



Employer Skills Survey 2015

SKILLS IN THE LABOUR MARKET

UKCES
UK COMMISSION FOR
EMPLOYMENT AND SKILLS

The definitive source of intelligence on the skills challenges employers across the UK are facing

INTRODUCTION

In examining the experiences and practices of over 91,200 employers, the UK Commission's Employer Skills Survey (ESS) is the definitive source of intelligence on the skills challenges employers across the UK are facing and their response in terms of investment in skills and training.

The survey was first conducted at UK wide level in 2011, and was developed from a series of surveys conducted in each of the countries of the UK during the 1990s and the 2000s. The UK survey has been conducted biennially, and the 2015 survey represents the third edition in the series. This period of time coincides with the UK economy leaving recession and experiencing relatively sustained economic growth. It explores the skills challenges that employers face both within their existing workforces and when recruiting, their use of the skills of their staff, the levels and nature of investment in training and development, and the relationship between skills challenges, training activity and business strategy.

The study reports on the experiences of employers at the establishment level, rather than at the enterprise level. The survey covers establishments with at least two people on the payroll.

THE SURVEY
COINCIDES
WITH THE UK
ECONOMY LEAVING
RECESSION AND
EXPERIENCING
RELATIVELY
SUSTAINED
ECONOMIC GROWTH

Recruitment and skill-shortage vacancies

There was substantial growth in the number of employers active in the recruitment market in 2015 compared to 2013: 19 per cent of establishments had at least one *current* vacancy at the time of ESS 2015 fieldwork, up from 15 per cent in 2013. Moreover, there were 928,000 reported vacancies, almost 300,000 more than two years previously (an increase of 42 per cent). This strong growth in recruitment activity was evident in all the UK countries.

Within this buoyant labour market, **skill-shortage vacancies presented a growing challenge for employers in filling their vacancies.** Six per cent of all employers had at least one skill-shortage vacancy at the time of the survey – a significant increase from the four per cent of employers reporting such vacancies in 2013.

THE NUMBER OF SKILL-SHORTAGE VACANCIES HAS GONE UP BY 43%

FIGURE 1 — INCIDENCE AND DENSITY OF VACANCIES BY COUNTRY OVER TIME



BASE: ALL ESTABLISHMENTS, BASES VARY BY COUNTRY AND YEAR.

In volume terms, there were 209,000 reported skill-shortage vacancies which was an increase of 43 per cent from the 146,000 reported in 2013. The increase in the number of skill-shortage vacancies was proportional to the increase in vacancies. Therefore, the density of skill-shortage vacancies (i.e. the proportion of vacancies that were hard to fill because of skill-shortages) was largely unchanged at 23 per cent compared with 22 per cent in 2013 at overall UK level.

There was variation by country, however. The density of skill-shortage vacancies remained at a similar level to 2013 in both England and Scotland, had increased in Wales but had decreased in Northern Ireland.

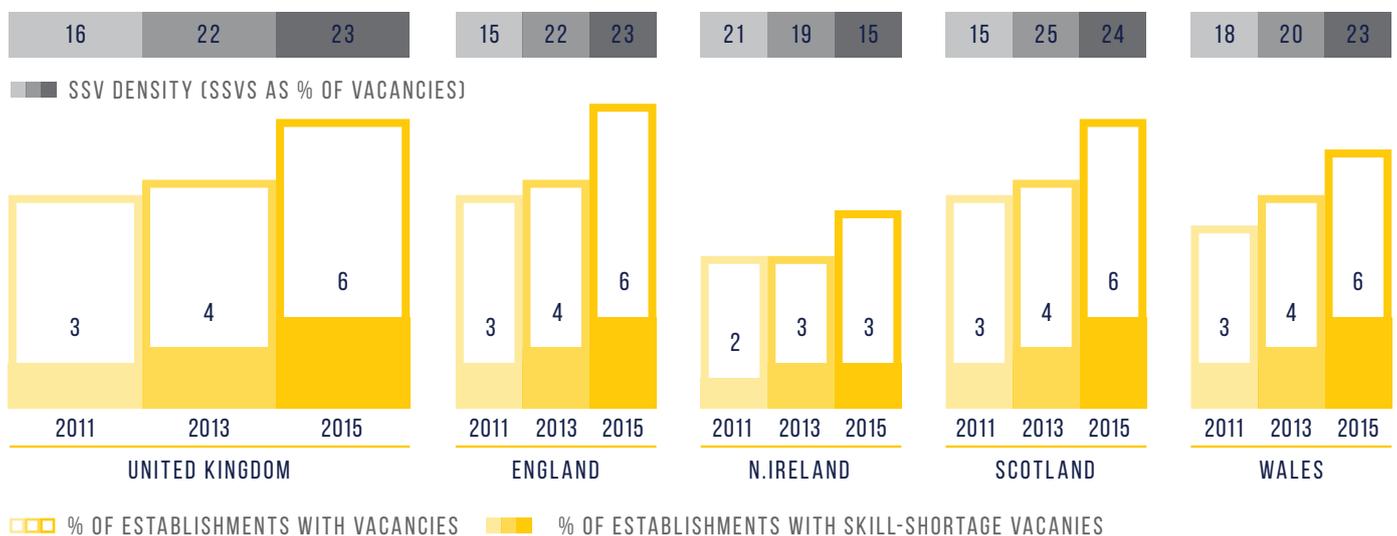
By occupation there had been a particularly marked increase in the density of skill-shortage vacancies among Machine Operatives since 2013 (from 25 per cent of all vacancies to 33 per cent). Skilled Trades continued to be the occupation with the highest density of skill-shortage vacancies (43 per cent).

