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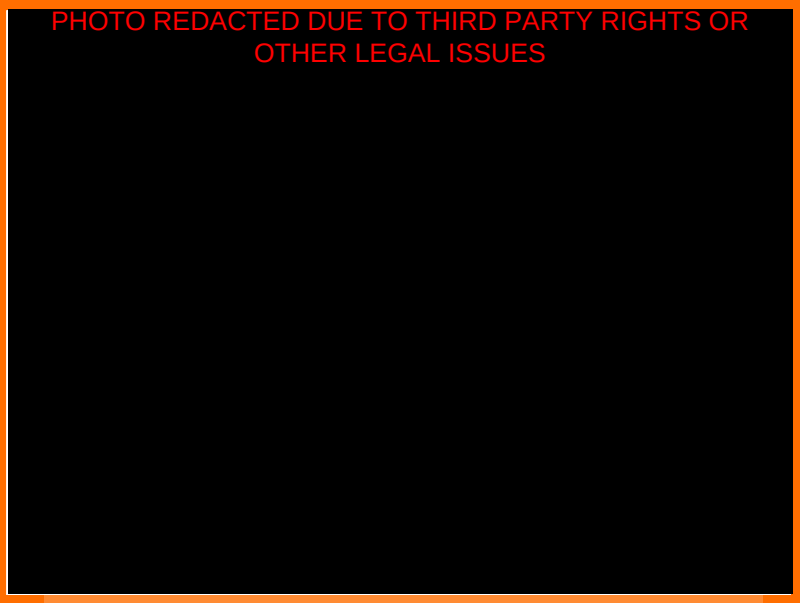
Leading learning and skills

National Employers Skills Survey 2005: Key Findings

June 2006

Of interest to everyone involved in improving skills and learning opportunities in the workforce across England



The National Employers Skills Survey 2005 (NESS05) provides detailed information on the incidence, extent and nature of skills problems facing employers, in terms of both recruitment and skill gaps within their existing workforce. It also explores employers' activities and expenditure in relation to training.

NESS05 was produced by the Learning and Skills Council in partnership with the Department for Education and Skills and the Sector Skills Development Agency.

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Acknowledgements

Many individuals and organisations have been involved in the design and execution of NESS05.

IFF Research was the lead contractor on the study and had overall responsibility for its day-to-day management as well as inputting into the design, managing the data reduction, weighting and analysis process, and writing this report. Fieldwork was conducted by four research agencies, BMG, BMRB, IFF and NOP. ORC International merged the data from the four agencies, undertook extensive and thorough checking of the data, and created the SPSS file which lies behind the analysis in this report.

At the LSC, Rob Cirin was the project manager for the study.

A steering group chaired by the LSC oversaw the overall direction of the study and guided on specific technical issues. Members of this were:

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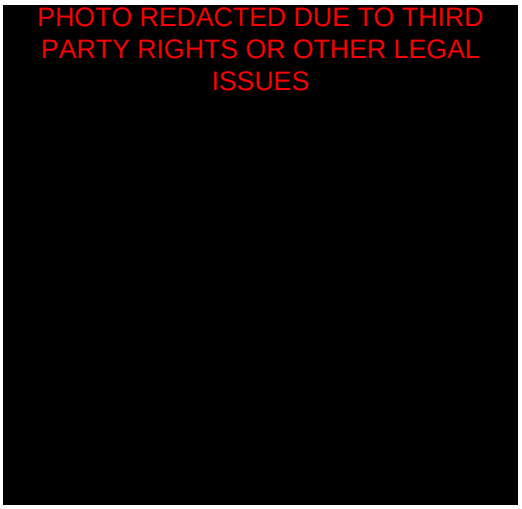
Foreword



It is with great pleasure that I introduce the National Employers Skills Survey 2005.

With the continued increase in competitiveness in the global market, it is more important than ever to understand the skills issues facing employers. The National Employers Skills Survey (NESS) collects and analyses data on the issues employers face in terms of recruitment, skill gaps and training, giving us a greater understanding of what needs to be done to make England more competitive and continue the progress the Learning and Skills Council (LSC) is making. This report complements the Leitch Review, which is reinforcing the critical skills challenge we face as a country.

NESS is the most comprehensive survey of its kind, involving over 74,000 interviews with employers of different sizes across different sectors and localities in England. It is produced by the LSC in partnership with the Department for Education and Skills and the Sector Skills Development Agency.

The survey is critical to anyone who has a role in helping to meet the skills needs of learners and employers, whether that is through shaping learning provision to meet demand, or through advice, delivery, planning or funding of learning. We encourage other organisations to use the information here, and the data that lies behind it, which can be accessed and analysed on our website (http://researchtools.lsc.gov.uk).

The NESS series has been running in its current form since 2003 but builds on previous surveys as far back as 1999. It is increasingly evident that the skill gap has closed steadily since 2001 (the percentage of establishments with staff not fully proficient has fallen from 23 in 2001 to 16 in 2005) and employer attitudes to training have become increasingly positive. Training is provided by more employers than ever before (65 per cent in 2005 compared with 59 per cent in 2003) and more training plans are in place. However, there is still much work to do to continue reducing the skill gap in an ever-changing economy and employment structure, with the growth in more highly skilled jobs and a decline in unskilled work. The real benefit is in understanding the detail – this NESS report shows how these factors vary by region and by sector and by size of company.

Real and detailed knowledge of the skills situation in England allows us to develop education and skills policies, such as Train to Gain, the LSC's new flagship service for employers, which will enhance economic competitiveness and enable individuals to achieve their full potential. The LSC, through its extensive research programme, is building this picture and enables us to understand what needs to be done to meet the needs of employers and individuals, and make England better skilled and more competitive.

Christopher N Banks CBE

Chairman, Learning and Skills Council

Introduction

The National Employers Skills Survey 2005 (NESS05) was commissioned by the Learning and Skills Council (LSC), the Department for Education and Skills (DfES) and the Sector Skills Development Agency (SSDA) to provide definitive information on skills and workforce development issues facing employers in England. The study is the third in the NESS series (with surveys also carried out in 2003 and 2004), which itself grew out of the previous Employer Skills Surveys (the ESS series) and the Skills Needs in Britain surveys (the SNIB series). The series has sought to serve as a common basis for the LSC and its partners to monitor trends against key areas, develop policy and assess the impact of various skills initiatives.

Interviews were undertaken with over 74,500 employers. As well as providing the most comprehensive and up-to-date information on skills issues in England, the size of the study also enables reliable and robust analysis to be undertaken by establishment size, region and sector. Through its adoption of a methodology similar in scope to previous major national employer skills surveys, NESS05 also enables an assessment of how the extent and nature of skills problems facing employers are changing over time. To this end, wherever possible, comparisons are made with results from employer surveys dating back to 2001 (and including NESS studies conducted in 2004 and 2003). Details of these studies are appended (Annex B).

- The importance of this research to those charged with raising the country's skill levels lies not just with its scale and comprehensiveness, but also in the following.
  - **a** It is a key source of labour market information on skill-shortage vacancies, skill gaps and workforce development activity, and forms a central part of the evidence to inform skills policy.
  - **b** The partnership approach developed for the survey between the LSC, DfES and SSDA means the three agencies with the central role in developing skills policy in England have a common and shared understanding of the extent and nature of skills problems facing employers.
  - **c** NESS05 has followed on from NESS04 in being designed to allow detailed and reliable analysis by sector skills council (SSC). SSCs are the employer-led organisations charged with leading the skills and productivity drive in sectors recognised by employers. The SSC sectors and their definitions are detailed in Annex A.
  - **d** In reporting regionally and by SSC sector, NESS05 can inform:
    - regional skills partnerships in their work to identify priority areas
    - Sector skills agreements being developed and updated by SSCs to identify sector priorities and to influence training supply
    - local LSC plans and purchasing decisions
    - the national skills policy debate.

Scope of the survey

The main NESS05 survey included employers across all sectors of business activity in England. 'Employers' were defined as individual establishments, and survey questions covered the individual site or location rather than the organisation as a whole.

All establishments with at least two people working in them were within the scope of the sample, but single-person establishments were excluded. Data measuring this population was established through the Office of National Statistics (ONS), based on Inter-departmental Business Register (IDBR) counts for March 2004. These indicated a total population of 1.4 million employers, with 21.5 million people working within them. Survey results have been weighted to ensure they are representative by size and sector of employer nationally and regionally.

In addition to the main NESS05 study, a separate follow-up research exercise was conducted to estimate employer expenditure on training (the Cost of Training study). This involved 7,059 telephone interviews with employers that had indicated on the main NESS05 study that they had funded or arranged training in the previous 12 months. The sample of employers for the Cost of Training survey was selected to ensure it was representative of the profile of training employers from the main survey by size, region, sector and the type of training the establishment provides (off-the-job training only, on-the-job training only or both types of training).

Structure of the report

This document highlights key findings from the NESS05. Further, more detailed descriptions of the findings are to be found in the full report, *National Employers Skills Survey 2005: Main report* (LSC, 2006). This Key Findings report follows the structure of the main report, and is separated into the following sections:

- Key Findings
- Recruitment and Recruitment Problems
- Skill Gaps Within the Existing Workforce
- Recruitment of Young People
- Training and Workforce Development Activity and Expenditure
- Conclusions.

Key Findings

The headline findings from NESS05 are listed in Table 1 in the final column of data, with comparisons shown from NESS04, NESS03 and the Employers Skills Survey 2001 (ESS2001). Table 1 is followed by discussion of the key points.

Table 1: NESS05 headline findings with 2001, 2003 and 2004 comparisons.

	ESS2001	NESS03	NESS04	NESS05
Vacancies and recruitment problems				
% of establishments with any vacancies	14%	17%	18%	17%
% of establishments with any hard-to-fill vacancies (HtFVs)	8%	8%	8%	7%
% of establishments with unprompted skill-shortage vacancies (SSVs)[1]	4%	4%	4%	4%
% of all vacancies that are unprompted SSVs	21%	20%	17%	17%
% of establishments with SSVs (unprompted or prompted)	n/a	n/a	6%	5%
% of all vacancies that are SSVs (unprompted or prompted)	n/a	n/a	24%	25%
Number of SSVs (unprompted or prompted) in 000s	n/a	n/a	145	143
Number of SSVs (unprompted or prompted) per 1,000 employees	n/a	n/a	7	7
Skill gaps				
% of establishments with a skills gap	23%	22%	20%	16%
% of staff described as having a skills gap	9%	11%	7%	6%
Training and workforce development activity				
% of establishments training staff over the previous 12 months	n/a	59%	64%	65%
% of establishments providing off-the-job training in the previous 12 months	35%	n/a	47%	46%
% of establishments with a training plan	n/a	39%	44%	45%
% of establishments with a budget for training	n/a	31%	34%	33%
Employees trained per 1,000 employees	n/a	567	609	609

Notes: [1] Unprompted skill-shortage vacancies (SSVs) are those vacancies that employers describe as hard to fill where the spontaneous reason cited is that recruits lack the experience, skills or qualifications required. In 2004 and 2005 respondents with hard-to-fill vacancies not mentioning one of these reasons were also prompted with these as possible causes. For longitudinal comparisons with 2001 and 2003 we report only unprompted SSVs: for comparisons with 2004 both measures are used.

