely to have vacancies as well as being more likely to find those vacancies hard-to-fill due to skill shortage. However, as a proportion of vacancies, the picture is reversed: smaller establishments, although less likely to have any vacancies, are more likely to find them hard-to-fill due to skill shortage. Skill-shortage vacancies in establishments with fewer than 25 employees accounted for over two-thirds (79 per cent) of all skill-shortage vacancies in Wales at the time of the research (over 4,400 positions).

The sectors most likely to report a skill-shortage vacancy were Manufacturing and Electricity, Gas and Water (both seven per cent of establishments). However, the highest proportion of skill-shortage vacancies was seen in the Business Services sector, where two-fifths (39 per cent) of all vacancies were skill-shortage vacancies.

The area most affected by a high density of skill-shortage vacancies is Mid Wales, where almost three-fifths (59 per cent) of vacancies were skill-shortage vacancies (compared with 15 per cent to 18 per cent in other regions). This region has significantly higher skill-shortage vacancy density compared to the UK average, while the other three regions cluster around the UK average of 16 per cent. This shows that it is this region driving the difference between Wales and the rest of the UK. Regarding ESF regions, skill-shortage vacancies were more prevalent in East Wales (28 per cent) than in West Wales and the Valleys (17 per cent).

Table 4.7 Incidence, volume and density skill-shortage vacancies

		% of establishments with an SSV	Number of SSVs	% of vacancies that are SSVs	
	Unwtd base	%	Rounded to nearest 100	*Unwtd base*	%
Wales total	***6,012***	**3**	**5,700**	***1,100***	**22**
UK	*87,572*	3	103,500	*17,116*	16
Size					
1-4	*1,216*	3	2,800	*95*	38
5-24	*3,474*	4	1,600	*567*	25
25-99	*1,074*	6	800	*304*	13
100-249	*151*	10	400	*74*	15
250+	*97*	8	*	*60*	2
Sector					
Agriculture	*102*	2	500	*4*	**
Mining and Quarrying	*22*	**	**	*3*	**
Manufacturing	*468*	7	600	*85*	27
Electricity, Gas and Water	*111*	7	100	*16*	**
Construction	*503*	2	300	*39*	*28*
Wholesale and Retail	*1,069*	2	400	*187*	12
Hotels and Restaurants	*675*	5	500	*152*	21
Transport and Communications	*439*	5	500	*89*	25
Financial Services	*173*	3	100	*22*	**
Business Services	*791*	4	1,800	*138*	39
Public Administration	*130*	1	100	*25*	*4*
Education	*391*	2	100	*94*	5
Health and Social Work	*580*	3	400	*126*	13
Community, Social and Personal Services activities	*558*	3	300	*120*	18
Region					
North Wales	*1,431*	2	800	*246*	17
Mid Wales	*798*	5	2,100	*153*	59
South West Wales	*1,389*	4	900	*255*	18
South East Wales	*2,394*	3	1,800	*446*	15
ESF Region					
West Wales and the Valleys	*3,732*	3	2,600	*668*	17
East Wales	*2,276*	3	3,100	*432*	28

Base: Columns 1 and 2: all establishments; Column 3: all establishments with vacancies.

Percentages in Column 3 are based on all vacancies, rather than all establishments with vacancies; figures therefore show the percentage of vacancies which are hard to fill due to skill-shortages.

Number of hard-to-fill vacancies rounded to nearest 100.

*'**' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution. '*' denotes a figure larger than zero but smaller than 0.5.*

The greatest volume of skill-shortage vacancies were reported in Associate Professional, Skilled Trades and Elementary occupations. Together these accounted for three-fifths (61 per cent) of all skill-shortage vacancies in Wales at the time of the survey.

In addition to having the greatest volume of skill-shortage vacancies, Associate Professional occupations also showed the greatest density: over two-fifths (43 per cent) of vacancies for Associate Professionals were in this category. Two-fifths of vacancies for Machine Operatives were also skill-shortage vacancies, as shown in Table 4.8.

Table 4.8 Incidence, volume and density of skill-shortage vacancies: by occupation

Column %	**Number of skill-shortage vacancies**	**% of vacancies that are skill-shortage vacs**	
Occupation	Rounded to nearest 100	*Unwtd Base:*	%
Managers	100	*69*	10
Professionals	500	*179*	17
Associate Professionals	1,600	*150*	43
Admin / Clerical	200	*174*	7
Skilled Trades	900	*164*	34
Caring, Leisure and Other services	400	*152*	13
Sales / Customer services	400	*164*	11
Machine Operatives	600	*86*	40
Elementary	900	*211*	25

Base: Column 1 all establishments (6,012 unweighted); Column 2 all establishments with vacancies in each occupation.

Percentages in Column 2 are based on all vacancies, rather than all establishments with vacancies; figures therefore show the percentage of vacancies which are hard to fill due to skill shortages.

Number of skill-shortage vacancies rounded to nearest 100.

4.9 Skills lacking from applicants

Where vacancies were difficult to fill due to a lack of skills, qualifications or experience among applicants, it tended to be job specific skills that were lacking. Almost four-fifths (78 per cent) of skill-shortage vacancies were caused by inadequate job specific skills, while three-fifths (59 per cent) were due to a lack of team working skills. In half of cases (53 per cent), a lack of customer handling skills was cited as a reason. Of note is the fact that both basic and advanced IT skills were more likely to be cited in Wales than in the UK as a whole. On average, around six skill areas were cited per vacancy, showing that, when applicants lack required skills, this tends to be across multiple areas; this is also the case UK-wide and demonstrates the expectations of employers regarding the range of skills they expect applicants to bring to the table when applying for jobs.

Written (28 per cent) and oral (30 per cent) Welsh language skills were cited in relation to around three in ten skill-shortage vacancies, and in particular relating to Associate Professional roles (it is worth noting that this is the occupational group that includes translators).

Table 4.9 Skills found difficult to obtain from applicants

Column % **Skills**	**Wales Total** % *Base: 274*	**UK Total** % *Base: 3,973*
Job specific skills	78	66
Technical or practical skills	45	46
Basic computer literacy / using IT	35	16
Advanced IT or software skills	35	21
Oral communication skills	35	38
Written communication skills	24	33
Customer handling skills	53	40
Team working skills	59	33
Written Welsh language skills	28	n/a
Oral Welsh language skills	30	n/a
Foreign language skills	7	16
Problem solving skills	39	37
Planning and Organisation skills	42	41
Strategic Management skills	28	29
Numeracy skills	20	26
Literacy skills	44	29
Office admin skills	14	17

Base: Establishments with skill-shortage vacancies.

Results are based on skill-shortage vacancies rather than establishments with skill-shortage vacancies; the figures therefore show the proportion of skill-shortage vacancies caused by a lack of each skill.

'n/a' denotes Welsh language skills; these questions were only asked in Wales and as such there is no comparable UK-wide figure.

4.10 Conclusion

Overall, 11 per cent of employers in Wales had a vacancy at the time of the survey; similar to the incidence of vacancies seen in the UK as a whole (12 per cent) and equating to around 25,500 vacancies across Wales.

Whilst the proportion of employers reporting that some or all of the vacancies they had were proving to be hard to fill was the same as in the UK as a whole (four per cent), the proportion of actual vacancies proving hard to fill was higher in Wales (33 per cent) than in the rest of the UK (22 per cent), and the proportion that were hard-to-fill due to skills shortages shows the same pattern (22 per cent compared to 16 per cent in the UK) suggesting that where problems do exist, they are more acute in Wales than the rest of the UK. This is borne out by the finding that more employers in Wales who had hard-to-fill vacancies said these were having an impact on their establishment than in the rest of the UK.

The data shows that there are pockets of shortages which threaten future economic growth. Workforce skill deficiencies are not spread evenly across the economy, with vacancies in the Business Services sector the most likely to be difficult to fill due to skill shortages.

Mid Wales is particularly strongly affected by skill-shortage vacancies, with three-fifths of vacancies here hard to fill due to difficulties finding skilled applicants compared to fewer than one-fifth in each of the other three regions. This indicates there could be real issues in this region in filling vacant jobs, and is likely to be a factor holding back economic progress in this region in particular.

By occupation the data suggests that employers in Wales find it far harder to find skilled staff to fill vacancies in Associate Professional and Machine Operative roles than employers in the rest of the UK. Two in every five vacancies in these roles were unfilled due to skill shortages. There was also some difficulty in recruiting staff to Skilled Trades roles, as there was in the rest of the UK, with around a third of vacancies affected by skill shortages.

The skills which are missing when a hard-to-fill vacancy is caused by a skill shortage are many, with multiple skills lacking for each individual vacancy. This indicates the high expectations employers have of applicants, and the range of skills they demand. Most commonly cited were job specific skills, team working skills, and customer handling skills (78, 59 and 53 per cent respectively) but also worthy of note is that both basic and advanced IT skills were far more likely to be cited as an issue in Wales than in the UK as a whole. Foreign language skills were seen as less of an issue in Wales compared to the UK.

Whilst only a small proportion of employers report having vacancies that are hard to fill, where they do exist they have a significant impact on business performance. In total, 97 per cent of employers with a hard-to-fill vacancy said it was having an impact on their business. The main impact felt by businesses was on the workload of existing staff, which has the potential to cause knock-on effects on morale and retention. Other impacts on business performance cited by significant numbers of employers included difficulties in meeting customer service objectives, loss of business or orders to competitors, delays developing new products or services, and increased operating costs.

5 Internal Skills Mismatch

Chapter Summary

Around 53,700 employees (five per cent of the workforce in Wales) were reported as being not fully proficient at their job (i.e. they have a "skills gap"); 13 per cent of employers reported having at least one employee who had a skills gap. Skills gaps were most common amongst staff working in Machine Operative roles.

Where skills gaps exist their impact can be significant, most commonly on the workload of other staff (reported by half of employers with skills gaps) and increased operating costs (31 per cent). However around two-in-five employers reported that the skills gaps among their staff did not have any tangible impact on the performance of the establishment, reflecting the often transient nature of skills gaps when they are caused by staff not having completed their training, for example.

Across Wales six per cent of establishments reported they had difficulties retaining staff; this was most commonly among Skilled Trades occupations and Elementary staff.

The survey introduced an experimental question to look at how employers perceived potential under-use of skills in the workplace. This single question indicated almost half of all establishments (45 per cent) reported they had at least one member of staff who had **both** qualifications **and** skills exceeding the level required for their current job role. In volume terms this amounts to 14 per cent of the total workforce in Wales.

5.1 Introduction

Skills gaps occur when the skills of staff are not adequate to perform their job role, and can have an impact on the efficient functioning of establishments. This chapter will explore their incidence, volume, profile and causes, before reviewing the impact of skills gaps and the actions employers take in an attempt to combat them. It will also look at skills gaps alongside skill-shortage vacancies to see the overall prevalence of skill deficiencies faced by businesses.

The chapter will then turn to examine the extent to which employers face retention issues, including the factors underlying any retention issues and the impacts of and responses taken by employers in the face of such challenges.

Finally, the chapter will briefly look at under-use of skills in the workplace, where employees have both skills and qualifications which are more advanced than those required for their current job role. The UK Commission's Employer Skills Survey 2011 trialled for the first time a question which was designed to pick up a sense of whether employers felt there were people working for them that were not having their skills fully used. In other studies this type of question is usually asked to individuals in employment rather than their employer. Under-use of skills is an important issue: if an establishment is not making full use of its human resources, it may not be optimising its productivity or stretching its product strategy and innovating.

5.2 The incidence, volume, density and distribution of skills gaps

For the majority of establishments (87 per cent) in Wales, the entire workforce is regarded as being fully proficient at their job roles. However, one in eight (13 per cent) report having at least one member of staff that is not fully proficient (a 'skills gap'). In total 53,700 workers were considered to have skills gaps, equivalent to five per cent of the total workforce in Wales. This matches the UK average for incidence and proportion of the workforce.

The proportion of establishments reporting at least one skills gap was related to the size of the establishment. Establishments with 1-4 staff were far less likely to report having a skills gap than the average (just six per cent did so), incidence then increased with size from 21 per cent of those with 5-24 staff to 41 per cent of establishments with 100 or more staff. The *proportion* of staff described as having a skills gap was again much lower in the 1-4 sizeband (three per cent), then increased across the remaining sizes of establishment before dropping down to three per cent again in the largest establishments (those with 250+ staff, see Table 5.1).

Hotels and Restaurants and Public Administration (both 18 per cent) were the sectors with the highest incidence of skills gaps. Hotels and Restaurants was also one of the sectors with the highest proportion of staff described as having a skills gap, along with Electricity, Gas and Water (both seven per cent). Conversely despite the high incidence of establishments experiencing skills gaps, staff working in the Public Administration sector were among the least likely to have a skills gap at just two per cent of the workforce. Skills gaps were least prevalent in the Agriculture sector; only three per cent of establishments reported a skills gap, and only two per cent of staff were considered to have a skills gap. This is similar to sectoral patterns seen in the UK.

There was limited variation between different regions. Establishments in Mid Wales were slightly less likely to have any skills gaps (10 per cent compared with 15 per cent in South East Wales), but the proportion of the workforce considered to have a skills gap was similar across all regions (between four and six per cent). There was no difference in incidence or density for the ESF regions.

Table 5.1 Incidence, volume and density of skills gaps

		% of establishments with a skills gap	Number of skills gaps	% of workforce with skills gaps
	Unwtd base	%	Rounded to nearest 100	%
Wales total	***6,012***	**13**	**53,700**	**5**
UK total	*87,572*	13	1.49m	5
Size				
1-4	*1,216*	6	4,400	3
5-24	*3,474*	21	15,100	5
25-99	*1,074*	32	13,400	5
100-249	*151*	41	11,500	7
250+	*97*	41	9,400	3
Sector				
Agriculture	*102*	3	600	2
Mining and Quarrying	*22*	**	**	**
Manufacturing	*468*	17	8,500	6
Electricity, Gas and Water	*111*	15	1,000	7
Construction	*503*	11	2,200	3
Wholesale and Retail	*1,069*	17	10,300	5
Hotels and Restaurants	*675*	18	5,900	7
Transport and Communications	*439*	14	2,400	4
Financial Services	*173*	15	1,100	4
Business Services	*791*	9	6,200	5
Public Administration	*130*	18	1,600	2
Education	*391*	17	4,000	3
Health and Social Work	*580*	16	7,700	4
Community, Social and Personal Services activities	*558*	12	2,200	5
Region				
North Wales	*1,431*	13	12,900	5
Mid Wales	*798*	10	4,600	6
South West Wales	*1,389*	12	10,400	4
South East Wales	*2,394*	15	25,800	4
ESF Region				
West Wales and the Valleys	*3,732*	13	31,700	5
East Wales	*2,276*	13	22,000	5

Base: All establishments

Percentages in column 3 are based on all employment rather than all establishments; proportions therefore show the percentage of employees with a skills gap.

Number of gaps rounded to nearest 100.

*'**' denotes base size under 25: too low to report.*

Establishments in the higher Product Market Strategy (PMS) groups[10] are characterised by being innovative and producing high quality, customised services and goods; Chapter 4 of this report demonstrated they were more likely to be active in the recruitment market than those with a lower PMS rating. It takes time to train new staff to full proficiency, and this is one possible reason why establishments in the higher PMS groups were more likely to have skills gaps than those in the lower PMS groups, with 16 per cent of the "High" and "Very High" groups reporting having gaps compared to 10-12 per cent of the remaining groups.

As shown in Table 5.2, in terms of occupation, skills gaps tend to be most concentrated among Machine Operatives;[11] seven per cent of the workforce in this occupation are perceived to be not fully proficient. Additionally, six per cent of staff in Skilled Trades, Sales and Elementary occupations are considered to have a skills gap. As in the UK as a whole, with the exception of Skilled Trades it is the traditionally less skilled roles that are seen as more likely to have a skills gaps than the roles that might require higher qualifications such as managers, professional groups and Associate Professionals.

Table 5.2 Incidence, volume and density of skills gaps: by occupation

Column %	**Number of skills gaps**	**% of workforce with skills gaps**	
Occupation	Rounded to nearest 100 *Base: 6,012*	*Base:*	%
Managers	5,100	*5,699*	2
Professionals	2,300	*1,162*	2
Associate Professionals	2,600	*773*	4
Admin / Clerical	6,100	*3,490*	4
Skilled Trades	6,100	*1,550*	6
Caring, Leisure and Other services	6,200	*969*	5
Sales / Customer services	8,300	*1,618*	6
Machine Operatives	6,700	*950*	7
Elementary	10,400	*2,240*	6

Base: Column 1 all establishments (6,012 unweighted); Column 2 all establishments with staff in each occupation.

Number of skills gaps rounded to nearest 100

[10] See Chapter 2 section 2.5 for an explanation of how PMS score is calculated.
[11] Full details of the definitions of each occupational type are presented in Appendix E to this report.

5.3 Causes of skills gaps

The main causes of staff not being fully proficient are presented in Figure 5.1. Results are shown as a percentage of all skills gaps rather than a percentage of establishments with gaps; the figure therefore shows what proportions of skills gaps are caused by the various factors reported by employers. Establishments could give more than one cause for skills gaps within each occupation.

Staff training only being partially completed, and staff being new to the role generally (either because they have recently started the job or have recently been promoted to a higher level role) are the most common causes of skills gaps, with 50 per cent and 46 per cent of all skills gaps respectively being attributed, at least in part, to these reasons. These causes are for the most part transient factors that suggest the skills gap will disappear once training is completed and the employee has some experience in their role; skills gaps such as these are often to be expected and the establishment is likely to be prepared to deal with them, reducing the impact they have.

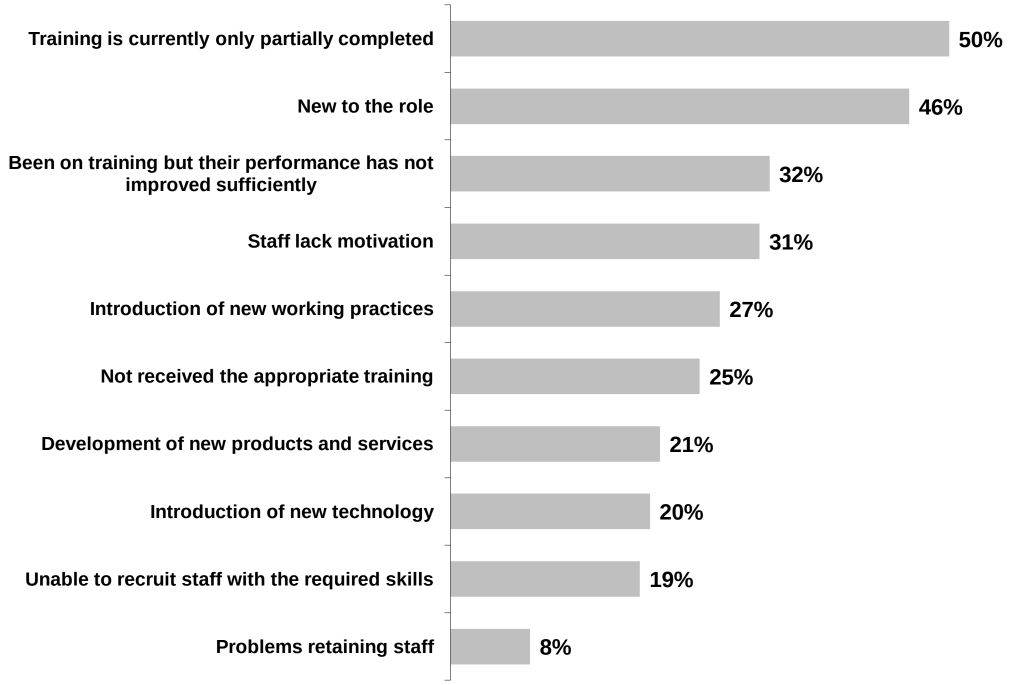
Two other factors relating to training – training proving ineffective and staff not receiving the appropriate training – are also quite common causes (explaining at least in part 32 per cent and 25 per cent of skills gaps respectively). These could be addressed by further training and their impact and duration may be dependent on the establishment's ability to provide the appropriate training.

A requirement for (further) training is also implicit in those skills gaps arising from the introduction of new working practices (27 per cent), the development of new products or services (21 per cent), and the introduction of new technology (20 per cent). In cases where skills gaps are caused by new developments, it could be argued they are no bad thing as the establishment is innovating and expanding the skills of its staff.

Staff lacking motivation is the other key cause of skills gaps, which is perceived to explain around one third (31 per cent) of all skills gaps.

Recruitment-related factors are less likely to be cited, though nonetheless approaching one-in-five skills gaps (19 per cent) result from an inability to recruit appropriately skilled individuals, and eight per cent of gaps arise from retention difficulties. In both cases the underlying implication is that experienced staff have left or a new post has been created and employers have had to fill these positions with people who do not have the required skill set.

Figure 5.1 Causes of skills gaps



Base: All establishments with skills gaps: 1,355 (unweighted)

Percentages are based on all skills gaps followed up rather than all establishments with skills gaps, figures therefore show the proportion of skills gaps caused by each stated reason.

While training only being partially completed and staff being new to the role were generally the most important factors in causing skills gaps across all sizes of establishment, there were some other variations by size. Larger establishments were more likely to report that skills gaps were caused by the introduction of new working practices (36 per cent of 250+ establishments compared with 21 per cent of the smallest establishments). Smaller establishments were more likely to state that staff simply had not received the appropriate training.

Sectors especially likely to be affected by skills gaps as a result of staff being new to the role were Financial Services (74 per cent) and Health and Social Work (59 per cent). Establishments in Financial Services and Business Services were more likely to report that staff had been on training which had proved ineffective (56 per cent and 43 per cent respectively), or that their staff lacked motivation (55 per cent and 47 per cent).

Reasons were fairly similar to those given by establishments in the UK as a whole, with the exception that establishments in Wales were marginally more likely to cite the development of new products and services and the introduction of new technology as causes of gaps (21 and 20 per cent respectively in Wales compared to 15 and 17 per cent respectively in the UK).

Table 5.3 Causes of skills gaps

	Base (*unwtd*)	Training is currently only partially completed	New to the role	Been on training but their performance has not improved sufficiently	Staff lack motivation	Introduction of new working practices	Not received the appropriate training	Development of new products and services	Introduction of new technology	Unable to recruit staff with the required skills	Problems retaining staff
		%	%	%	%	%	%	%	%	%	%
Wales total	***1,355***	**50**	**46**	**32**	**31**	**27**	**25**	**21**	**20**	**19**	**8**
UK total	*20,839*	46	47	29	32	23	23	15	17	18	10
Size											
1-4	*101*	58	43	20	23	21	30	20	27	19	10
5-24	*793*	54	47	33	39	24	27	17	19	23	11
25-99	*359*	49	50	31	35	23	29	17	17	23	10
100-249	*62*	51	44	22	27	29	19	29	19	22	9
250+	*40*	*63*	*44*	*47*	*19*	*36*	*22*	*23*	*23*	*5*	*
Sector											
Agriculture	*7*	**	**	**	**	**	**	**	**	**	**
Mining and Quarrying	*2*	**	**	**	**	**	**	**	**	**	**
Manufacturing	*115*	55	43	26	23	31	30	36	31	17	2
Electricity, Gas and Water	*20*	**	**	**	**	**	**	**	**	**	**
Construction	*75*	55	46	20	26	15	33	12	15	13	7
Wholesale and Retail	*303*	49	47	33	37	24	25	19	23	18	8
Hotels and Restaurants	*195*	51	51	35	40	18	25	11	7	28	18
Transport and Communications	*95*	59	38	33	41	31	33	19	19	22	11
Financial Services	*30*	*21*	*74*	*56*	*55*	*11*	*8*	*37*	*2*	*28*	*44*
Business Services	*164*	47	41	43	47	44	31	20	20	12	4
Public Administration	*24*	**	**	**	**	**	**	**	**	**	**
Education	*86*	42	28	35	19	38	21	29	33	15	8
Health and Social Work	*135*	52	59	26	19	14	17	8	8	18	11
Community, Social and Personal Services activities	*104*	54	46	36	28	29	22	23	20	13	5
Region											
North Wales	*332*	46	47	28	26	16	18	15	11	20	10
Mid Wales	*171*	38	32	27	34	23	29	10	15	24	9
South West Wales	*282*	50	34	28	31	30	20	29	29	22	8
South East Wales	*570*	53	54	36	32	31	30	23	21	17	8
ESF Region											
West Wales and the Valleys	*819*	53	48	28	28	24	23	22	19	21	9
East Wales	*536*	44	45	36	35	31	29	19	21	17	7

Base: All establishments reporting skills gaps.

