

FUTURE SKILLS WALES 2005 SECTOR SKILLS SURVEY SUMMARY REPORT

DECEMBER 2005





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2005

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FOREWORD

Planning a Skilled Future

Welcome to the Summary Report of the Future Skills Wales (FSW) 2005 Sector Skills Survey. The survey is far reaching and is based on information gathered from no fewer than 6,719 organisations across Wales between March and May 2005.

The Future Skills Wales Partnership's collective aim is to provide reliable information on the skill deficiencies employers in Wales are experiencing which can be used to inform skills development policy and planning.

This survey also placed particular focus on providing information suitable for use by the Sector Skills Councils and improving comparability across sectors and UK countries.

As with the first two Future Skills Wales Surveys in 1998 and 2003, the 2005 survey is part of a wider research programme being undertaken on behalf of an extensive partnership of organisations covering learning providers, employers, economic development, central and local government, trades unions and the voluntary sector.

The Future Skills Wales Partnership is also developing an Observatory of education, learning and skills research and intelligence.

FSW 2005 provides valuable data on issues such as the generic and technical skills lacking in the current workforce and potential recruits, employers' attitudes towards funding training, and perceived barriers to training.

The information gathered also helps indicate the progress that has been made in upgrading skills over the past 7 years.

The findings will be used to inform planning in the skills arena, including the development of new activities and programmes to meet the needs of employers and the economy in Wales.

I would like to express my thanks to all those involved in the Future Skills Wales 2005 Survey. The FSW Partnership looks forward to applying this latest information in fruitful and effective ways over the coming months and years.



Bob Waller

*Acting Chairman,
Future Skills Wales Steering Group*

FUTURE SKILLS WALES 2005 SECTOR SKILLS SURVEY IN BRIEF

The Future Skills Wales 2005 Sector Skills Survey (FSW 2005) is a survey of 6,719 employers, chosen randomly across Wales and contacted between March and May 2005. The survey covered employers across all business activities in Wales, employers being defined as establishments rather than enterprises (i.e. any site where employees are based, including head office sites, local/regional sites and sites of single unit enterprises). In order to be eligible for the survey, establishments needed to have at least one employee (in addition to any owner/manager).

The main aim of FSW 2005 is to provide the FSW Partnership with reliable information on the skill deficiencies which employers in Wales experience; information which can be used to inform skills development policy and planning. Whereas the two previous FSW Employer Surveys have dealt solely with generic skills, the 2005 survey also asked about practical and technical skills. The shape FSW 2005 has taken has been influenced by two main factors:

- The desire to produce a common measure of skill deficiencies that is more consistent across sectors and the UK countries; and
- The need to make this information available for Sector Skills Councils (SSC) for labour market analysis in Wales enabling shared dialogue by using comparable and consistent measures.

SSCs are employer-led organisations which have been charged with developing skills and business performance levels in specific, discrete business sectors, based on detailed analysis and understanding of the sector.

This report is a summary of the main findings including information on:

- Recruitment problems and skill shortages;
- Skill gaps with the existing workforce; and
- Training activity.

The full survey report and other reports, tables and briefings will be available from the Future Skills Wales website www.futureskillswales.com

More information from the survey will be available early in 2006, including a detailed report for Wales and SSC-level reports.



KEY POINTS FROM THE FUTURE SKILLS WALES 2005 SECTOR SKILLS SURVEY

- Fewer establishments in 2005 reported experiencing hard-to-fill vacancies than in 2003 (10 per cent compared to 14 per cent). Within this figure of 10 per cent, 4 per cent of establishments reported skill shortage vacancies. This measure has also seen a decrease, down from 7 per cent in 2003;
- Although the picture is potentially improving in terms of hard-to-fill vacancies and skill shortages, certain sectors and size of establishments (in terms of numbers employed) reported experiencing higher levels than others. Recruitment problems were greatest in micro establishments (1 to 9 employees) and in the Hotels/Catering sector;
- The occupations with the highest proportion of hard-to-fill vacancies reported were Skilled Trades, Associate Professional occupations and Elementary occupations;
- Skill shortage vacancies were most commonly thought to relate to a lack of:
 - Technical and practical skills (52 per cent);
 - Customer handling skills (44 per cent);
 - Communication skills (43 per cent); and
 - Problem solving skills (41 per cent).
- Eighteen per cent of employers in Wales reported skill gaps within their workforce. This figure is in line with that recorded for Wales by FSW 1998 and FSW 2003;
- FSW 2005 suggests that the volume of internal skill gaps exceeds that of external recruitment problems. In terms of the number of employees, it is estimated from FSW 2005 that approximately 64,000 employees had a skill gap at the time of the survey. That represents 6 per cent of total employment in Wales;
- Although the picture for Wales appears stable, the incidence of skill gaps was concentrated in certain sectors, sizes of establishments and occupations;
- The sectors reporting the highest density of skill gaps were Production, Construction, Wholesale/Retail and Hotels/Catering. The likelihood of skill gaps occurring increased with the number in employment, 39 per cent of establishments with 100+ staff reported a skill gap compared to 13 per cent of establishments with 1 – 9 employees. The occupations with the highest incidence of skill gaps were Sales and Customer service (10 per cent), Transport and Machine operatives (8 per cent) and Skilled Trades occupations (7 per cent);