Headline findings

The key discussion points from these findings are as follows.

- The incidence and extent of recruitment difficulties and, specifically, skills-related recruitment difficulties in the labour market in 2005 show very little change compared with 2004.
- At the time of interview, 7 per cent of establishments reported having any hard-to-fill vacancies (HtFVs), and 4 per cent spontaneously cited skill shortages among applicants as at least part of the reason why these vacancies were proving hard to fill.
- The proportion of establishments reporting any (unprompted) skill-shortage vacancies (SSVs) has remained unchanged at 4 per cent since 2001.
- In 2005, employers experienced (unprompted) skill shortages among applicants for 17 per cent of all vacancies, equivalent to 5 (unprompted) SSVs per 1,000 employees. These exactly matched the figures for 2004. By comparison, skills-related recruitment difficulties were more intense in 2001: then employers experienced (unprompted) skill shortages for 21 per cent of vacancies.
- While skills-related recruitment difficulties affect relatively few employers, and the number of SSVs relative to employment is low, once prompted on the issue, employers indicated that they experience skill shortages among applicants for a quarter of all vacancies.
- A minority of employers are affected by skill gaps in their workforce (16 per cent), and overall a relatively small proportion of the total workforce (6 per cent) is described as not being fully proficient.
- The proportion of employers affected by skill gaps has decreased over the last 12 months as it has every year since 2001, and the proportion of the workforce lacking proficiency is also lower now than at any time since 2001.
- Occupationally, a lack of proficiency continues to be more likely to be reported among lower level occupations: 9 per cent of sales staff and 8 per cent of those in elementary positions (which covers such occupations as labourers, cleaners, security guards and bar staff) are described as not fully proficient at their job (compared with 4 per cent of managers and professionals).
- 65 per cent of employers had funded or arranged any training or development for any of their workforce in the previous 12 months. This figure is little changed from 2004 (64 per cent), though higher than the percentage providing training in 2003 (59 per cent).
- The number of staff trained over the previous 12 months is equivalent to 61 per cent of the current workforce, exactly the proportion reported in 2004, but again higher than 2001 (57 per cent).
- Employers funded or arranged 162 million days of training over the previous 12 months, equivalent to 7.5 days of training per annum for every worker in the country.
- Employers spent approximately £33.3 billion on training over the previous 12 months, the bulk of which was spent on the labour costs of those being trained (48 per cent) and the management of training and labour costs of those delivering training (35 per cent). Total training spend is equivalent to £1,550 per employee and just under £2,550 per person trained.

Recruitment and Recruitment Problems

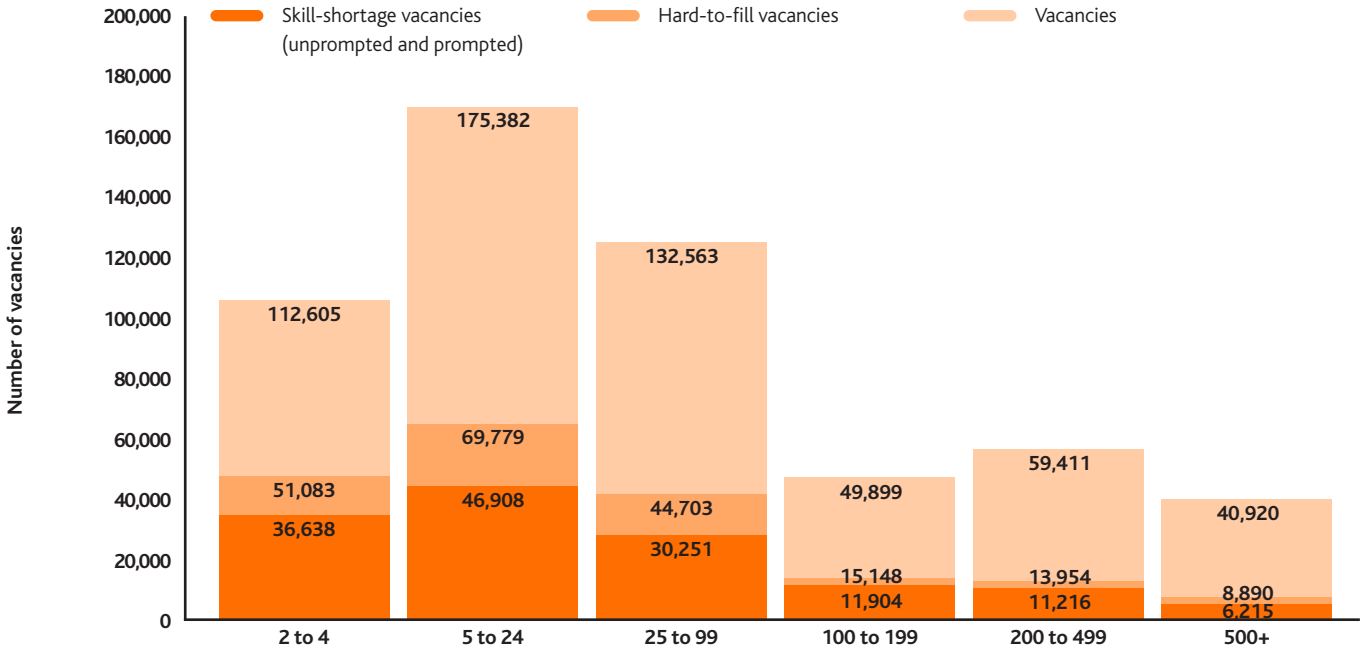
At the time of interview, 7 per cent of establishments reported having any hard-to-fill vacancies (HtFVs), and 4 per cent spontaneously cited skill shortages among applicants (applicants not having the required skills, experience or qualifications) as at least part of the reason why these vacancies were proving hard to fill. Once prompted with these factors as possible reasons for their HtFVs, 5 per cent of all establishments reported having at least one skill-shortage vacancy (SSV). (In this report, we use the unprompted SSV measure for longitudinal comparisons, and the combined unprompted and prompted measure elsewhere. Unless otherwise stated, the prompted measure is used.)

Overall, there has been little change since 2001 in the incidence of employers experiencing difficulty filling vacant posts, or in the proportion whose difficulties are caused, at least in part, by a lack of available skills in the labour market. This is illustrated in the vacancies and recruitment problems section of Table 1.

In the 2004 report, it was noted that while the incidence of SSVs had been very stable over the previous few years, the number of SSVs as a proportion of all vacancies had been falling year on year. In 2005, this figure was largely unchanged compared with 2004, and hence skills-related recruitment problems in the labour market on this measure remain at their lowest levels since 2001. In 2005, employers experienced (unprompted) skill shortages among applicants for 17 per cent of all vacancies, equivalent to 5 unprompted SSVs per 1,000 employees. Both figures were the same in

Figure 1: Number and share of vacancies, hard-to-fill vacancies and skill-shortage vacancies by size of establishment.

	2 to 4	5 to 24	25 to 99	100 to 199	200 to 499	500+
Share of employment	9%	24%	25%	12%	16%	15%
Share of all vacancies	20%	31%	23%	9%	10%	7%
Share of all hard-to-fill vacancies	25%	34%	22%	7%	7%	4%
Share of total SSVs	26%	33%	21%	8%	8%	4%



	2 to 4	5 to 24	25 to 99	100 to 199	200 to 499	500+
Unweighted base (vacs)	*3,528*	*12,679*	*15,655*	*5,572*	*6,741*	*6,149*
Weighted base (vacs)	*112,605*	*175,382*	*132,563*	*49,899*	*59,411*	*40,920*
Unweighted base (employers with vacs)	*2,225*	*7,128*	*5,379*	*1,177*	*845*	*302*

Base: All vacancies

2004. By comparison, skills-related recruitment difficulties were more intense in 2001: then employers experienced (unprompted) skill shortages for 21 per cent of vacancies.

While skills-related recruitment difficulties affect relatively few employers, and while the number of SSVs relative to total employment is low, it needs to be noted that once prompted with skill shortages as a potential reason for having HtFVs, employers indicate skill shortages occur for a quarter of all vacancies.

Recruitment difficulties by establishment size

Half of all vacancies (50 per cent) and a clear majority of hard-to-fill and (unprompted and prompted) skill-shortage vacancies (59 and 58 per cent respectively) fall within establishments with fewer than 25 staff, despite these establishments only accounting for a third of all employment. That is, *smaller establishments account for a disproportionately large volume of all recruitment difficulties, whether skills-related or not* (Figure 1).

By contrast, establishments with 100 or more staff employ just over two-fifths of all employees (42 per cent), but account for only a quarter of all vacancies (27 per cent) and a fifth of all (unprompted and prompted) SSVs (20 per cent).

The different experience of recruitment difficulties by size is even more apparent in density terms. While skill shortages among applicants are found for a quarter of vacancies (25 per cent) overall, this rises to a third (33 per cent) of vacancies occurring in the smallest establishments (with fewer than 5 staff), and drops to half that level (15 per cent) for the largest establishments with 500 or more staff.

Table 2: Vacancies and skill-shortage vacancies by occupation.

	Employment	Vacancies	HtFVs	Prompted and unprompted SSVs	% of vacancies that are SSVs (unprompted and prompted)	SSVs (unprompted and prompted) per 1,000 employees
Unweighted base	2.16m	50,324	16,663	11,326		
All England	21.5m	570,775	203,550	143,125	**25%**	**7**
Occupation	%	%	%	%	%	No.
Managers & senior officials	17	5	4	4	**23**	**2**
Professionals	11	9	9	10	**28**	**6**
Associate professionals	8	15	16	18	**31**	**15**
Administrative & secretarial	14	12	7	7	**15**	**3**
Skilled trades	7	9	15	17	**48**	**16**
Personal service	8	11	12	11	**25**	**10**
Sales & customer service	13	14	13	11	**20**	**6**
Transport & machine operatives	8	8	10	10	**29**	**8**
Elementary occupations	15	16	14	10	**19**	**5**

Base: All vacancies

Note: Weighted figures rounded to the nearest 25

Occupational pattern of skills-related recruitment difficulties

Table 2 summarises key findings in regard to the occupational pattern of recruitment difficulties.

Skill shortages among applicants are much more prevalent in some occupations than others. Relative to employment, skilled trades and associate professional positions are both key areas of recruitment difficulties and of skill shortages among applicants: each of these two occupational categories account for around one-sixth of all reported HtFVs and SSVs, twice the proportion of all employment falling within each occupation. In 2004, these two occupations also accounted for a much higher share of skills-related recruitment difficulties than their overall share of employment, but these difficulties appear to have intensified within the associate professional occupations. In 2005, as many as 18 per cent of all SSVs occurred for associate professional positions, compared with 13 per cent in 2004.