Results are based on skills gaps rather than establishments with skills gaps; the figures therefore show the proportion of skills gaps caused by each factor reported by employers.

'' denotes a figure larger than zero but smaller than 0.5. '**' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution.*

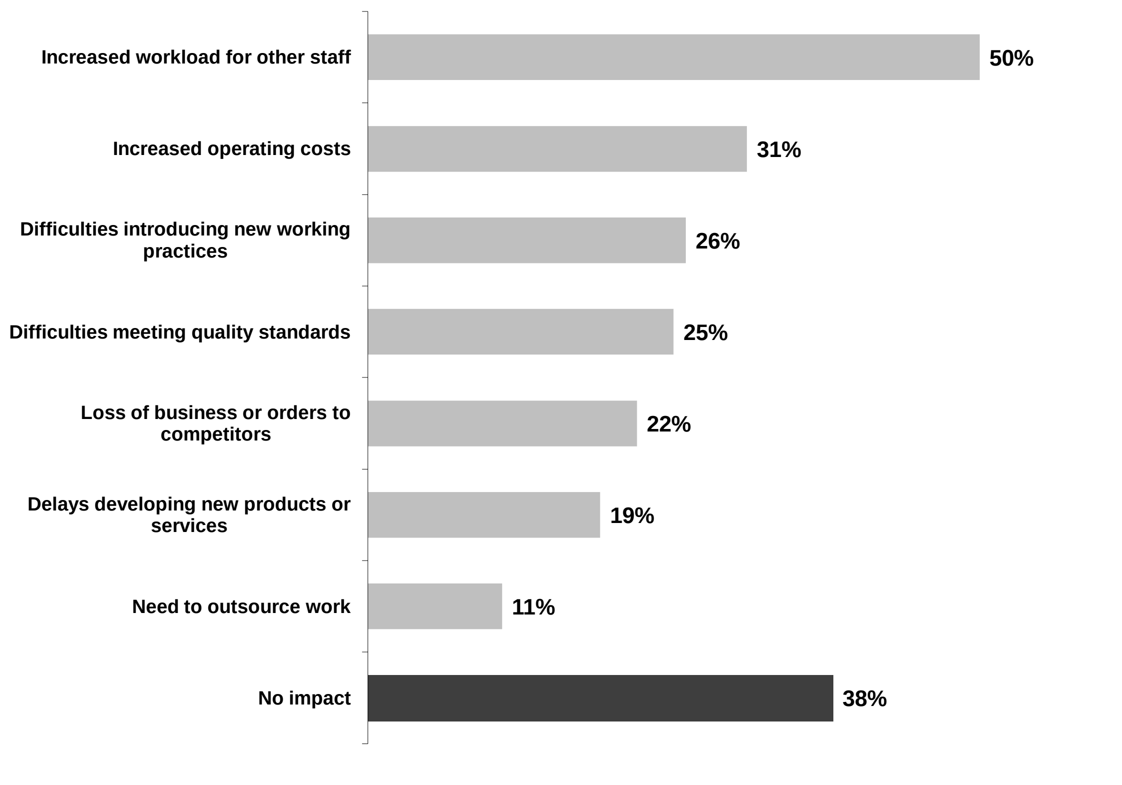
5.4 Impact of skills gaps

Three in five establishments with skills gaps (62 per cent) said they had seen an impact on business performance. This was a similar level to that seen across the UK as a whole (61 per cent).

Like hard-to-fill vacancies, establishments with skills gaps most commonly report that the impact of these skills gaps is to increase the workload for other staff (50 per cent). Around three-in-ten (31 per cent) believe that their skills gaps lead to increased operating costs and a quarter find they encounter difficulties in introducing new working practices (26 per cent) or meeting quality standards (25 per cent).

Fewer, although still sizeable numbers of employers, find that skills gaps prohibit their business developing or growing specifically in terms of: losing business to competitors (22 per cent); or developing new services or products (19 per cent).

Figure 5.2 Impact of skills gaps



Base: All establishments with skills gaps: 1,355 (unweighted)

The impact of skills gaps increased in line with establishment size. While just over half (55 per cent) of the smallest establishments who experienced skills gaps reported that these had had an impact, this proportion increased to 80 per cent for the largest establishments. In particular, larger establishments were more likely to experience increased operating costs. Smaller establishments were more likely to lose business to competitors as a result of these gaps, and the smallest establishments were most likely to need to outsource work.

In the Health and Social Work sector, skills gaps were particularly likely to cause difficulty in introducing new working practices. Establishments in Transport and Manufacturing were more likely than those in other sectors to report that they had been forced to outsource work as a result of skills gaps.

Table 5.4 Impact of skills gaps

	Base (*unwtd*)	Increased workload for other staff %	Increased operating costs %	Difficulties introducing new working practices %	Difficulties meeting quality standards %	Loss of business or orders to competitors %	Delays developing new products or services %	Need to outsource work %	No impact %
Wales total	***1,355***	**50**	**31**	**26**	**25**	**22**	**19**	**11**	**38**
UK total	*20,839*	48	28	23	25	20	16	9	39
Size									
1-4	*101*	35	31	24	22	21	24	19	45
5-24	*793*	58	28	26	27	24	17	7	35
25-99	*359*	53	35	24	25	19	15	8	37
100-249	*62*	51	41	33	35	11	23	11	36
250+	*40*	*63*	*49*	*31*	*28*	*15*	*13*	*4*	*20*
Sector									
Agriculture	*7*	**	**	**	**	**	**	**	**
Mining and Quarrying	*2*	**	**	**	**	**	**	**	**
Manufacturing	*115*	58	39	18	24	32	29	20	31
Electricity, Gas and Water	*20*	**	**	**	**	**	**	**	**
Construction	*75*	41	39	20	11	16	20	10	47
Wholesale and Retail	*303*	52	26	26	26	26	16	6	37
Hotels and Restaurants	*195*	53	32	24	37	29	16	13	36
Transport and Communications	*95*	43	31	29	26	23	23	31	44
Financial Services	*30*	*61*	*25*	*25*	*32*	*28*	*6*	*3*	*23*
Business Services	*164*	48	34	17	25	20	24	10	42
Public Administration	*24*	**	**	**	**	**	**	**	**
Education	*86*	54	26	31	31	7	19	3	37
Health and Social Work	*135*	50	28	37	18	11	16	4	36
Community, Social and Personal Services activities	*104*	49	20	31	32	27	27	12	43
Region									
North Wales	*332*	49	27	24	24	18	17	5	37
Mid Wales	*171*	53	34	33	32	24	24	19	34
South West Wales	*282*	48	30	28	19	17	13	9	42
South East Wales	*570*	51	32	24	27	25	22	14	38
ESF Region									
West Wales and the Valleys	*819*	50	29	26	23	21	18	8	40
East Wales	*536*	50	33	25	28	22	21	16	36

Base: All establishments reporting skills gaps.

***' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution.*

5.5 Skills that need improving

As seen with skill-shortage-vacancies in the previous chapter, the areas where employers are most likely to experience skills gaps is job specific skills (53 per cent of all skills gaps). Almost half (48 per cent) of gaps were for Planning and Organisation skills, and over two-fifths were for problem solving skills (41 per cent) or team working skills (40 per cent). Slightly over one in ten gaps were for oral (12 per cent) or written (11 per cent) Welsh language skills.

The pattern of skills that need improving is similar to that seen in the UK. Skills gaps in Wales however are slightly more likely to be caused by literacy or numeracy issues, or a lack of admin or IT skills, though the difference here is not as stark as that found for skill shortage vacancies. There were some variations by region: skills gaps in South East Wales were more likely than those in the rest of Wales to be caused by job-specific, technical or practical skills, whereas basic computer literacy was more of an issue in South West Wales. Table 5.5 shows the breakdown by region.

Table 5.5 Skills that need improving in occupations with skills gaps

	Wales Total	UK Total	North Wales	Mid Wales	South West Wales	South East Wales
Column %	%	%	%	%	%	%
Base (unweighted)	*1,355*	*20,839*	*332*	*171*	*282*	*570*
Job specific skills	53	48	42	48	49	61
Technical or practical skills	34	27	22	29	34	40
Basic computer literacy / using IT	21	17	15	16	31	22
Advanced IT or software skills	21	15	16	20	18	24
Oral communication skills	36	34	29	38	30	42
Written communication skills	31	28	32	22	25	35
Customer handling skills	39	38	35	29	35	44
Team working skills	40	38	34	41	39	44
Written Welsh language skills	11	n/a	11	7	17	8
Oral Welsh language skills	12	n/a	12	15	18	8
Foreign language skills	7	9	4	4	5	10
Problem solving skills	41	35	41	40	28	47
Planning and Organisation skills	48	39	44	45	45	51
Strategic Management skills	19	19	15	15	20	22
Numeracy skills	22	15	19	16	11	28
Literacy skills	26	19	31	17	20	29
Office admin skills	24	16	21	14	28	25

Base: All establishments reporting skills gaps.

Results are based on skills gaps rather than establishments with skills gaps; the figures therefore show the proportion of skills gaps caused by a lack of each skill.

'n/a' denotes Welsh language skills; these questions were only asked in Wales and as such there is no comparable UK-wide figure.

5.6 Actions taken to overcome skills gaps

Around three quarters (74 per cent) of establishments had taken action of some kind to overcome the skills gaps they were experiencing. However, action on the part of the employer is not necessarily required to remedy all skills gaps because, as discussed above, large proportions of skills gaps are caused by training not being fully complete or staff being new to the role.

The most likely response was to increase training activity or increase trainee programmes; this approach was taken by almost two-thirds (64 per cent) of establishments experiencing skills gaps. Almost half (46 per cent) increased their supervision of staff, and two-fifths increased staff appraisals or reviews, or implemented a mentoring scheme (both 38 per cent).

The likelihood of taking most measures increases in line with establishment size. Over four-fifths (83 per cent) of establishments with 250+ staff had increased their training activity, compared with only half (54 per cent) of establishments with up to four staff. Similarly, 69 per cent of the largest establishments had increased staff supervision, compared with only a third (33 per cent) of the smallest establishments. By contrast, smaller establishments were much more likely to have taken no specific action.

Establishments in the Education sector were the most likely to increase training (82 per cent of employers), implement mentoring schemes (70 per cent), increase supervision (66 per cent), and increase staff reviews (62 per cent). Establishments were most likely to address skills gaps by increasing recruitment activity in the Transport and Communications (21 per cent) and Community, Social and Personal Service activities (19 per cent) sectors.

Establishments in North Wales were most likely to have taken any action to overcome skills gaps.

The pattern of action taken was very similar to that seen across the UK as a whole (see Table 5.8).

Table 5.6 Actions taken to overcome lack of proficiency among staff

	Base (*unwtd*)	Increase training activity / spend or increase/expand trainee programmes	More supervision of staff	More staff appraisals / performance reviews	Implementation of mentoring / buddying scheme	Reallocating work	Changing working practices	Increase recruitment activity / spend	Recruiting workers who are non-UK nationals	No action
		%	%	%	%	%	%	%	%	%
Wales total	***1,355***	**64**	**46**	**38**	**38**	**30**	**20**	**11**	**7**	**26**
UK total	*20,839*	62	46	41	38	25	23	11	7	26
Size										
1-4	*101*	54	33	20	22	22	11	7	6	38
5-24	*793*	64	51	42	41	32	20	10	5	24
25-99	*359*	75	53	55	51	34	30	19	11	16
100-249	*62*	82	57	54	54	32	31	22	12	14
250+	*40*	*83*	*69*	*69*	*72*	*44*	*45*	*31*	*27*	*6*
Sector										
Agriculture	*7*	**	**	**	**	**	**	**	**	**
Mining and Quarrying	*2*	**	**	**	**	**	**	**	**	**
Manufacturing	*115*	54	34	32	26	32	18	10	11	29
Electricity, Gas and Water	*20*	**	**	**	**	**	**	**	**	**
Construction	*75*	62	28	12	30	16	5	3	1	30
Wholesale and Retail	*303*	64	46	40	38	27	16	7	3	26
Hotels and Restaurants	*195*	61	51	45	41	30	18	14	13	24
Transport and Communications	*95*	63	38	21	22	28	22	21	14	35
Financial Services	*30*	*82*	*50*	*54*	*56*	*19*	*22*	*12*	-	*8*
Business Services	*164*	61	50	36	35	30	29	12	4	30
Public Administration	*24*	**	**	**	**	**	**	**	**	**
Education	*86*	82	66	62	70	43	39	9	6	9
Health and Social Work	*135*	66	58	48	48	36	24	12	13	24
Community, Social and Personal Services activities	*104*	63	47	45	35	42	22	19	*	26
Region										
North Wales	*332*	71	50	44	46	30	23	9	6	18
Mid Wales	*171*	57	38	40	23	38	19	13	12	32
South West Wales	*282*	59	40	34	32	22	14	9	6	28
South East Wales	*570*	63	49	37	39	31	20	12	6	28
ESF Region										
West Wales and the Valleys	*819*	62	44	38	37	27	19	10	6	26
East Wales	*536*	66	50	38	38	34	20	13	8	25

Base: All establishments reporting skills gaps.

'-' denotes a figure of zero; '' denotes a figure larger than zero but smaller than 0.5. '**' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution.*

5.7 Combined skill deficiencies

The previous chapter examined skill-shortage vacancies and this one has explored skills gaps. The identification of these two measures as separate phenomena may not reflect how employers experience them, however. It is useful to combine the two separate indicators into a single measure: the proportion of establishments who report that they face a skill deficiency, i.e. a skills gap, skill-shortage vacancy or both. When expressed in this way, 15 per cent of establishments were suffering from a skill deficiency, but just one per cent reported both. Table 5.7 summarises the situation in Wales compared to the UK as a whole.

Table 5.7 Combined skill deficiencies (internal and external)

	Wales Total	UK Total
Base	*6,012*	*87,572*
Column %	%	%
Skill-shortage vacancies		
% of establishments with a skill-shortage vacancy	3	3
Number of skill-shortage vacancies	5,700	103,500
Skill-shortage vacancy density *(% of vacancies that are SSVs) (Unweighted base=Wales 1,100, UK 17,116)*	22	16
Skill gaps		
% of establishments with a skills gap	13	13
Number of skill gaps	53,700	1,490,000
Skills gap density *(% of workforce with gaps)*	5	5
Combined		
% with SSV only	2	2
% with skill gap only	12	12
% with both	1	1
% with either	15	15

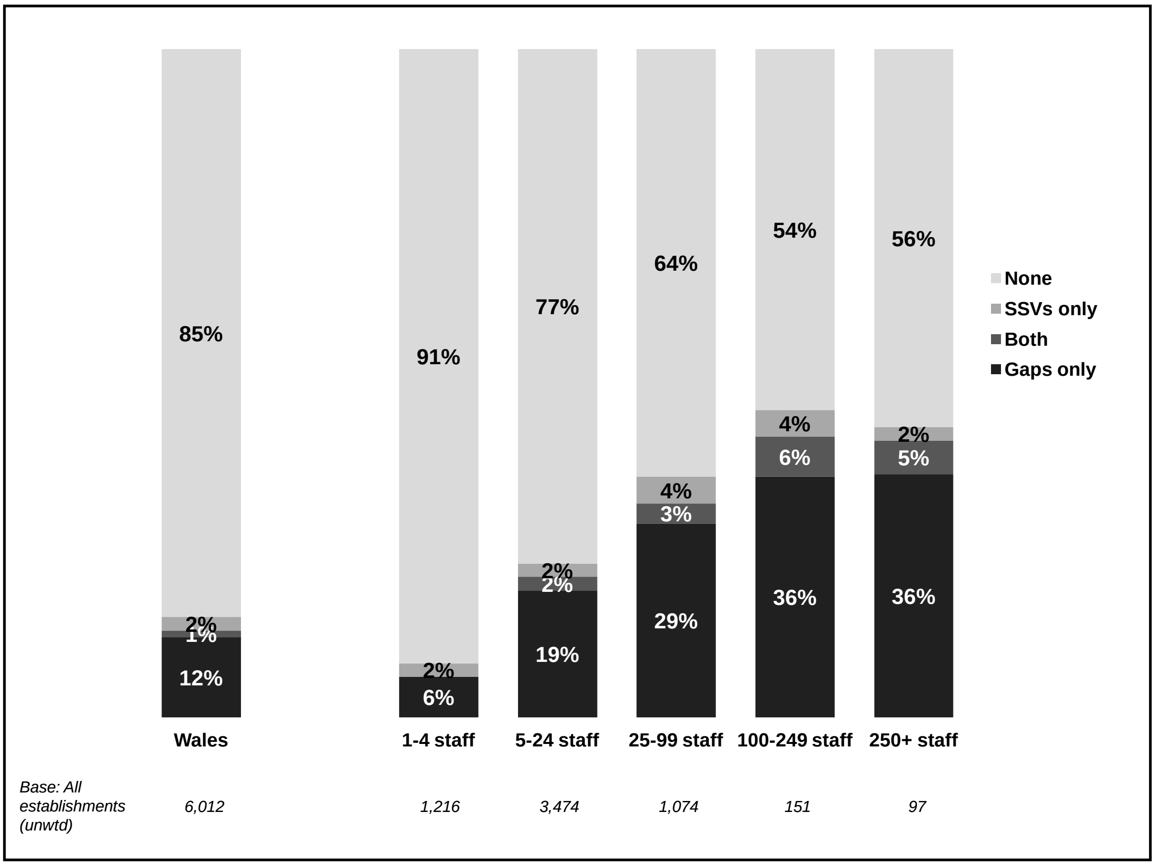
Base: All establishments, except for skill-shortage vacancy density which is all establishments with vacancies.

Number of skill-shortage vacancies and number of skills gaps rounded to nearest 100.

SSV density is shown as a proportion of all vacancies and skills gap density as a proportion of the workforce thus percentages shown are a proportion of vacancies and of staff, not of establishments experiencing these issues.

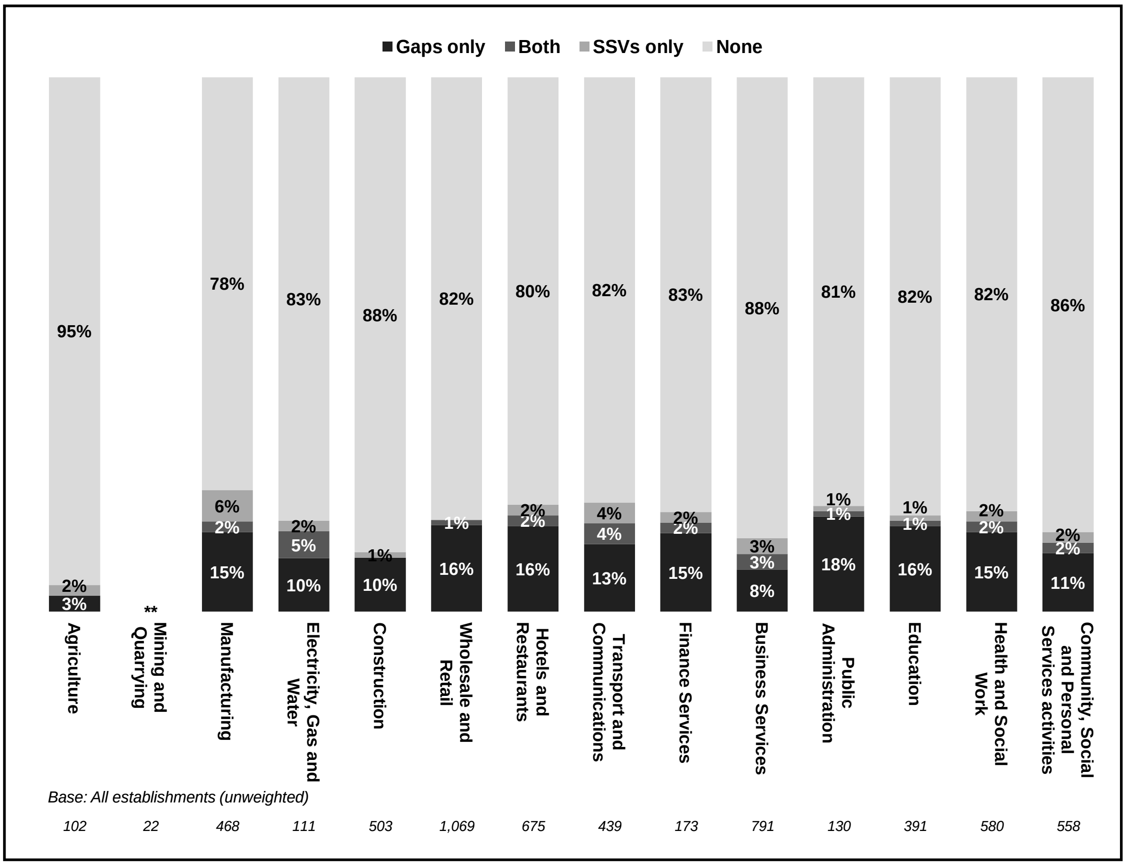
As might be expected the proportion of establishments reporting that they face any or both types of skill deficiency issue rises with size of establishment (Figure 5.7). None of the smallest establishments (employing less than five staff) report both, perhaps unsurprisingly, but two per cent of establishments employing 5-24 staff do, which might cause particular difficulties in those small establishments in being able to respond to the deficiencies.

Figure 5.3 Establishments with skill deficiencies: by size



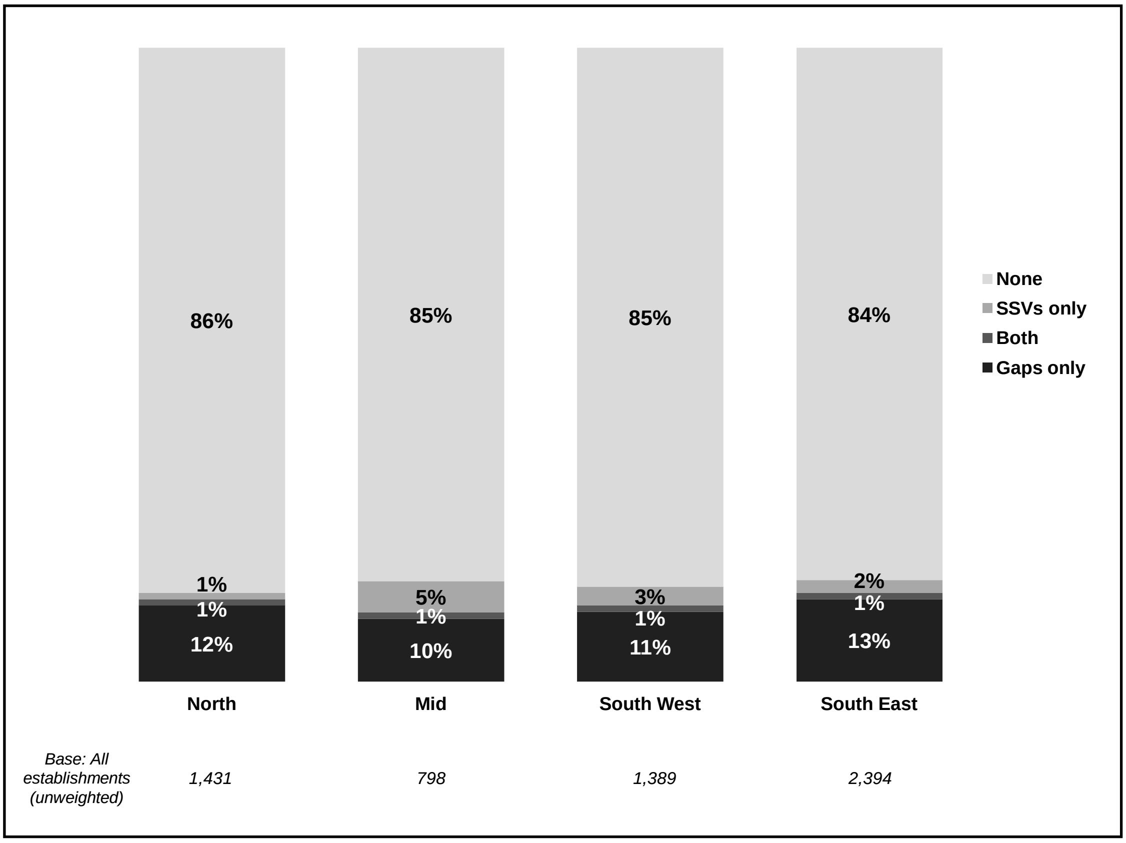
The Manufacturing, Hotels and Restaurants, and Public Administration sectors are the most affected by skills deficiencies. Agriculture is the least likely sector to be affected.