- The skills most commonly lacking amongst employees were generic skills such as problem solving skills, customer handling skills, communication skills and team working. 52 per cent of establishments also reported a lack of technical or practical skills as a cause of the skill gaps they were experiencing;
- The majority of establishments (58 per cent) reported providing off-the-job training to their workforce, an increase from 2003;
- The industry sectors most likely to provide training were Public Administration/Education/Health, Banking/Insurance/Other Financial Services, Construction and Other Services;
- Off-the-job training was most commonly provided to employees in Managerial occupations (65 per cent) and Administration/Secretarial occupations (35 per cent). This compares to 19 per cent for Skilled Trades and 9 per cent for Transport and Machine Operatives; and
- Eighty three per cent of establishments not providing off-the-job-training said that this was because their staff already had sufficient skills to do their job.



WHO USES THE RESULTS AND WHO BENEFITS?

There are four principal groups of users and three further groups who can benefit from the survey data:

- **Strategic bodies** such as the Welsh Assembly Government, ELWa, The Sector Skills Development Agency, the Welsh Development Agency and The Higher Education Funding Council for Wales will be assisted in making strategic decisions on skills and economic planning;
- **Sector Skills Councils** will be assisted in matching skill supply and demand in their industry sectors and in developing strategic policies aimed at upskilling the workforce;
- **Colleges, training companies, awarding bodies** and other learning providers will be guided on which courses to offer and course content; and
- **Careers Wales and Jobcentre Plus** will be able to give more accurate advice to clients.

Armed with improved data these bodies will be in a stronger position to aid:

- Individuals with their personal career and skills planning;
- Employers with their recruitment and workforce development strategies; and
- Researchers and policy makers in many related fields who need accurate skills and labour market information to reach valid conclusions.

RECRUITMENT PRACTICES AND SKILL SHORTAGES

Hard-to-fill Vacancies

Since 2003, the proportion of establishments experiencing hard-to-fill vacancies had fallen, from 14 per cent to 10 per cent – an encouraging sign. This may be due to a number of factors:

- The work undertaken by WAG and ASPBs in relation to the skills agenda;
- Changes in the occupational and industrial makeup in Wales; and
- The change in economic conditions since 2003.

The reasons cited for hard-to-fill vacancies were wide-ranging and included poor wages or conditions of employment as well as skill and experience-related issues.

Certain sectors, occupations and sizes of establishment experienced higher levels than others. The intensity of recruitment problems (hard-to-fill vacancies as a percentage of employment) was greatest in:

- Hotels/Catering establishments accounted for only 6 per cent of employment, but 21 per cent of hard-to-fill vacancies and 10 per cent of skill shortage vacancies. In this sector vacancies were not generally hard-to-fill because of inadequate skills levels among the labour force. They were more generally linked to the problem of long hours/shift-working;
- The occupations with the highest proportion of hard-to-fill vacancies were Skilled Trades, Associate Professional occupations and Elementary occupations. While Skilled Trades and Associate Professionals tended to have skill

shortage issues, the situation with Elementary occupations reflected that in the Hotels/Catering sector. Whilst they accounted for a disproportionate amount of hard-to-fill vacancies (18 per cent), these tended not to be skills related (just 6 per cent were skill shortage vacancies) and were more often related to the conditions of employment; and


- Smaller organisations tend to find it the most difficult to fill their vacant positions. Micro establishments (1 to 9 employees) accounted for 19 per cent of employment but 51 per cent of hard-to-fill vacancies, a large proportion of which were due to skill shortages.

Responses to hard-to-fill vacancies

Three in ten establishments experiencing hard to fill vacancies were not taking any additional measures to address the problem. This was most likely to be the case in the Wholesale/Retail and the Banking/Insurance/Other Financial Services sectors, and amongst establishments with fewer employees. The most common response to hard-to-fill vacancies (principally among larger employers) was to use more extensive recruitment channels.