While the number employed and the number of skill-shortage vacancies for skilled trade and associate professional occupations are very similar, there are different levels of recruitment activity in respect of these occupations. For associate professionals, the high level of skills-related recruitment difficulties reflects both a high level of recruitment activity (the proportion of all vacancies falling within this occupation is almost double its share of employment) and a higher than average proportion of these vacancies encountering skills shortages in applicants (31 per cent). For skilled trades positions, the level of recruitment activity is only slightly higher than its share of employment, but where vacancies exist, the incidence of skills difficulties is particularly high: indeed, employers encounter skill shortages among applicants for almost half (48 per cent) of vacancies for skilled trades positions.

Conversely, relative to employment, few skills-related recruitment difficulties fall within managerial or administrative and secretarial occupations. In the case of managers, this reflects low levels of recruitment, though where vacancies exist, the proportion within which skills shortages are encountered (23 per cent) is close to the national average (25 per cent). For administrative and secretarial positions, on the other hand, the level of recruitment activity closely reflects employment, but where vacancies exist employers are very unlikely to encounter skill shortages in applicants (this occurs for only 15 per cent of administrative and secretarial vacancies).

SSVs are defined as existing where employers indicate that HtFVs are caused by lack of experience, skills or qualifications among applicants. There is some variation by occupation in the extent to which SSVs are caused by the following factors.

- SSVs for **skilled trades** are considerably more likely than average to be caused by a lack of skills, and are less likely than average to be caused by a lack of experience or qualifications. A similar pattern is evident in terms of **machine operatives**, where lack of experience or qualifications is even less frequently cited.
- A lack of qualifications is more likely to be behind SSVs for **personal service** occupations than for any other occupational group.
- Conversely, experience appears to be the key indicator of skills that candidates lack for **sales and customer service** roles. Skill-shortage vacancies for staff in these roles are less likely to be caused by a lack of (suitably) qualified applicants than for any other occupation. A lack of skills is also cited in relation to a smaller proportion of skill shortages for sales staff than for any other occupations.
- A lack of skills is less common in respect of skill-shortage vacancies for **managers** than other occupations, while a lack of experience is more common than average.

Main skills lacking among applicants

The main skills lacking among applicants are technical and practical skills, experienced in just over half (53 per cent) the cases where employers encountered skill shortages. The next most common skill shortages were:

- customer handling skills
- oral communication
- problem-solving skills
- team working.

Each of these was mentioned as lacking in just over a third of all instances of SSVs.

The main skill areas lacking among applicants are little changed from 2004: then it was also the case that technical and practical skills were the most common deficiency, followed by the skill areas just listed (though in a slightly different order). The rise that occurred in 2004 in skill shortages caused by literacy and numeracy skill deficiencies has stabilised, though they remain a significant element, each cited as occurring in around a quarter of SSVs.

The main skills lacking are listed in Table 3, presented both overall (in the final column) and by occupation. The findings highlighted in orange in Table 3 pick out skills that are at a particular premium among applicants for particular positions.

Table 3: Main skills lacking by occupation where skill-shortage vacancies exist.

Bases:	Managers	Professionals	Associate professionals	Administrative	Skilled trades	Personal service	Sales	Operatives	Elementary	Overall
Unweighted: SSVs in occupation	*516*	*1,428*	*1,770*	*838*	*1,722*	*1,446*	*1,083*	*1,242*	*1,215*	***11,326***
Weighted: SSVs in occupation	*6,359*	*14,398*	*26,056*	*10,229*	*24,308*	*15,979*	*16,163*	*13,799*	*14,967*	***143,124***
Unweighted: establishments with SSVs in occupation	*360*	*589*	*791*	*488*	*940*	*594*	*547*	*493*	*487*	***4,847***
Column percentages	%	%	%	%	%	%	%	%	%	**%**
Technical & practical skills	39	48	55	42	**68**	44	49	**67**	44	**53**
Customer handling skills	36	23	33	42	24	**49**	**67**	29	**49**	**38**
Oral communication skills	26	22	28	39	21	**52**	**50**	40	**50**	**35**
Problem solving skills	32	23	33	34	**43**	33	29	30	39	**34**
Team working skills	30	17	35	25	26	**43**	**45**	31	**48**	**34**
Written communication skills	27	21	27	37	23	**44**	35	28	36	**30**
Literacy skills	16	15	19	33	21	**41**	**48**	28	**37**	**28**
Management skills	**46**	30	22	25	16	24	33	11	27	**24**
Numeracy skills	16	13	12	29	17	27	**41**	27	**33**	**23**
Office and administrative skills	20	13	11	**33**	7	13	25	6	11	**14**
Foreign language skills	13	11	9	13	**23**	17	7	11	14	**13**
General IT user skills	18	12	12	**29**	11	13	15	8	12	**13**
IT professional skills	17	15	10	**21**	6	10	14	4	6	**10**

Base: All skill-shortage vacancies (spontaneous and prompted)

Note: Percentages do not sum to 100 since multiple responses were allowed

Regional perspective

The incidence of hard-to-fill and skill-shortage vacancies was higher in Yorkshire and the Humber (9 per cent and 7 per cent respectively) than elsewhere in the country. In London, East Midlands and the South West, the incidence of employers with SSVs was lower than the national average (each had 4 per cent with SSVs compared with 5 per cent across England as a whole).

The largest numbers of SSVs are to be found in the North West, which accounts for a greater proportion of all skill-shortage vacancies (18 per cent), hard-to-fill vacancies (17 per cent) and vacancies (15 per cent) than its share of employment (13 per cent), indicating that the region is facing greater recruitment activity and greater problems satisfying this demand than other parts of the country.

In the South East, the volume of recruitment activity and difficulties, although significant, is in line with the region's share of employment. By contrast, London's share of all SSVs (13 per cent) is far lower than its share of employment (18 per cent). The region is characterised by low levels of recruitment activity relative to employment, and the vacancies that do exist are relatively unlikely to be described as hard to fill or as skill-shortage vacancies. That said, London's share of all SSVs (13 per cent) is higher than that found in 2004 (11 per cent).

Elsewhere, the proportion of recruitment activity and of recruitment difficulties caused by skills shortages falling within each region closely matches the size of the region in employment terms.

Sector variation

There is quite wide variation in the extent to which skills-related recruitment difficulties are affecting different sectors of the economy. As in 2004, those industries experiencing a higher than average incidence of SSVs tend to be either manufacturing or primary industries, or service industries dominated by public sector employers and/or associate professional occupations (such as those covered by the Skills for Care & Development and Skills for Health SSCs3).

In terms of density of skill-shortage vacancies (SSVs as a proportion of all vacancies) SummitSkills (44 per cent), Automotive Skills (37 per cent), SEMTA (35 per cent) and ConstructionSkills (35 per cent) all have higher than average proportions of vacancies where skill shortages among applicants are encountered. These are all sectors in which the density of skill-shortage vacancies as a proportion of employment is high, with the exception of SEMTA which has a relatively low vacancy rate generally.

It is also the case that the sectors covered by e-skills UK and Skills for Care & Development have a higher than average density of SSVs in relation to employment. However, this is caused by a high number of vacancies relative to employment rather than a higher than average proportion of these vacancies encountering skill shortages.

Results are summarised on Table 4. SSCs are ordered according to where the core of the industry lies, running through from primary and manufacturing to service sectors.

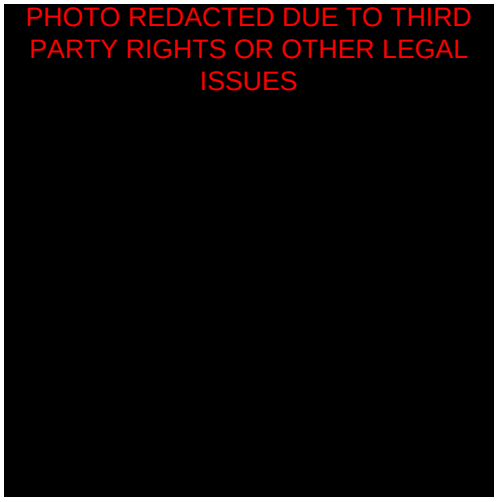


Table 4: Vacancies and skill-shortage vacancies by Sector Skills Council.

	Employment	Vacancies	HtFVs	Prompted and unprompted SSVs	% of vacancies that are SSVs (unprompted and prompted)	SSVs (unprompted and prompted) per 1,000 employees
Unweighted base	*2.16m*	*50,757*	*16,663*	*11,326*		
					%	No.
All England	*21.5m*	*573,975*	*203,550*	*143,125*	**25**	**7**
SSC:	%	%	%	%		
Lantra	1.3	1.3	1.9	1.6	**32**	**8**
Cogent	2.0	1.1	1.0	1.0	**23**	**3**
Proskills UK	1.7	1.1	0.9	1.0	**24**	**4**
Improve Ltd	1.7	1.1	0.8	0.8	**17**	**3**
Skillfast-UK	1.2	0.9	0.9	0.9	**23**	**5**
SEMTA	5.7	3.4	4.0	4.7	**35**	**5**
Energy & Utility Skills	1.1	0.7	0.4	0.5	**18**	**3**
ConstructionSkills	4.8	5.9	7.9	8.3	**35**	**12**
SummitSkills	1.0	1.1	1.6	2.0	**44**	**13**
Automotive Skills	2.1	1.9	2.3	2.8	**37**	**9**
Skillsmart Retail	10.6	9.4	8.4	6.6	**17**	**4**
People 1st	7.1	11.0	11.2	9.0	**20**	**8**
GoSkills	1.8	2.0	2.4	2.4	**31**	**9**
Skills for Logistics	2.9	2.5	2.2	2.0	**20**	**5**
Financial Services Skills Council	4.2	3.8	2.9	3.1	**20**	**5**
Asset Skills	3.3	3.6	3.3	2.9	**20**	**6**
e-skills UK	3.1	4.7	3.8	4.6	**24**	**10**
Skills for Justice	1.2	0.7	0.3	0.3	**10**	**1**
Lifelong Learning UK	3.4	2.8	1.7	1.8	**16**	**3**
Skills for Health	7.2	4.8	4.6	4.6	**24**	**4**
Skills for Care & Development	3.7	6.1	6.8	5.4	**22**	**10**
Skillset	0.6	0.6	0.3	0.4	**16**	**4**
Creative & Cultural Skills	0.9	1.0	1.1	1.0	**24**	**7**
SkillsActive	1.2	1.1	1.1	1.1	**25**	**6**
Non-SSC employers	24.9	25.0	24.2	26.0	**26**	**7**

Notes: Figures rounded to the nearest 25. Government Skills SSC is not shown due to low base sizes.