Figure 5.4 Establishments with skill deficiencies: by sector



There is little variation by region (Figure 5.9), ranging from 14 per cent in North Wales to 16 per cent in South East Wales.

Figure 5.5 Establishments with skill deficiencies: by region

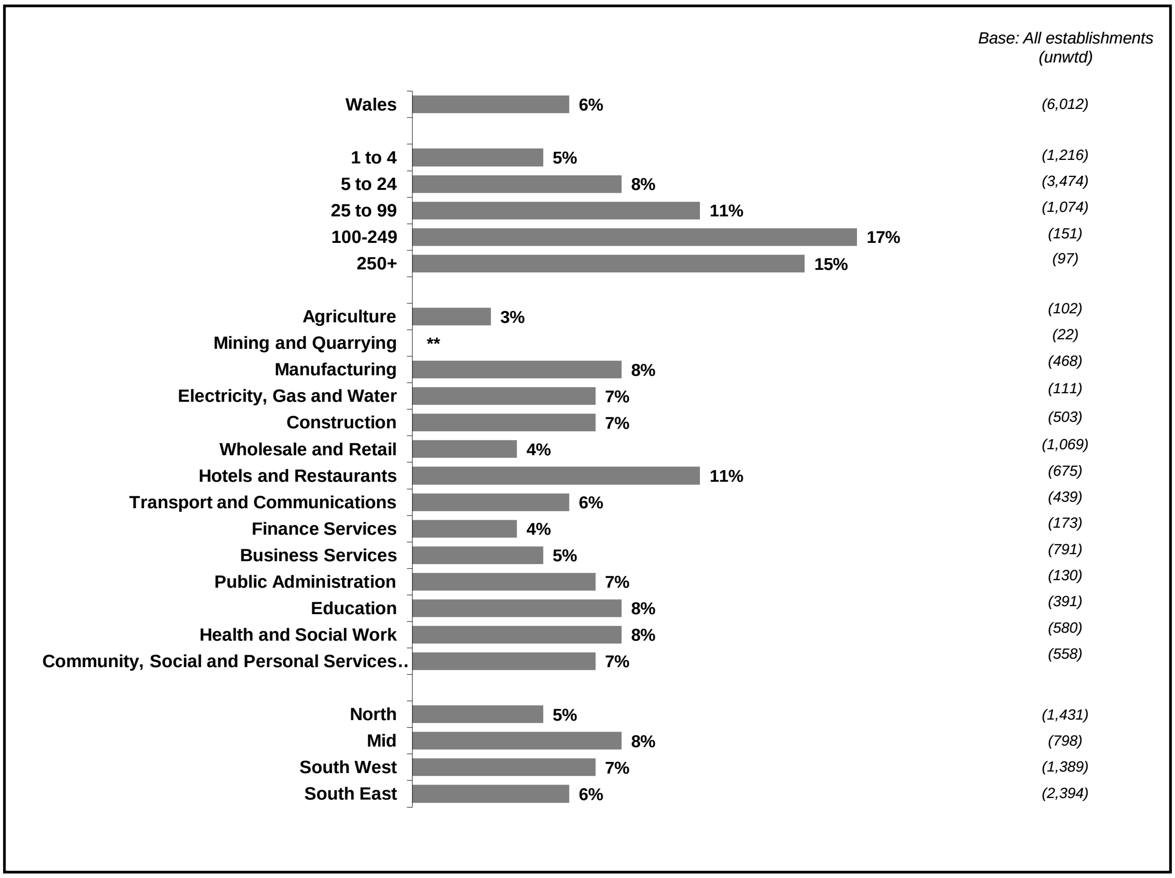


5.8 Difficulties retaining staff

Six per cent of establishments in Wales reported that there are specific jobs in which they have difficulties retaining staff; this is similar to the proportion reporting retention difficulties in England, Northern Ireland and Wales as a whole (five per cent). The proportion of establishments reporting retention difficulties rises with establishment size, from just five per cent of establishments with 1-4 staff, up to a sixth (17 per cent) of those with 100-249 staff. 15 per cent of those with 250+ staff had difficulties retaining staff.

As shown in Figure 5.3, establishments operating in the Hotels and Restaurants sector are the most likely to experience retention difficulties (11 per cent). As previously discussed, this is also the sector with one of the highest density and incidence of skills gaps (seven per cent of staff and 18 per cent of establishments). Employers in the Hotels and Restaurants sector are particularly likely to attribute skills gaps to problems retaining staff: retention difficulties are linked to 18 per cent of skills gaps within this sector, compared with an overall average of 8 per cent of skills gaps (see Table 5.3).

Figure 5.6 Difficulties retaining staff by establishment size, sector and region



By ESF region establishments in West Wales and the Valleys were slightly more likely to experience retention difficulties compared to establishments in East Wales (seven per cent and five per cent respectively).

Where employers experience retention difficulties, these are most likely to relate primarily to Skilled Trades occupations and Elementary staff (each cited by over 20 per cent of establishments with retention difficulties as the main occupation for which they had difficulties).

Large establishments were much more likely to have problems retaining Professionals (cited by 22 per cent of employers with 100+ staff). Smaller establishments with fewer than 100 staff were more likely to have problems with Skilled Trades and Elementary staff.

As Table 5.8 shows, the Construction and Manufacturing sectors were particularly likely to face problems in retaining staff in Skilled Trades occupations. Retention of staff in Elementary occupations was a particular issue for the Hotels and Restaurants and Education sectors. In the Health and Social Work and Community, Social and Personal Service activities sectors, the main difficulty is in retaining Caring, Leisure and Other services staff (48 and 38 per cent respectively). In Business Services, the main retention issue is with Associate Professionals (33 per cent) and for Transport and Communications the main challenge lies with Machine Operatives (69 per cent). This was similar to the occupational pattern seen in the UK.

Establishments in the East Wales ESF region are more likely than establishments in West Wales and the Valleys to find their retention problems are related to Elementary staff. Establishments in West Wales and the Valleys on the other hand were more likely to report their difficulties related to the retention of Skilled Trades staff.

Table 5.8 Occupations in which there are most difficulties in retaining staff

	Base (*unwtd*)	Managers %	Professionals %	Associate Professionals %	Admin / Clerical %	Skilled trades occupations %	Caring, Leisure and Other services %	Sales / Customer services %	Machine Operatives %	Elementary %
Wales total	***512***	**2**	**6**	**10**	**5**	**23**	**11**	**12**	**9**	**22**
England/NI/Wales total	5,866	3	9	13	7	19	11	11	7	19
Size										
1-4	*65*	4	1	12	8	27	4	14	8	21
5-24	*283*	1	7	7	4	22	15	10	10	24
25-99	*123*	1	13	9	1	13	27	5	8	22
100-249	*26*	-	*22*	*9*	-	*10*	*18*	*14*	*7*	*15*
250+	*15*	**	**	**	**	**	**	**	**	**
Sector										
Agriculture	*7*	**	**	**	**	**	**	**	**	**
Mining and Quarrying	*3*	**	**	**	**	**	**	**	**	**
Manufacturing	*34*	-	*5*	*8*	-	*67*	-	*1*	*9*	*8*
Electricity, Gas and Water	*8*	**	**	**	**	**	**	**	**	**
Construction	*31*	*8*	-	*1*	*3*	*79*	-	*1*	*1*	*8*
Wholesale and Retail	*63*	1	1	8	-	20	-	40	15	16
Hotels and Restaurants	*104*	7	-	*	-	29	9	5	-	50
Transport and Communications	*40*	-	*8*	*8*	*3*	*2*	*3*	*5*	*69*	-
Financial Services	*8*	**	**	**	**	**	**	**	**	**
Business Services	*47*	-	*10*	*33*	*9*	*4*	*2*	*27*	*1*	*14*
Public Administration	*11*	**	**	**	**	**	**	**	**	**
Education	*43*	-	*24*	*4*	*6*	*6*	*16*	-	-	*44*
Health and Social Work	*51*	-	10	6	27	2	48	-	-	6
Community, Social and Personal Services activities	*62*	-	5	28	7	3	38	1	-	17
Region										
North Wales	*122*	4	7	5	2	21	17	7	10	26
Mid Wales	*87*	1	9	3	4	22	13	9	4	35
South West Wales	*133*	*	3	7	1	30	7	17	9	24
South East Wales	*170*	2	6	17	10	19	10	12	10	14
ESF Region										
West Wales and the Valleys	*347*	3	7	7	5	26	11	11	10	19
East Wales	*165*	*	4	16	5	16	12	13	6	27

Base: All establishments that have difficulty retaining staff.

'-' denotes a figure of zero; '' denotes a figure larger than zero but smaller than 0.5. '**' denotes base size under 25: too low to report. Figures in italics denote base size <50: treat figures with caution.*

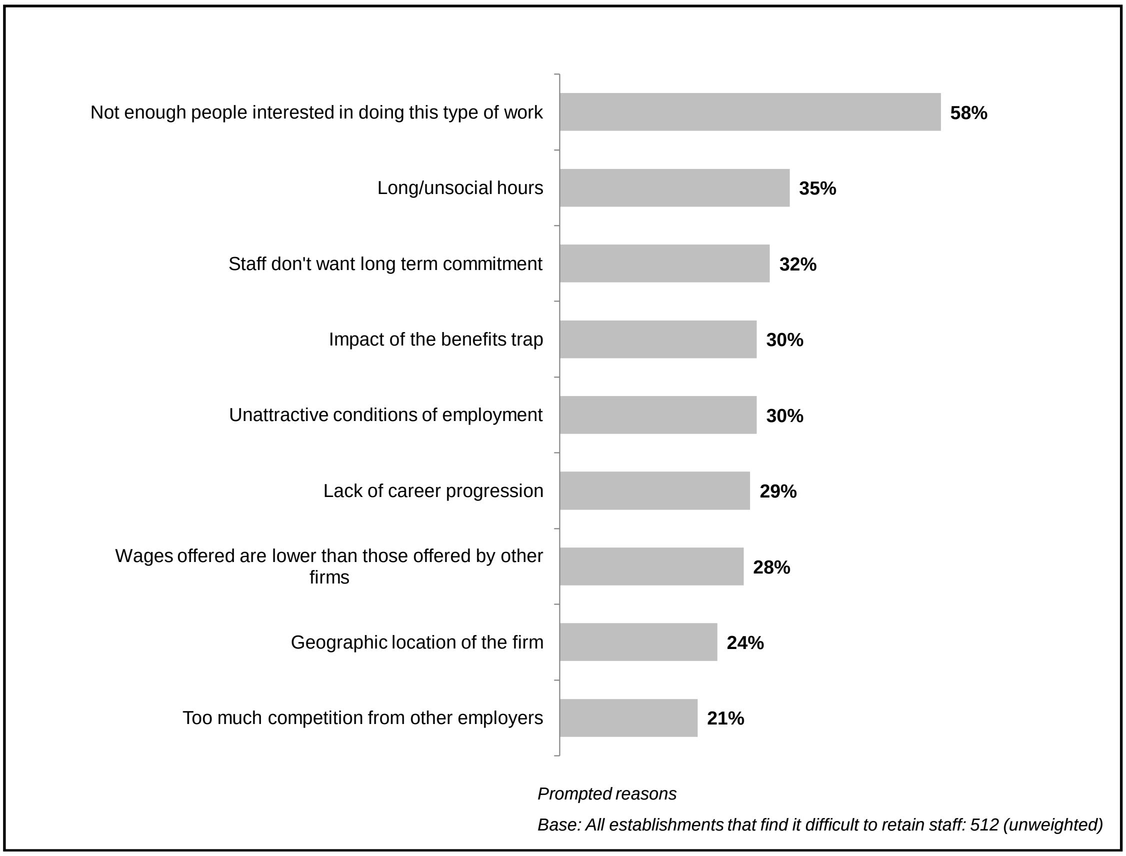
5.9 Reasons for retention difficulties

The most common reason given for retention difficulties was a lack of interest in the type of work in question, reported by almost three-fifths (58 per cent) of establishments with retention difficulties. A third (32 per cent) reported that staff did not want a long term commitment.

Various issues relating specifically to the job, such as long/unsocial hours (35 per cent), unattractive conditions of employment (30 per cent), low wages in comparison to other employers (28 per cent), lack of career progression (29 per cent) and location of the organisation (24 per cent) were reported by around a quarter to a third of employers with retention difficulties.

Factors external to the employer were also evident as issues. Three-in-ten (30 per cent) establishments cited the impact of the benefits trap (where employees perceive they were better off on benefits than they are working), and a fifth cited too much competition from other employers (21 per cent).

Figure 5.7 Reasons for retention difficulties



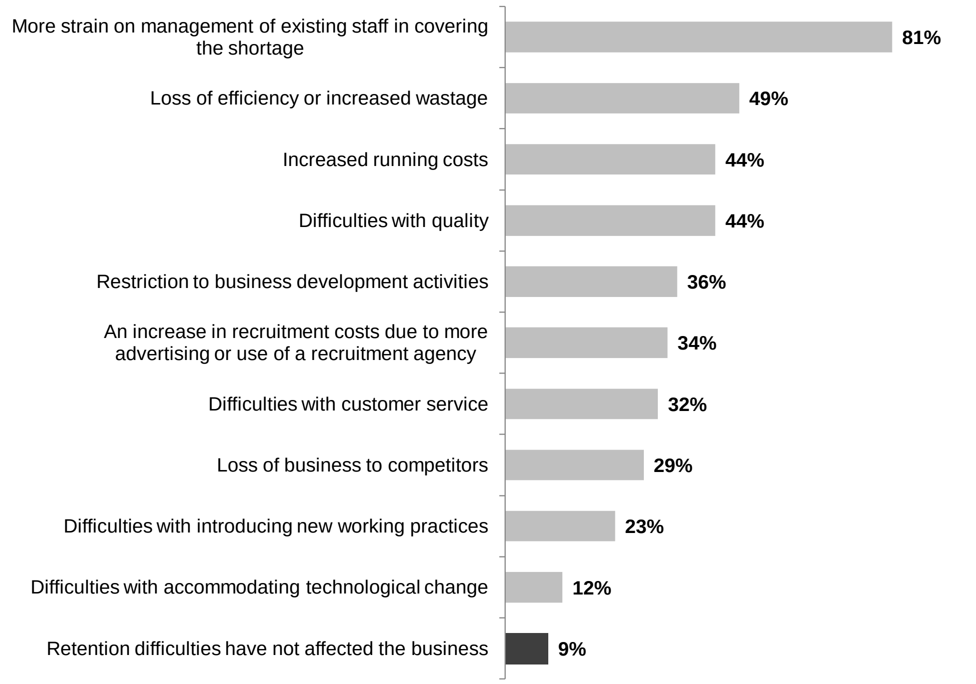
Figures may add to over 100% due to multiple responses

5.10 The impact of retention difficulties

Virtually all employers that experienced retention difficulties (91 per cent) reported that these had affected the business in some way, a similar figure to that seen in the UK as a whole. The overwhelming impact was an increased strain on remaining staff to cover the shortage, reported by 81 per cent of establishments. Half (49 per cent) experienced a drop in efficiency, and just under half experienced increased running costs or quality issues (both 44 per cent).

Around a third reported restriction to business development activities (36 per cent), increased recruitment costs (34 per cent), or problems with customer service (32 per cent).

Figure 5.8 Impact of retention difficulties



Base: All establishments that find it difficult to retain staff: 512 (unweighted)

Figures may add to over 100% due to multiple responses

5.11 Measures taken to overcome retention difficulties

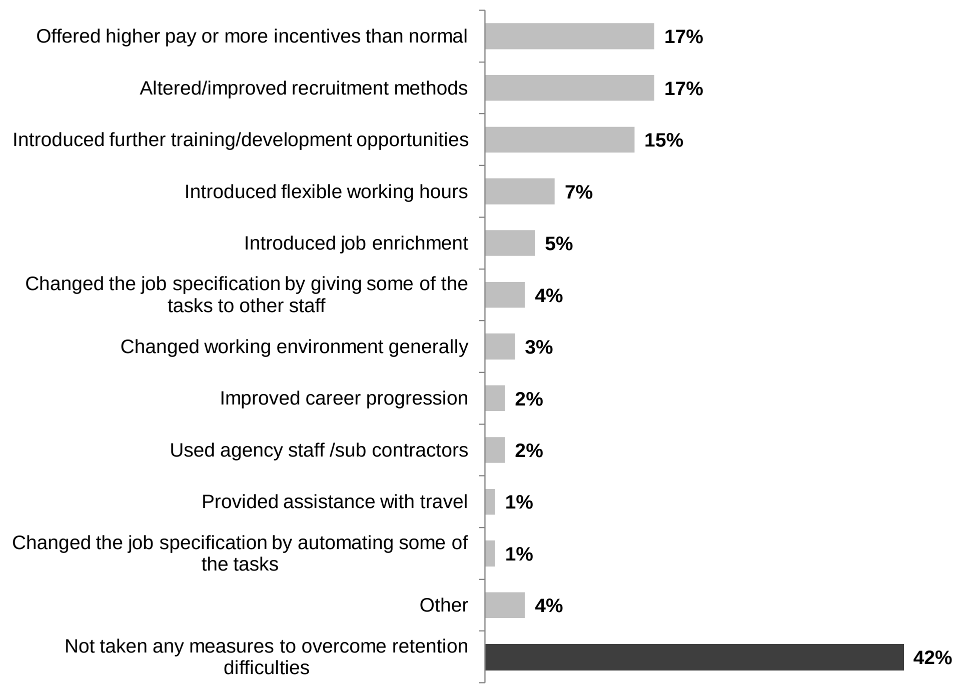
The response to retention difficulties most frequently involved either higher remuneration or the introduction of improved recruitment methods (both used by 17 per cent of establishments experiencing such difficulties). Almost as many (15 per cent) had introduced further training and development opportunities.

Other possible approaches were used by relatively few employers. Seven per cent introduced flexible working hours, while the introduction of changes to the working environment, job enrichment, career progression and job specifications were each reported by five per cent or fewer of employers with retention difficulties.

Although only nine per cent of employers reported that staff retention difficulties had not affected the business, over two-fifths (42 per cent) reported that they had not taken any measures to try and overcome difficulties retaining staff. This suggests that a considerable proportion of establishments are not acting to solve a problem that they are both aware of and believe to be impacting their business. Employers are more likely to take some action to resolve skills gaps (only a quarter of employers took no action in response to a skills gap) and hard-to-fill vacancies (only a fifth of employers took no action).

Establishments in Wales were less likely to have taken measures to overcome retention difficulties than employers in the UK as a whole; just 26 per cent of employers UK-wide had not taken any measures at all compared to 42 per cent in Wales.

Figure 5.9 Measures taken to overcome retention difficulties



Base: All establishments that find it difficult to retain staff: 512 (unweighted)

5.12 Under-utilisation of skills

Historically, skills surveys have tended to focus on those imbalances and mismatches in the labour market that result from a lack of skills, either in the form of staff not being fully proficient (skills gaps), or employers reporting difficulties filling vacancies because of lack of candidates with the required skills, work experience or qualifications (skill-shortage vacancies). However, further disparities are caused when the skills held by employees are not used to their full extent. This occurrence is referred to as over-skilling, over-qualification, or under-employment.

While a number of studies have attempted to measure the extent and, on occasion, the nature and impact of skills under-use, these have tended to be through research among individuals (rather than among employers). This is generally a reflection of the fact that while employers are likely to know the qualification level held by an employee, they are not always aware of the full range of skills that the individual possesses (some of which may be used in / required by the job role they perform, others potentially not). Even at an individual level, the majority of research and academic literature focuses on qualification mismatches.

Notwithstanding these challenges, the UK Commission's Employer Skills Survey 2011 included a question which asked employers how many of their staff they considered to have both qualifications and skills that are more advanced than required for their current job role. Although this allows only limited analysis at an overall rather than an occupational level, it does allow us to estimate the extent of the problem from an employer perspective and to start to explore the relationship between under-use of skills and the skills challenges faced by employers.

Approaching half of all establishments in Wales (45 per cent) reported having at least one employee with both qualifications and skills that are more advanced than required for their current job role, this equates to 14 per cent of the workforce, or 165,100 staff in total. This is similar to the UK as a whole, where the incidence was 49 per cent, or 16 per cent of the workforce.

As Table 5.9 shows, it was mid-size employers with between 25 and 249 staff that were most likely to report the under-use of employees' skills. In terms of proportion of the workforce, the incidence of under-used staff declines with firm size: 30 per cent of the workforce is reported to be under-used in establishments with 1-4 employees versus only nine per cent in establishments with 250 or more staff.

Table 5.9 Proportion of staff that are under-used

		% of establishments with under-used staff	Number of under-used staff	% of staff under-used
	Unwtd base	%	Rounded to nearest 100	%
Wales total	***6,012***	**45**	**165,100**	**14**
UK total	*87,572*	49	4,456,000	16
Size				
1-4	*1,216*	44	40,500	30
5-24	*3,474*	45	47,600	16
25-99	*1,074*	51	32,200	11
100-249	*151*	54	18,600	11
250+	*97*	38	26,300	9
Sector				
Agriculture	*102*	37	6,200	22
Mining and Quarrying	*22*	**	**	**
Manufacturing	*468*	40	10,400	8
Electricity, Gas and Water	*111*	38	1,200	8
Construction	*503*	40	8,500	13
Wholesale and Retail	*1,069*	49	28,900	15
Hotels and Restaurants	*675*	55	18,000	23
Transport and Communications	*439*	51	9,100	14
Financial Services	*173*	52	3,300	11
Business Services	*791*	36	21,900	17
Public Administration	*130*	42	9,800	11
Education	*391*	57	21,800	19
Health and Social Work	*580*	51	16,500	9
Community, Social and Personal Services activities	*558*	47	9,400	20
Region				
North Wales	*1,431*	39	35,700	14
Mid Wales	*798*	44	14,100	18
South West Wales	*1,389*	50	36,400	14
South East Wales	*2,394*	45	78,900	13
ESF Region				
West Wales and the Valleys	*3,732*	45	99,700	14
East Wales	*2,276*	44	65,500	14

Base: All establishments.

Percentages in column 3 are based on all employment rather than all establishments; proportions therefore show the percentage of employees who are under-used.

*'**' denotes base size under 25: too low to report.*

More than half (57 per cent) of establishments in the Education sector reported having under-used staff, comprising a fifth (19 per cent) of the workforce. The proportion of staff who were under-used was also high in sectors that contain large numbers of low skill jobs such as Agriculture (22 per cent) and Hotels and Restaurants (23 per cent).

Establishments in South West Wales were most likely to report that they had under-used staff (50 per cent). This compares with only 39 per cent in North Wales. In terms of the proportion of the workforce, under-employment was highest in Mid Wales (18 per cent) although the variation by region was fairly small.

5.13 Conclusion

This chapter has addressed the issue of skills mismatch in establishments, that is, the extent to which individuals and their skills are matched (or not) to those that employers require. It has also addressed the issue of retention and the extent to which this has been a problem for employers.

Overall across Wales 13 per cent of establishments report having at least one skills gap among their staff; this equates to 53,700 skills gaps or five per cent of the workforce. This is in line with the levels seen in the UK as a whole. The skills gaps are not evenly distributed across the economy; pockets exist in certain sectors (such as Hotels and Restaurants, where 18 per cent of establishments and seven per cent of the workforce have a skills gap), and in specific occupations including Machine Operatives, Skilled Trades, Sales and Customer Services and Elementary occupations. Machine Operatives was also one of the highest occupations in terms of skill-shortage vacancies suggesting either a more general lack of relevant skills in this occupation in Wales, or alternatively that establishments with skill-shortage vacancies in this area are taking on staff with fewer skills than they would ideally like, thus converting a skill-shortage vacancy to a skills gap.

Where skills gaps exist, their impact on business performance can be significant, though impacts were reported by a smaller proportion of employers than for hard-to-fill vacancies (62 per cent as opposed to 97 per cent - see Chapter 4 for more information on hard-to-fill vacancies). The most common impact was on the workload of other staff. Half of employers (50 per cent) reported an increase in workload for other staff, which may in turn lead to an increase in operating costs (particularly for larger employers) through paying for overtime or agency staff. Other direct business impacts included losing business to competitors (particularly an issue for smaller employers) and delays in developing new products and services.

