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Employer Skills Survey 2015: Wales Report

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Employer Skills Survey 2015: Wales Report

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Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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Glossary of Terms

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

Establishment (also referred to as workplace, business, employer or site)	A single location of an organisation – for this survey all have at least two people working at that location.
Vacancy density	The number of vacancies as a proportion of all employment.
Hard-to-fill vacancies	Vacancies which are proving difficult to fill, as defined by the establishment (from the question: "Are any of these vacancies proving hard to fill?").
Hard-to-fill vacancy density	The number of hard-to-fill vacancies as a proportion of all vacancies.
Skill-shortage vacancies (SSVs)	Vacancies which are proving difficult to fill due to the establishment not being able to find applicants with the appropriate skills, qualifications or experience.
Skill-shortage vacancy density	The number of skill-shortage vacancies as a proportion of all vacancies.
Skills gaps	A "skills gap" exists where an employee is deemed by their employer to be not fully proficient, i.e. is not able to do their job to the required level. See Annex F.
Skills gap density	The number of staff reported as not fully proficient as a proportion of all employment.
Under-use of skills (skills under-utilisation)	An employee's skills are under-used / underutilised if the employer reports a person has *both* skills and qualifications that are more advanced than required to perform the job role they are currently in.

Product Market Strategy (PMS)

An establishment's PMS score is worked out from the combined answers to four questions:

- How customised their output is;
- How price dependent their offering is;
- How innovative the establishment is;
- Whether outputs are premium or basic quality.

A high PMS score indicates outputs are customised, not price-dependent, premium quality and the establishment often leads the way in product development.

Level 4 and above qualifications

Qualifications at or above Level 4 on the National Qualifications Framework. Includes HNDs, HNCs, foundation degrees and degrees, postgraduate degrees, and some vocational and professional qualifications.

Sector

For definitions of the different sector groupings used in this report please refer to Annex C.

Occupations

For definitions of the occupational groups used in this report please refer to Annex D.

Executive Summary

Introduction

In examining the experiences and practices of over 91,000 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. Over 6,000 interviews were conducted with employers in Wales.

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. The scale of the survey allows for detailed sub-group analysis at a regional and sector level, as well as allowing for comparisons with other countries within the UK.

The period from 2011 coincides with the UK economy leaving recession and experiencing relatively sustained economic growth. The survey 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. In 2015, a more nuanced framework was adopted for establishing what skills employers find lacking in the external labour market and within their existing workforce.

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.

Recruitment and skill-shortage vacancies

There was **substantial growth in the number of employers active in the recruitment market** in 2015 compared to 2013: 17 per cent of establishments in Wales had at least one current vacancy at the time of ESS 2015 fieldwork (March – July 2015), up from 14 per cent in 2013, and the number of vacancies reported had increased from around 26,000 in 2013 (equivalent to 2.2 per cent of total employment) to around 36,000 in 2015 (3.1 per cent of total employment). 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 employers in Wales had at least one skill-shortage vacancy** at the time of the survey, up from four per cent in 2013. A total of around 9,000 skill-shortage vacancies were reported in 2015, a sharp increase from the 5,000 reported in 2013.

While both the number of vacancies and skill-shortage vacancies increased, **the density of skill-shortage vacancies** (i.e. the proportion of vacancies which employers were struggling to fill because of skill shortages) **has also increased since 2013**: from 20 per cent to 24 per cent. By contrast, skill-shortage density at the overall UK level remained largely unchanged in this period (23 per cent in 2015 compared with 22 per cent in 2013).

By occupation, the **density of skill-shortage vacancies was highest for Skilled Trades** (45 per cent of all vacancies for this occupation were hard-to-fill due to skill shortages), similar to the UK figure (43 per cent). There has been a **large increase in the density of skill-shortage vacancies for Machine Operatives** (from 25 per cent in 2013 to 40 per cent in 2015).

Skill-shortage vacancies occurred as a result of a lack of both people / personal skills and technical and practical skills amongst applicants. Skills relating to operational aspects of the role (e.g. 42 per cent of skill-shortage vacancies were attributed to a lack of applicant knowledge of how the organisation works), as well as complex analytical skills, were the main technical and practical skills lacking. Employers also reported a shortage of oral Welsh language skills (a contributory cause of 15 per cent of all skill-shortage vacancies) and written Welsh language skills (11 per cent). The main people and personal skills lacking pertained to time management (57 per cent), customer handling skills (47 per cent) and team working (44 per cent).