Skill Gaps Within the Existing Workforce

Table 5: Skill gaps.

	ESS 2001	NESS 03	NESS 04	NESS 05
All establishments:				
Percentage of establishments with a skill gap	23%	22%	20%	16%
Percentage of staff described as having a skill gap	9%	11%	7%	6%
Establishments with 5+ employees:				
Percentage of establishments with a skill gap	50%	39%	31%	26%
Percentage of staff described as having a skill gap	10%	11%	7%	6%

The previous section examined difficulties and skill shortages reported by employers when recruiting staff. This section looks at the extent to which employers indicate there are skill gaps within their existing workforce.

Incidence and extent of skill gaps

Skill gaps are defined as occurring when employers report having employees who are not fully proficient at their job.

A minority of employers are affected by skill gaps in their workforce (16 per cent), and overall a relatively small proportion of the total workforce (6 per cent) is described as not being fully proficient. The proportion of employers affected by skill gaps has decreased over the last 12 months, as it has every year since 2001. The proportion of the workforce lacking proficiency is also lower now than at any time since 2001.

The incidence of skill gaps increases with the size of establishment: only one-twelfth of establishments employing fewer than five people have any staff that are not fully proficient (8 per cent). This rises sharply to just under a quarter among establishments with 5-24 staff (23 per cent) and just over a third where 25-99 are employed (35 per cent). Among those with 100 or more staff, approximately two-fifths have skill gaps.

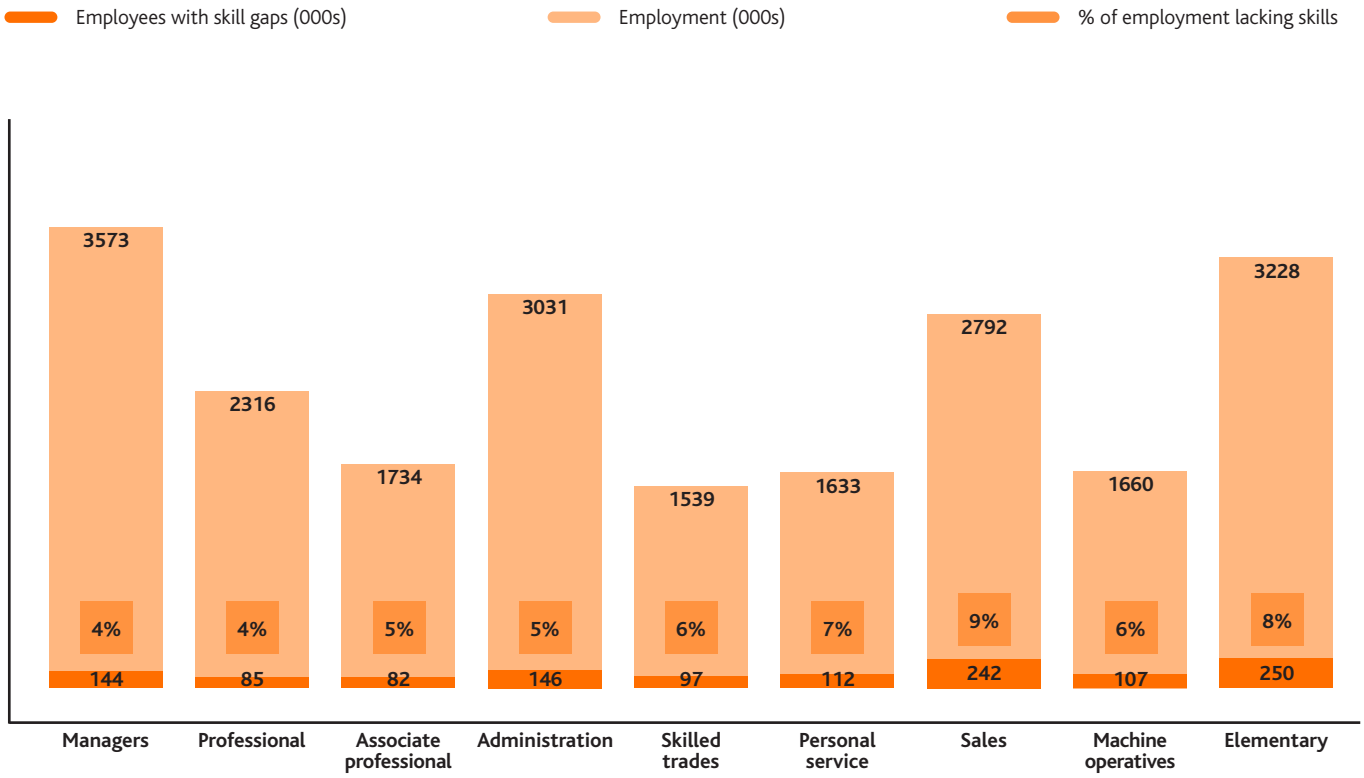
However, the overall proportion of all staff described as having a skill gap varies relatively little by size of establishment, at between 4 and 6 per cent for each size band. Across all size bands, the share of skill gaps is more or less in line with the proportion of the workforce employed, although the smallest employers (with fewer than 5 staff) account for fewer skill gaps than would be anticipated from their share of employment (6 per cent of all staff lacking skills compared with 9 per cent of all employees).

Occupationally, a lack of proficiency continues to be more likely to be reported by employers in relation to staff in lower level occupations, both in volume and density terms. That is, a greater proportion of the workforce in elementary positions such as cleaners, bar staff and shelf-fillers (8 per cent), machine operative (6 per cent), sales (9 per cent) and personal service occupations (7 per cent) lack proficiency than in the more senior occupations (managers and professionals – each 4 per cent).

Overall, two-fifths (39 per cent) of the workers described as lacking skills work in sales and elementary occupations, despite the fact that only just over a quarter (28 per cent) of employees work in these two occupations.

Figure 2 shows the number of workers in each major occupational category described as not fully proficient at their job (shown on the lower part of each column, in thousands). The full height of each column (and the figure shown at the top of each column, again in thousands) shows total employment within each occupation. The percentage figure shown is the proportion of each occupation described as not fully proficient.

Figure 2: Distribution of skill gaps by occupation.



Reasons why staff lack skills

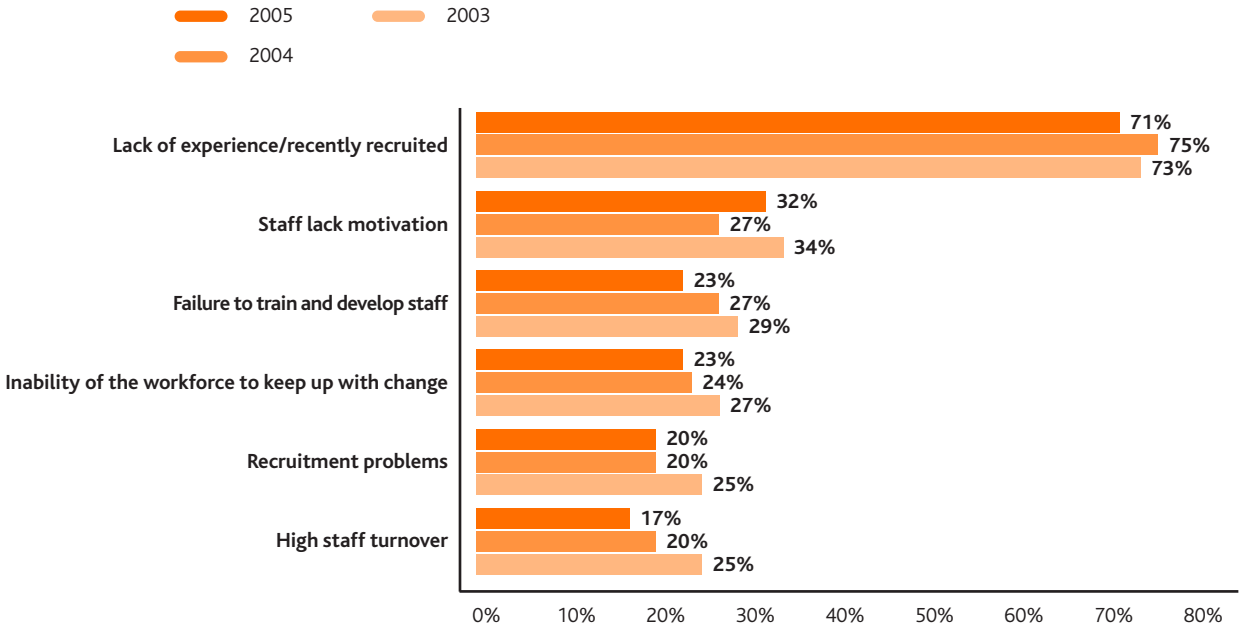
The main causes of staff not being fully proficient are presented in Figure 3 for 2005, 2004 and 2003. Results show the proportion of skill gaps caused by various factors (not the proportion of establishments reporting skill gaps with these causes). Respondents could give more than one cause for skill gaps within each occupation.

As in previous years, lack of experience or staff being recently recruited remains by far the most commonly cited cause of skill gaps, albeit at a slightly lower level than in previous years: 7 in 10 (71 per cent) of all skill gaps were attributed, at least in part, to this cause. In a similar vein, high staff turnover (17 per cent) and recruitment problems (20 per cent), with the implication that existing staff have had to undertake tasks for which they are not ideally suited or trained and/or that new staff have been taken on who are less qualified experienced or skilled than ideal, each explain around one in five skill gaps. The proportion of skill gaps attributed to each of these reasons (high turnover, recruitment problems and staff being recently recruited) has fallen since 2003.

Around a third of all skill gaps were attributed, at least in part, to staff lacking motivation, and this is the second most common cause of skill gaps (as in previous years). Another significant reason, contributing to around a quarter of all cases where staff lack skills, is a recognition that the employer has failed to train and develop staff, though this reason was less likely to be cited in 2005 than in previous years.

As in 2004, the causes of skill gaps varied by occupation. For all of the main occupational groups, lack of experience or staff being recently recruited was the most common cause of skill gaps. However, the secondary reasons varied, with the second most common cause of managerial skill gaps being the company's own failure to train (explaining, at least in part, 34 per cent of managerial skill gaps). This cause was also more likely than average to explain skill gaps in administrative occupations. An inability of employees to keep up with change was the second most common cause of skill gaps among professionals (30 per cent). Over a third (35 per cent) of personal services skill gaps were attributed, at least in part, to recruitment problems. For sales and customer services staff and those employed in elementary occupations, a lack of motivation and high staff turnover were more common causes than average.

Figure 3: Main causes of skill gaps.



Base: Skills gaps followed up.
(2005: unweighted=109,310, weighted=1,059,326)
(2004: unweighted=85,175, weighted=1,240,744)
(2003: unweighted=112,789, weighted=1,176,447)

Nature of skill gaps

As in 2003 and 2004, when describing the skills they feel are lacking among their staff, employers generally focus on soft skill areas, in particular team working and customer handling skills, each of which are mentioned as lacking in just under half of all workers lacking proficiency.