Although the number of skill shortage vacancies is relatively small, the impacts of skill-shortage vacancies continued to be significant for employers. Over two-thirds of employers that had difficulty filling their vacancies solely as a result of skill shortages had experienced a direct financial impact through either loss of business to competitors, increased operating costs, or having to outsource work, or some combination of the three.

Skill-shortage vacancies were caused by a number of people and personal skills and technical and practical skills lacking amongst applicants. Skills related to operational aspects of the role, as well as complex analytical skills, were the main technical and practical skills lacking. The main people and personal skills lacking pertained to time management, management and leadership, and sales and customer skills.

SKILL-SHORTAGE VACANCIES CONTINUE TO HAVE A SIGNIFICANT IMPACT ON BUSINESS

FIGURE 2 — INCIDENCE AND DENSITY OF SKILL-SHORTAGE VACANCIES BY COUNTRY OVER TIME



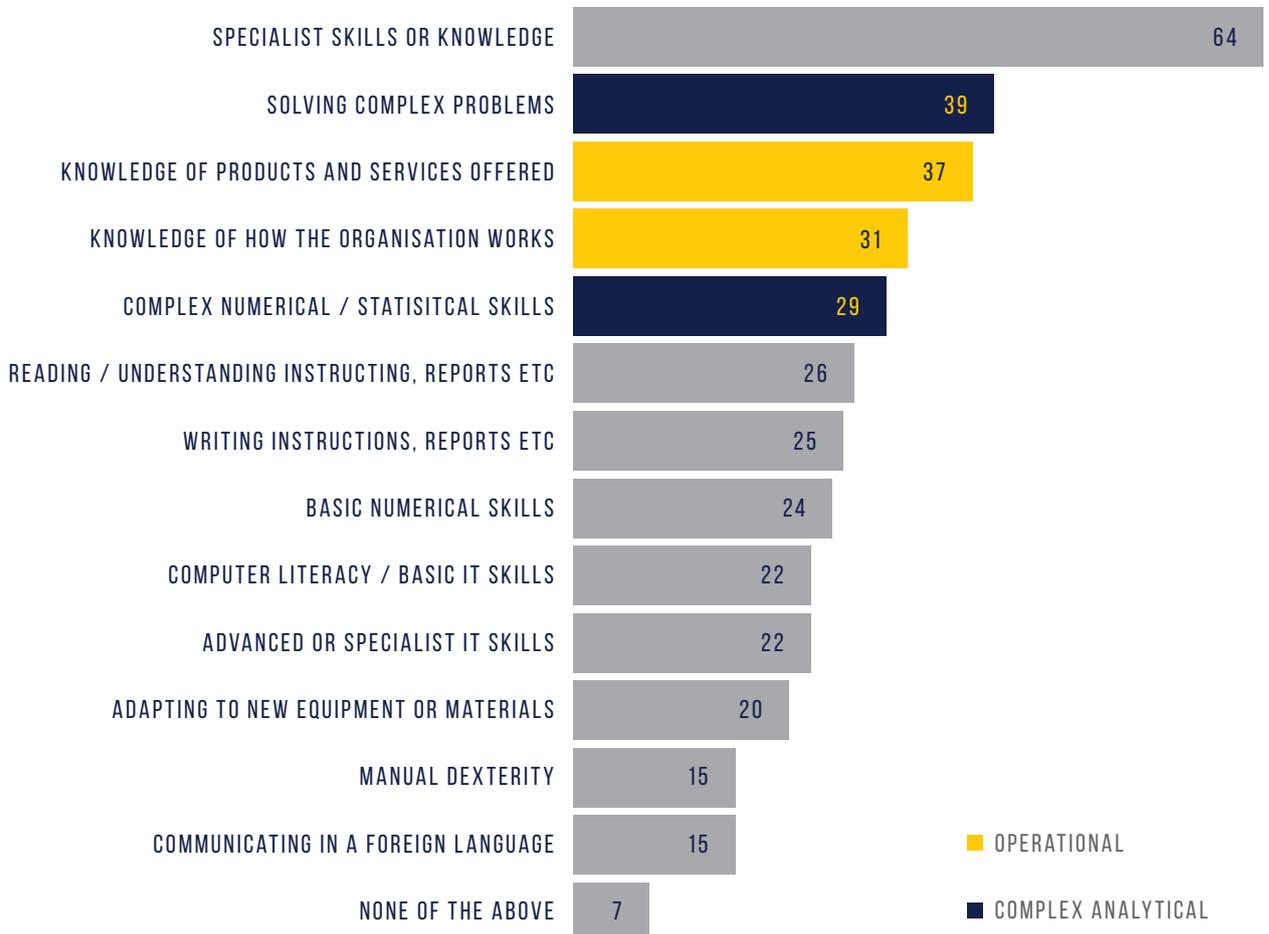
BASE: ALL ESTABLISHMENTS. BASES VARY BY COUNTRY AND YEAR.