Retaining staff

Close to one in ten (nine per cent) establishments in Wales reported that there were specific jobs in which they had difficulties retaining staff. This is similar to the proportion across the UK as whole (eight per cent) and represents a small increase since 2011 (seven per cent), the last time retention difficulties were covered in the Employer Skills Survey series.

By sector, employers within the Hotels and Restaurants sector were most likely to experience retention difficulties (20 per cent), which is in line with the incidence of retention difficulties in this sector at a UK level.

Where employers experience retention difficulties, **these were most likely to relate primarily to Skilled Trades (26 per cent)**. This was higher than the proportion citing retention difficulties among Skilled Trades occupations in the UK (21 per cent).

The most common reason given for retention difficulties was staff lacking interest in the type of work that was offered (65 per cent).

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 54,000 staff lacking proficiency in their current role (**4.5 per cent of the workforce in Wales**). These proportions were similar to those across the UK (14 per cent and 5.0 per cent respectively).

Two-thirds of all skills gaps were deemed to be caused, at least in part, by the fact that staff were new to the role, while a similar proportion were attributed to employees' training being only partially complete. These factors are both predominantly transient: that is to say one would expect skills gaps resulting from these causes to be eliminated once staff have settled into their new roles and/or existing training has been completed.

The proportion of employers with any skills gaps, and the proportion of the workforce affected, fell between 2013 and 2015, reverting to levels more in line with 2011. By region, skills gaps density was highest in south east Wales (4.9 per cent) and lowest in mid Wales (2.5 per cent).

At an occupational level, skills gaps were most likely to be found among Machine Operatives (7.4 per cent). The skills gaps density among Skilled Trades occupations, where the skill-shortage vacancy density was highest, was 5.5 per cent.

Skills gap density was highest in the Manufacturing sector (despite a decrease in density compared with 2013), and this was the sector with the highest *number* of skills gaps.

People and personal skills, such as time management and the ability to prioritise tasks, as well as team working, were commonly lacking across a

range of occupations where skills gaps were present. Specialist skills or knowledge needed to perform the role were also widely considered to be lacking, along with good operational understanding and knowledge.

In line with wider UK findings, skills gaps appeared to have a greater impact on smaller businesses in particular. An increased workload for other staff was the most common impact, affecting around half of all establishments with skills gaps.

Employers' perceptions of under-use of skills and qualifications in the workplace

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.

A third (34 per cent) of employers in Wales reported that they had at least one employee with skills and qualifications above those required for their current role, with **89,000 workers reported to be under-utilised** in this way (eight per cent of all staff). Managers were the single most common occupation under-utilised.

Due to an adjusted measure of under-utilisation for the 2015 survey, no time series comparisons are presented in this report.

Just over one in five (22 per cent) establishments reporting under-use of skills attributed this to staff not being interested in taking on a higher level role, the most common reason identified**.** This indicates that for a sizeable proportion of staff, they have chosen their current role to meet their personal needs and circumstances. Linked to this, 14 per cent of establishments reporting under-utilisation said that the working hours suited their employees better.

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, 14 per cent said there was a lack of jobs in the desired higher level role and nine per cent reported that these staff were currently gaining experience for a higher level role.

Training and staff development

There was little change in the headline training measures in Wales between 2015 and the 2013 survey. Similar to 2013, just **over three-fifths (63 per cent) of**

establishments had funded or arranged training or development for their staff over the previous 12 months; as in previous years, this was slightly lower than the proportion training across the UK as a whole (66 per cent).

Approaching half (49 per cent) of all establishments in Wales provided on-the-job training to their staff, lower than the UK figure of 53 per cent; this accounts for the difference in the proportion of employers offering any training in Wales compared with the UK overall. In contrast, the proportion of establishments in Wales providing off-the-job training was in line with the UK (both 49 per cent), and represented an increase of two percentage points from 2013 in Wales.

In contrast with the UK as a whole, where similar proportions of staff were trained in 2015 as in 2013, **employers in Wales trained a greater proportion of their staff in 2015 (64 per cent) compared with 2013 (62 per cent) and 2011 (56 per cent)**. Employers in Wales were also more likely to have arranged or funded training to a nationally recognised qualification (54 per cent of those providing trained, compared to 47 per cent across the UK).

Each person trained in Wales received an average 7.2 days of training per year. This was slightly higher than the average of 6.8 days across the UK as a whole, but represented a slight drop from figures in Wales in 2013 (7.7 days). **The total number of training days in Wales was 5.4 million days, similar to 5.6 million in 2013**.