Technical, practical or job-specific skills were seen to be lacking among over two-fifths of employees who have a skill gap (44 per cent, compared with 45 per cent in 2004). Other soft, generic skills such as oral communication, problem-solving and written communication skills were the next most common skill gaps.

Much less common, though still found in around a quarter of cases where staff lacked proficiency, were insufficient general IT user skills and a lack of management skills. Clearly, gaps in regard to managerial skills have particular potential to impact on business performance and growth. General IT user skills are mentioned in connection with fewer skill gaps year on year (2003 – 29 per cent, 2004 – 26 per cent, 2005 – 23 per cent).

A lack of literacy and numeracy skills were each present in around a fifth of skill gaps (22 per cent and 21 per cent respectively). Both of these were mentioned in connection with a significantly greater proportion of skill gaps than was the case in 2004 (and at levels more comparable with the 2003 survey).

The skills lacking vary by occupation, as follows.

- In three-quarters of cases in which **managers** lack proficiency, they specifically lack management skills. Managers who are not fully proficient are also more likely than average to lack IT skills (both general and professional), office administration skills and problem-solving skills.
- **Professionals** who lack proficiency are more likely than average to lack management skills, though overall a lack of technical and practical skills is more likely to be mentioned, and indeed is the most common skill lacking among this occupation. General IT user skills and IT professional skills are also both mentioned at above-average levels.
- Skill gaps among **associate professionals** are more likely than average to involve a

Table 6: Incidence of skill gaps by region.

	% of establishments with any skill gaps	% of staff reported as having skill gaps	Share of employment	Share of all skill gaps
	Row percentages		Column percentages	
			%	%
Overall	**16%**	**6%**	**100**	**100**
Yorkshire and the Humber	23%	8%	10	12
North East	21%	6%	4	4
South East	18%	7%	16	18
North West	16%	6%	13	13
West Midlands	16%	5%	11	9
East Midlands	15%	6%	8	8
South West	15%	5%	10	8
Eastern	15%	5%	10	9
London	13%	6%	18	17

Base: First column all establishments, remainder all employment

lack of written communication skills, IT skills (both general user and professional) and office administration skills. Technical, practical and job-specific skills were mentioned as lacking in over half of all skill gaps for this occupation.

- Office administration skills, general IT user skills and customer handling skills were each mentioned as lacking in over half of all skill gaps for **administrative and clerical staff**. A lack of problem-solving, written communication and literacy skills were also more common than average within this occupational group.
- The key skills lacking among **skilled trades** are technical, practical or job-specific skills, and these were mentioned in almost two-thirds of cases. Problem-solving was the only soft skill area that was significantly more likely to be mentioned in connection with gaps for skilled trades staff than average.
- Team working skills were the key broad area lacking among **personal services** staff, mentioned as lacking for over half of all staff not fully proficient. Written communication, foreign language and literacy skills were also mentioned more commonly than average.
- For **sales** staff, customer handling is the main skills area lacking, this explaining, at least in part, nearly two-thirds of skill gaps in this occupation. Oral communication skills were also mentioned more commonly than average.
- The skills most often seen as lacking among **plant and machine operatives** are technical, practical or job-specific skills (56 per cent). However, both literacy and numeracy skill deficiencies were much more common than average among this occupational group, as were problem-solving skills and oral and written communication skills.
- A lack of literacy and numeracy skills is also more common than average among **elementary** staff that are not thought to be fully proficient (both literacy and numeracy were mentioned in connection with over a quarter of elementary skill gaps). Elementary occupation skill gaps were also more likely than average to be characterised by a lack of team working, customer handling and oral communication skills (each mentioned as lacking in around half of elementary staff with skill gaps).

Regional pattern of skill gaps

The incidence of employers reporting any skill gaps among their staff varied from almost a quarter of those in Yorkshire and the Humber (23 per cent) to an eighth (13 per cent) among those based in London, while the proportion of staff lacking proficiency varied from 8 per cent in Yorkshire and the Humber to 5 per cent in the West Midlands, Eastern and South West regions. Results are summarised in Table 6.

The South East and Yorkshire and the Humber – where there are higher than average proportions of employers with skill gaps - are the only two regions that account for a higher share of all skill gaps (18 per cent and 12 per cent respectively) than employment (16 per cent and 10 per cent). These findings largely mirror those from 2004.

Sectoral pattern of skill gaps

Table 7 shows the incidence, number and density of skill gaps by SSC, ranked in descending order of the proportions of staff described as having skill gaps (the third column of data). Table 7 also compares the share of all skill gaps by SSC to the share of total employment.

Skill gaps are a particular issue in the following SSC sectors: People 1st, Cogent, Improve Ltd and Skillsmart Retail. In all these sectors, employers are both more likely than average to report having any staff who lack proficiency (around a fifth do so) and to have a higher than average proportion of staff lacking proficiency (8 to 9 per cent, highest for People 1st). People 1st, Cogent and Improve Ltd were also among the SSCs in 2004 with the highest proportion of staff lacking proficiency.

The SSC sectors where employers report the lowest proportion of staff as lacking proficiency are those covered by Skills for Logistics, Asset Skills, Creative & Cultural Skills, and Skills for Justice. In these sectors, 4 per cent of staff were reported as lacking skills.

The occupational distribution of skill gaps within sector to a large extent reflects employment patterns. A number of general themes emerge in regard to sectoral concentrations of skill gaps compared to occupational employment. These generally mirror findings reported in 2004.

- Relatively few managers were described as lacking in proficiency in the vast majority of sectors. Furthermore, a number of sectors associated with high proportions of skilled labour and smaller firms or establishments (namely those covered by Automotive Skills, ConstructionSkills, SummitSkills, SEMTA, Skillset and Lantra SSCs) reported a disproportionately low share of managers with gaps relative to employment.
- The Skills for Health and Skills for Care & Development SSCs have particular concentrations of skill gaps in personal services occupations.
- A number of sectors have particular concentrations of skill gaps within their sales and customer service staff, particularly the sectors covered by e-skills UK, Financial Services Skills Council, Skillsmart Retail and Skillfast-UK.
- All the main sectors associated with manufacturing and engineering, (covered by SEMTA, Proskills UK, Cogent and Improve Ltd SSCs) have concentrations of skill gaps within their plant and machine operator staff.

Sectors fall into two broad categories in terms of the types of skills lacking in their workforces. There are those in which technical or practical skills are critical (including the sectors covered by SEMTA, Lantra, ConstructionSkills and SummitSkills), while for most of the remainder the skills most likely to be lacking are communication skills, customer handling or team working skills.

There are particular skills which are relatively more frequently lacking in some specific sectors, as follows:

- **Technical and practical**
  Skills for Care & Development, ConstructionSkills, SEMTA, SummitSkills
- **General IT user skills**
  Creative & Cultural Skills, Proskills UK, Skills for Health, Skills for Justice, Skillset
- **IT professional skills**
  Skills for Health
- **Management skills**
  e-skills UK, Financial Services Skills Council
- **Office administration skills**
  Financial Services Skills Council, Skills for Health, Skills for Logistics, Skillset
- **Customer handling**
  GoSkills, People 1st, SkillsActive, Skillsmart Retail
- **Problem-solving**
  Cogent, Improve Ltd, Proskills UK
- **Team working**
  Cogent, Skillset
- **Literacy**
  Skills for Care & Development, Skills for Logistics, SummitSkills, Proskills UK, Improve Ltd
- **Literacy and numeracy**
  Improve Ltd, Proskills UK
- **Oral communication**
  GoSkills, People 1st, SkillsActive
- **Written communication**
  Cogent, Improve Ltd, Skills for Care & Development, Skills for Health, SummitSkills, Asset Skills, Energy & Utility Skills.

Table 7: Incidence and number of skill gaps by sector.

	% of establishments with any skill gaps	Number of employees not fully proficient (that is, number of skill gaps)	% of staff reported as having skill gaps	Share of employment	Share of all skill gaps
	Row percentages			Column percentages	
				%	%
Overall	**16%**	*1,265,000*	**6%**	**100**	**100**
SSC:					
People 1st	20%	*144,700*	9%	7	11
Improve Ltd	21%	*30,700*	8%	2	2
Skillsmart Retail	20%	*186,000*	8%	11	15
Cogent	20%	*33,500*	8%	2	3
Financial Services Skills Council	20%	*62,300*	7%	4	5
SummitSkills	20%	*14,000*	7%	1	1
SkillsActive	18%	*16,000*	6%	1	1
Skills for Care & Development	20%	*50,400*	6%	4	4
Automotive Skills	19%	*26,600*	6%	2	2
SEMTA	19%	*69,600*	6%	6	5
ConstructionSkills	13%	*57,200*	6%	5	5
Lifelong Learning UK	19%	*37,700*	5%	3	3
Proskills UK	15%	*18,500*	5%	2	1
GoSkills	14%	*19,500*	5%	2	2
Lantra	11%	*14,200*	5%	1	1
Non-SSC employers	15%	*264,000*	5%	25	21
Skillfast-UK	13%	*12,000*	5%	1	1
Skillset	12%	*6,200*	5%	1	0
e-skills UK	12%	*31,000*	5%	3	2
Energy & Utility Skills	19%	*11,000*	5%	1	1
Skills for Health	18%	*70,300*	5%	7	6
Government Skills	19%	*!*	!	!	!
Skills for Justice	19%	*11,400*	4%	1	1
Skills for Logistics	14%	*27,000*	4%	3	2
Creative & Cultural Skills	9%	*8,100*	4%	1	1
Asset Skills	11%	*29,000*	4%	3	2

Base: First column all establishments, remainder all employment

Note: The number of employees not fully proficient has been rounded to the nearest 100.

!: base too low for reliable reporting.

Recruitment of Young People

Questions were introduced to NESS05 asking specifically about the recruitment of young people aged under 24 direct from education. Around a fifth of employers (21 per cent) had recruited a young person into their first job direct from education in the previous 12 months.

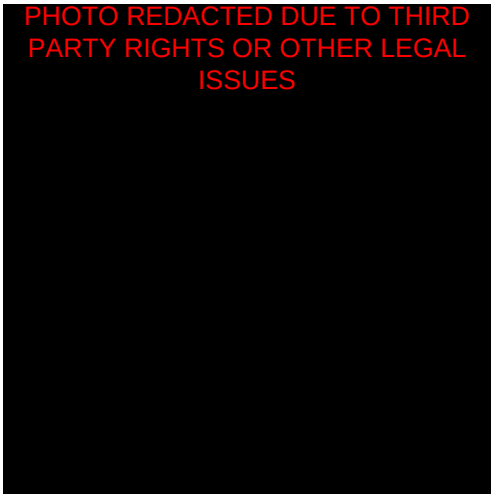
Overall, 11 per cent of all employers had recruited a 17- or 18-year-old school or college leaver, 9 per cent had recruited a graduate aged under 24 from a higher education (HE) institution and 7 per cent had recruited a 16-year-old school leaver.