Skill Shortage Vacancies

Skill shortages occur when employers are unable to find applicants with the skills, experience or qualifications required for the job. Four per cent of establishments reported experiencing Skill Shortage Vacancies (SSVs).



This measure has also seen a decrease (from 7 per cent in 2003, a fall from around 12,500 skill shortage vacancies to approximately 5,400 in 2005). The picture was similar to that in England, where skill shortage vacancies were reported at 4 per cent in 2004.

Again, certain sectors, employer size bands and occupations experienced higher levels of skill shortages than others:

- Banking/Insurance/Other Financial Services establishments accounted for 12 per cent of employment but 14 per cent of hard-to-fill vacancies and 20 per cent of skill shortage vacancies, indicating that they were disproportionately affected by skill related issues;
- Micro establishments (1 to 9 employees) accounted for 19 per cent of employment but 51 per cent of hard-to-fill vacancies, and 55 per cent of skill shortage vacancies; and
- The occupations with the highest proportion of skill shortage vacancies were Skilled Trades and Associate Professional occupations¹: Skilled Trades accounted for 26 per cent of Skill Shortage Vacancies (compared to 8 per cent of total employment) and Associate Professional occupations accounted for 23 per cent of skill shortage vacancies (compared to 7 per cent of total employment).

Skill Shortage Vacancies were most commonly thought to relate to a lack of the following skills:

- Technical and practical skills (52 per cent);
- Customer handling skills (44 per cent);
- Communication skills (43 per cent); and
- Problem solving skills (41 per cent).

The technical and practical skills which were proving hard to find included a mixture of very specific skills (such as the ability to read drawings, milling, turning) plus more generic skills (e.g. customer handling skills, general IT user skills).

¹ Skilled Trades include metal workers, auto engineers, electricians, bricklayers etc. Associate Professional occupations include nurses, technicians, police officers, 'creatives' etc.

Table 1 Reasons for hard-to-fill vacancies by broad sector

(SSV-related reasons shown in highlighted rows)

	Broad sector							
Base: All with hard-to-fill vacancies followed up	Total	Production	Wholesale & retail	Hotel & catering	Transport & communications	Banking/insurance/ other financial services	Public admin/ education/health	Other services
Unweighted	725	**95	123	**85	**66	**85	149	**54
Weighted (by employment)	6,898	474	1,268	1,379	329	1,053	931	866
	%	%	%	%	%	%	%	%
Lack of skills the organisation demands	30	40	37	22	26	34	21	21
Not enough people interested in job type	25	22	16	30	39	26	27	19
Low number of applicants with required attitude, etc	21	16	20	26	8	28	13	24
Low number of applicants generally	19	10	22	26	12	15	19	13
Lack of work experience	15	19	12	8	14	24	9	16
Long hours/shift work	15	3	11	31	24	4	11	26
Lack of qualifications	14	9	12	7	15	20	19	7
Location of firm/poor transport	12	7	6	25	2	14	14	1
Wages lower than other firms	10	9	4	14	13	3	18	10
Don't know/no answer	6	7	3	11	6	*	4	11
Unattractive/poor terms and conditions	5	3	7	3	4	3	10	5
Competition from other employers	4	1	2	4	4	8	3	2
Benefits trap/problem with benefits	3	2	4	7	2	1	1	-
Poor career progression	2	2	4	*	1	2	1	2
Other	2	1	*	-	4	6	2	1
No particular reason	1	3	-	1	2	-	4	-

* less than 0.5%. ** small base (under 100). Multiple responses allowed.
 'Don't know' not shown. Broad sector crossbreak: Agriculture/Hunting/Farming/Fisheries and Construction are not shown due to unweighted base sizes less than 50.
 Source: FSW 2005, question C6.

SKILL GAPS AND EMPLOYERS' TRAINING PRACTICES

Skill gaps

Eighteen per cent of employers in Wales reported skill gaps within their workforce. That is the difference between the skills employees have and those that employers require them to have to undertake their jobs. This figure is in line with those recorded for Wales in 1998 and 2003². The Wales figure was slightly lower than the most recent figures recorded in England and Scotland (20 and 21 per cent respectively in 2004 for both countries), but higher than that most recently recorded for Northern Ireland (13 per cent in 2002).

There was little variation by broad sector in terms of the proportions of establishments reporting skill gaps, although those with the highest proportion were Production, Wholesale/Retail and Public Administration/Education/Health.