FIGURE 3 — SKILLS THAT WERE HARD TO FIND AMONG APPLICANTS

PEOPLE AND PERSONAL SKILLS THAT NEED IMPROVING



TECHNICAL / PRACTICAL SKILLS FOUND DIFFICULT TO OBTAIN FROM APPLICANTS



BASE: ALL ESTABLISHMENTS WITH SKILL-SHORTAGE VACANCIES - UP TO 2 OCCUPATIONS FOLLOWED UP (3,244)

Skills gaps in the workplace

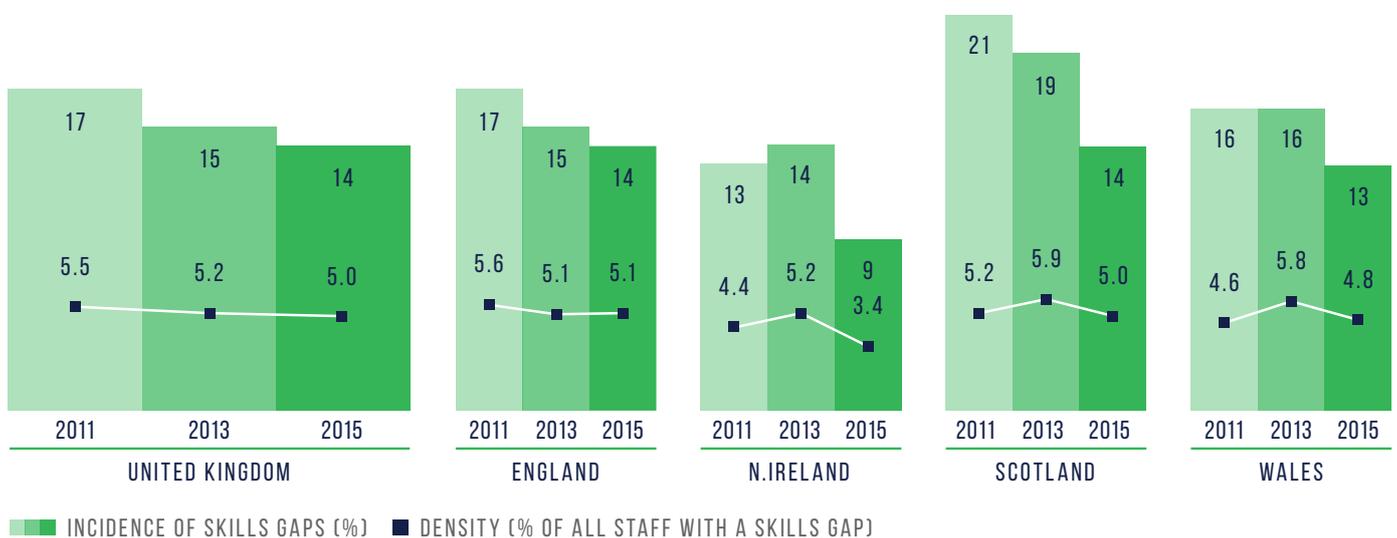
The vast majority of employers (86 per cent) reported that they had a fully proficient workforce. However, 14 per cent of employers reported skills gaps within their establishment, with approximately 1.4 million staff lacking proficiency in their current role (five per cent of the UK workforce).

just nine per cent of employers cited skills gaps within their establishment (down from 14 per cent in 2013) with these affecting 3.4 per cent of all employees (down from 5.2 per cent in 2013).