The survey introduced an experimental question to look at how employers perceived potential under-use of skills in the workplace. This single question indicated that approaching half of establishments in Wales (45 per cent) report having at least one employee with **both** qualifications **and** skills that are more advanced than required for their current role. In volume terms, this is 165,100 employees, or 14 per cent of the total workforce in Wales, similar proportions to those seen in the UK as a whole. It should be noted that this indicative finding requires more investigation and follow-up work, and was reached in a single question, rather than an established suite of questions, as for skills gaps. However, the early indications we can glean from it show that under-use of skills is an issue that employers understand and can recognise in their workforce. This inevitably has consequences for the overall productivity of the Welsh economy.

The other area investigated in this chapter was retention issues. Overall, six per cent of establishments in Wales reported having difficulties retaining staff (similar to the five per cent reported in the UK as a whole). Employers operating in the Hotels and Restaurants sector were the most likely to experience retention difficulties, and particularly in Skilled Trades and Elementary occupations. The main reason cited for a difficulty retaining staff was lack of interest in the type of work in question. As with skill-shortage vacancies and skills gaps, the most commonly cited impact of retention issues was an impact on other staff, particularly a strain on management of other staff covering the shortage. However employers in Wales were far less likely than their counterparts in the UK as a whole to be taking action to overcome these retention difficulties.

The survey shows the similarity in the causes and effects of recruitment and retention difficulties and skills gaps. Training is often a solution to these problems and a lack of training, or a time-lag in seeing the impact of training, can be a cause of these problems. The next chapter explores employer investment in training and in the skills of their staff.

6 Workforce Development

Chapter summary

Most establishments (59 per cent) had provided off- or on-the-job training for at least one of their staff members in the previous 12 months. Employers had funded or arranged training in this period 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). There is variation by sector and occupation: sectors comprising of mostly public sector organisations are more likely to provide training for staff, and staff in Professional occupations are more likely to receive training than those in other roles.

Employer expenditure on training in the previous 12 months was £1.72bn, equivalent to £1,450 per employee and £2,600 per person trained. Half of total expenditure is accounted for by the cost of paying staff while they are being trained, while eight per cent is accounted for by fees to external providers.

Fewer than half of workplaces (44 per cent) had 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, indeed over half of those providing training 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.

6.1 Introduction

This chapter reports on the quantity of training and development activity undertaken by employers in Wales as well as reporting on the amount invested by employers in training. Businesses that train are less likely to go out of business plus there is much evidence to suggest the important contribution training and development makes to business, individual and economic success (UKCES, 2010a) More specifically the chapter discusses the proportion of establishments that engage in training or informal workforce development activities and how this varies by establishment size, sector, geography and occupation. It also examines the quantity of training provided in terms of training days and the proportion of workers trained, and the nature of this training including whether it involves training staff towards nationally recognised qualifications. Finally the chapter looks at the financial investment that employers are making in training.

Throughout the chapter, unless otherwise stated, an employer is described as providing training if in the previous 12 months they had funded or arranged one or both of the following for any of their employees based at their site:

- off-the-job training or development: training away from the individual's immediate work position, whether on their premises or elsewhere;
- on-the-job or informal training or development: activities which take place at the individual's immediate work position which would be recognised as training by recipients.

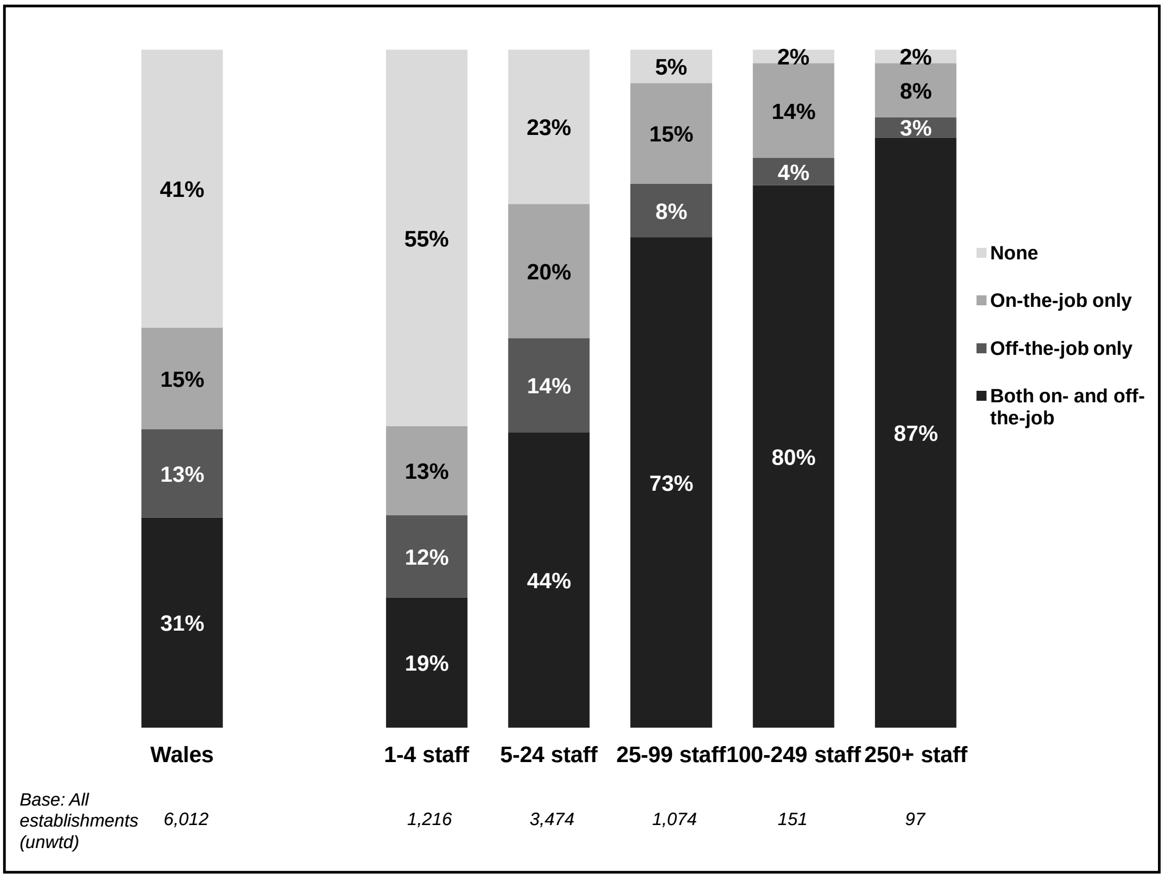
Training as defined in this way is intended to capture all activity which employers and employees would recognise as training. However, broader activity can take place which leads to skill development but which may not be classified as training. For this reason the UK Commission's Employer Skills Survey 2011 also asked employers whether they had engaged in any broader development activities, specifically: supervision to ensure that employees are guided through their job role over time; opportunities for staff to spend time learning through watching others perform their job roles; and allowing staff to perform tasks that go beyond their strict job role and providing feedback on how well they had done. As we see later in this chapter, a large minority of (mostly small) employers did not provide off- or on-the-job training but did engage in some of these broader development activities. However, unless otherwise stated it is on- and off-the-job training activity which is described in this chapter.

6.2 The extent of training and workforce development activity

Overall 59 per cent of establishments had funded or arranged on-the-job or off-the-job training for at least one of their employees in the 12 months preceding the survey. This was similar to the figures in England, where 58 per cent had provided training to staff, but lower than for Northern Ireland (64 per cent) and Scotland (68 per cent). Similar proportions had provided on-the-job training (46 per cent of all workplaces) and off-the-job training (44 per cent); approaching a third of establishments (31 per cent) had provided both types of training.

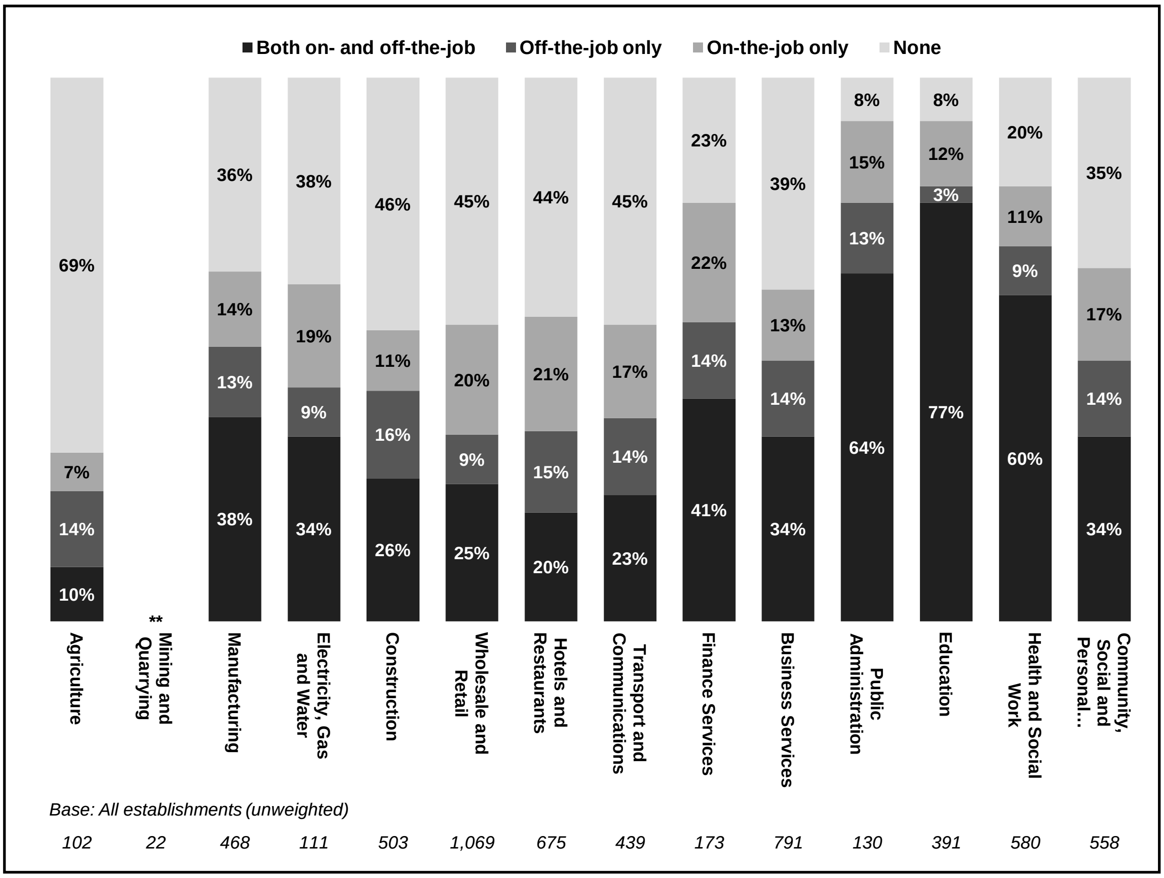
The likelihood that training is provided in a workplace is closely related to the number of staff working at the establishment. Just under half (45 per cent) of workplaces with fewer than five staff provided any training in the previous 12 months, rising to over three-quarters (77 per cent) of those where 5-24 staff are employed, and to more than nine-in-ten where 25 or more people are employed. Results by size of establishment are presented in Figure 6.1.

Figure 6.1 Incidence of training activity by size



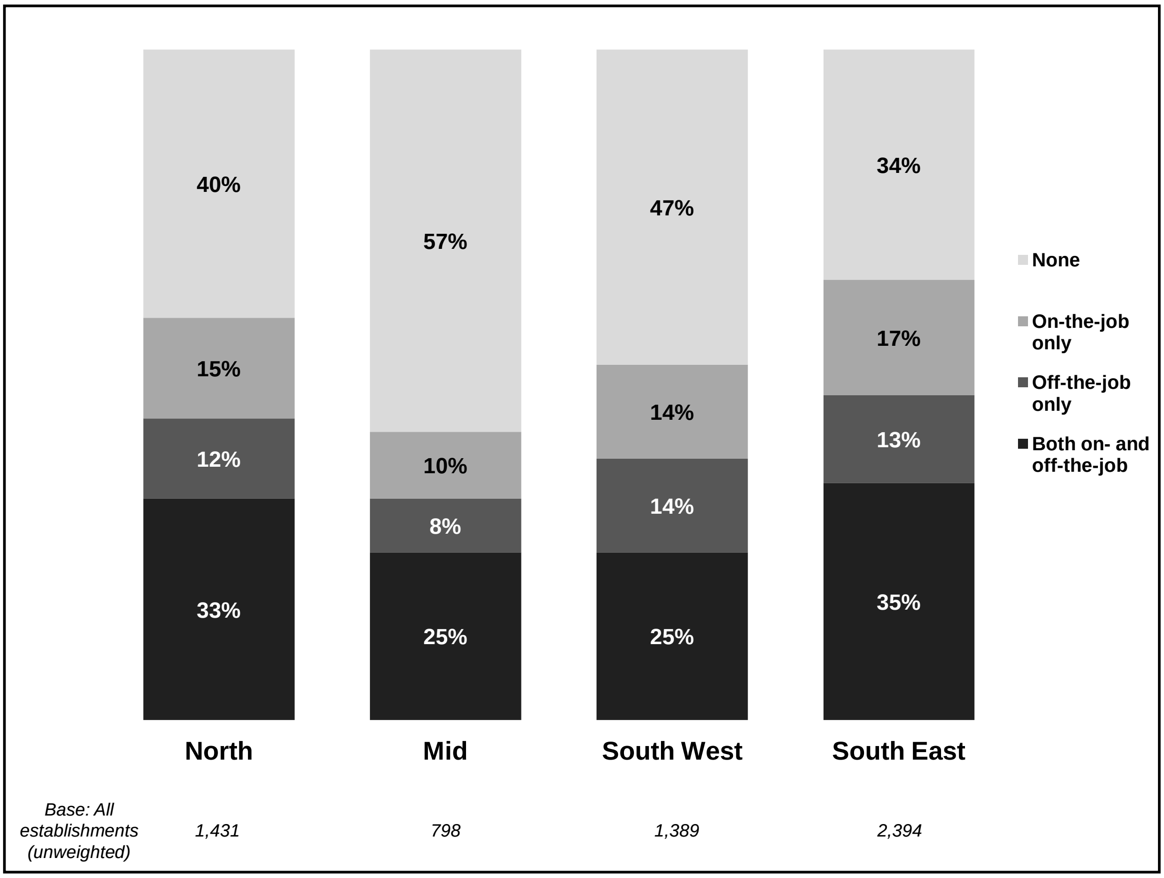
The incidence of training varies widely by sector, as shown in Figure 6.2. Differences by sector are in part driven by size: as is the case across the UK as a whole, sectors with low incidences of training such as Agriculture (31 per cent train) and Construction (54 per cent train) are dominated by small establishments, and sectors with high levels of training, such as Education (92 per cent) and Public Administration (also 92 per cent), tend to consist of large establishments.

Figure 6.2 Incidence of training activity by sector



There was also some variation in training activity by region, with the overall proportion of establishments training ranging from 66 per cent in South East Wales to 43 per cent in Mid Wales (Figure 6.3). This correlates with the geographic distribution of small and large establishments in Wales, where Mid Wales is dominated by smaller establishments and South East Wales is more likely to contain large establishments.

Figure 6.3 Incidence of training by region



Accordingly, establishments in the East Wales ESF region were more likely to provide training than those in West Wales and the Valleys (see Table 6.1).

Table 6.1 Incidence and volume of training: by ESF region

	West Wales and the Valleys	East Wales
Column %	%	%
Base	*3,732*	*2,276*
Total doing any training	56	63
On-the-job training only	16	14
Off-the-job training only	12	13
Both on- and off-the-job training	28	36
Do not train	44	37

Base: All establishments

6.3 Incidence of training and workforce development activity

Broader activity can take place in establishments which leads to skill development but which may not be classified as training. For this reason the UK Commission's Employer Skills Survey 2011 also asked employers whether they had engaged in any broader development activities, specifically:

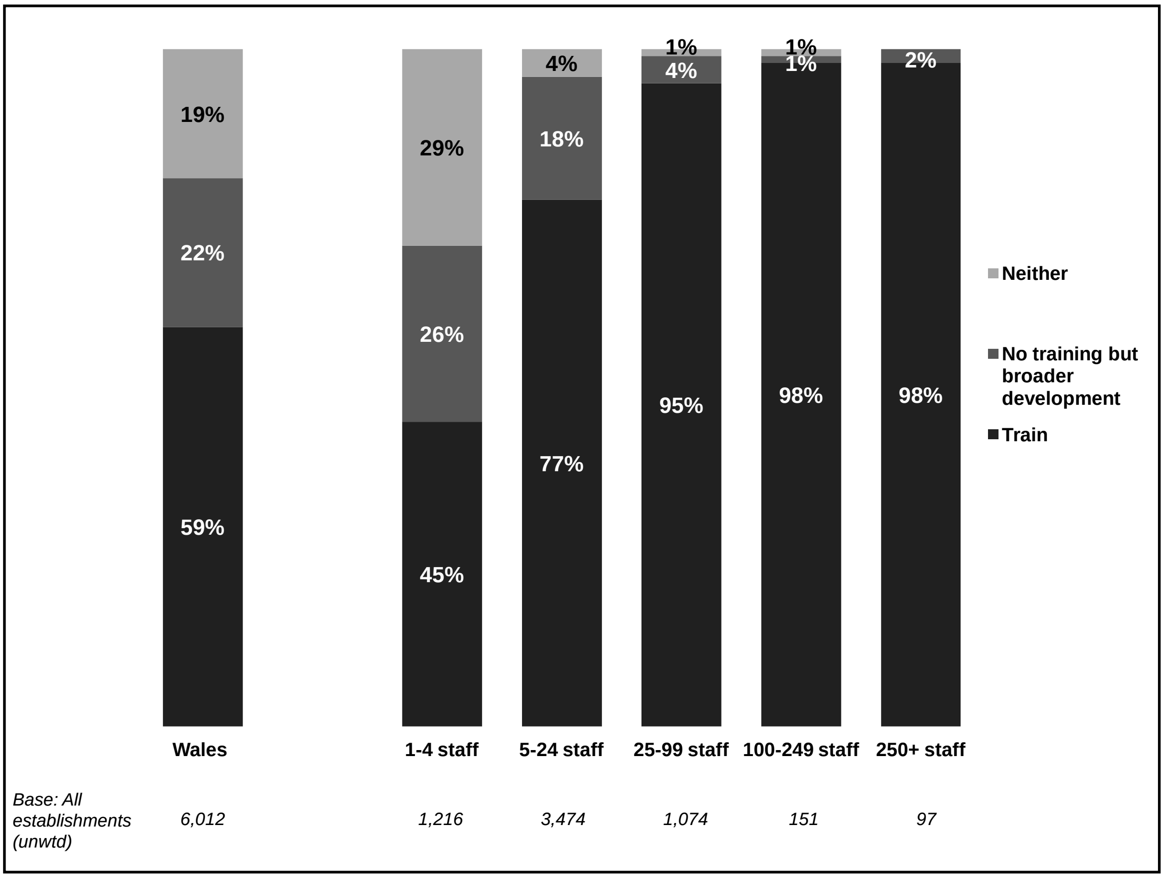
- supervision to ensure that employees are guided through their job role over time;
- opportunities for staff to spend time learning through watching others perform their job roles;
- allowing staff to perform tasks that go beyond their strict job role and providing feedback on how well they had done.

This section explores the proportion of workplaces that have funded or arranged training or further development for their staff over the previous 12 months.

In addition to the 59 per cent of establishments in Wales who train staff, a further 22 per cent have provided more informal development activity for their staff. The total proportion of establishments in Wales that provide any form of staff development is 81 per cent; however almost a fifth (19 per cent) of establishments offer no development at all for staff. This is slightly larger than the 17 per cent UK average of establishments providing no development for staff.

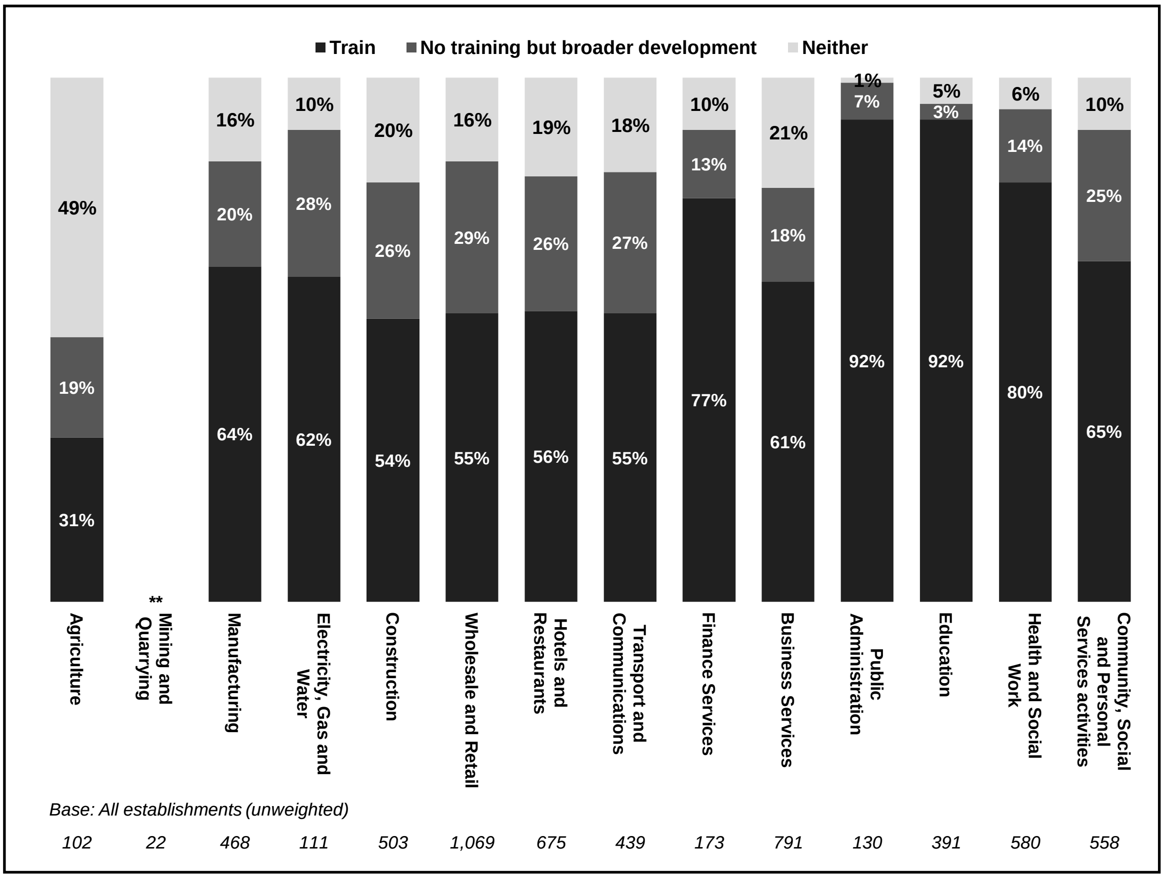
Larger establishments are most likely to offer any form of development (Figure 6.4).