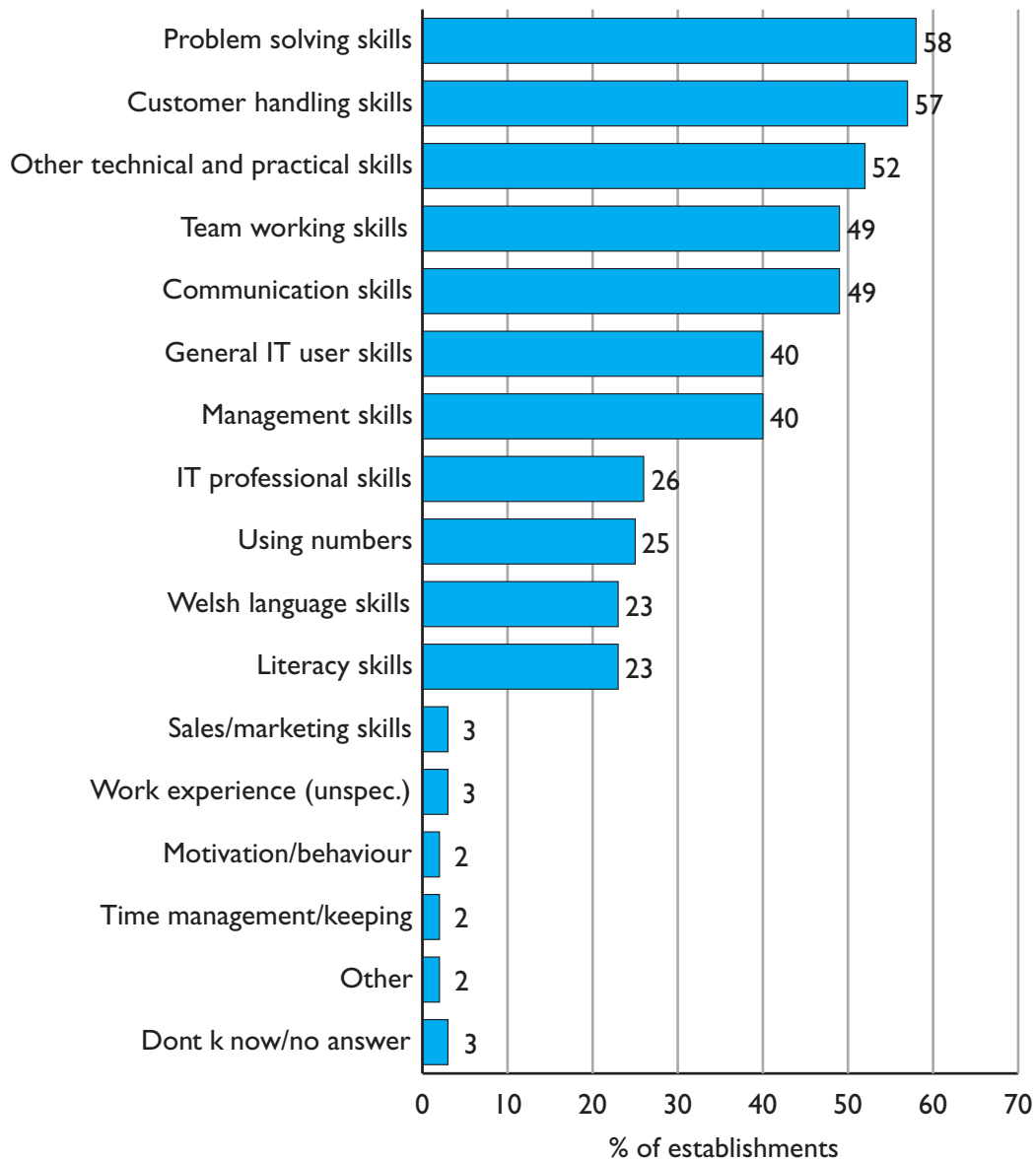
The occupations categories with the highest incidence of skill gaps were Sales and Customer Service occupations, Transport and Machine Operatives and Skilled Trades occupations.