Employers were generally happy with the quality of the young people they had taken on, particularly in the case of graduates. Three-fifths of employers recruiting 16-year-old school leavers (60 per cent), over two-thirds recruiting 17- or 18-year-old school or college leavers (69 per cent) and four-fifths recruiting graduates (81 per cent) thought them very well or well prepared for work.

Employers' perceptions of the work-readiness of these young recruits varied by SSC sector, with the following general themes emerging.

- In a number of sectors associated with manufacturing, engineering or construction industries (notably employers represented by Cogent, SEMTA, Energy & Utility Skills and SummitSkills), the perceptions of the work-readiness of all three types of young recruits were lower than average.
- Employers covered by the Skills for Health and Creative & Cultural Skills SSCs were more positive than average about the school and college leavers they recruited.
- A higher than average incidence of recruiting 17- or 18-year-old school or college leavers was reported by employers covered by the SkillsActive and Skills for Justice SSCs, and in both cases the perception of work-readiness was higher than average.
- Among employers covered by e-skills UK and Skillset, a high incidence of recruitment of HE leavers is coupled with a higher than average perception that these recruits are poorly prepared for work.

Where the recruits are poorly prepared for the jobs they are recruited to, this is most commonly in terms of personal attributes and/or because of their lack of experience, rather than explicitly in terms of skills. Results suggest that the longer an individual spends in education, the more likely they are to be equipped with the personal attributes that employers require, though it is not possible to determine the extent to which this is a function of education or the process of maturing.



Training and Workforce Development Activity and Expenditure

Just under two-thirds (65 per cent) of employers had arranged or funded any training or development for any of their workforce in the previous 12 months, little changed from the proportion in 2004 (64 per cent). Table 8 summarises overall findings in NESS05, and provides comparisons with results from earlier employer surveys.

Size is a key determinant of likelihood to train: half of the smallest establishments with fewer than 5 employees and just over a fifth of those with 5-24 employees had not provided any training in the previous 12 months. In contrast, well over nine-tenths of establishments with 25 or more staff had trained some of their employees over the previous 12 months.

Individuals employed in small establishments are also less likely to receive training. As a proportion of current employment, just over two-fifths (42 per cent) of all staff employed in micro-establishments (with fewer than 5 employees) had received training in the previous 12 months. By comparison, nearly two-thirds (64 per cent) of those employed in establishments with 25 or more staff had received training.

Training planning and budgeting

The incidence of training planning and budgeting, summarised in Table 8, shows little change compared with 2004, though levels are significantly above those reported in 2003. The increase compared with 2003 was particularly evident for employers having training plans specifying in advance the level and types of training employees will need in the coming year, up from 39 per cent in 2003 to 45 per cent in 2005.

The majority of employers provide formal, written job descriptions for their staff (74 per cent, up from 71 per cent in 2004) and similarly there has been an increase in the proportion that formally assess whether their staff currently have gaps in their skills (55 per cent, up from 52 per cent in 2003 and 2004).

Nature and extent of training provision

Employers reported providing training over the previous 12 months to just over 13.1 million workers, equivalent to three-fifths of the total current workforce (61 per cent, unchanged from 2004). Employers reported that 2.5 million staff (representing 19 per cent of all trainees) were being trained towards a nationally recognised qualification.

Most employers that train provide training to the majority of their workforce: for over two-fifths of all establishments that train (45 per cent), the number of staff trained over the previous 12 months represents 90 per cent or more of the current workforce, and for three-quarters (74 per cent), the number of staff trained over the previous 12 months represents half or more of the number of staff currently employed. Very few establishments that train are highly selective and for only 9 per cent of training establishments did the number trained over the previous 12 months represent less than a quarter of their current workforce. These figures are virtually identical to those reported in 2004.

Table 8: Training and workforce development activity and planning.

	ESS 2001	NESS 03	NESS 04	NESS 05
Establishments training staff over the previous 12 months	n/a	59%	64%	65%
Establishments providing off-the-job training in the previous 12 months	35%	n/a	47%	46%
Establishments with a training plan	Not comparable	39%	44%	45%
Establishments with a budget for training	Not comparable	31%	34%	33%
Employees trained per 1,000 employees	n/a	567	609	609

The vast majority of employers that trained (71 per cent, equivalent to 46 per cent of all employers) provided some off-the-job training (defined as training that takes place away from the individual's immediate work position, whether on the employer's premises or elsewhere).

More managers had received off-the-job training than any other occupational group. However, this partly reflects the fact that most companies employ at least one manager. Just over a third (36 per cent) of managers received off-the-job training in the previous 12 months, lower than the proportion of professionals, associate professionals and personal services staff receiving off-the-job training (53 per cent, 47 per cent and 53 per cent respectively).

Provision of on-the-job training has a somewhat different occupational pattern. While over half of professionals, associate professionals and personal services staff were provided with on-the-job training in the previous 12 months (57 per cent, 54 per cent and 67 per cent respectively), the provision of on-the-job training to some of the lower skilled occupational groups was at a relatively high level. In particular, three-fifths of sales and customer service staff received on-the-job training in the previous 12 months, as did half of those in elementary occupations, despite fewer than one-third of those employed in these two occupational groups receiving any off-the-job training in that time.

Table 9 shows that in total, employers funded or arranged 162 million days of training over the previous 12 months, equivalent to 7.5 days of training per annum for every worker in the country. Within establishments providing any training, the number of training days provided equates to 8.7 days per employee, or 12.3 days per person trained.

Use of further education colleges for training

Just over a quarter (28 per cent) of employers that had funded or arranged training in the previous 12 months had used a further education (FE) college to deliver some of their training; this is equivalent to 18 per cent of all employers. Among those that had provided any off-the-job training, just over a third (35 per cent) had used an FE college, a slight increase from 2004 (33 per cent).

Larger employers, who are more likely to provide any training, are also more likely to provide training through FE colleges. Nearly two-thirds (63 per cent) of the largest employers that train had funded or arranged at least some training through an FE college in the previous 12 months. By comparison, one-fifth (21 per cent) of the smallest employers that train sourced any training through an FE college.

The vast majority were satisfied with the FE provision (82 per cent), though 8 per cent expressed dissatisfaction.

Employer expenditure on training

After the main NESS05 fieldwork, a separate follow-up study was conducted among just over 7,000 employers that trained to estimate employer expenditure on training. This involved employers completing a detailed datasheet about the extent of their training activity. This was the first time a Cost of Training survey had been conducted in the NESS series, and hence directly comparable trend data is not available.

Results indicate that total employer training expenditure over the previous 12 months was £33.3 billion. This splits almost evenly between expenditure on off- and on-the-job training.

Establishments employing fewer than 25 staff spent just over £14 billion on training in the previous 12 months, representing 42 per cent of all employer training expenditure. This is despite the fact that well under one-third (29 per cent) of those receiving training over the previous 12 months were employed within establishments of this size.

Table 9: Training days per annum (overall and per capita).

Total training days	**161.8 million days**
Per capita training days	7.5 days
Per capita training days (training employers' workforce)	8.7 days
Per trainee training days	12.3 days
Days off-the-job training per off-the-job trainee	6.1 days
Days on-the-job training per on-the-job trainee	10.8 days

Table 10: Total training costs and training cost components.

Total	**£33.3bn**	
	Overall cost	%
Off-the-job training: course-related:	**14.3bn**	**43**
Trainee labour costs	£4,173m	13
Fees to external providers	£1,654m	5
On-site training centre	£2,287m	7
Off-site training centre (in the same company)	£381m	1
Training management	£5,100m	15
Non-training centre equipment and materials	£446m	1
Travel and subsistence	£337m	1
Levies minus grants	-£67m	*
Off-the-job training: other (seminars, workshops)	**£2.5bn**	**7**
Trainee labour costs	£1,788m	5
Fees to external providers	£708m	2
On-the-job training	**16.5bn**	**50**
Trainee labour costs	£9,998m	30
Trainers' labour costs	£6,526m	20

Base: All establishments completing the Cost of Training survey (7,059 unweighted, 896,639 weighted)

The vast bulk of training expenditure comprises labour costs of those receiving and delivering or organising training. Labour costs of those being trained total a little under £16 billion and represent almost half (48 per cent) of total training expenditure. A further £5.1 billion is spent on the management of training and £6.5 billion on the labour costs of those delivering on-the-job training, and these two elements account for over one-third (35 per cent) of total employer expenditure on training. In comparison, a total of around £2.4 billion is spent on fees to external providers of off-the-job training, and this accounts for around 7 per cent of total training costs. A breakdown of total training expenditure is shown in Table 10.

Total training expenditure equates to an average spend of £1,550 per employee. Annual training spend *per trainee* is just over £2,500. Spend per trainee is much higher among smaller establishments: the average per trainee spend among micro-establishments with 2-4 employees is approximately £5,650 per annum and among those with 5-24 staff it is £3,220, whereas among those with 100 or more staff, less than £2,000 is spent per trainee.

Spend per trainee varies somewhat depending on the type of training provided, with more being spent per trainee for off-the-job training than on-the-job training. On average, employers spend around £2,175 per annum on off-the-job training for each off-the-job trainee, compared with around £1,525 per annum on on-the-job training for each on-the-job trainee.

Table 11: Training activity by sector.

Row % except columns h and i (column %s) and columns d, f and g		a) Train at all	b) Train on-job only	c) Trainees as a % of current workforce	d) Days training per capita	e) Train through an FE college	f) Total training expenditure	g) Spend per employee	h) % of total workforce	i) % of total training expenditure
Overall	**%**	**65**	**19**	**61**	**8**	**18**	**£33,331m**	**£1,550**	**%**	**%**
SSC:										
Lantra	%	50	11	47	7	17	£766m	£2,675	1	**2**
Cogent	%	71	24	58	6	16	£413m	£975	2	**1**
Proskills UK	%	58	23	45	5	12	£413m	£1,150	2	**1**
Improve Ltd	%	63	17	49	5	23	£267m	£725	2	**1**
Skillfast-UK	%	47	24	42	5	7	£136m	£550	1	*
SEMTA	%	62	17	48	4	21	£1,790m	£1,475	6	**5**
Energy & Utility Skills	%	71	19	50	4	15	£109m	£450	1	*
ConstructionSkills	%	58	14	51	7	19	£2,520m	£2,450	5	**8**
SummitSkills	%	69	10	51	7	39	£457m	£2,150	1	**1**
Automotive Skills	%	56	16	47	7	18	£570m	£1,275	2	**2**
Skillsmart Retail	%	57	27	63	9	7	£3,025m	£1,325	11	**9**
People 1st	%	61	22	66	13	14	£3,741m	£2,450	7	**11**
GoSkills	%	50	17	53	8	9	£264m	£675	2	**1**
Skills for Logistics	%	61	19	49	6	9	£556m	£875	3	**2**
Financial Services Skills Council	%	84	21	68	9	14	£1,708m	£1,875	4	**5**
Asset Skills	%	69	21	67	8	15	£1,450m	£2,075	3	**4**
e-skills UK	%	67	20	49	6	13	£1,054m	£1,600	3	**3**
Government Skills	%	90	17	!	8	36	!	!	!	**!**
Skills for Justice	%	85	16	55	9	23	£213m	£800	1	**1**
Lifelong Learning UK	%	89	12	69	6	41	£1,052m	£1,450	3	**3**
Skills for Health	%	83	14	73	7	38	£2,019m	£1,300	7	**6**
Skills for Care & Development	%	89	12	83	10	46	£1,856m	£2,325	4	**6**
Skillset	%	60	21	57	6	8	£90m	£700	1	*
Creative & Cultural Skills	%	57	20	51	5	12	£316m	£1,625	1	**1**
SkillsActive	%	72	17	63	8	22	£304m	£1,225	1	**1**
Non-SSC employers	%	69	17	63	7	22	£7,732m	£1,450	25	**23**

Base: Columns a) – e) all employers from NESS05; column f) all establishments completing the Cost of Training survey; column g) uses main NESS05 for number of employees and Cost of Training survey for total training expenditure. **!:** base too low for reliable reporting.