Total employer expenditure on training in Wales increased by eight per cent between 2013 and 2015, from £1.9 billion to £2.1 billion, continuing the increase in spend since 2011 (£1.6 billion). However, average spend per person trained and per employee remained in line with 2013, and were slightly higher than the UK average.

Use of **online training** or e-learning and of **other self-learning** was quite common among training employers (43 per cent and 37 per cent respectively), and generally increasing, particularly for online training and e-learning (40 per cent of those using this method at all in the last two years reported an increase over the last 12 months, compared with 19 per cent using it less). These figures were broadly in line with the UK as a whole.

Half of employers that trained (49 per cent) wanted to provide more training than they had been able to do, with the main barriers being a lack of funds for training and a lack of time. 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.

High performance working practices and product market strategies

High Performance Working (HPW) is defined by UKCES as a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance. **A minority of employers in Wales (11 per cent) were classified as HPW employers** (defined as adopting 14 or more HPW practices). This is similar to the 12 per cent across the UK.

Product Market Strategies (PMS) are defined within the survey according to private sector employers' responses to a series of questions exploring pricing strategies, approaches to innovation, and the nature of the product markets that establishments operate in. **Aggregating these responses classified 40 per cent of all private sector establishments in Wales as having 'high' or 'very high' product market strategies**. This was lower than the overall UK figure of 46 per cent.

Businesses that adopted HPW practices and those that pursued "very high product market strategies" (i.e. those 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) **tended to be more active in the labour market and had a more frequent experience of skill shortages**: however, they also found it easier to fill their vacancies in the sense that a smaller proportion of their vacancies were hard to fill.

HPW employers in Wales were also more likely to identify skills gaps in their workforce. These differences most likely reflect HPW employers adopting practices (such as training needs assessments) that are likely to identify skills gaps in their workforce. The experience of skills gaps was similar across establishments, irrespective of their product market strategies.

There was a clear relationship between an establishment's PMS score and their provision of training – those operating at the higher end of the PMS index were more likely to have trained their staff and to have trained a higher proportion of their staff.

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 economic growth and productivity levels in Wales.

The ESS15 findings illustrate a buoyancy in the labour market in Wales, with **substantial growth in the number of employers active in recruitment**. There was also evidence of a **highly proficient workforce, with the vast majority of establishments reporting they were happy with the expertise of their staff**.

Employers in Wales are meeting their skills needs through the provision of training: **nearly two-thirds of staff received training over the last 12 months**, in line with UK figures, while investment in training has increased since 2013 and 2011.

Nevertheless, there remain challenges that need addressing. There has been **an increase in the number of establishments in Wales experiencing recruitment difficulties due to skill shortages among applicants**. Retention difficulties have increased since 2011, while **under-utilisation was a widespread phenomenon**. Findings also confirm a link between under-utilisation and retention issues which suggests that employers should think carefully about employee engagement and development to avoid the costs associated with poor retention such as recruitment and loss of productivity.

Underneath this economy-wide level, there were occupational, sectoral and regional variations in employers' experience of skills. For example, employers in Manufacturing were more likely to be affected by skills gaps and least likely to have provided training over the past 12 months. Meanwhile, those in mid Wales experienced greater difficulties in finding workers with the right skills to fill their vacancies.

There is a variety of options open to employers themselves to mitigate against these skills deficiencies, from providing work experience and work trials that create pathways to employment, and offering relevant training that upskills employees to the level of knowledge required. But there is also an onus on recruitment organisations and training providers alike to ensure individuals are suitably equipped for the workplace.

Key skills for training providers to address are **time management and task prioritisation, specialist skills and organisational or product knowledge**. Wales needs its skills base to evolve to meet the opportunities created by the changing labour market. **In particular steps could be taken to stimulate employer demand for training, encourage smarter training strategies (such as online training), foster higher-level training and ensure businesses maximise the talent at their disposal**.

1. Introduction

The UK Employer Skills Survey

1.1 This report presents findings among employers in Wales from the UK Commission's Employer Skills Survey 2015 (ESS 2015), a large-scale survey of employers which aims to provide a definitive picture of the extent, nature and impact of skills challenges faced by employers across the UK, and their response particularly in terms of their investment in training. ESS 2015 is the third time the survey has been conducted as a UK-wide study, the first having taken place in 2011.

1.2 Throughout the report comparisons are made with UK results, within key subgroups of employers in Wales, while historical trends are also noted.

1.3 As well as written commentary, the appendices to this report include abridged data tabulations detailing key survey measures.