Figure 6.4 Incidence of training and further development by establishment size



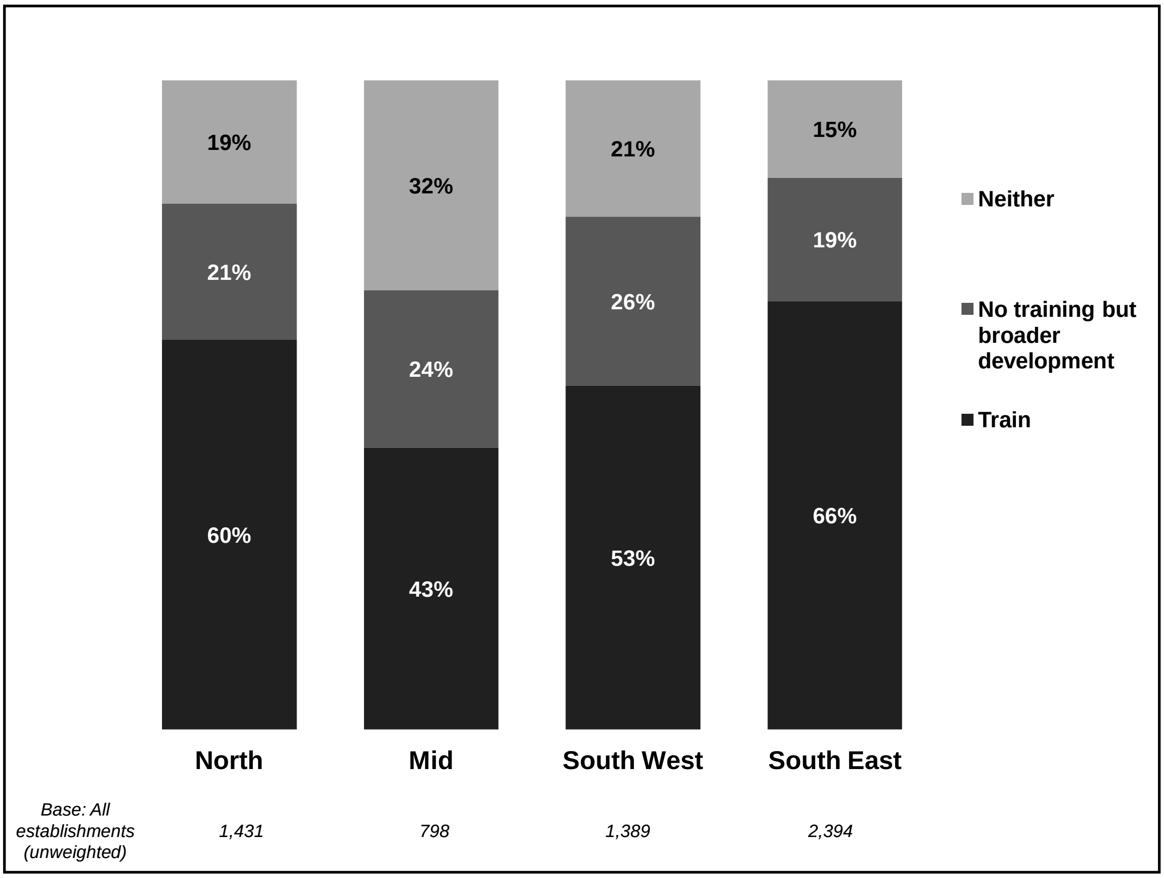
The incidence of staff development varies by sector, as Figure 6.5 shows. The Agriculture industry was least likely to offer staff any form of development, with approaching a half of establishments offering no development for staff. Public Administration, Education and Health and Social Work were most likely to offer staff development; these establishments were also the most likely to train. This is partly a function of size: the Agriculture sector is dominated by small establishments more than any other sector in Wales.

Figure 6.5 Incidence of training and further development by establishment sector



Although the Mid and South West regions were less likely to provide training for staff, establishments in this region that didn't provide training were slightly more likely to engage staff in these broader development activities (Figure 6.6). Although the cumulative effect when added to the proportion training is still that these regions are less likely to be providing any form of development for staff, the difference is not as large as it was for purely training activity.

Figure 6.6 Incidence of training and further development by establishment region



6.4 The volume of staff trained and the quantity of training provided (training days)

Having briefly considered broader development activities, the remainder of this section deals with on- and off-the job training.

Notwithstanding possible double counting (staff being trained by two or more different employers in a 12 month period), in the previous 12 months employers in Wales had provided training to just over 650,000 staff, equivalent to 56 per cent of the total workforce. Between them, these 650,000 staff had spent almost five million days in training, equating to 7.5 days per trainee or 4.2 per staff member in the total workforce (see Table 6.5). This is similar to training levels in the UK as a whole, where 54 per cent of the workforce had been trained with an average of 7.8 days per trainee and 4.3 per employee.

Although it is the largest establishments that are most likely to provide training to staff, it is the mid-size establishments (with 25-99 and 100-249 staff) that train the largest percentage of their workforce (66 and 68 per cent respectively), and the smallest establishments that provide most days training per trainee (10.2).

The proportion of the workforce trained varied widely by sector, from only just over a quarter (27 per cent) in the Agriculture sector to almost three-quarters (74 per cent) in the Education sector. Hotels and Restaurants (9.2) and Health and Social Work (9.0) provided the most days training per trainee.

Despite being less likely than South West Wales to offer training, employers in Mid Wales train a larger proportion of their staff than those in South West Wales (51 per cent compared to 45 per cent). This is still lower however than the proportions trained in North Wales (59 per cent) and South East Wales (61 per cent).

Table 6.2 Volume of training

	Unwtd base	% of workforce trained	Number of days training	Days per employee	Days per trainee
		%			
Wales total	***6,012***	**56**	**4.97m**	**4.2**	**7.5**
UK total	*87,572*	54	117.29m	4.3	7.8
Size					
1-4	*1,216*	44	590,000	4.5	10.2
5-24	*3,474*	56	1,340,000	4.6	8.2
25-99	*1,074*	66	1,330,000	4.7	7.1
100-249	*151*	68	580,000	3.6	5.3
250+	*97*	47	1,120,000	3.6	7.8
Sector					
Agriculture	*102*	27	40,000	1.5	5.7
Mining and Quarrying	*22*	**	**	**	**
Manufacturing	*468*	56	570,000	4.1	7.3
Electricity, Gas and Water	*111*	66	40,000	2.4	3.6
Construction	*503*	46	260,000	4.0	8.7
Wholesale and Retail	*1,069*	57	950,000	5.0	8.7
Hotels and Restaurants	*675*	48	350,000	4.5	9.2
Transport and Communications	*439*	51	180,000	2.9	5.6
Financial Services	*173*	59	150,000	4.9	8.3
Business Services	*791*	60	440,000	3.3	5.6
Public Administration	*130*	57	370,000	4.2	7.3
Education	*391*	74	490,000	4.2	5.7
Health and Social Work	*580*	52	860,000	4.7	9.0
Community, Social and Personal Services activities	*558*	63	250,000	5.2	8.2
Region					
North Wales	*1,431*	59	1,390,000	5.3	8.9
Mid Wales	*798*	51	310,000	3.9	7.7
South West Wales	*1,389*	45	1,040,000	4.1	9.3
South East Wales	*2,394*	61	2,230,000	3.8	6.3
ESF Region					
West Wales and the Valleys	*3,732*	54	3,080,000	4.4	8.1
East Wales	*2,276*	59	1,890,000	3.6	6.7

Base: All establishments

Number of training days rounded to nearest 10,000

*'**' denotes base size under 25: too low to report.*

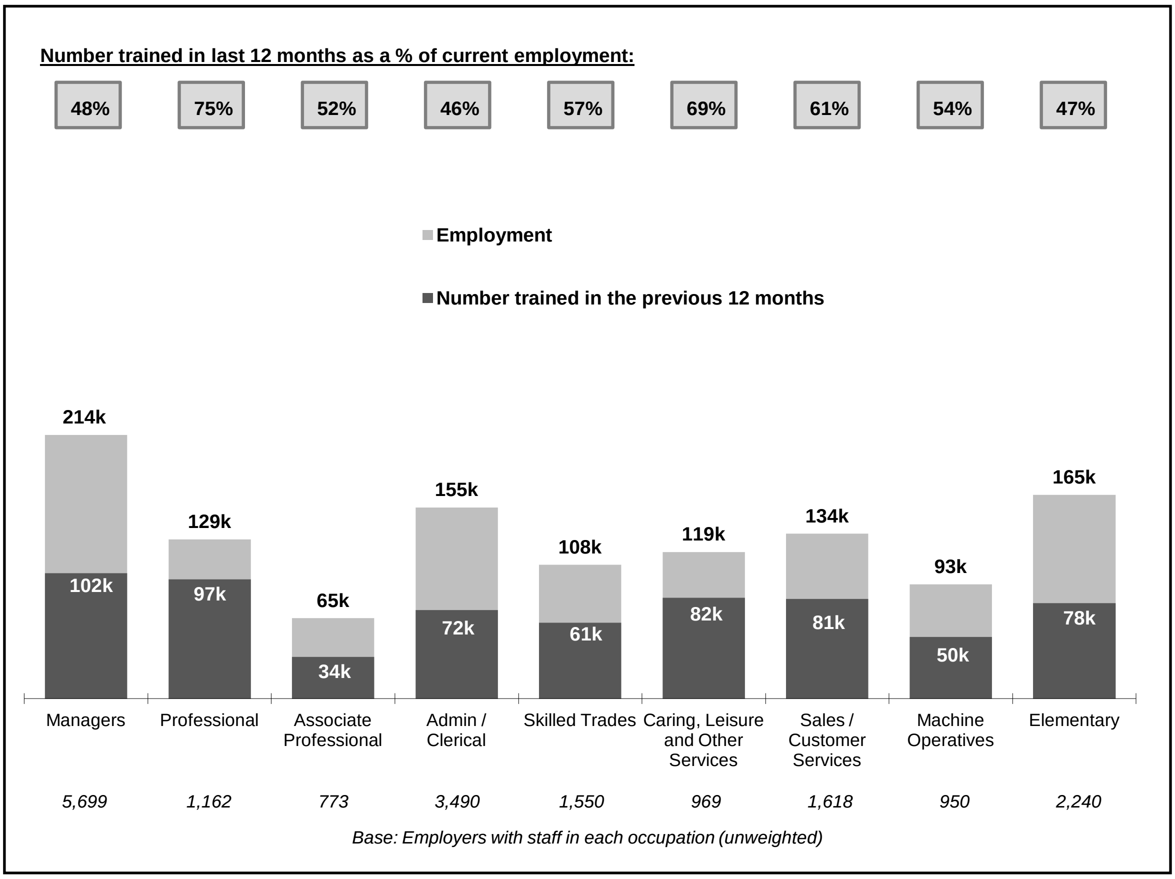
6.5 Incidence of training by occupation

Figure 6.7 illustrates how the provision of training varies by occupation, and shows the number employed in each occupation (the full height of each bar), the number trained in the last 12 months (the darker subdivision), and the number trained in the last 12 months as a proportion of total employment (the figure in the boxes at the top of the chart). It is worth noting that the occupational profile shown is derived from employers describing their workforce structure within the survey, and differs somewhat from that shown by the Labour Force Survey which derives its profile from a survey of individuals.

While more Managers are trained than any other occupational group, this is because they are the most numerous group of employees: in proportional terms, Managers are one of the least likely occupational groups to benefit from training (48 per cent), along with Elementary occupations (47 per cent) and Admin/Clerical staff (46 per cent). This is the same pattern as seen in the UK.

Staff employed in Professional roles are the most likely occupational group to be trained (75 per cent),[12] this is far higher than the level seen for this group in the UK as a whole (61 per cent).

Figure 6.7 Distribution of training by occupation



[12] Full details of the definitions of each occupational type are presented in Appendix E to this report.

6.6 The planning and budgeting of training

Approaching two-fifths of all workplaces (38 per cent) have a training plan that specifies in advance the level and type of training employees will need in the coming year, and around a quarter (26 per cent) have a budget for training expenditure, with 44 per cent having at least one of these. Given that we have seen that 59 per cent of workplaces had provided training in the last 12 months, clearly training quite often takes places on an *ad hoc* basis without being formally planned. Just over a third of sites that had provided training in the last 12 months did not have either a training plan or budget covering their workplace (36 per cent); only just over half of those providing training said they had a formal training plan (56 per cent). This is similar to the proportions seen in the UK as a whole.

The existence of a training plan or budget is not a guarantee that training will take place, as 15 per cent of employers with a training plan and or a budget had not funded or arranged any training for staff at their site in the previous 12 months.

The likelihood of an establishment being covered by either a training plan or budget increases with the size, as shown in Table 6.6.

Table 6.3 Training plans and training budgets: by size

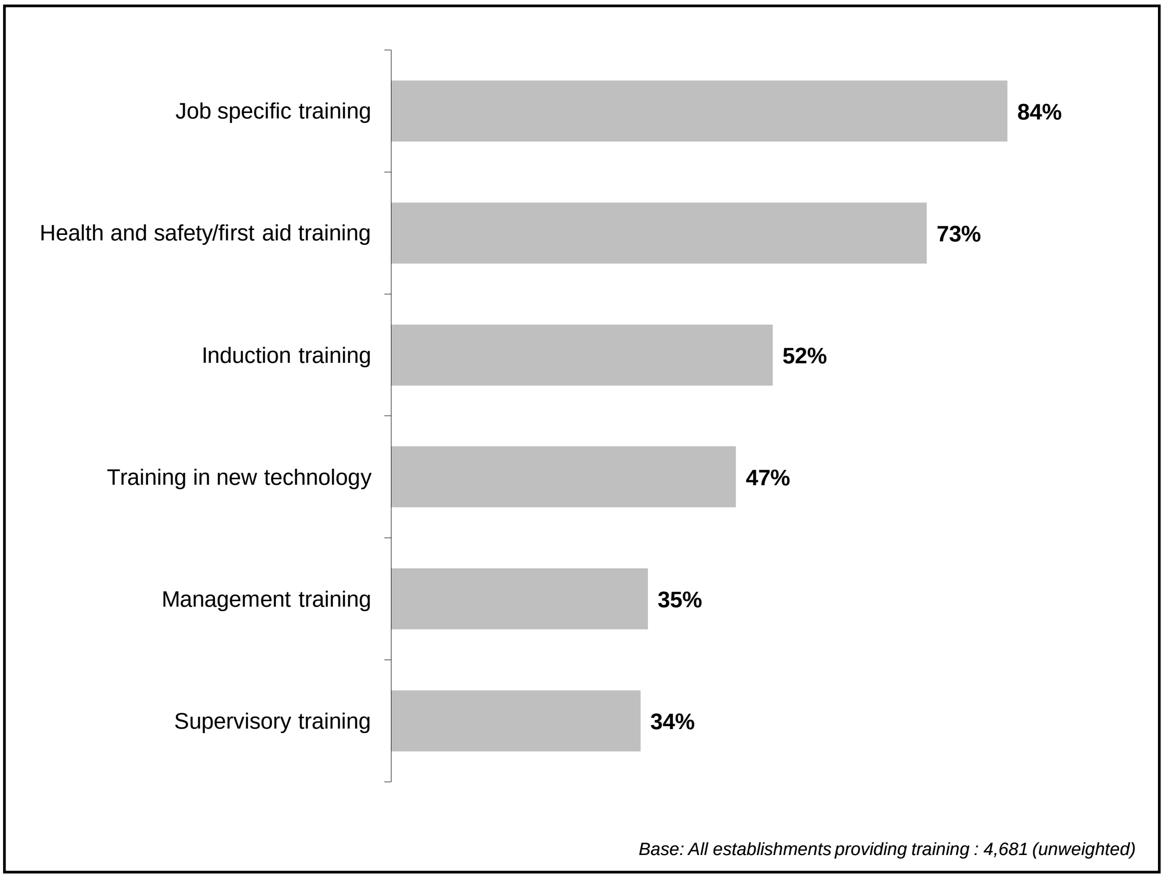
	TOTAL	**1-4**	**5-24**	**25-99**	**100-249**	**250+**
Column %	%	%	%	%	%	%
Base:	*6,012*	*1,216*	*3,474*	*1,074*	*151*	*97*
Training plan	38	25	53	81	86	88
Training budget	26	15	36	66	74	85
Both / either	44	29	62	89	95	96

Base: All establishments

6.7 Types of training

The most common type of training provided by employers is job-specific training (mentioned by 84 per cent of employers that trained staff in the last 12 months), followed by health and safety/first aid training (73 per cent). More than half of training employers had provided induction training for new recruits (52 per cent) and almost half provided training in new technology (47 per cent). Over a third had funded or arranged management or supervisory training (35 and 34 per cent respectively). This hierarchy of training types is very similar to that seen across the UK as a whole.

Figure 6.8 Types of training funded or arranged by employers



6.8 Training to qualifications

This section explores the extent to which employers train staff to nationally recognised qualifications and the level of the qualifications to which staff are trained.

A quarter of employers (26 per cent, equating to 43 per cent of establishments that train) had funded or arranged training which was intended to lead to a nationally recognised qualification (whether it did lead to the that qualification being obtained or not); this was similar to levels seen in the UK as a whole where 25 per cent of employers (also equivalent to 43 per cent of establishments that train) were training staff to qualifications.

Size is again a key discriminator here: the larger the training establishment the more likely it is to provide training leading to qualifications (although there is a slight drop amongst the very largest establishments with 250 or more staff). Just 14 per cent of those with fewer than five staff train to qualifications, whereas around three quarters of those with 100 or more do so.

Establishments are most likely to provide training to nationally recognised qualifications in the Education (60 per cent) and Public Administration (55 per cent) sectors. Agriculture (7 per cent), Wholesale and Retail (17 per cent) and Transport and Communications (21 per cent) were least likely to provide this training.

By region the pattern was driven by the proportion providing any training; looking at only those establishments providing training, the proportion training to qualifications is similar across the regions at around 42 to 44 per cent in each.

Table 6.7 shows the proportion of all establishments providing any training to qualifications and the proportion that provide training to each level on the Qualifications and Credit Framework (QCF) (Ofqual, 2012).

Table 6.4 Training to nationally recognised qualifications in past 12 months

		% of establishments providing training to each level				
		Any	Level 1	Level 2	Level 3	Level 4
	Unwtd base	%	%	%	%	%
Wales total	***6,012***	**26**	**5**	**9**	**10**	**8**
UK total	*87,572*	25	8	9	9	7
Size						
1-4	*1,216*	14	2	4	4	3
5-24	*3,474*	38	7	13	16	11
25-99	*1,074*	64	11	28	32	25
100-249	*151*	78	22	47	47	47
250+	*97*	68	22	35	40	32
Sector						
Agriculture	*102*	7	0	2	1	3
Mining and Quarrying	*22*	**	**	**	**	**
Manufacturing	*468*	29	5	11	8	11
Electricity, Gas and Water	*111*	34	4	11	14	11
Construction	*503*	29	7	8	11	4
Wholesale and Retail	*1,069*	17	5	6	6	2
Hotels and Restaurants	*675*	28	7	13	8	3
Transport and Communications	*439*	21	4	6	6	5
Financial Services	*173*	22	5	5	5	8
Business Services	*791*	22	3	5	6	10
Public Administration	*130*	55	9	22	26	30
Education	*391*	60	8	15	37	34
Health and Social Work	*580*	48	4	21	30	20
Community, Social and Personal Services activities	*558*	31	5	17	12	7
Region						
North Wales	*1,431*	27	6	11	11	7
Mid Wales	*798*	18	3	6	6	4
South West Wales	*1,389*	24	5	8	10	6
South East Wales	*2,394*	28	4	9	11	10
ESF Region						
West Wales and the Valleys	*3,732*	25	5	9	10	7
East Wales	*2,276*	26	5	8	10	9

Base: All establishments

*'**' denotes base size under 25: too low to report.*

6.9 Employer expenditure on training

Across Wales, total employer expenditure on training in the 12 months prior to the UK Commission's Employer Skills Survey 2011 is estimated to have been £1.72bn. The total figure splits relatively evenly between expenditure on on-the-job training (£931m, 54 per cent of total expenditure) and off-the-job training (£793m, 46 per cent of total expenditure); this is a very similar proportionate division as seen across the UK as a whole.

Table 6.8 presents a breakdown of the overall figure by component elements. Around half of total expenditure is accounted for by the cost of paying staff while they are being trained (49 per cent). In comparison a relatively small share of overall spend is accounted for by fees to external providers (eight per cent, though it represents 18 per cent of expenditure on off-the-job training).

Table 6.5 Training expenditure (in absolute terms) over the previous 12 months and the components of training expenditure

	Wales		**UK**	
Unweighted base	*1,501*	**%**	*11,117*	**%**
Total training spend:	**£1.72bn**	**100**	£49.0bn	100
Off-the-job training: Total:	**£793m**	**46**	£23.2bn	47
Off-the-job training: course-related:	**£655m**	**38**	£19.3bn	39
Trainee labour costs	£161m	9	£5,417m	11
Fees to external providers	£100m	6	£2,776m	6
On-site training centre	£84m	5	£2,986m	6
Off-site training centre (in the same company)	£22m	1	£653m	1
Training management	£280m	16	£6,794m	14
Non-training centre equipment and materials	£18m	1	£404m	1
Travel and subsistence	£21m	1	£480m	1
Levies minus grants	-£32m	-2	£-251m	-1
Off-the-job training: other (seminars, workshops etc.):	**£138m**	**8**	£3.9bn	8
Trainee labour costs	£98m	6	£2,806m	6
Fees to external providers	£40m	2	£1,128m	2
On-the-job training: Total:	**£931m**	**54**	£25.8bn	53
Trainee labour costs	£588m	34	£16,076m	33
Trainers' labour costs	£343m	20	£9,717m	20

Base: All trainers completing the Investment in Training survey

Clearly a large component of the overall training expenditure figure presented in the previous table is the wages of staff being trained, and in comparison relatively little is spent on payments to external training providers. Because of these very different elements within the overall figure it is useful to breakdown the overall figure between direct and indirect costs. In the following analysis, the following categories are used:

- Indirect costs - the trainee labour costs (wages) of paying workers while they are not producing.
- Direct costs - all other costs.

Direct costs have been further broken down into i) external direct costs, elements that could in theory be outsourced to another organisation to provide and ii) internal direct costs, those elements that could not be transferred or outsourced to another organisation. External direct costs have been defined as fees to external providers and off-site training centre costs. Internal direct costs include on-site training centre costs, equipment and materials, travel and subsistence and levies minus grants. The costs of managers and supervisors being involved in organising and providing training has been treated as internally provided (not able to be outsourced) except where this involvement represented a reasonable amount of managers’/supervisors' time, since then this provision could potentially be externally outsourced by buying in a dedicated training organiser. It was classified as an ‘external’ direct cost where the training work of the managers/supervisors represented the work of one full person (i.e. where multiplying the average proportion of time spent on training matters by the number of people involved in organising/providing training within the establishment was at least one).

Across Wales costs split evenly between direct (£877m) and indirect costs (£846m). External direct costs represent a slightly higher proportion of total training expenditure (28 per cent and £478m) than internal direct costs (23 per cent and £399m). This is a similar split to that seen across the UK as a whole.

Each region saw a similar pattern with approximately half of investment going towards labour cost and half on direct expense. Establishments in Mid Wales had spent a slightly higher proportion of their investment on direct costs, with just 42 per cent going towards wages. This could be due to lower wages in the region on average, or higher costs of the types of training being provided.

Table 6.6 Training investment by region

Row percentages	*Unweighted base*	**Expenditure on training**		**Per cent spent on:** Direct tradeable	Direct non-tradeable	Indirect costs
Wales	***1,501***	**£1.72bn**	**%**	**28**	**23**	**49**
UK	*11,117*	£49.0bn	%	27	23	50
Region						
North Wales	*384*	£402.2m	%	29	25	46
Mid Wales	*189*	£175.6m	%	31	27	42
South West Wales	*338*	£302.5m	%	26	24	51
South East Wales	*587*	£839.3m	%	27	21	51

Base: All establishments in each region.

Expenditure rounded to nearest 100,000.

Training expenditure by establishments in Wales is lower than in the rest of the UK, with an average spend per trainee of £2,600, as compared to upwards of £3,100 per trainee in England, Scotland and Northern Ireland. This could be related to Welsh median earnings being lower than the UK median (Office for National Statistics, 2012). As labour costs comprise a significant proportion of training spend, lower wages would reduce this figure compared to the UK average.

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.

Table 6.7 Training expenditure per capita and per trainee

	Wales total	**UK total**
Unweighted base	*1,501*	*11,117*
Total training expenditure	£1.72bn	£49.0bn
Per capita training expenditure (total workforce)	£1,450	£1,775
Per capita training expenditure (training employers' workforce)	£1,650	£2,050
Per trainee training expenditure	£2,600	£3,275

Spend per trainee/per employee rounded to the nearest £25.

Expenditure per staff member and per trainee was higher in Mid Wales than in the other regions. Table 6.9 shows that a higher proportion of Mid Wales training investment went on direct costs rather than indirect, suggesting that establishments in this region are investing in more expensive training solutions. This is likely to be related to the establishment size profile of the region: there is a clear pattern that larger establishments spend less on training per trainee and per capita due to being able to access economies of scale. (As shown in Figure 2.5, Mid Wales has more small establishments than other regions.)