The proportion of employers with any skills gaps, and the proportion of the workforce affected, decreased gradually at UK level between the 2011 and 2015 surveys. This varied by nation, however. The picture in England was relatively static, while the levels of skills gaps in Scotland and Wales fell between 2013 and 2015, when it aligned with the experience among employers in England. Employers in Northern Ireland were the least likely to report a lack of proficiency in their staff:

THE IMPACT OF SKILLS GAPS ON BUSINESSES HAS INCREASED

FIGURE 4 — INCIDENCE AND DENSITY OF SKILLS GAPS BY COUNTRY OVER TIME



BASE: ALL ESTABLISHMENTS, BASES VARY BY COUNTRY AND YEAR.

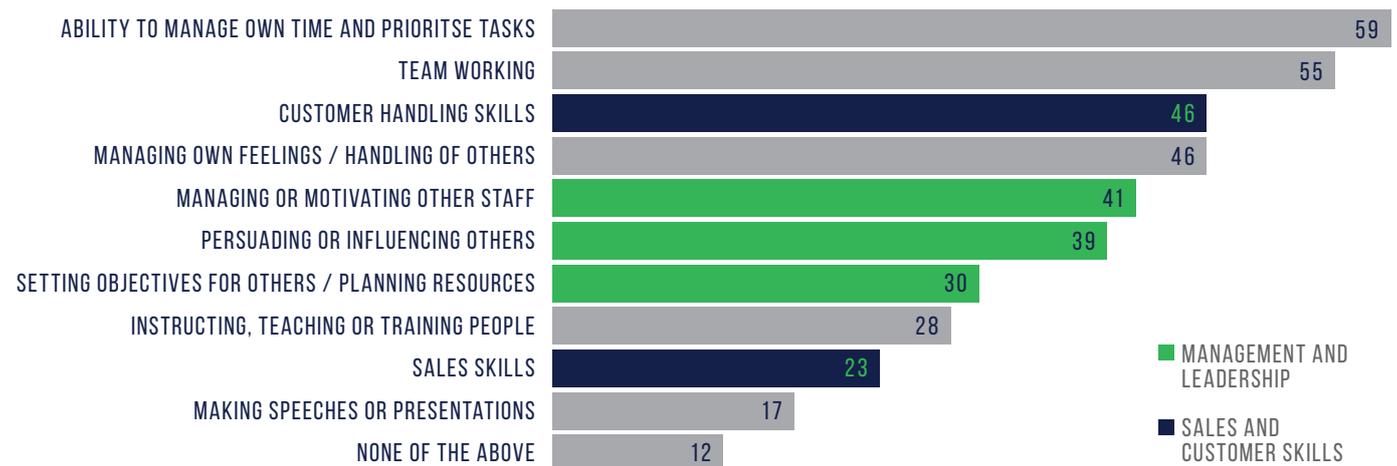
At an occupational level, **skills gaps continued to be more prevalent in what are traditionally described as unskilled or semi-skilled occupations**, with a notable increase from 2013 in the proportion of Machine Operatives not being fully proficient in their job role. This was also the occupation in which there was the greatest increase in the density of skill-shortage vacancies.

While the proportion of employers and staff affected by skills gaps decreased compared to 2013, **the impact of skills gaps increased slightly, and appeared to impact on smaller businesses in particular.**