Training activity and expenditure: the sectoral picture

Table 11 summarises key measures of training activity and expenditure by SSC sector.

As in 2004, training activity was most common among those sectors dominated by public service sector establishments. Around nine-tenths of employers in sectors covered by Government Skills, Lifelong Learning UK and Skills for Care & Development SSCs funded or arranged training. Employers that train in these sectors were also the most likely to train a large proportion of their staff, as were those employers covered by People 1st, Skillsmart Retail and Asset Skills SSCs.

Establishments covered by Lantra and GoSkills SSCs were the least likely to train (each 50 per cent).

In keeping with the high proportion of staff receiving training in the People 1st sector, these employers provided markedly higher numbers of days' training (equivalent to 13 days per capita in their workforce as a whole, and 19 days per trainee) than employers in other sectors. It was next highest among employers covered by the Skills for Care & Development SSC (10 days' training per capita).

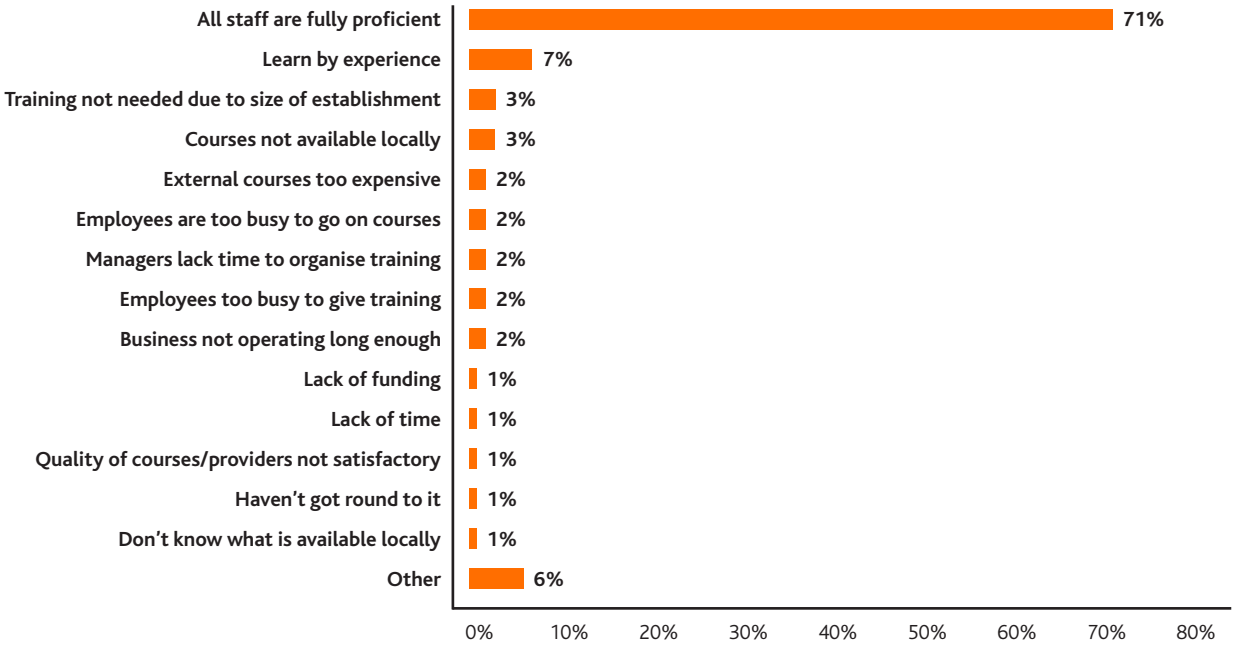
The fewest days' training per employee were reported by employers covered by SEMTA and Energy & Utility Skills SSCs (4 days per employee in each sector).

The use of FE colleges was particularly high among sectors making up the traditional public sector (employers covered by Lifelong Learning UK, Skills for Health, Skills for Care & Development and Government Skills SSCs), though the figure was comparably high for employers covered by SummitSkills SSC.

Of the sectors covered by an SSC, the largest training costs were reported by employers covered by the People 1st (£3.7 billion), Skillsmart Retail (£3.0 billion) and ConstructionSkills (£2.5 billion) SSCs. Employers covered by People 1st and ConstructionSkills SSCs each accounted for a larger share of total training expenditure than employment, while the reverse was true for employers covered by the Skillsmart Retail SSC.

Generally, the overall amount spent on training in other SSC sectors closely matched what might be expected from their share of overall employment. Skills for Care & Development was the most noticeable exception, accounting for a higher proportion of total training expenditure (6 per cent) than employment (4 per cent).

Figure 4: Reasons for not providing training.

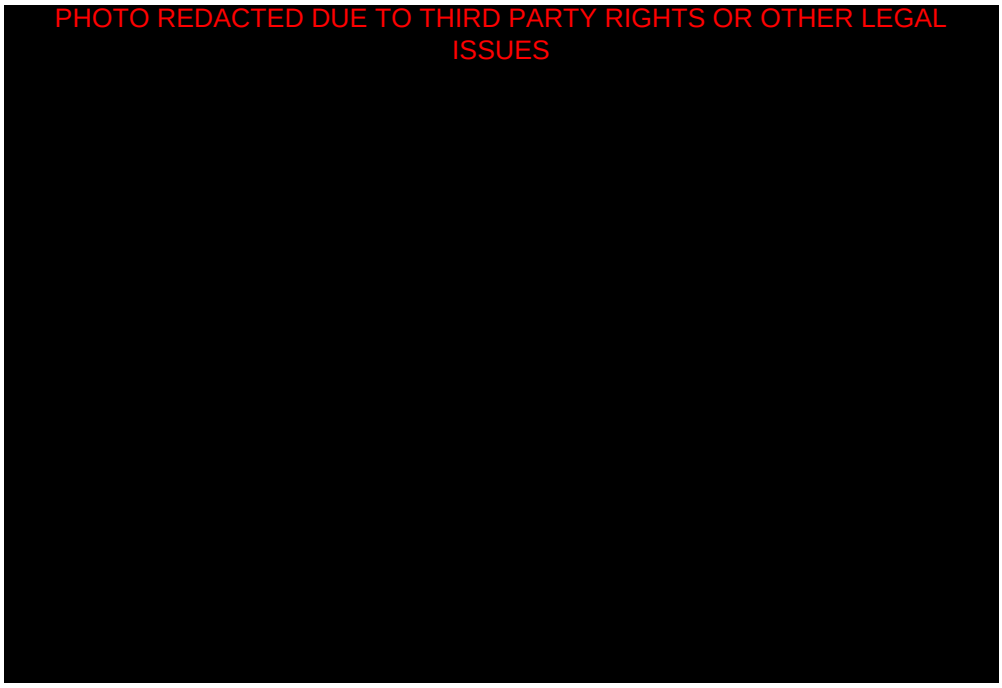


Base: All employers not providing training in past 12 months (unweighted 19,969, weighted 489,261)

SSC sectors where average training expenditure per employee were particularly high (over £2,000 per employee per annum compared with the average of £1,550) were: Lantra, People 1st, ConstructionSkills, Skills for Care & Development, SummitSkills and Asset Skills. By contrast, employers in the following SSC sectors spent less than half the national average: Energy & Utility Skills, Skillfast-UK, GoSkills, Skillset and Improve Ltd.

Reasons for not providing training

The most common reason given by employers for not providing training is that their staff are fully proficient, with this being mentioned spontaneously by approaching three-quarters (71 per cent) of non-trainers. This is more important for the smallest establishments. The next most common reason, mentioned by 7 per cent of non-trainers, was that they prefer staff to learn by experience. Relatively few mention supply-side barriers to training such as courses not being available locally. Results are summarised in Figure 4.



Conclusions

This summary report has highlighted some of the key findings from NESS05 regarding the extent to which employers are experiencing difficulties recruiting, the degree to which these difficulties are the result of applicants not having the skills required, the extent of skill deficiencies among the current workforce and the degree of training and workforce development activity among employers.

Overall, results reveal that in terms of their existing workforce, fewer employers in 2005 describe any of their staff as lacking proficiency than at any time since 2001, with this being a continuing downward trend since 2001. In 2001, almost a quarter of employers (23 per cent) had some staff that were not fully proficient. In 2005 this had fallen to one-sixth (16 per cent).

Related to this, the proportion of the workforce described as lacking proficiency was lower in 2005 (6 per cent) than at any time since 2001 (the figure was highest at 11 per cent in 2003).

While the downward trend has continued with regard to the incidence and extent of skill gaps among the existing workforce, in terms of recruitment difficulties, the picture in 2005 is little changed from 2004. In summary, recruitment difficulties and skills-related difficulties continue to affect a small but persistent minority of employers. In 2005, 7 per cent of all employers had hard-to-fill vacancies at the time of the survey and for 5 per cent these difficulties were caused, at least in part, by applicants lacking the skills (or experience or qualification) sought (using the unprompted and prompted measure). In volume terms, employers experience skill deficiencies among applicants for a quarter of all vacancies.

The extent of training and workforce development activity has also stabilised after increases from 2003 to 2004. Two-thirds of employers (65 per cent) provided training over the previous 12 months (little changed from 64 per cent in 2004, though higher than 59 per cent in 2003), and the number of staff trained over the previous 12 months was equivalent to 61 per cent of the current workforce (the same as in 2004, up from 57 per cent in 2003).