Table 6.8 Training expenditure per capita and per trainee by region

	Wales total	North Wales	Mid Wales	South West Wales	South East Wales
Unweighted base	*1,501*	*384*	*189*	*338*	*587*
Total training expenditure	£1.72bn	£402.2m	£175.6m	£302.5m	£839.3m
Per capita training expenditure (total workforce)	£1,450	£1,525	£2,200	£1,200	£1,425
Per capita training expenditure (training employers' workforce)	£1,650	£1,750	£3,050	£1,375	£1,575
Per trainee training expenditure	£2,600	£2,575	£4,350	£2,700	£2,350

Spend per trainee/per employee rounded to the nearest £25.

6.10 Training and Investors in People status

Investors in People is a leading people management standard, with the aim of improving business performance through people; 15 per cent of establishments in Wales are accredited with the Investors in People Standard (Table 6.12). Larger establishments are much more likely to be accredited than smaller establishments, 60 per cent of establishments with 250+ staff are accredited compared to only 10 per cent of establishments with fewer than five.

Sectors with larger establishments such as Public Administration and Education have the highest proportion of employers accredited (45 per cent and 39 per cent respectively). Employers are least likely to be accredited in the Agriculture sector (only three per cent of employers), which is dominated by small sites.

There is some regional variation in accreditation: establishments in Mid Wales are the least likely to be accredited (11 per cent) and establishments in South East Wales and North Wales are the most likely (17 per cent are in each). This is also likely to be influenced by typical establishment size in these regions.

Table 6.9 Investors in People Standard

		Accredited with Investors in People Standard
	Unwtd base	%
Total	*6,012*	15
Size		
1-4	*1,216*	10
5-24	*3,474*	20
25-99	*1,074*	39
100-249	*151*	50
250+	*97*	60
Sector		
Agriculture	*102*	3
Mining and Quarrying	*22*	**
Manufacturing	*468*	12
Electricity, Gas and Water	*111*	12
Construction	*503*	8
Wholesale and Retail	*1,069*	17
Hotels and Restaurants	*675*	14
Transport and Communications	*439*	9
Financial Services	*173*	21
Business Services	*791*	12
Public Administration	*130*	45
Education	*391*	39
Health and Social Work	*580*	31
Community, Social and Personal Services activities	*558*	21
Region		
North Wales	*1,431*	17
Mid Wales	*798*	11
South West Wales	*1,389*	14
South East Wales	*2,394*	17
ESF Region		
West Wales and the Valleys	*3,732*	16
East Wales	*2,276*	14

Base: All establishments

*'**' denotes base size under 25: too low to report.*

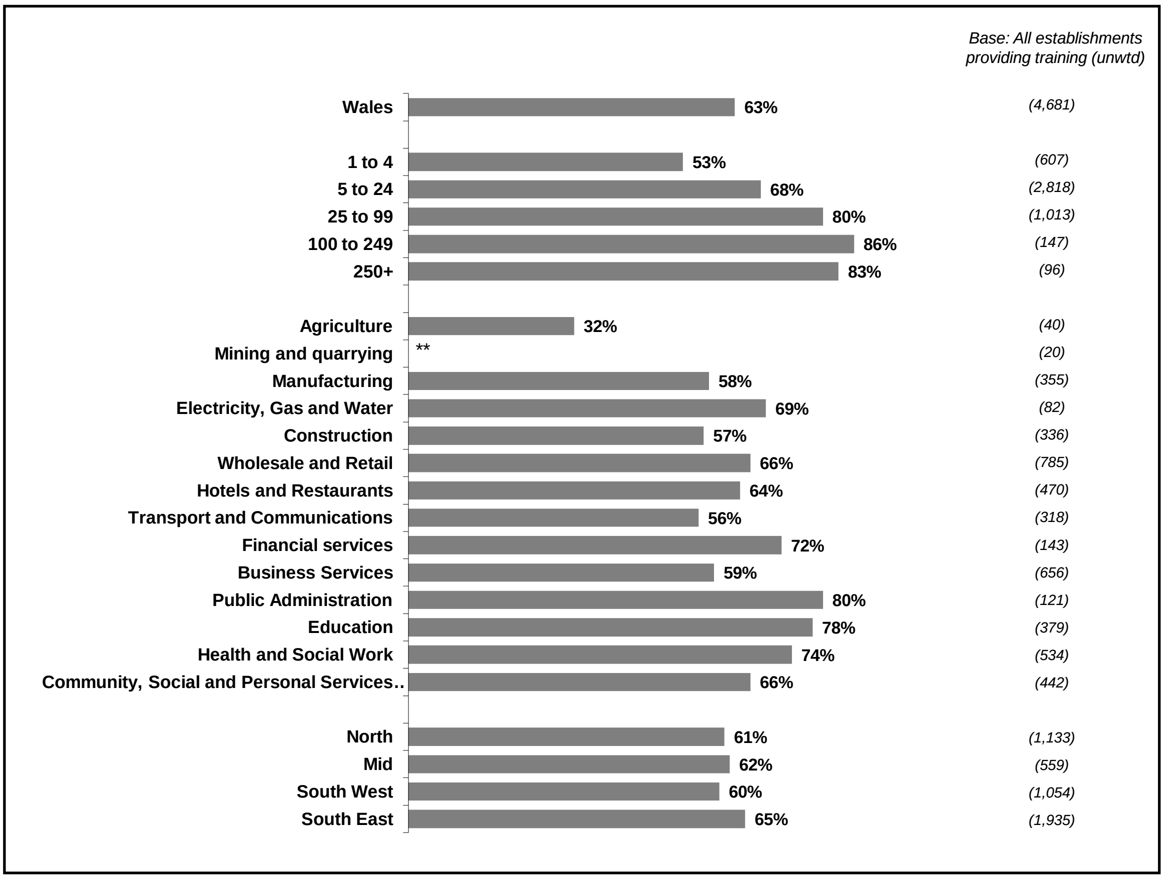
6.11 Assessing the impact of training

Almost two-thirds of workplaces that train (63 per cent) formally assess whether the training received by employees impacts on their performance, similar to the number seen in the UK (65 per cent). The larger the size of the workplace the more likely they are to assess the impact of their training activity, the figure increasing from 53 per cent among establishments that train who have fewer than five staff, up to over eight-in-ten of those with 100 or more staff (Figure 6.9).

There were noticeable differences by sector, with those operating in Public Administration (80 per cent), Education (78 per cent) and Health and Social Work (74 per cent) more likely than average to assess the impact of their training. The majority of establishments in three of these sectors are government-funded or charities, and there is a marked difference by broad status in the likelihood that training activity is formally assessed.

Differences by region were less marked, though establishments in South East Wales that trained (65 per cent) were slightly more likely to formally assess the impact of their training than employers in the other regions.

Figure 6.9 Proportion of establishments that formally assess the impact of training



6.12 Reasons for not providing training

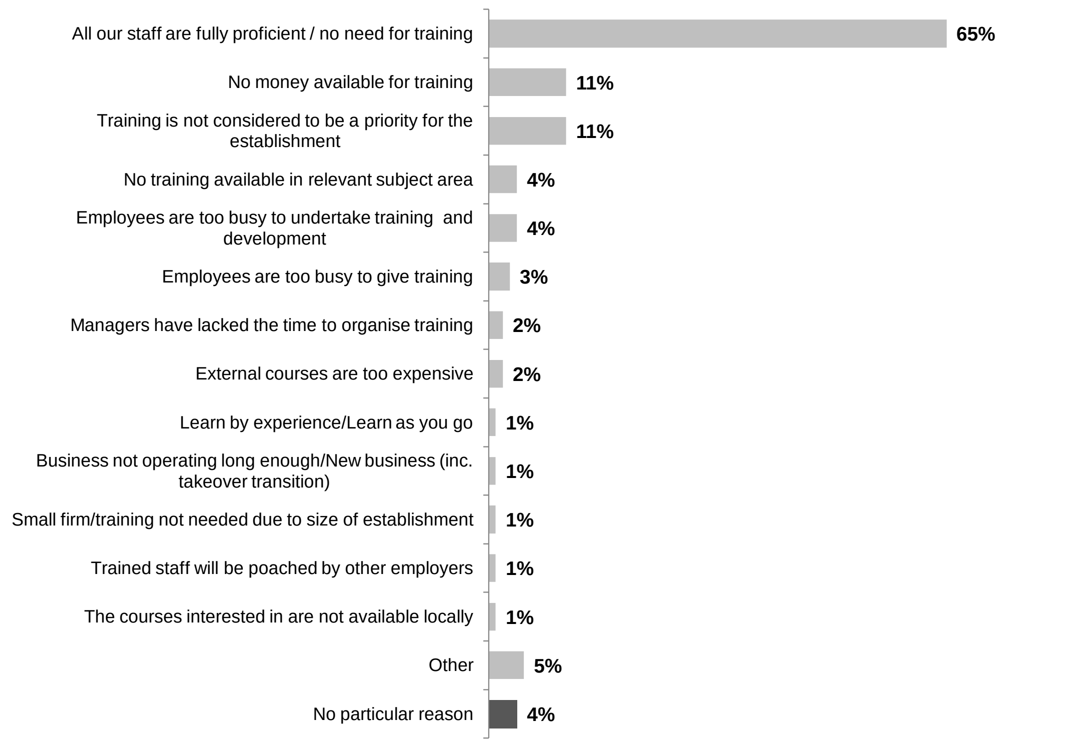
All employers that had not funded or arranged any off-the-job or on-the-job training for staff at their site over the last 12 months were asked why they had not done so. Results are summarised in Figure 6.10.

The most common reason given by establishments that did not train was that they considered their staff to be fully proficient and / or that their staff did not need training. This was mentioned spontaneously by almost two-thirds of non-trainers (65 per cent). This included 39 per cent of non-trainers who reported having skills gaps. This suggests that the skills gaps these establishments reported were not the type that could be addressed by training measures. These could have been related to experience in the job role, for example.

A lack of money for training and training not being a key priority for the establishment were secondary reasons for not training (11 per cent mentioned each). Issues relating to training supply were relatively infrequently mentioned: only small proportions said a reason for not training was that they do not feel there is training available in a relevant subject area (four per cent) or that no training was available locally (one per cent).

Figure 6.10 lists the reasons given for not training mentioned by at least one per cent of non-training employers on this spontaneous question.

Figure 6.10 Reasons for not providing training



Base: All establishments that do not provide training: 1,277 (unweighted)

6.13 Conclusion

The majority of employers in Wales are investing in the skills and development of their workforce, with 59 per cent providing training for staff; a further 22 per cent do still provide some form of development for staff (such as supervision and working beyond their role). The proportion of establishments that provide training is highest in South East Wales; there is a lot of variation by sector however and approaching half of establishments in the Agriculture sector do not provide any training or development for their staff. Conversely establishments in Public Administration, Education and Health and Social Work are most likely to be offering development for their staff, indicating that the public sector is an important driver for much of the skills investment activity.

The proportion of establishments providing training in Wales is similar to that in the UK as a whole. Over half of all employees receive training (56 per cent) but involvement varies markedly by occupation. In particular, it is Managers (48 per cent receive training), those in Elementary roles (47 per cent) and Administration/Clerical occupations (46 per cent) who are least likely to receive training. Employees working at mid-sized establishments (with 25-249 staff) are most likely to receive training, as these establishments train a larger percentage of their workforce than the smallest and largest employers (around two-thirds of staff in these establishments receive training).

However whilst the proportion of staff trained is only slightly more than that seen across the UK, training spend per trainee is less in Wales than it is in the rest of the UK. This could be related to there being lower median earnings 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).

In terms of the relationship between levels of training and other indicators, it is notable that employers with skills gaps are more likely to train their staff than those without (82 per cent v 55 per cent). This confirms that training is a common response to having a skills deficiency, as seen elsewhere in the report. However, it also reflects the extent to which skills gaps should not necessarily be viewed in isolation as a negative issue. Those businesses with skills gaps are engaged enough to have identified an issue with their staff and in the vast majority of cases are taking action to overcome these problems, if they require attention.

As well as raising questions about the volume and scale of skills investment, the findings also raise important questions about the quality of the training. Only a quarter of establishments (26 per cent) provide training leading to a nationally recognised qualification. If qualification attainment encourages transferability and is a good indicator of quality it might be expected that this would be higher. Again there are some important variations by sector with establishments in Education (60 per cent) and Public Administration (55 per cent) more likely to provide training towards a nationally recognised qualification.

Among the 41 per cent of employers in Wales not providing any training for staff, the main reasons were related to the perception that all staff were proficient in their roles and the costs of training, rather than training supply. This suggests that it is the attitudes of employers and the value that they place on training that may need tackling in order to increase skills investment, rather than any shortfall in the supply of training in Wales.

7 How employers use staff skills

Chapter Summary

Most establishments in Wales were engaging in what have become known as "high performance working practices": working practices deliberately introduced to improve organisational performance that maximise employee commitment and skills use.

Most commonly this involved providing a flexible working environment in which employees have variety in their work and discretion over their tasks, with around nine-in-ten establishments providing this for at least some of their employees. Communication with employees was also widespread, most commonly via scheduled team meetings.

In terms of people management practices, around two-thirds of establishments gave formal job descriptions to at least some of their employees (53 per cent to all employees), and one half of establishments had annual performance reviews for at least some staff (39 per cent for all staff).

Fewer used pay and incentive schemes to motivate staff: 39 per cent had any policy in place; the most common incentives were bonuses based on overall company performance (23 per cent).

Larger establishments and those in South East Wales were most likely to have high performance working practices in place. In common with other themes driven by establishment size, this means that establishments in South East Wales, the region with the highest proportion of large establishments, were most likely to have high performance working practices in place.

7.1 Introduction

High performance working is an approach to managing organisations that consciously aims to stimulate more effective employee involvement and a commitment in order to achieve high levels of performance. (Sung and Ashton, 2005; UKCES, 2009b; WESB, 2011). The approach is designed to increase employee discretion over their work and use and develop employees' skills effectively.

The adoption of high performance working systems can potentially offer benefits to both employers *and* employees. For employers there is a strong association, backed up by several research studies, between high performance working practices and improved performance as well as staff retention. For employees, there is an association between high performance working and increased job satisfaction and well-being (SSDA, 2006; UKCES, 2009b). High performance working is also associated with innovation and the pursuit of high value-added business strategies.

The presence of high performance working practices alone will not necessarily lead to performance benefits – it is crucial that the practices are properly implemented and integrated into a system. In this sense, the use of the term 'high performance working' should be viewed as an aspirational objective, rather than a description of a set of practices with a guaranteed outcome. However, there are limitations in terms of how high performance working can be measured in a large scale survey, and the measurement of sets of practices is a recognised approach that can give an *indication* of the extent of high performance working (Sung and Ashton, 2005; Bates et al, 2009).

The high performance working indicators measured in the survey can be classified into four broad categories: human resource management (e.g. annual performance reviews and formal job descriptions); reward and commitment practices (e.g. performance based pay and incentives and the use of flexible working conditions); employee involvement practices (e.g. meetings, team working and staff surveys); and workplace culture practices, which includes job design (e.g. task discretion and variety).

The UK Commission's Employer Skills Survey 2011 covered a varied selection of practices that would fall under the banner of high performance working practices in each of these broad categories. This chapter looks specifically at the prevalence of high performance working practices amongst employers in Wales.

7.2 Human resource management practices

High performance working practices under the human resource management category help to engage staff by working with them as individuals to make the most of their skills and their potential, or in other words to optimise skills utilisation. The focus is on maximising the contribution that people can make in the work place, ensuring their skills are fully deployed, harnessed and developed to optimise organisational performance (UKCES, 2010b). The survey covered three practices that can contribute to this: whether employers identified "high potential" individuals in their organisations, whether they performed annual staff evaluations, and whether they had formal job descriptions in place.

Identifying "high fliers" is important for establishments as these individuals can contribute considerably to organisational performance if their skills are fully utilised. As well as the risk of missing the benefits to be achieved by fully unlocking their potential, highly skilled individuals may become dissatisfied and leave if they do not feel challenged by a role. About four-in-ten establishments (41 per cent) in Wales have ways to identify high potential staff, either informally or formally (Table 7.1). Larger establishments were more likely to have the means to identify talented staff: 29 per cent of establishments with fewer than five staff had such processes in place, rising to 80 per cent of establishments with 250+ staff. Among employers that do identify talented staff, the processes are more likely to be informal than formally documented.

Table 7.1 Identifying 'high potential' or talented individuals: by size

	Total	1-4	5-24	25-99	100-249	250+
Column %		%	%	%	%	
Base:	*2,998*	*602*	*1,727*	*535*	*82*	*52*
Yes – formally documented	10	4	17	35	36	50
Yes – informal	31	26	40	39	50	30
No	56	67	41	24	13	20

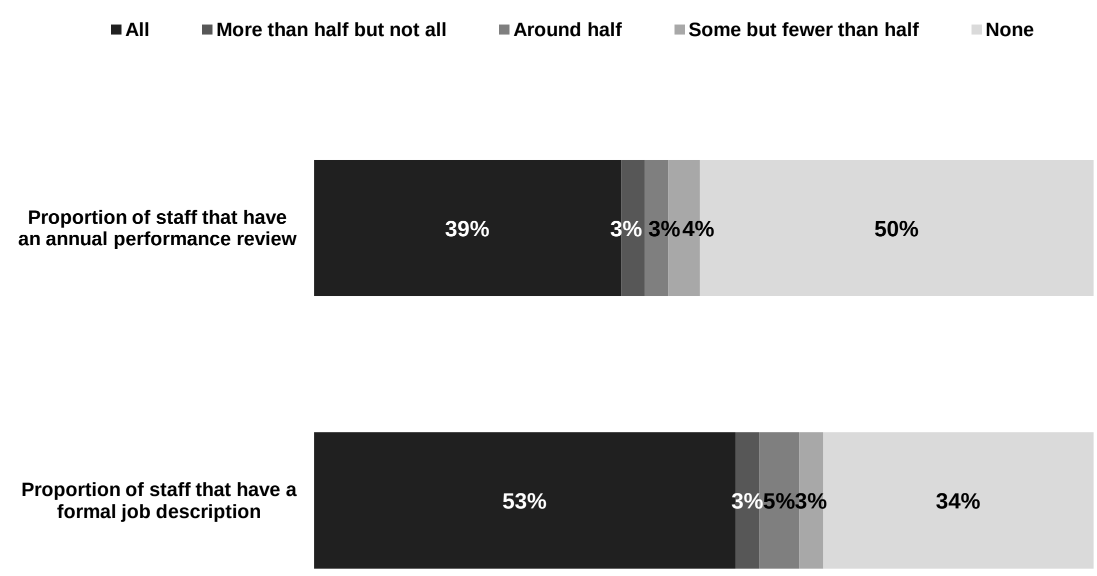
Base: All establishments in Module 1 (weighted to be representative of all establishments)

Establishments in Mid Wales were less likely to have a formal process in place to identify talented staff (five per cent); those in South East Wales were most likely (14 per cent).

Annual performance reviews are another indicator of high performance working. These potentially increase an employer's ability to get the most out of all of their staff. Half of establishments in Wales reported using annual reviews for any staff and in 39 per cent of establishments all staff have an annual review However, no staff at all receive an annual performance review in 50 per cent of establishments (see Figure 7.1).

Part of getting the best out of staff is making it clear to them what is expected of them; this gives staff direction and ensures everyone knows their responsibilities. Most establishments make use of formal job descriptions for this: two-thirds of establishments in Wales (64 per cent) have job descriptions for at least some staff.

Figure 7.1 Use of annual performance reviews and formal job descriptions



Base: All establishments in Wales: 2,998 (unweighted)
NB. Question only asked to establishments randomly assigned to "Module 1" in the survey; data has been weighted to be representative of all in Wales

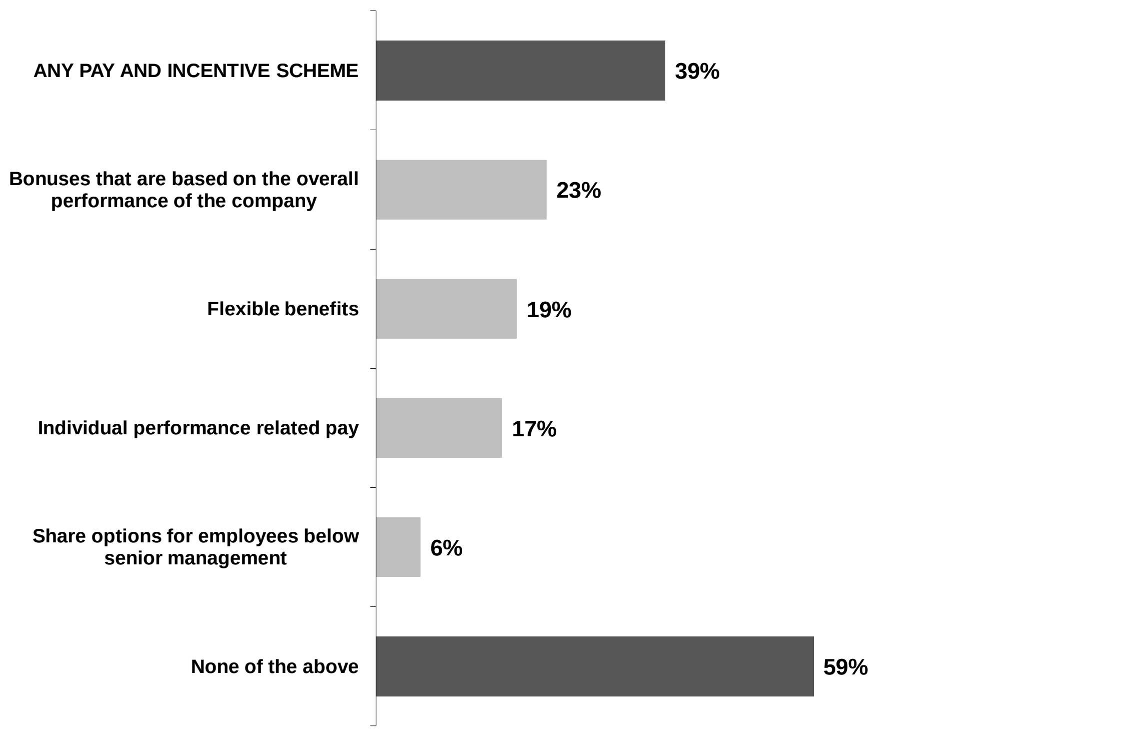
Establishments in Mid Wales were least likely to have either annual performance reviews (34 per cent) or formal job descriptions (51 per cent) for any staff; establishments in South East Wales were most likely (59 and 74 per cent respectively).

7.3 Use of reward and commitment practices

A key facet of high performance working is creating employees who are motivated and have high morale. Pay and reward schemes play a part (although are certainly not the whole story) in ensuring this happens. A key part of this is ensuring employees feel adequately remunerated for the effort they put in, through pay and reward schemes that are individual to the employee and related to their performance, rather than generic remuneration irrespective of individual efforts and abilities. To address this, employers reported whether they reward staff based on company performance and based on individual performance, and whether they provided flexible benefits. This information is only reported in relation to employers in the private sector, as public sector bodies generally have less autonomy over how their pay grades are calculated or the reward and commitment practices used.

Around two-fifths of establishments in Wales had some form of pay and incentive scheme covered by the survey. Approaching a quarter of establishments (23 per cent) in the private sector reward staff based on the overall performance of the organisation and six per cent have share options for employees below senior management (Figure 7.2). Almost a fifth (17 per cent) of establishments reward employees based on based on individual performance, and a fifth (19 per cent) offered flexible benefits[13] to employees. Establishments in South East Wales were most likely to have any of the performance related pay schemes covered by the survey (45 per cent had at least one) and establishments in Mid Wales least likely (25 per cent had at least one).