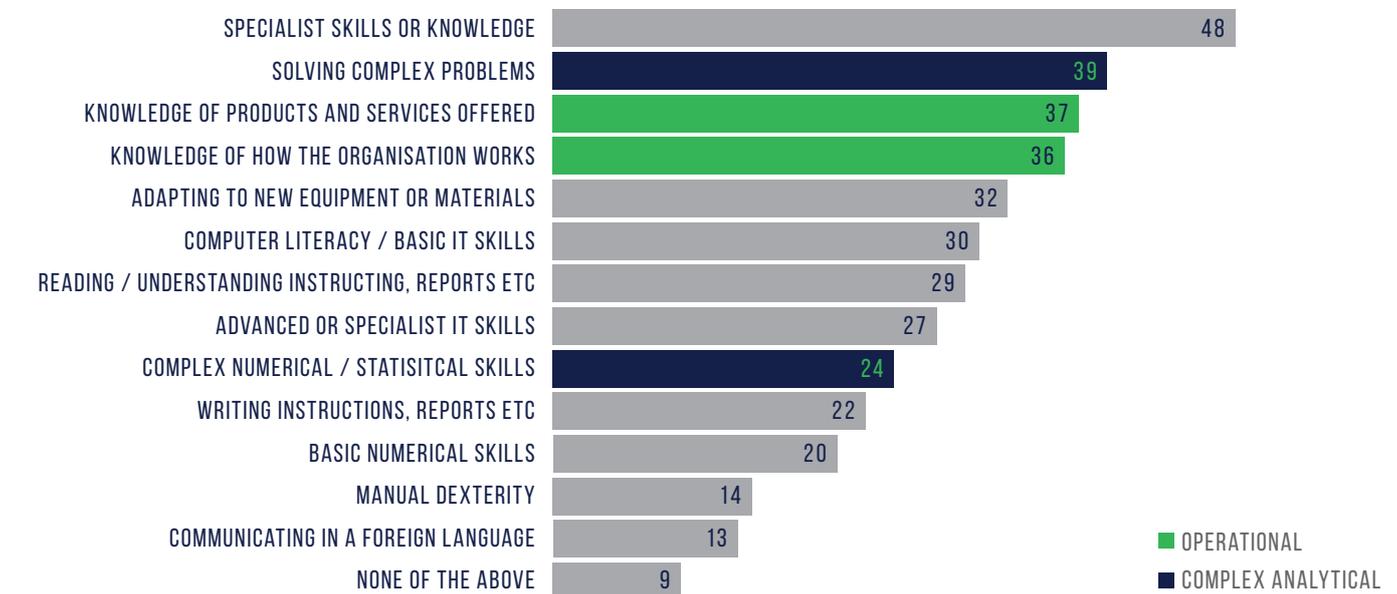
The most common skills deemed to be lacking among existing staff were people and personal skills relating to workload management and teamwork. Specialist, job-specific skills were also widely considered to be lacking, along with complex analytical skills, especially among those in high-skill occupations such as Managers and Professionals.

FIGURE 5 —SKILLS LACKING AMONG STAFF WHO WERE NOT FULLY PROFICIENT

PEOPLE AND PERSONAL SKILLS THAT NEED IMPROVING



TECHNICAL / PRACTICAL SKILLS FOUND DIFFICULT TO OBTAIN FROM APPLICANTS



BASE: ALL ESTABLISHMENTS WITH SKILLS GAPS - UP TO 2 OCCUPATIONS FOLLOWED UP (9,119)

Employer perceptions of retention and under-use of skills and qualifications

The survey explores two issues relating to existing staff: whether employers have difficulties in retaining staff and whether existing staff have skills or qualifications above the level required for their current role.

Eight per cent of establishments reported that there were specific jobs in which they had difficulties retaining staff, more commonly in larger establishments and those in the Hotel and Restaurants, Public Administration, Education and Health and Social Work sectors. A half of establishments in the Education sector reported difficulties retaining Professional staff (e.g. teachers); a slightly higher proportion (53 per cent) in Health and Social Work reported difficulties retaining Caring, Leisure and Other Services staff whilst in Hotels and Restaurants, retention difficulties were more evenly spread across the occupational groups, although 40 per cent reported difficulties retaining Skilled Trade occupations (e.g. chefs). This 'talent loss' can lead to increased recruitment costs as employers seek to continuously replace staff who leave, often due to characteristics of the job itself.