Table 2 Incidence and number of skill gaps in Wales by employment in establishment and sector

	% of establishments with skill gaps	Number of employees with skill gaps	Number of skill gaps as % of employment
Total	18	63,803	6
Broad sector			
Agriculture	7	240	3
Production	21	14,224	8
Construction	15	4,231	7
Wholesale/retail	20	13,276	7
Hotels/catering	16	6,263	9
Transport/communication	18	2,181	4
Banking/finance/insurance/financial services	17	8,180	6
Public admin/education/health	19	11,467	3
Other	17	3,740	6
Base: first column all establishments; remaining columns: all employment Source: FSW 2005			

²The definition of skill gaps differed to some extent between 1998, 2003 and 2005

Figure 1 Skills lacking amongst employees with skill gaps



Base: All establishments with skill gaps followed up (unweighted: 1,469; weighted: 12,558).
 Mentions of 2% or more.
 Source: FSW 2005

The skills most commonly seen as lacking amongst employees were generic skills such as problem solving skills, customer handling skills, communication skills and team working skills.

However, technical and practical skills were lacking for just over half of establishments (52 per cent) reporting skill gaps.



In terms of the technical and practical skills missing, responses were extensive and included industry/job specific skills and what could be deemed to be generic skills (e.g. IT/computer skills, communication/interpersonal skills). However, in terms of non-generic skills, those most commonly cited by employers included product knowledge (7 per cent), equipment handling/training (8 per cent), finance/accounts/book keeping (6 per cent), trade skills/building/electrical/construction (5 per cent). The distribution of technical and practical skills missing varied by broad sector and occupation type.

The response of employers experiencing skill gaps is relatively positive with the majority of establishments providing further training/development to their existing workforce. Less common were external measures such as increasing recruitment or expanding recruitment channels.

Training practices

The majority of employers (58 per cent) reported providing off-the-job training to their workforce. This figure suggests that there has been a slight increase since 2003 (53 per cent) and was higher than that recorded during employer skills surveys in other UK countries (typically 46 per cent or less).

The incidence of off-the-job training was related to size and sector. The industry sectors most likely to provide this type of training were:

- Public Administration/Education/Health (88 per cent);
- Banking/Insurance/Other Financial Services (60 per cent);
- Construction (58 per cent); and
- Other Services (58 per cent).³

The sector least likely to have funded or arrange off-the-job training was Agriculture/Hunting/Farming/Fisheries (30 per cent). In terms of size, the larger the establishment (in terms of numbers employed), the greater the likelihood of off-the-job training having taken place in the preceding 12 months.

³ 'Other Services' encompassed all establishments with SIC codes falling into Section O (Other community, social and personal service activities) of the UK Standard Industrial Classification of Economic Activities 2003 (National Statistics 2003)

Table 3 Off-the-job training arranged or funded in last 12 months by broad sector

Broad Sector											
Base: all establishments	Total	Agriculture/hunting/ farming/fisheries	Production	Construction	Wholesale & retail	Hotel & catering	Transport & communications	Bank/financial services	Public admin/ education/health	Other services	
Unweighted	6,719	214	1,064	594	1,327	415	522	880	1,098	605	
Weighted	70,515	1,956	5,538	6,461	17,087	7,510	3,486	11,089	10,361	7,027	
	%	%	%	%	%	%	%	%	%	%	%
Yes	58	30	53	58	48	49	52	60	88	58	
No	41	68	46	40	51	50	47	39	11	41	
Don't know	1	2	1	2	2	1	1	1	1	1	
Source: FSW 2005											

As in previous FSW surveys, Managers and Administration/Secretarial occupations were those most likely to receive off-the-job training (65 per cent and 35 percent respectively of establishments had provided training for these groups). This compares to just 9 per cent for Process, Plant and Machine Operatives and 12 per cent for Personal Service occupations.

This may be partly because on-the-job training is more appropriate for certain occupations but more worryingly it may suggest that there is a prevailing culture of overlooking certain occupations when it comes to providing off-the-job training.

Establishments reporting a skill gap (64 per cent) were slightly more likely to offer off-the-job training than establishments not reporting a skill gap (56 per cent). Of those establishments that had not funded or arranged off-the-job training 83 per cent said that this was because their staff already had sufficient skills to do their job or that they preferred another training method (60 per cent).



NEXT STEPS

This report has summarised the headline findings from FSW 2005. The findings indicate the continuing importance of skills issues and raise some key issues for policy makers to consider. Precise plans for tackling these issues need to be drawn up by the FSW Partnership following a period of consideration of the findings. In addition, individual SSCs after more detailed discussion will be combining this work with their own research and discussions with their employers. The survey findings provide a good starting point for this dialogue.

The Future Skills Wales Partnership welcomes comments on this report and contributions to the debate on skills. These should be addressed to:

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The Full Survey Report and other reports, tables, briefings and news stories will be available from the Future Skills Wales website www.futureskillswales.com

More information from the survey will be available in 2006.