Figure 7.2 Use of performance related pay and incentive schemes



Base: All establishments in Wales in the private sector: 2,369 (unweighted)
NB. Only asked to establishments randomly assigned to "Module 1" in the survey; data has been weighted to be representative of all in Wales

7.4 Employee engagement practices

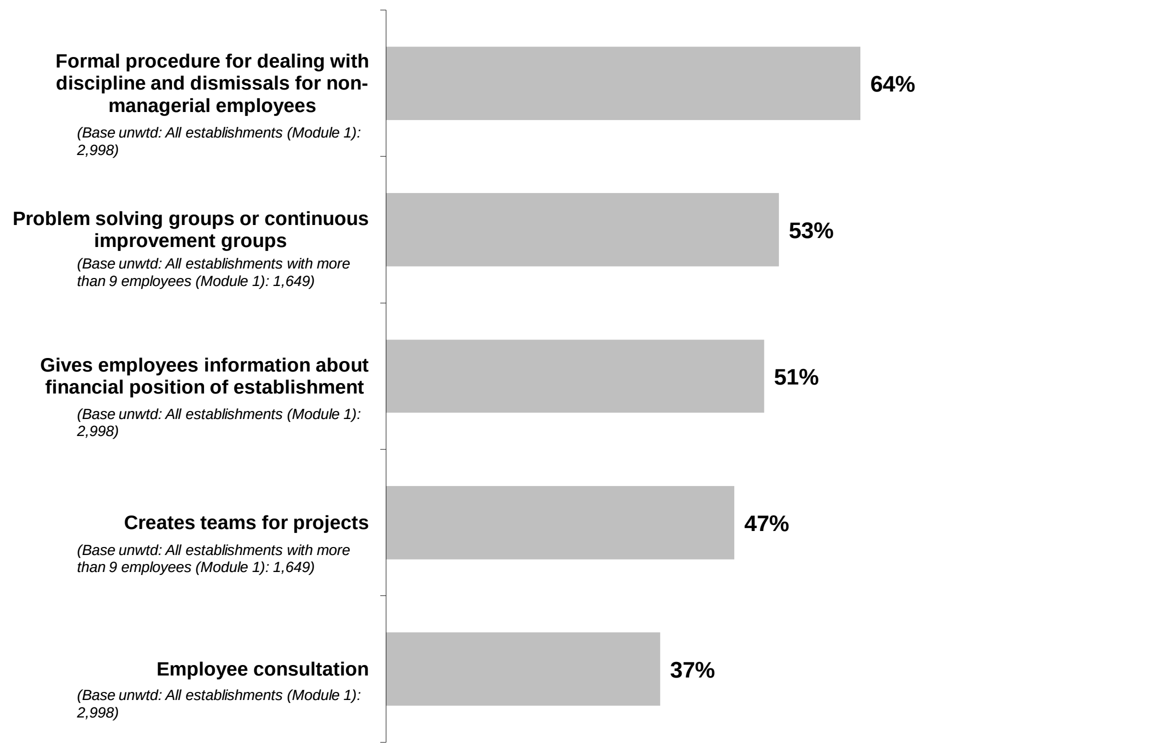
Engaging employees in dialogue and decision making and the way in which information is disseminated to employees in an establishment is also important in making employees feel valued and thus increasing their engagement and motivation. Employee engagement practices are widely recognised as key to high performance working systems (UKCES, 2009b). Examples of such practices include transparency in the way employees are treated in disciplinary situations, and the extent to which they are encouraged to give opinions and work with others in the organisation through team working for the benefit of the organisation.

[13] This is the option to use some pre-tax pay for extra benefits such as pensions, childcare vouchers, life assurance etc.

Of the communication and engagement techniques covered by the survey, the most common was the use of a formal procedure for dealing with discipline and dismissals for non-managerial employees, cited by 64 per cent of establishments (Figure 7.3).

About half of establishments reported use of other practices that involve their employees in company decision making. These included: use of problem solving or continuous improvement groups (cited by 53 per cent of establishments); giving employees information about the financial position of the establishment (51 per cent); creating teams for projects (47 per cent); and consulting employees (37 per cent). Establishments in South East Wales were more likely than establishments in any other region to have each of these practices in place.

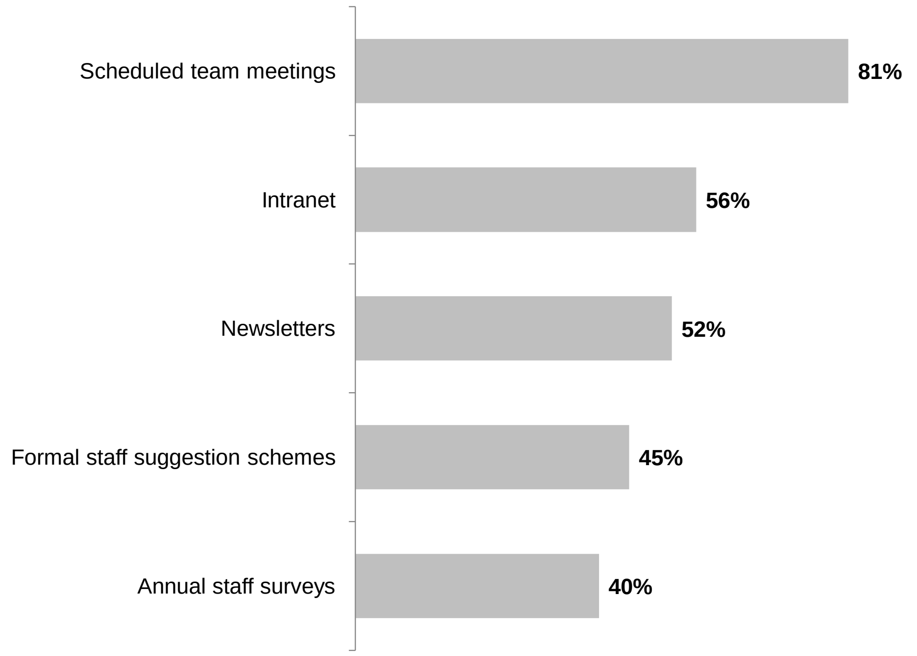
Figure 7.3 Involvement of employees in decision making



NB. Question only asked to establishments randomly assigned to "Module 1" in the survey; data has been weighted to be representative of all in Wales. Questions relating to the formation of "teams" or "groups" only asked to those with 10 or more employees.

Scheduled team meetings were the most commonly cited means of communicating with employees (cited by 81 per cent of establishments). Other popular methods of sharing information in the workplace include intranet (56 per cent), newsletters (52 per cent), formal staff suggestion schemes (45 per cent) and annual staff surveys (40 per cent, see Figure 7.4). Establishments in South East Wales were more likely than average to have each of these communication channels in place with the exception of newsletters; establishments in Mid Wales were less likely than average to have any of them in place.

Figure 7.4 Communication and sharing of information in the workplace



Prompted responses shown only.

Base: All establishments in Wales that are multi-site or have more than 10 employees : 2,069 (unweighted)

NB. Question only asked to establishments randomly assigned to "Module 1" in the survey; data has been weighted to be representative of all in Wales

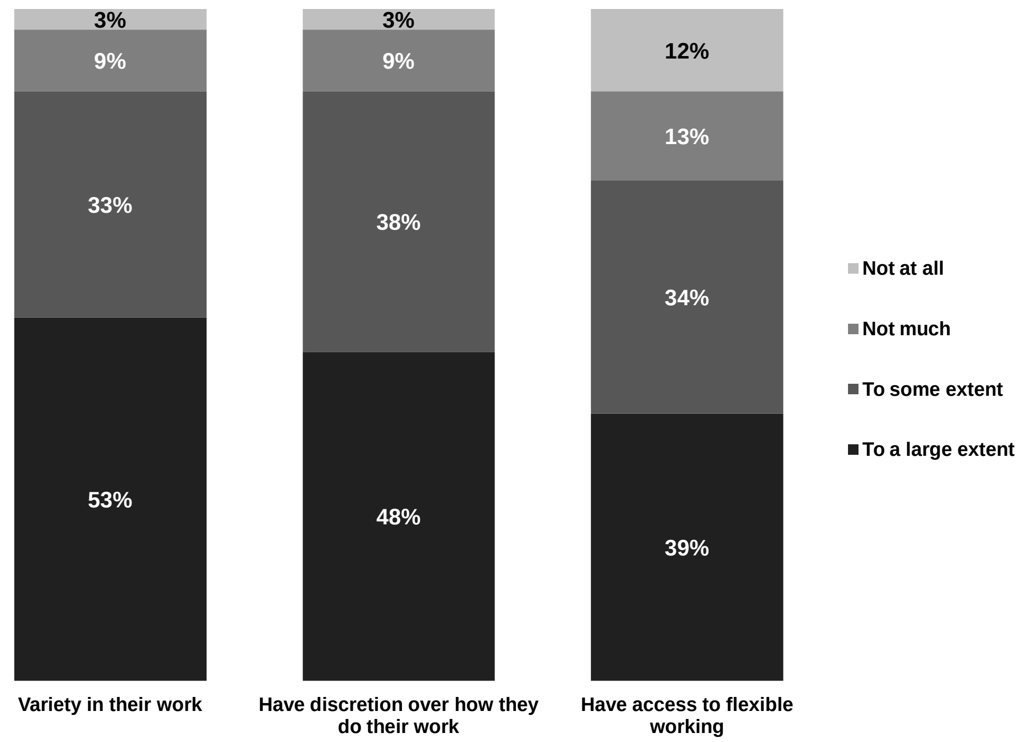
7.5 Workplace culture practices

The variety, flexibility and discretion in staff members' day to day work are all indicators of how much perceived trust the employer has in the employee, as well as giving some feel of the extent to which the working environment allows employees to adapt to new situations and to change, and thus the extent to which they are able to deploy their skills in a way that is both efficient for the organisation and rewarding for the employee.

The vast majority of employers provided staff with at least some variety in their work (Figure 7.5). Only 12 per cent of establishments offered little or no variety in work. Similarly most employers in Wales allow staff to exercise discretion in their work; again only 12 per cent of establishments allowed staff little or no discretion. This flexibility and the ability to exercise discretion not only indicates trust in the employee on the employer's part, but also means that any unusual situations that may arise can be dealt with promptly and effectively, as the employee will be empowered to take a call on the correct course of action (for example).

Three-quarters of establishments allowed at least some degree of flexible working. Almost four-in-ten (39 per cent) offered a large amount and a further third offered some flexible working. A quarter (25 per cent) of establishments allowed not much or no flexibility. Allowing employees to work in the way that best suits them can increase engagement and morale, and ensure the employee's outputs are optimised by reducing absenteeism and helping employees to balance their work and home life (ACAS, 2012).

Figure 7.5 Amounts of variety, flexibility and discretion employers provide to workers



Base: All establishments in Wales: 2,998 (unweighted)
NB. Question only asked to establishments randomly assigned to "Module 1" in the survey; data has been weighted to be representative of all in Wales

7.6 Conclusions

Adopting high performance working practices can help organisations maximise the skills their staff possess, effectively developing them and putting them most efficiently to use to ensure that every staff member is performing to their maximum potential. If implemented properly, these practices can benefit both employers and employees. There are also wider implications that go beyond individual organisations: unlocking the potential in the workforce is central to improving the economic prospects of the nation.

The UK Commission's Employer Skills Survey measured a number of working practices to assess the extent to which establishments in Wales are using high performance working practices. The majority of establishments are using at least some practices, with clear differences by size and by geography.

Establishments in Wales give their employees variety in their work and discretion over how they do this work. Around half said employees had this "to a large extent" and a further third "to some extent". Most are also communicating with staff, most commonly via team meetings. These sorts of practices should allow employees to feel valued and trusted.

Around half of establishments also engaged in some form of performance management, saying they hold annual performance reviews for staff. However, only ten per cent had formal procedures in place to identify "high potential" staff, suggesting that some establishments are missing out on getting the best out of their talent.

Larger establishments were more likely to have high performance working practices in place than smaller establishments. Although reasons for this were not explored in the survey, research suggests that smaller establishments may be able to achieve the higher level goals associated with these practices without formal methods, or they may be less likely to have human resource staff or other managers to promote these ways of working (UKCES, 2009b).

The overall picture is therefore a positive one in terms of the prevalence of the individual working practices we have identified. However, it should be noted that the presence of practices alone is not a guarantee that organisations are truly engaged in high performance working, or that they have full high performance *systems* in place. As noted above, for an organisation to be successfully classed as a high performance workplace, it is vital that the practices are *implemented* properly and integrated into a system. The results from the survey do, however, give an indication of the extent of high performance working in Wales.

8 Conclusions

The UK Commission's Employer Skills Survey 2011 is a large-scale employer survey, covering an extensive range of topics including recruitment, internal skills gaps, investment in training, recruitment and high performance working. This concluding chapter summarises the key messages coming out of the project.

8.1 Skills deficiencies in Wales

A similar proportion of employers were recruiting in Wales at the time of the survey as were in the UK as a whole (11 per cent in Wales compared to 12 per cent in the UK), and the proportion of these experiencing problems filling their vacancies was also matched at four per cent, a small minority of employers. However for those who were experiencing difficulties filling vacancies in Wales the problem was acute, with a third of vacancies in Wales at the time of the survey proving hard to fill. This compares to just under a quarter of vacancies in the UK as a whole.

Where hard-to-fill vacancies are being experienced, nearly all employers reported that the inability to fill these vacancies was having an impact on their business performance. Key impacts included increasing the workload for other staff, difficulties meeting customer service targets, losing business to competitors and delays in bringing new products or services to market. It is clear that where demand for skills is not met it can act as a brake on performance and innovation.

One of the main reasons for hard-to-fill vacancies is a lack of applicants with the skills, qualifications or experience the employer demands (a "skill-shortage" vacancy). Over a fifth (22 per cent) of vacancies in Wales were proving hard to fill due to skill shortages, compared to just 16 per cent in the UK as a whole. This figure across Wales is driven by skill deficiencies in Mid Wales, where three-fifths (59 per cent) of vacancies are hard to fill due to skill shortages; in the other regions the figure is similar to the UK figure (ranging from 15 to 18 per cent). This indicates a serious issue with skills availability in this region, and is likely to be a key factor holding back economic progress there.

Skills deficiencies are not evenly spread across the economy either. Concentrated pockets exist by sector with the Business Services sector most likely to suffer skill-shortage vacancies, and data suggests that employers in Wales find it hardest to find skilled staff to fill vacancies in Associate Professional, Machine Operative and Skilled Trade roles; the former two more so than employers in the rest of the UK.

Skills gaps, where existing employees are not fully proficient at their jobs, are reported at similar levels to that seen across the UK; a minority of establishments (13 per cent) reported having any skills gaps among their staff, equating to five per cent of employees in the workforce in Wales. Again some sectors are more affected by skills gaps than others, with establishments and staff in the Hotels and Restaurants sector more likely to be affected. Skills gaps were more prevalent in typically lower skilled occupations such as Elementary, Machine Operatives and Sales and Customer Services roles, and in Skilled Trade occupations.

Mid Wales stands out on a number of measures. As noted when discussing regional breakdowns, the size distribution of sectors across Wales is uneven, and the concentration of small establishments in Mid Wales should be borne in mind. Despite having the highest levels of skill-shortage vacancies, and the lowest levels of training, employers in Mid Wales were no more likely to report having staff who were not proficient at their jobs than the other regions in Wales. This could be because employers in this region, knowing they do not have the capacity or budget to train staff, are more selective about who they employ thus skill deficiencies in the region present themselves as skill-shortage vacancies, rather than taking people on who are not sufficiently skilled and causing a skills gap. It could however be indicative that employers in the region are less aware of employees skills needs and issues have passed unidentified. The survey findings can only report those employers that are aware of the skills gaps they face, and other evidence of a low-skill equilibrium within the UK (for example see the original paper on this subject by Finegold and Soskice, 1988) suggests that many employers not registering problems may be doing so because of a lack of desire to build up skills, innovate, grow and move up the value chain. Hence the survey results on the extent of skills gaps, in combination with the evidence that, for example, establishments in this region are the least likely to have annual review for staff or processes in place to identify talent supports this latter hypothesis.

It also needs to be borne in mind that having a skills gap can be a transient issue where some employees may be new to the role and developing proficiency, or where the nature of the role is changing to meet new business opportunities. In such cases skills gaps would be expected to decrease over time. This means skills gaps are not necessarily negative: they may reflect a business that is innovating and creating new products, processes or services and is noticing the need to upskill its staff as a result.

This is not always the case and, similar to hard-to-fill vacancies, where these skills gaps occur they have an impact on business performance, for example through increasing the workload of other staff, potentially leading to increased operating costs (for example by having to pay overtime or to bring in temporary staff).

Manufacturing is an important sector in Wales, accounting for 139,000 jobs (12 per cent of total employment). This makes Manufacturing the third largest sector by employment (after Health & Social Work and Retail & Wholesale), so is an important sector in the Welsh economy. Manufacturing accounts for a similar proportion of establishments in all four regions: five or six per cent and it is notable that combined skills deficiencies in Manufacturing as a sector are higher than the average for each region. Although results are not presented for skills-shortage vacancies by occupation by sector due to a small base size, both Skilled Trades and Machine Operatives are occupations that have high densities of skills shortages, and both are well represented in the Manufacturing sector. Establishments in Manufacturing also show a slightly higher level of skills gaps among their current employees than the Wales average. This slightly higher level would not be commented upon were it not for the results of the follow-up question, which asked establishments what action they had taken to overcome skills gaps. Manufacturing was the least likely sector to have increased training in response to skills gaps. When combined with future employment projections showing Manufacturing's continued decline in overall employment (see UKCES, 2012), this raises questions about the ability of the sector to stay competitive. Are Manufacturing firms taking sufficient action to address skills deficiencies?

8.2 Retention

The survey also explored retention difficulties as a factor which contributes to the overall demand and supply of suitably skilled people in the labour market. A minority of establishments in Wales reported retention difficulties (six per cent), with lack of interest in the type of work in question the most prevalent reason for difficulties. Despite a similar proportion of establishments with retention difficulties reporting it had an impact on the establishment, most commonly on existing staff, far fewer of these establishments in Wales are taking any action to overcome these difficulties.

8.3 Investment in Training

A total of 58,000 employers in Wales, equivalent to 59 per cent of all establishments, invested £1.72bn in the skills development of their employees in the 12 months prior to the survey. Of this, 49 per cent was indirect costs (costs of paying wages to staff whilst training); 28 per cent was direct tradeable, outsourceable costs (for example fees to external providers); and 23 per cent was spent on non-tradeable direct costs that cannot typically be outsourced by the establishment (such as management of training).

Whilst the proportion of employers providing training was similar in Wales to that seen in the UK as a whole, training expenditure per trainee was lower in Wales than it was in the UK as a whole. This could be related to there being lower median earnings in Wales compared to the UK, as labour costs of trainees make up a significant proportion of the overall training spend.

Skills investment and training is not provided to all employees. Overall, 56 per cent of employees were trained in the previous 12 months. This varies markedly by occupation. Those in Elementary occupations, Administrative and Clerical workers and those in the Managerial occupational group are the least likely to receive training. Elementary occupations are also less likely to be fully proficient in their role. Is it possible that enhanced training opportunities could address those difficulties? Similar patterns are observed in the Manufacturing and Hotels and Restaurants sectors which experience greater skills gaps but, across all measures, do not necessarily invest more in training. Whilst training is not necessarily the solution to skills gaps, the data raises questions about whether training investment is supporting business development and addressing the potentially severe impacts of skills deficiency reported.

Employers that do not train were most likely to state that all staff were fully proficient in their roles, rather than any particular issues with training supply. This however raises questions about the levels of innovation in these establishments, their processes for recognising training needs, and the capacity they have to maintain a competitive advantage.

8.4 The work-readiness of education leavers

Despite a sometimes negative press about young people, the survey finds that the majority of the 24 per cent of employers who had recruited education leavers in the last 2-3 years found them well prepared for work. Employers' views of the preparedness of such recruits increases with the age of the recruit and their time spent in education. Higher Education leavers are seen as being better prepared on the whole than younger recruits, or those that have spent less time in education. There seem to be several reasons for this which may include: the additional time Higher Education leavers spend in education developing their skills and experience; employers may simply invest more in graduate recruitment to help them identify a more appropriately suited recruit; or it may just be that graduates are older, more experienced and more mature generally. In common with the results across England and Northern Ireland, employers in Wales found that 17-18 year old FE leavers were generally better prepared for work than school leavers of the same age. This may be because college students are more likely to study vocational courses more closely related to the jobs they go on to take, or they may be more likely to combine work and learning and therefore have more experience of the world of work.

For the minority of employers who find education leavers poorly prepared for work, the main reason is a lack of experience. Unsurprisingly, this lack of experience is more common for younger recruits, which is challenging to ameliorate. However, it suggests many employers may support the idea of increased work experience opportunities for young people within the education system. Creative employer involvement with young people in education may also go some way to improving the high numbers of establishments reporting that they cannot find staff who are interested in working in their sector.

8.5 Facing the challenge

The survey points to pockets of skills deficiency in workplaces in Wales– by region, establishment size, occupation and sector. Most of these pockets are the same as the UK as a whole, but some are distinct or more pronounced such as hard-to-fill vacancies for Associate Professional and Machine Operative staff. Retaining staff also poses problems to business in Wales, but they are less likely to take action to address retention than skill deficiency. However, all of these factors impact on business success. At a challenging time for the economy, arguably it is more important than ever to take measures to retain and develop talent to help counter the economic challenges.

Employers in Wales are as likely to train their staff as employers in England, but less so than in Northern Ireland and Scotland. They also spend less on training per trainee. Are businesses in Wales investing wisely enough: to tackle the pockets of deficiency; to counter the business impacts of those deficiencies and to support prosperity? The survey data highlights potential areas of concern, further dialogue will support the development of effective solutions.

Appendix A: Comparisons with Future Skills Wales 2005

The UK Commission's Employer Skills Survey 2011 (UKCESS 2011) took a sampling approach that included all establishments in the UK excluding sole traders. This is slightly different to the population used in the Future Skills Wales (FSW) survey of 2005, which used all establishments with two or more people working at them as its criteria for inclusion. This means the results reported in the main body of this report for Wales are not directly comparable to those reported by FSW 2005. However it is possible to take a cut of the UKCESS 2011 data and apply the same weighting principles as used in FSW 2005 to produce comparable figures and thus analyse patterns over time for those questions that remained the same.

In the six years that elapsed between the surveys much changed in the economic landscape of Wales. Comparison of the survey figures at these two points emphasises the extent to which the 2008 recession affected the labour market in Wales, with vacancy levels still less than two-thirds what they were during the mid-2000s. Logically, with fewer jobs to be had there will be more applicants per position. It therefore follows that proportionately the reduction in the percentage of establishments that are finding any of their vacancies hard-to-fill vacancies is higher than the reduction in vacancies overall. However, it is of note that the proportion experiencing skill-shortage vacancies has not reduced at all, suggesting that there is as much of an issue in finding suitably skilled applicants for positions as there was previously. When viewed as a proportion of those with vacancies, there are in fact more: one in three establishments with vacancies in 2011 were finding any of their vacancies hard to fill due to skill-shortages, compared to one in five in 2005.

The proportion of establishments experiencing skills gaps, where one or more of their staff are not fully proficient at their job role, reduced slightly between the two surveys, from 20 per cent to 17 per cent. This could be because people are staying in their jobs for longer due to the more difficult prospects of finding a new job, and thus gaining proficiency over time (as Chapter 5 of this report shows staff being new to the role is one of the largest causes of gaps). This reduction was not uniform across all sizes and sectors of establishment, as seen in Table A.5 below.

Worryingly, however, the proportion of establishments providing off-the-job training for their staff had reduced across all sizes and sectors of establishment (with the exception of Business Services and Manufacturing). Whether budgetary cuts due to the recession have led those who have ceased off-the-job training to move to on-the-job or whether they have stopped training entirely cannot be deduced from our survey results.