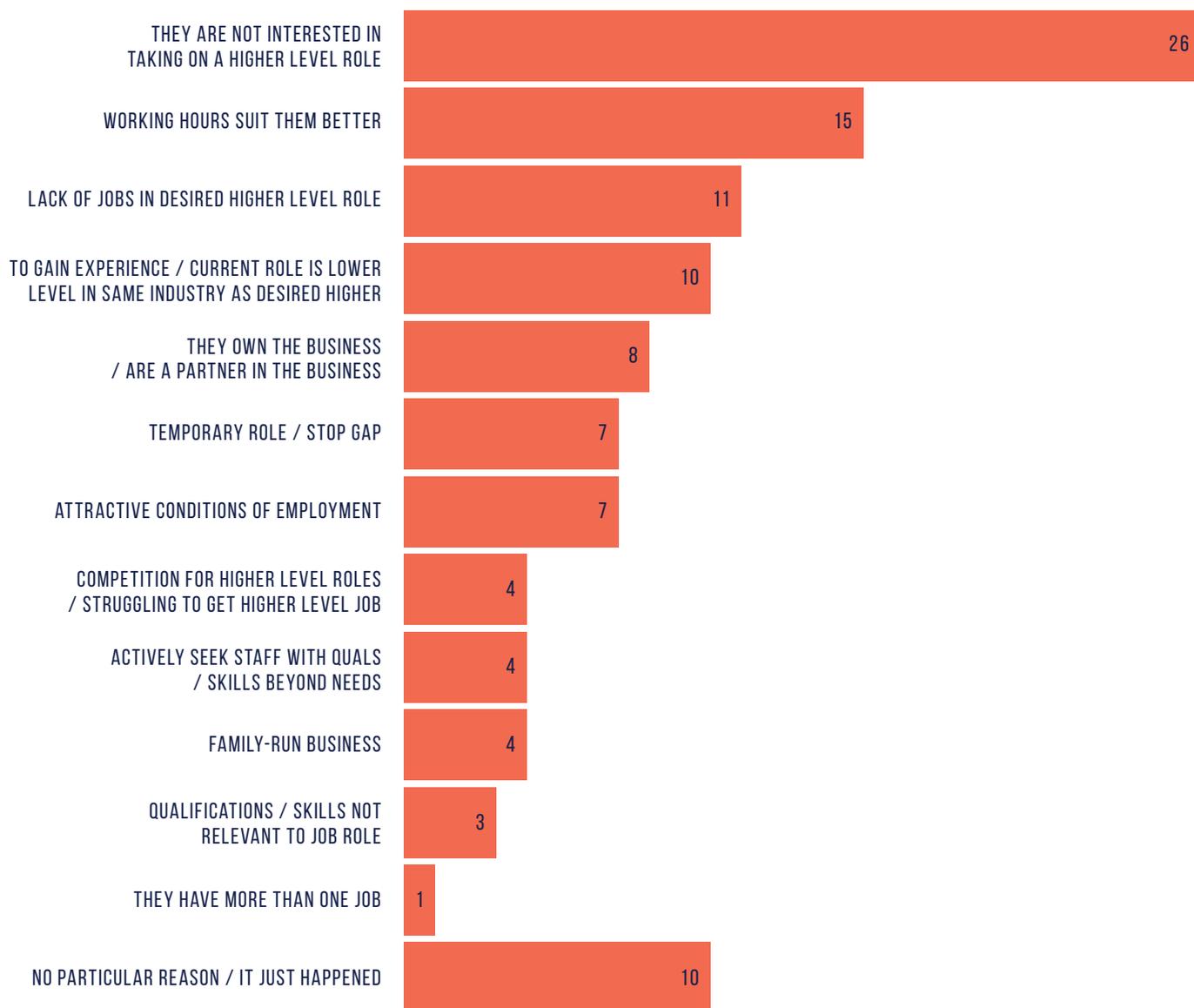
Some employers may experience a skills imbalance where they perceive that staff are being "under-utilised", that is, the skills and qualifications that these staff hold are above those required for their current role. Three in ten employers reported that they had at least one employee who fits this description within their establishment (30 per cent), with **2 million workers reported to be under-utilised in this way.**

There are a number of different reasons given by employers for the under-use of skills. A quarter (26 per cent) of employers who reported under-use of skills said the reason was staff not being interested in taking on a higher level role; 15 per cent reported that the working hours suited them better. These would seem to indicate a personal choice being made by the individual because these job roles better suit their needs and circumstances. However, other reasons given by employers related to what could be considered to be a shortfall in the volume of jobs available that would use their skills, i.e. a lack of demand for their skills in the labour market. For example, 11 per cent of employers reporting under-utilisation said the reason was a lack of jobs in the desired higher level role and 10 per cent reported that they were gaining experience for a higher level role.

Under-utilisation represents not only a waste of individuals' talent but **also potentially a missed opportunity for employers to increase performance and productivity**, improve job satisfaction and employee well-being, and stimulate investment, enterprise and innovation.

**'TALENT LOSS' CAN
LEAD TO INCREASED
RECRUITMENT COSTS**

FIGURE 6 — REASONS BEHIND UNDER-USE OF SKILLS AND QUALIFICATIONS



Training and staff development

There was little change in the *headline* training measures between 2015 and the 2013 survey, which in turn reported little change compared to 2011.

It remained the case that **two-thirds of employers (66 per cent) had funded or arranged training or development for their staff** over the previous 12 months, with around half providing any off-the-job training (49 per cent) or on-the-job training (53 per cent). The proportion of staff being trained in 2015 was also in line with 2013 (63 per cent compared to 62 per cent) as was the average number of days training per trainee over the period (6.8 days, compared to 6.7 days in 2013). Similarly, the proportion of employers that had provided any training intended to lead to nationally recognised qualifications remained unchanged at 31 per cent.

There was, however, an increase in the volume of training, measured in terms of the total number of training days provided in the previous 12 months. This rose to 118m days in 2015, compared to 113m in 2013 and 115m in 2011.

This increase in the volume of training largely reflected a combination of increased levels of employment and increased recruitment activity.

While the proportion of the workforce receiving training and the average number of training days they each received remained unchanged between 2013 and 2015, the size of the workforce increased, meaning that there was a four per cent increase in the number of employees trained (from 16.8m to 17.4m).