1.4 The full UK report and other outputs including data tables have been published and are available on the UKCES website (*UK Commission's Employer Skills Survey 2015: UK Results,* Evidence Report 97, published January 2016; see https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-report).

1.5 Data tables and presentation slides containing results for Wales are available here: https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-wales-toolkit.

Methodological overview

1.6 As in previous years, ESS 2015 consisted of two linked phases. The first comprised a survey of establishments across the UK (the "core" survey), while the second phase followed up a sample of establishments which had funded or arranged training for employees in the 12 months preceding the survey to look at the investment they had made in this training (the "Investment in Training Survey").

1.7 Both surveys were conducted by telephone and employers were given the option to complete the interview in Welsh if they preferred.

1.8 This section briefly summarises the key features of the methodology adopted across both surveys. Further detail can be found in the Technical Report[1].

Survey sampling

1.9 Sampling for the survey covered establishments (i.e. individual sites, as opposed to enterprises where just the head office of multiple site organisations would be included) with at least two staff (including both employees and working proprietors). Sole traders and establishments with just one employee and no working proprietors were excluded from the survey population.

1.10 The survey covered all sectors of the economy (across the commercial, public and charitable spheres). The profile of this population was established through the Office for National Statistics (ONS) based on data from the Inter-Departmental Business Register (IDBR) March 2014 statistics, the most up to date figures available at the time of the survey.

1.11 Contact details for employers were sourced from Experian's commercial database of establishments, supplemented by some records supplied directly through the IDBR (in order to ensure full representation of establishments in certain non-commercial sectors in particular).

1.12 A stratified random approach was taken to sampling the core survey, with quotas sets for establishment size within sector, with the aim of oversampling large employers and smaller sectors.

1.13 In addition to the geography, sector and size of establishments, the Investment in Training follow-up survey also ensured robust coverage by the nature of the training the establishment provides (whether it is on-the-job training only, off-the-job training only, or a combination of the two). All of the employers interviewed for the Investment in Training Survey had been interviewed as part of the core survey and had given their permission to be contacted for the follow-up research.

[1] *UK Commission's Employer Skills Survey 2015: Technical Report,* published January 2016; see https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-report

Survey questionnaire

1.14 The core survey questionnaire was based largely on that used in the 2013 survey. However, additional areas were added examining how effectively skills and qualifications are used in the workforce and the provision of online training and self-learning. Questions relating to the recruitment of education leavers were transferred from ESS to the Employer Perspectives Survey (EPS) in 2014 (and the current 2016 EPS).

1.15 One key change for the 2015 questionnaire related to the methods used to capture the skills that are lacking in applicants and the skills lacking among internal staff with skills gaps. Following a review of the skills lists used in 2013 by National Institute of Economic and Social Research (NIESR), a revised, more nuanced, framework was adopted for establishing what skills employers find lacking in the external labour market and within their existing workforce.

1.16 Around half of establishments were assigned the new skills framework, with the other half assigned the "old" framework. This report presents data against the new skills framework in the main body: time series analysis using the "old" framework is presented in Annex B for reference.

1.17 As in 2013, a modularised questionnaire design was developed where certain sections (such as questions pertaining to retention difficulties, and those capturing high performance working practices) were only asked of half of the respondents. The report makes clear where questions were split in this way.

1.18 The average length of interview for the main survey was 23 minutes.

1.19 The questionnaire administered for the previous UK Investment in Training Survey in 2013 was used again in 2015, with an additional question on the amount spent on online training courses.

1.20 Copies of the questionnaires used for both surveys can be found in the Technical Report[2].

[2] *UK Commission's Employer Skills Survey 2015: Technical Report,* published January 2016; see https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-report

Survey fieldwork

1.21 Fieldwork for the core survey was undertaken between March and July 2015, and involved 91,210 interviews UK-wide, including 6,027 interviews in Wales.

1.22 Fieldwork for the Investment in Training Survey was undertaken in April to August 2015, and involved 13,197 follow-up interviews with employers UK-wide, of which 1,290 were with employers in Wales.

1.23 An overall response rate of 44 per cent was achieved for the core survey in Wales in 2015 (slightly higher than the UK-wide figure of 42 per cent). For the Investment in Training follow-up, respondents were already engaged with the survey so a much higher response rate of 66 per cent was achieved in Wales, in line with the overall UK response rate.