There has been a slight increase in the proportion of employers undertaking off-the-job training that use FE colleges for delivering some of their training (35 per cent, up from 33 per cent in 2004). This represents 18 per cent of all employers. The vast majority of users were satisfied with the FE-delivered training (82 per cent), though 8 per cent expressed dissatisfaction.

Skills difficulties affect different sizes and sectors of employer, and different occupations, very differently. As in previous years, smaller establishments account for a disproportionately large share of all recruitment difficulties, whether skills-related or not: half of all vacancies (50 per cent) and a clear majority of hard-to-fill and skill-shortage vacancies (59 and 58 per cent respectively) fall within establishments with fewer than 25 staff, despite these establishments only accounting for one-third of all employment. The demand for labour among small establishments is clearly high, but their potential to act as a spur for growth is limited in many cases by difficulties in finding the required skills among applicants.

Within the existing workforce, occupationally there is a particular focus of skill shortages among some of the lower skilled areas: two-fifths (39 per cent) of the workers described as lacking skills work in sales and customer service and elementary occupations, despite the fact that only just over a quarter (28 per cent) of all employees work in these two occupations.

By sector, there is quite wide variation in the extent to which employers face skills shortages either among applicants or in their existing workforce, and in the extent to which training and workforce development activity is undertaken. Skill gaps, for example, are a particular issue for employers covered by People 1st, Cogent, Improve Ltd and Skillsmart Retail SSCs: these employers are both more likely than average to report having any staff who lack proficiency - around a fifth do so - and to have a higher than average proportion of staff lacking proficiency (8-9 per cent). However, the variations by SSC sector in skill difficulties and training activity largely follow the pattern reported in 2004.

A more detailed discussion of the results, particularly in regard to variation by size, sector and region, is presented in the full report, which is available from the LSC on CD, or can be downloaded from LSC's website (www.lsc.gov.uk/National/Documents/ReadingRoom). The survey data is also available for further exploration and data mining (http://researchtools.lsc.gov.uk).

Annex A: Sector Definitions

As in 2004, sector analysis of NESS05 defines sectors in a manner consistent with SSC definitions of the sectors they cover, rather than the more general definitions of sector that had been used in NESS03 and previous employer surveys. The SSCs are listed in Table A1, together with a description of the sector and a definition in terms of Standard Industrial Classification (SIC). The SIC codes used are a 'best fit' of each SSC's core business sectors and the extent to which this is an exact fit varies between SSCs. In some cases, the use of the core SIC codes excludes elements of the SSC footprint because they are included in other areas. The category 'non-SSC establishments' represents those SICs not allocated to an SSC at the time of the study.

SSCs are ordered in Table A1 according to where the 'core' of the industry that the SSC represents falls, running through from primary and manufacturing to service sectors.

Table A.1: SSC names, descriptions and SIC definitions.

SSC name	SSC description	SIC definition
Lantra **Web** www.lantra.co.uk	Environmental and land-based industries	1, 2, 5.02, 85.2, 92.53
Lantra also covers industries that are small elements of other SIC codes not necessarily within their core, for example floristry, fencemaking and farriery.		
Cogent **Web** www.cogent-ssc.com	Chemicals, nuclear, oil and gas, petroleum and polymer industries	11, 23-25 (excluding 24.3, 24.64, 24.7, 25.11, 25.12), 50.5
Cogent also covers the nuclear industry and signmaking, but it is not possible to isolate these in terms of SIC.		
Proskills **Web** www.proskills.org.uk	Process and manufacturing of extractives, coatings, refractories, building products, paper and print	10, 12-14, 21, 22.2, 24.3, 26.1, 26.26, 26.4-26.8, 40.3
Improve Ltd **Web** www.improveltd.co.uk	Food and drink manufacturing and processing	15 (excluding 15.92), 51.38
Skillfast-UK **Web** www.skillfast-uk.org	Apparel, footwear and textile industry	17-19, 24.7, 51.16, 51.24, 51.41, 51.42, 52.71, 93.01
SEMTA **Web** www.semta.org.uk	Science, engineering and manufacturing technologies	25.11, 25.12, 27.4, 27.5, 28.1-28.3, 28.5-28.7, 29-35
SEMTA also cover science sectors, not exclusively defined by SSC.		
Energy & Utility Skills **Web** www.euskills.co.uk	Electricity, gas, waste management and water industries	37, 40.1, 40.2, 41, 51.54, 51.55, 60.3, 90
Energy and Utility Skills also have an interest in gas fitters, covered by SummitSkills SSC.		
ConstructionSkills **Web** www.citb-constructionskills.co.uk	Development and maintenance of the built environment	45.1, 45.2, 45.32, 45.34, 45.4, 45.5, 71.32, 74.2
A substantial proportion of construction work is sub-contracted to self-employed individuals (without employees) who were excluded from this survey.		
SummitSkills **Web** www.summitskills.org.uk	Building services engineering (electro-technical, heating, ventilating, air conditioning, refrigeration and plumbing)	45.31, 45.33, 52.72
Automotive Skills **Web** www.automotiveskills.org.uk	Retail motor industry	50.1-50.4, 71.1

Table A.1: SSC sector names, SIC definitions and description (continued)

Skillsmart Retail **Web** www.skillsmartretail.com	Retail industry	52.1-52.6
People 1st **Web** www.people1st.co.uk	Hospitality, leisure, travel and tourism	55.1, 55.21, 55.23, 55.3-55.5, 63.3, 92.33, 92.71
GoSkills **Web** www.goskills.org	Passenger transport	60.1, 60.21-60.23, 61, 62.1, 62.2, 63.2, 80.41
Skills for Logistics **Web** www.skillsforlogistics.org	Freight logistics industry	60.24, 63.1, 63.4, 64.1
Skills for Logistics also cover rail and water freight transport, for which there are no specific SIC codes		
Financial Services Skills Council **Web** www.fssc.org.uk	Financial services industry	65-67
Asset Skills **Web** www.assetskills.org	Property, housing, cleaning and facilities management	70, 74.7
Facilities Management, although as an industry is included in SIC code 70, is also an occupation employed across all industries, so is not fully represented through SIC. Some social Housing Management activity also falls within 85.31 Social Work activities with accommodation.		
e-skills UK **Web** www.e-skills.com	IT, Telecoms and Contact Centres	22.33, 64.2, 72, 74.86
e-skills UK covers IT and telecommunications professionals across all industries. As this is a fast changing sector, sector boundaries are continually changing.		
Government Skills **Web** www.government-skills.gov.uk	Central government	75.1, 75.21, 75.22, 75.25, 75.3
Most of the above SIC codes also incorporate local government. As it is not possible to identify through SIC, employers in these sectors were asked an additional question to ascertain whether they were central or local government establishments.		
Skills for Justice **Web** www.skillsforjustice.com	Custodial care, community justice and police	75.23, 75.24
Lifelong Learning UK **Web** www.lifelonglearninguk.org	Community-based learning and development, further education, higher education, library and information services, work-based learning	80.22, 80.3, 80.42, 92.51
Skills for Health **Web** www.skillsforhealth.org.uk	NHS, independent and voluntary health organisations	85.1
Skills for Care & Development	Social care including children, families and young children	85.3
Skillset **Web** www.skillset.org	Broadcast, film, video, interactive media and photo imaging	22.32, 24.64, 74.81, 92.1, 92.2
Photo-imaging is spread across a range of SIC codes, it is not possible to isolate the retail element. Interactive media, the largest sector in scope to Skillset, is not exclusively coded and is included within the core of e-skills UK, therefore it is excluded from this analysis. Additionally, self-employed people without employees are not included in this survey but represent most of the sector in areas which are included such as film production and independent production. For these reasons combined, the data presented for Skillset should be interpreted with extreme caution.		
Creative & Cultural Skills **Web** www.ccskills.org.uk	Arts, museums and galleries, heritage, crafts and design	22.14, 22.31, 36.3, 74.4, 92.31, 92.32, 92.34, 92.4, 92.52
SkillsActive **Web** www.skillsactive.com	Sport and Recreation, Health and Fitness, Playwork, the Outdoors and Caravans	55.22, 92.6, 93.04
SkillsActive covers sectors which form only a portion of other SIC codes and so do not make sense to include in analysis. Some sub-sectors, such as Playwork, are excluded from the analysis.		
Non-SSC establishments	All sectors not covered by an SSC at this point in time, spread across manufacturing and service sectors	All other SICs

Annex B: Details of Employer Surveys with which Comparisons are made in this Report

ESS2001 involved interviews with around 27,000 establishments with more than one employee.

NESS03 was a far larger survey, covering over 72,000 establishments. The sample coverage was comparable to ESS2001, in that all establishments with more than one employee were eligible for interview.

NESS04 returned to the smaller sample size of just over 27,000 establishments. Unlike previous surveys in the series, the survey was employment rather than *employee* based, with all establishments with two or more staff being eligible for interview. Sector sampling was undertaken on an SSC basis for the first time.

NESS05 was the largest survey in the series yet, comparable to NESS03 in its coverage of just under 75,000 establishments, and with an identical sample design to that used for NESS04.

Annex C: A Note on Time Series Comparisons

Some care needs to be taken in drawing time series comparisons. The 2004 and 2005 surveys departed from previous employer surveys undertaken in England in defining establishments (and sampling them, and weighting findings) on an employment base rather than an employee base. Where NESS03 and ESS2001 surveyed the population of establishments with at least one employee (excluding working proprietors), NESS04 and NESS05 surveyed establishments with at least two people working in them (regardless of their role or position).

Thus some establishments covered by ESS2001 and NESS03 would not have been eligible in 2004 or 2005, and similarly some establishments that were eligible in 2004 and 2005 were not in 2001 or 2003.

The official estimates that are available to describe these populations are widely divergent. The population surveyed by NESS03 (establishments with one or more employees) was estimated through the Annual Business Inquiry (ABI) extract for March 2002 at 1.9 million establishments that collectively accounted for 21.6 million employees.

ABI does not provide estimates for populations defined by employment. NESS05 population estimates were therefore established through the Inter-departmental Business Registry (IDBR) for March 2004. These suggested a total population of 1.4 million establishments that collectively accounted for 21.5 million workers.

Related Publications

National Employers Skills Survey 2005: Index
Publication reference: LSC-P-NAT-060306

National Employers Skills Survey 2005: Main Report
Publication reference: LSC-P-NAT-060304

National Employers Skills Survey 2005: CD
Publication reference: LSC-P-NAT-060307

Skills in England 2005: Index
Publication reference: LSC-P-NAT-060312

Skills in England 2005 Volume 1: Key Messages
Publication reference: LSC-P-NAT-060308

Skills in England 2005 Volume 2: Research Report
Publication reference: LSC-P-NAT-060309

Skills in England 2005 Volume 3: Regional/local
Publication reference: LSC-P-NAT-060310

Skills in England 2005: CD
Publication reference: LSC-P-NAT-060313

Useful Websites:

NESS05 data is available at
http://researchtools.lsc.gov.uk

Further Information

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