The evidence also suggests that the increase in training days may be related to increased recruitment activity, and a consequent increase in induction training. The proportion of training employers that provided any induction training rose considerably (from 58 per cent of employers that trained in 2013 to 68 per cent in 2015), as did the proportion of training employers for whom induction or health and safety training accounted for at least half their training (from 27 per cent to 32 per cent). **Total employer expenditure on training increased by six per cent between 2013 and 2015, from £43.0bn to £45.4bn**, more than reversing the decrease recorded between 2013 and 2011 (when the figure stood at £43.8bn).

While total expenditure on training was greater, investment per person trained and per employee remained similar in 2015 to 2013 and 2011.

AN INCREASE IN TRAINING DAYS PROVIDED REFLECTS INCREASED RECRUITMENT ACTIVITY

FIGURE 7 — SUMMARY OF EMPLOYER TRAINING AND WORKFORCE DEVELOPMENT

UK FIGURES	2011	2013	2015
% OF EMPLOYERS THAT TRAIN	65%	66%	66%
% OF EMPLOYERS THAT TRAIN OFF-THE-JOB	47%	49%	49%
% THAT ONLY TRAIN ON-THE-JOB	19%	17%	17%
% OF STAFF TRAINED OVER THE LAST 12 MONTHS	55%	62%	63%
DAYS TRAINING PER PERSON TRAINED	7.8	6.7	6.8
TOTAL TRAINING DAYS PROVIDED (MILLION)	115	113	118

BASE (2011/2013/2015): ALL ESTABLISHMENTS (86,522 / 91,279 / 91,210)

NUMBER OF STAFF
TRAINED INCREASED
FROM 16.8M IN 2013
TO 17.4M IN 2015

Use of online training or e-learning and of other self-learning was common among training employers (45 per cent and 38 per cent respectively), and generally increasing, particularly for online training and e-learning (39 per cent of those using this method at all in the last two years reporting an increase over the last 12 months, compared with 18 per cent using it less).

Variation in training levels appear to be driven largely by employer size. The survey showed that the smallest establishments provided twice as many training days per person trained and spend, on average, three and a half times more per person trained than the largest establishments. Reflecting these patterns, businesses in Construction and Agriculture spend more per person trained than sectors dominated by larger establishments, such as Public Administration and Health and Social Work. This suggests that smaller businesses are less likely to benefit from economies of scale in the planning and implementation of training than their larger counterparts. This is particularly true of small, single site businesses: small establishments that are part of a larger organisation appear able to draw on the larger organisation for support in training functions.

Close to a half of employers that trained (46 per cent) wanted to provide more training than they had been able to do, with the main barriers being a lack of time and a lack of funds for further training. These reasons suggest that for some businesses, there is a 'ceiling' to the value they place on training, beyond which the training does not provide an adequate return to their investment, or at least is not perceived to.

That training levels have broadly remained consistent is positive given the constraints businesses have faced in recent years, but it does also pose a challenge to UK businesses. Around 90 per cent of the current labour force have the potential to be active in the labour market a decade from now. Therefore, the economy cannot rely on initial education alone to ensure people have the continuously changing skills that are needed: the workplace is a vital location to develop these skills. Given the importance of skilled people as a global currency, the survey poses questions about whether these levels and the types of training businesses are investing significant resources in are adequate to enable the UK economy to take advantage of opportunities, capitalise on innovation and secure growth in performance and productivity.