Employers' interaction with the labour market

Table A.1 Incidence of vacancies in Wales: time series

	2005	2011
Unweighted base	*6,719*	*5,958*
Column %	%	%
% of establishments with a vacancy	21	13
% of establishments with a hard-to-fill vacancy	10	5
% of establishments with a skill-shortage vacancy	4	4

Base: All establishments in Wales in comparable sample

Table A.2 Incidence of vacancies in Wales: time series by size

		2005	2011
Column %		%	%
Size			
2-9	*Base:*	*3,538*	*2,655*
% of establishments with a vacancy		17	9
% of establishments with a hard-to-fill vacancy		8	4
% of establishments with a skill-shortage vacancy		4	3
10-24	*Base:*	*1,632*	*1,981*
% of establishments with a vacancy		30	19
% of establishments with a hard-to-fill vacancy		14	8
% of establishments with a skill-shortage vacancy		5	5
25-99	*Base:*	*1,283*	*1,074*
% of establishments with a vacancy		40	30
% of establishments with a hard-to-fill vacancy		17	9
% of establishments with a skill-shortage vacancy		8	6
100+	*Base:*	*266*	*248*
% of establishments with a vacancy		61	57
% of establishments with a hard-to-fill vacancy		22	11
% of establishments with a skill-shortage vacancy		10	9

Base: All establishments in Wales in comparable sample

Table A.3 Incidence of vacancies in Wales: time series by sector

Column % **Sector**		**2005** %	**2011** %
Agriculture	*Base:*	*214*	*101*
% of establishments with a vacancy		4	3
% of establishments with a hard-to-fill vacancy		1	2
% of establishments with a skill-shortage vacancy		1	2
Mining & Quarrying	*Base:*	*20*	*22*
% of establishments with a vacancy		**	**
% of establishments with a hard-to-fill vacancy		**	**
% of establishments with a skill-shortage vacancy		**	**
Manufacturing	*Base:*	*1,031*	*467*
% of establishments with a vacancy		21	17
% of establishments with a hard-to-fill vacancy		9	6
% of establishments with a skill-shortage vacancy		5	5
Electricity, Gas and Water	*Base:*	*13*	*110*
% of establishments with a vacancy		**	14
% of establishments with a hard-to-fill vacancy		**	8
% of establishments with a skill-shortage vacancy		**	6
Construction	*Base:*	*438*	*498*
% of establishments with a vacancy		13	6
% of establishments with a hard-to-fill vacancy		9	3
% of establishments with a skill-shortage vacancy		6	2
Wholesale and Retail	*Base:*	*1,315*	*1,062*
% of establishments with a vacancy		16	12
% of establishments with a hard-to-fill vacancy		7	3
% of establishments with a skill-shortage vacancy		4	2
Hotels and Restaurants	*Base:*	*415*	*666*
% of establishments with a vacancy		32	15
% of establishments with a hard-to-fill vacancy		19	8
% of establishments with a skill-shortage vacancy		4	5

Column %		2005 %	2011 %
Transport and Communications	*Base:*	*522*	*435*
% of establishments with a vacancy		21	15
% of establishments with a hard-to-fill vacancy		9	8
% of establishments with a skill-shortage vacancy		4	6
Finance Services	*Base:*	*215*	*173*
% of establishments with a vacancy		15	12
% of establishments with a hard-to-fill vacancy		8	3
% of establishments with a skill-shortage vacancy		4	3
Business Services	*Base:*	*833*	*789*
% of establishments with a vacancy		22	14
% of establishments with a hard-to-fill vacancy		10	7
% of establishments with a skill-shortage vacancy		6	5
Public Administration	*Base:*	*54*	*129*
% of establishments with a vacancy		33	16
% of establishments with a hard-to-fill vacancy		3	2
% of establishments with a skill-shortage vacancy		3	1
Education	*Base:*	*418*	*391*
% of establishments with a vacancy		29	24
% of establishments with a hard-to-fill vacancy		8	3
% of establishments with a skill-shortage vacancy		3	2
Health and Social Work	*Base:*	*626*	*571*
% of establishments with a vacancy		24	20
% of establishments with a hard-to-fill vacancy		11	6
% of establishments with a skill-shortage vacancy		3	4
Community, Social and Personal Services activities	*Base:*	*605*	*544*
% of establishments with a vacancy		28	17
% of establishments with a hard-to-fill vacancy		12	7
% of establishments with a skill-shortage vacancy		4	4

Base: All establishments in Wales in comparable sample
*'**' denotes base size below 25: too small to report.*

Table A.4 Incidence of vacancies in Wales: time series by region

		2005	**2011**
Column %		%	%
Region			
North	*Base:*	*1,511*	*1,420*
% of establishments with a vacancy		21	12
% of establishments with a hard-to-fill vacancy		11	5
% of establishments with a skill-shortage vacancy		5	3
Mid	*Base:*	*675*	*788*
% of establishments with a vacancy		24	13
% of establishments with a hard-to-fill vacancy		13	6
% of establishments with a skill-shortage vacancy		3	4
South West	*Base:*	*1,593*	*1,376*
% of establishments with a vacancy		22	12
% of establishments with a hard-to-fill vacancy		11	6
% of establishments with a skill-shortage vacancy		4	4
South East	*Base:*	*2,940*	*2,374*
% of establishments with a vacancy		21	14
% of establishments with a hard-to-fill vacancy		8	5
% of establishments with a skill-shortage vacancy		4	4

Base: All establishments in Wales in comparable sample

Internal skills mismatch

Table A.5 Incidence of skills gaps in Wales: time series

	2005		2011	
	Unwtd base	%	*Unwtd base*	%
Wales Total	*6,719*	20	*5,958*	17
Size				
2-9	*3,538*	19	*2,655*	13
10-24	*1,632*	23	*1,981*	26
25-99	*1,283*	23	*1,074*	34
100+	*266*	50	*248*	42
Sector				
Agriculture	*214*	11	*101*	7
Mining and Quarrying	*20*	**	*22*	**
Manufacturing	*1,031*	28	*467*	22
Electricity, Gas and Water	*13*	**	*110*	22
Construction	*438*	24	*498*	13
Wholesale and Retail	*1,315*	19	*1,062*	21
Hotels and Restaurants	*415*	19	*666*	22
Transport and Communications	*522*	15	*435*	17
Finance Services	*215*	27	*173*	17
Business Services	*833*	19	*789*	17
Public Administration	*54*	9	*129*	16
Education	*418*	19	*391*	22
Health and Social Work	*626*	21	*571*	18
Community, Social and Personal Services activities	*605*	22	*544*	16
Region				
North	*1,511*	20	*1,420*	18
Mid	*675*	19	*788*	16
South West	*1,593*	19	*1,376*	15
South East	*2,940*	20	*2,374*	19

Base: All establishments in Wales in comparable sample
*'**' denotes base <25: too small to report*

Workforce Development

Table A.6 Incidence of off-the-job training in Wales: time series

	2005		2011	
	Unwtd base	%	*Unwtd base*	
Wales Total	*6,719*	58	*5,958*	50
Size				
2-9	*3,538*	50	*2,655*	42
10-24	*1,632*	77	*1,981*	68
25-99	*1,283*	88	*1,074*	80
100+	*266*	90	*248*	86
Sector				
Agriculture	*214*	30	*101*	27
Mining and Quarrying	*20*	**	*22*	**
Manufacturing	*1,031*	52	*467*	55
Electricity, Gas and Water	*13*	**	*110*	52
Construction	*438*	54	*498*	48
Wholesale and Retail	*1,315*	48	*1,062*	38
Hotels and Restaurants	*415*	49	*666*	39
Transport and Communications	*522*	52	*435*	48
Finance Services	*215*	75	*173*	55
Business Services	*833*	59	*789*	60
Public Administration	*54*	90	*129*	76
Education	*418*	88	*391*	80
Health and Social Work	*626*	87	*571*	77
Community, Social and Personal Services activities	*605*	58	*544*	54
Region				
North	*1,511*	58	*1,420*	52
Mid	*675*	52	*788*	40
South West	*1,593*	58	*1,376*	46
South East	*2,940*	59	*2,374*	54

Base: All establishments in Wales in comparable sample
*'**' denotes base <25: too small to report*

Appendix B: A Note on Proficiency and Skills Gaps

To ascertain the number of staff with skills gaps, respondents were asked, for each major (one-digit SOC 2010[14]) occupation where they employed staff, how many of those they employed were fully proficient. If respondents asked for clarification, then a proficient employee was described as 'someone who is able to do their job to the required level'. 'Proficient employee', however, is clearly a subjective and relative term to the extent that:

- Different managers in an organisation may have different views on whether an individual member of staff is able to do the job to the required level. Indeed, they may have different views on what the required level is that the organisation is looking for within an occupational category.
- An employee could be regarded as fully proficient but if the requirements of the job change (for example, some new machinery or technology is introduced) then they could be regarded as not being able to do their job to the required level, despite the fact that their skills were unchanged.
- The same is true if a person were to be promoted to a more demanding position – the company might go from having no skills gaps to saying that this newly promoted member of staff was not fully proficient in the new job, despite having the same proficiency as before.
- Different companies may be more demanding and 'critical' of their staff than others: an individual considered fully proficient by one company might be seen as having a skills gap if performing the same role to the same standard in another company.

A final point to note is that the survey categorises staff as either fully proficient or not: it takes no account of the range that can clearly exist between those who are very nearly proficient and those who are significantly lacking. While from a policy perspective, there is interest in raising skills in the workforce at all levels, survey data can only identify changes year on year in the proportion of staff reported as fully proficient, not cases where skills levels have been raised but where staff still remain below full proficiency.

[14] SOC: "Standard Occupational Classification", see Appendix E for details

Appendix C: Technical Appendix

A full Technical Report accompanies the main UK Commission's Employer Skills Survey report and can be downloaded from the UKCES website (www.ukces.org.uk) or obtained by contacting UKCES directly. This appendix provides brief details on the key areas of sampling, fieldwork and analysis.

The data reported in this document came from two surveys:

- Wave 1: the main skills survey, covering business strategy, retention, recruitment, skills gaps and high performance working;
- Wave 2, Investment in Training Survey: covering the financial investment establishments make in training their staff.

Employer Skills Survey: Wave 1

Sampling

All establishments excluding sole traders were eligible for the survey. Quotas were set on a size by sector within region basis, proportioned to give a robust base size in each subgroup of the overall sample.

Sample was drawn from Experian's business database.

Fieldwork

A total of 6,012 interviews were completed in Wales, by telephone using computer-assisted telephone interviewing (CATI) technology. Interviews were conducted with the most senior person at the site with responsibility for recruitment, human resources and workplace skills.

Fieldwork for Wave 1 took place from March to July 2011.

Response rate

The response rate for the survey in Wales was 55%, calculated as a proportion of all completed contacts. A detailed breakdown of survey outcomes is shown below:

Outcome	Number of contacts	% of all sample	% of complete contacts
Total sample	***30,428***	***100%***	
Ineligible	3,895	13%	
'Live' / not available during fieldwork / out of quota	13,100	43%	
Unobtainable number	2,447	8%	
Total complete contacts	***10,986***	***36%***	***100%***
Achieved interviews	6,012	20%	55%
Respondent refusal	3,267	11%	30%
Quits during interview	871	3%	8%
Company policy refusal	836	3%	8%

Questionnaire Design

The questionnaire design harmonised previous questionnaires used by the four nations of the UK in their own skills surveys. This included the National Employer Skills Survey series in England, the Scottish Employer Skills Surveys, the Northern Ireland Skills Monitoring Surveys and Future Skills Wales.

A task and finish group chaired by the UK Commission and including IFF Research, and representatives from each of the four nations, was set up to drive this process.

The group's aim was to develop a questionnaire that answered the Employer Skills Survey objectives, whilst maintaining time series data for each nation as far as was feasible in the framework of the ESS. The questionnaire is available on the UK Commission's website at: http://employersurveys.ukces.org.uk/ess/ess11/default.aspx.

Weighting / Grossing up

Data for the survey was weighted and grossed up to population estimates of establishments and to the population of employees, as derived from the 2010 Inter-Departmental Business Register (IDBR).

The UK Commission's Employer Skills Survey 2011 was weighted using interlocking grids of SSC by sizeband. Target weights were used to gross up the survey data to the population:

- **Population**: 1+ employment (excluding sole traders)
- **Strategy:** Size by 14 broad sectors (see Appendix D for definitions).
- **Separate** weights were calculated for unit and employment measures.

Employer Skills Survey: Investment in Training follow-up

A separate Investment in Training study was conducted by IFF Research to provide detailed estimates of employer expenditure on training.

Sampling

At the end of the UKCESS Core questionnaire those respondents who had arranged or funded training for their staff in the previous 12 months were asked if they would be willing to take part in a follow up study on training expenditure. Those agreeing to participate formed the sample for this follow-up survey.

Quotas were set on the basis of training type by size within region.

Fieldwork

Employers who had indicated agreement to take part were called by an IFF interviewer to confirm participation and contact details. They were then sent a datasheet via email or fax containing the questions that were to be asked in the full interview (a copy of which can be seen below). Sending this datasheet in advance allowed the respondent time to collect the relevant information and increase the accuracy of responses. A few days after sending, an interviewer called back to conduct the full interview.

Overall information on training was collected from 1,501 respondents in Wales. Fieldwork was undertaken by IFF Research from 16th May to 29th July 2011.

Weighting/grossing up

In order to weight the Investment in Training study, population figures were calculated from weighted UKCESS Wave 1 data which had in turn been weighted using the IDBR figures used for the main survey analysis. Data was weighted on the basis of interlocking grids on size by sector by the type of training they carried out, with a regional rim weight.

For further detail on cost calculations and data modelling for the Investment in Training study please see Appendix C of the UK Report.

Appendix D: Industry Coding

Each establishment was allocated to one of 14 sectors, based on their Standard Industrial Classification (SIC). SIC 2007 was used to classify establishments using the following method. Using the four-digit SIC supplied for each record from the Experian database, a description of business activity was read out to each respondent. If they agreed that this description matched the main activity undertaken at the establishment, then the SIC on Experian's database was assumed to be correct. If however the respondent felt the description did not correspond to their main business activity at the site, a verbatim response was collected to find out what they do (see question A7 on the survey; questionnaire available at www.ukces.org.uk). At the analysis stage this was coded to a four-digit SIC which was then used as the basis for allocation into sector.

The table below shows the 14 sectors and their corresponding SIC 2007 definitions.

Sector	**SIC 2007**
1. Agriculture	A - Agriculture, forestry and fishing (01-03) Including farming, hunting and other related service activities, forestry and logging, fishing and aquaculture
2. Mining & Quarrying	B - Mining and quarrying (05-09) Including mining of coal, metals, sand/stone/clay, and extraction of crude petroleum and natural gas
3. Manufacturing	C - Manufacturing (10-33) Including manufacture of food and beverage, textiles, chemicals and chemical products, basic pharmaceutical products, other mineral products, manufacture of metals and metal products, machinery, computer and electronic products and equipment, motor vehicles and other transport equipment, furniture, and repair and installation of machinery and equipment
4. Electricity, Gas and Water	D - Electricity, gas, steam and air conditioning supply (35) E - Water supply, sewerage, waste management and remediation activities (36-39) Including electric power generation, transmission and distribution, manufacture of gas and distribution of gaseous fuels, steam and air conditioning supply, water collection, treatment and supply, sewerage and waste collection, treatment and disposal activities and materials recovery
5. Construction	F - Construction (41-43) Including the construction of buildings, civil

Sector	SIC 2007
	engineering (constructing roads, railways and other utility projects), demolition, and specialised activities such as electrical installation, roofing and scaffold erection
6. Wholesale and Retail	G - Wholesale and retail trade; repair of motor vehicles and motor cycles (45-47) Including sale, maintenance and repair of motor vehicles, parts and accessories, non-vehicle wholesale (for example agriculture, food, household goods), and the retail trade of all products whether in stores, stalls, markets, mail order or online
7. Hotels and Restaurants	I - Accommodation and food service activities (55-56) Including hotels, campsites, youth hostels, holiday centres, villages and other short stay accommodation, restaurants and takeaways, event catering and licensed clubs, pubs and bars
8. Transport and Communications	H - Transport and storage (49-53) J - Information and communication (58-63) Including land, water and air transport (passenger and freight), warehousing and support activities for transportation, postal and courier activities, publishing (books, journals, newspapers etc and software/computer games), television, film and music production, broadcasting, telecommunications, computer programming and consultancy, information service activities (e.g. data processing and hosting)
9. Financial Services	K - Financial and insurance activities (64-66) Including banks and building societies, activities of holding companies, trusts, funds and similar financial entities, credit granting, pensions, insurance and reinsurance

10. Business services	L - Real estate activities (68) M - Professional, scientific and technical activities

Sector	SIC 2007
	(69-75) N - Administrative and support service activities (77-82) Including the buying, selling and renting of real estate, legal activities, accounting, bookkeeping and auditing, management consultancy, architectural and engineering activities, scientific research and development, advertising and market research, specialist design, photographic activities, translation and interpretation, veterinary activities, renting and leasing of tangible goods (motors, household, machinery), employment agencies, travel agencies and tour operations, security and investigation activities, office administration and business support
11. Public Administration	O - Public administration and defence; compulsory social security (84) Including administration of the State and economic and social policy of the community, provision of services to the community as a whole such as defence activities, foreign affairs, justice and judicial activities, fire service and compulsory social security activities
12. Education	P - Education (85) Including pre-primary, primary, secondary and higher education, other education (such as sports, driving schools, cultural education), educational support activities
13. Health and Social work	Q - Human health and social work activities (86-88) Including Hospitals, medical and dental practices, residential care, social work activities
14. Other Community, Social and Personal Services	R - Arts, entertainment and recreation (90-93) S - Other service activities (94-96) Including performing arts, libraries and museums, gambling and betting, sports facilities, amusement and recreation activities, activities of membership organisations (religious, political, trade union, professional), personal services (hairdressing, beauty, textile cleaning, well-being activities, funeral activities)
NOT COVERED IN SURVEY	T - Activities of households as employers; undifferentiated goods and services producing activities of households for own use (97-98)

Sector	SIC 2007
	U - Activities of extraterritorial organisations and bodies (99) Including households as employers of domestic personnel, private households producing goods for own use

Appendix E: Occupational Coding

The occupational data collected in the survey were collected both pre-coded and verbatim. The former included the occupational breakdown of employment (question D5 to D8) where respondents were asked how many of their workforce fell into each of the nine major (one-digit) Standard Occupation Classification (SOC) 2010 categories (Managers, Directors and Senior Officials through to Elementary Occupations). However, on vacancy measures (for example the occupations in which vacancies exist – question C2) this information was collected verbatim. This was then coded at the analysis stage, where possible to a four-digit level SOC, if not three, two- or one-digit level.

Examples of what might fall into each occupational band are as follows:

Occupational group	Primary sectors (Agriculture, manufacturing, construction etc)	Service sectors (retail, business, finance, transport etc)	Public sector (Public Admin, Health, Education etc)
Managers, Directors and Senior Officials	Site managers, Department Heads, Shift Managers (not supervisors)	Directors, Managers / Branch/site managers, shift managers (not supervisors	Police inspectors and above, department heads, Head teachers, Senior Officials
Professionals	Professional engineers, software and IT professionals, accountants, chemists, scientific researchers	Solicitors, lawyers, accountants, IT professionals, economists, architects, actuaries	Doctors, nurses, midwives, teachers, social workers, librarians
Associate Professionals	Science and engineering technicians, lab technicians, IT technicians, accounting technicians	Insurance underwriters, finance/investment analysts and advisers, writers/journalists, buyers, estate agents	Junior police/fire/prison officers, therapists, paramedics, community workers, H&S officers, housing officers
Administrative staff	Secretaries, receptionists, PAs, telephonists, bookkeepers	Secretaries, receptionists, PAs, communication operators, market research interviewers, clerks	Secretaries, receptionists, PAs, local government officers and assistants, office assistants, library and database assistants
Skilled Trades	Farmers, electricians, machine setters / tool makers, carpenters, plasterers	Motor mechanics, printers, TV engineers, butchers	Chefs
Caring, Leisure and Other Service Occupations	Care assistants, nursery nurses	Travel agents, travel assistants, hairdressers, housekeepers	Care assistants, home carers, nursery nurses, ambulance staff, pest control, dental nurses, caretakers
Sales and customer service occupations	Customer facing roles: sales staff and call centre agents	Sales assistants and retail cashiers, telesales, call centre agents	Customer care operations

Process, plant and machine operatives	Routine operatives, drivers, machine operators, sorters and assemblers	HGV, van, fork-lift, bus and taxi drivers	Drivers, vehicle inspectors
Elementary occupations	Labourers, packers, goods handling and storage staff	Bar staff, shelf fillers, catering assistants, waiters/waitresses, cleaners	Labourers, cleaners, road sweepers, traffic wardens, security guards

Appendix F: Sampling Error and Statistical Confidence

Sampling error for the survey results overall and for different sub-groups by which analysis is presented in the report is shown in Table F.1. Figures have been based on a survey result of 50 per cent (the ‘worst’ case in terms of statistical reliability), and have used a 95 per cent confidence level. Where the table indicates that a survey result based on all respondents has a sampling error of +/- 0.32 per cent, this should be interpreted as follows: ‘for a question asked of all respondents where the survey result is 50 per cent, we are 95 per cent confident that the true figure lies within the range 49.68 per cent to 50.32 per cent’.

These confidence intervals are based on the assumption of a normal distribution of responses.

Sampling error (at the confidence 95 per cent level) associated with findings of 50 per cent

	Number of interviews	(Maximum) Sampling Error
Wales total	6,012	+/-1.26
By size of establishment		
1-4	1,216	+/-2.81
5-24	3,474	+/-1.66
25-99	1,074	+/-2.99
100-249	151	+/-7.98
250+	97	+/-9.95
By sector		
Agriculture	102	+/-9.70
Mining & Quarrying	*22*	*+/-20.89*
Manufacturing	468	+/-4.53
Electricity, Gas and Water	111	+/-9.30
Construction	503	+/-4.37
Wholesale and Retail	1,069	+/-3.00
Hotels & Restaurants	675	+/-3.77
Transport and Communications	439	+/-4.68
Financial Services	173	+/-7.45
Business Services	791	+/-3.48
Public Administration	130	+/-8.60
Education	391	+/-4.96
Health and Social Work	580	+/-4.07

	Number of interviews	(Maximum) Sampling Error
Community, Social and Personal Services	558	+/-4.15
By region		
North Wales	1,431	+/-2.59
Mid Wales	798	+/-3.47
South West Wales	1,389	+/-2.63
South East Wales	2,394	+/-2.00
By ESF Region		
West Wales and the Valleys	3,732	+/-1.60
East Wales	2,276	+/-2.05

Mining and Quarrying base size is below the reporting threshold

Appendix G: Weighted base sizes

Throughout this report figures have been reported next to their unweighted base sizes to demonstrate statistical reliability. For reference, the following table shows the weighted number of employers this represents for the key measures in the report.

	Weighted base
Overall	98,950
Chapter 3: Work-readiness of those leaving education	
Taking on leavers from education in the last 2-3 years	23,664
16 year-olds from school	7,516
17-18 year-olds from school	8,180
17-18 year-olds from FE College	9,600
From university	10,304
Chapter 4: Employers, Recruitment and Skills shortages	
With a vacancy	11,320
With a hard-to-fill vacancy	4,260
With a skill-shortage vacancy	3,206
Chapter 5: Internal Skills Mismatch	
With at least one skills gap	12,963
Chapter 6: Employer Investment in Training and Skills	
Providing any training	58,172
On-the-job training only	15,005
Off-the-job training only	12,373
Both on- and off-the-job training	30,794
Providing no training for staff	40,778
Providing training towards nationally recognised qualifications	25,274

Appendix H: Unweighted base sizes

This annex shows a reference table of the key unweighted base sizes used in this report. Note that throughout the report, figures are not reported where the base is under 25 and are highlighted in italics where the base is 25 to 49.

		Establishments with…			
	Overall	**Vacancies**	**Hard-to-fill vacancies**	**Skills gaps**	**Estab's that train**
England	6,012	1,100	377	1,355	4,681
Size					
1-4	1,216	95	43	101	607
5-24	3,474	567	219	793	2,818
25-99	1,074	304	90	359	1,013
100-249	151	74	17	62	147
250+	97	60	8	40	96
Sector					
Agriculture	102	4	2	7	40
Mining and Quarrying	22	3	3	2	20
Manufacturing	468	85	31	115	355
Electricity, Gas and Water	111	16	8	20	82
Construction	503	39	19	75	336
Wholesale and Retail	1,069	187	46	303	785
Hotels and Restaurants	675	152	72	195	470
Transport and Communications	439	89	45	95	318
Financial Services	173	22	6	30	143
Business Services	791	138	51	164	656
Public Administration	130	25	4	24	121
Education	391	94	10	86	379
Health and Social Work	580	126	41	135	534
Community, Social and Personal Service activities	558	120	39	104	442
Region					
North Wales	1,431	246	92	332	1,133
Mid Wales	798	153	59	171	559
South West Wales	1,389	255	95	282	1,054
South East Wales	2,394	446	131	570	1,935
ESF Region					
West Wales and the Valleys	3,732	668	250	819	2,868
East Wales	2,276	432	127	536	1,811

		Establishments with…			
	Overall	Vacancies	Hard-to-fill vacancies	Skills gaps	Estab's that train
Occupation					
Managers	5,699	69	16	304	3,121
Professionals	1,162	179	59	100	931
Associate Professionals	773	150	44	108	586
Administrative/ Clerical staff	3,490	174	20	305	1,842
Skilled Trades occupations	1,550	164	85	204	972
Caring, Leisure and Other services	969	152	45	160	781
Sales and Customer services	1,618	164	36	328	1,021
Machine Operatives	950	86	45	115	554
Elementary staff	2,240	211	64	365	1,189

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