**TOTAL INVESTMENT
IN TRAINING HAS
INCREASED TO
£45.4BN IN 2015**

High performance working practices and product market strategies

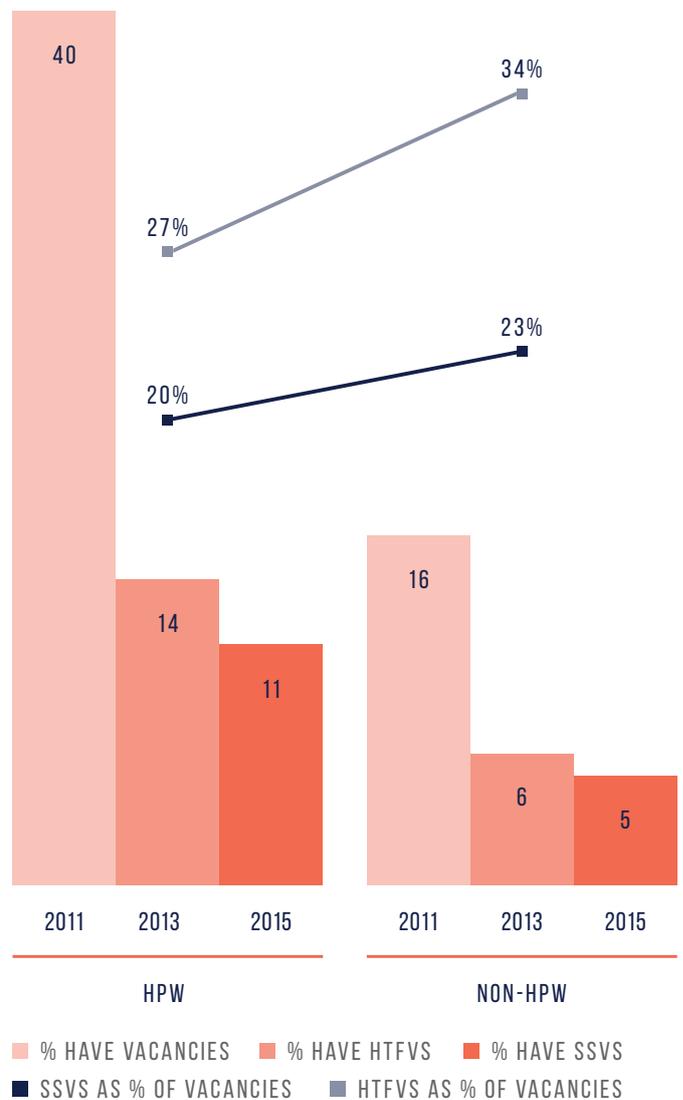
Skills is a derived demand. Employers do not simply provide training or seek to recruit skilled people as an end in itself, the level and nature of the skills they require is derived from the business strategy they pursue and from the way they organise their work. As these factors drive employers demand for skills, so too it impacts on their experience of skill challenges and the practices they implement to address those challenges.

Businesses that adopt high performance working practices (HPW) and those that pursue “very high product market strategies” (PMS, i.e. who lead the way within their industry, offer premium products and services with a high degree of customisation and whose competitive success is not at all price dependent) tend to be more active in the labour market and consequently to have a more frequent experience of skill shortages: however, they also find it easier to fill their vacancies in the sense that a smaller proportion of their vacancies are hard to fill.

HPW and high PMS employers are more likely to train their staff (in higher proportions than other employers).

Overall, the signs are that both sets of employers are viewed more favourably by job-applicants as a place to work. This is further reinforced by the fact that they are more likely to have under-utilised staff.

FIGURE 8 — SUMMARY OF HIGH PERFORMANCE WORKING (HPW) AND EMPLOYERS’ EXPERIENCES WHEN RECRUITING



BASE: ALL ESTABLISHMENTS IN MODULE 1 BY HPW CLASSIFICATION (HPW: 8,792; NON-HPW: 36,600)

The survey raises important questions for employers and policy makers on tackling the issues raised

CONCLUSIONS

The Employer Skills Survey is a **vital source of data on skills and the labour market**. It offers a unique insight into the micro decisions that employers make about factors such as recruitment, training investment and use of skills in the workplace, which underpin the macro-level trends that drive UK economic growth and productivity levels.

ESS 15 highlights how changes in the economy are impacting on firms differently. Overall, vacancies and skill shortage vacancies have increased significantly over the last two years, with some sectors in particular facing heightened difficulties in recruiting staff, such as in Construction and Finance. However, in many cases there has been persistence over successive waves of the survey in the areas in which difficulties are most commonly reported. For example, Manufacturing remains one of the sectors most likely to report that their vacancies are hard to fill for skill related reasons, despite declining employment levels and this has been persistent over the Employer Skills Survey series throughout the 21st century; Skilled Trade is the occupation in which employers are most likely to report skill shortage vacancies.

These variations, in addition to geographical variation, **raise questions about how local and national governments ensure the maximum value of any policy response,**

which needs to be mindful of the variations in experiences reported here and the contextual factors which shape these experiences.

But there are **questions for businesses too** as the survey raises questions about the levels of demand for, and use of, skills by employers and whether these are at the right levels for the business. For example, the survey shows us that a minority of businesses operate high performance working practices but those that do have a higher demand for skills; that Managers are the occupational group least likely to receive training, but will be instrumental in decisions about business and people strategies; that 2 million staff have skills not currently being used in the workplace and that the impacts of skill shortages reported by employers have the potential to be very damaging to business, yet the persistence of many skill deficiencies suggests that training decisions, in some businesses at least, may be sub-optimal. At a micro-level, these factors may be damaging for the business; at a macro-level, they could be damaging for the UK economy and hamper the sustainability of UK economic growth.

The UK Commission for Employment and Skills (UKCES) works with industry and government to help achieve better outcomes in how people get in and on in work and how businesses succeed through the skills and talents of their people.

UKCES is a social partnership led by 30 Commissioners who are senior leaders of large and small enterprises, (including non-profits), further and higher education institutions from across the UK.

We believe that it is the talents and skills of people that drive business competitiveness and economic growth.

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