Table 1.1: Interviews achieved and the survey response rates

	2011		2013		2015	
	UK	**Wales**	**UK**	**Wales**	**UK**	**Wales**
Core survey						
Interviews	86,522	5,958	91,279	5,996	**91,210**	**6,027**
Response rate	39%	55%	44%	45%	**42%**	**44%**
Investment in Training follow-up						
Interviews	11,027	1,483	13,138	1,432	**13,197**	**1,290**
Response rate	75%	69%	71%	65%	**66%**	**66%**

Data analysis for the Investment in Training Survey

1.24 The process required to derive the training spend figures from the survey data involved multiple steps. This included modelling to 'fill in' missing data (i.e. where respondents were unable to provide an exact figure for a survey question), with modelling based on using responses from similar employers who were able to give an exact answer for that question. Where a respondent gave a range answer, they were assigned a corresponding mean for their establishment size for the range response selected. Where they were unable to give either an exact or a range answer, they were assigned the overall mean for the question within their size band.

1.25 A further stage was applying multipliers to particular cost components as recorded in the survey in order to give a more complete picture of employers' investment in training. For example, employers in the survey were asked about the average salaries of those trained rather than the full labour costs including such things as National Insurance and pension contributions (the full labour costs having been found to be too complex to answer for many employers). To derive full labour costs, an upweight of 16.9 per cent was applied to the pay answers. The source of the 16.9 per cent figure was Eurostat which showed in the UK, direct remuneration (wages and salaries including bonuses) made up 85.6 per cent of labour costs.

Data weighting

1.26 Findings from the core survey have been weighted and grossed up to accurately represent the total population of UK establishments in which at least two people work. This has been done on an interlocked size by sector basis in Wales, with an additional rim weight for the four Welsh regions.

1.27 Separate weights have been generated which allow findings to be presented (a) based on the number of workplaces reporting a particular experience, and (b) based on the number of employees and/or job roles affected or in a particular situation. A new weighting mechanism was also created for reporting the new skills framework, as described earlier.

1.28 Findings from the Investment in Training survey were weighted and grossed up to reflect the population of training employers as generated by the weighted Wave 1 findings. A new weighting strategy was implemented in 2015 solely for the Investment in Training data to further increase the accuracy of the training spend estimates. This new weighting strategy has also been retrospectively applied to both the 2011 and 2013 data files meaning some of the figures reported in the Investment in Training section in Chapter 5 for 2011 and 2013 may differ slightly from previous reports.

The nature of Wales establishments: describing the survey population

1.29 To give context to the findings presented in this report, this subsection describes the key characteristics of business establishments in Wales. It examines the size, sector and region profile. Because the survey data in Wales was grossed up to the population of businesses in Wales on a size, sector and region basis (as recorded by ONS on the IDBR) these are not survey findings as such.

1.30 ONS figures show that as of March 2014 (the most up to date data at the time the weighting was conducted) there were around 81,200 in-scope establishments (i.e. with employment of two or more) in Wales. Close to 1.2 million people were employed in these establishments. Both these figures were in line with the 2013 survey, which used March 2012 population data.

1.31 IDBR data indicates that just over half of Welsh establishments (52 per cent) were small, employing fewer than five people. However, these establishments accounted for just nine per cent of total employment (within establishments with two or more staff). Sites employing 100 or more staff represented two per cent of all establishments but account for around two-fifths (41 per cent) of overall employment. Distribution of establishment and employment by size was similar in Wales to the rest of the UK.

1.32 Sectoral analysis in the ESS series uses 13 sectors, based on the establishment's Standard Industrial Classification (SIC) 2007 code. IDBR statistics show that the Wholesale and Retail and the Business Services sectors were the two largest in terms of the number of establishments. Together, these two sectors accounted for more than a third of establishments in Wales (35 per cent). When measured in terms of employment, however, the two largest sectors were Health and Social Work and Wholesale and Retail (employing 17 and 16 per cent of the workforce in Wales respectively).

1.33 In contrast with size patterns there were more noticeable differences between the sector profile of businesses in Wales and of those across the UK. In particular, Agriculture establishments were much more common in Wales (12 per cent of all establishments in Wales compared with just six per cent across the UK as a whole), while Business Services establishments were less common (15 per cent compared with 21 per cent across the UK).

1.34 The Health and Social Work, Public Administration, Education and Manufacturing sectors had a higher than average proportion of large establishments. For example, Education accounted for three per cent of all establishments in Wales, but 11 per cent of employment. Conversely, the Agricultural sector comprised 12 per cent of establishments, but employed only two per cent of the workforce in Wales.

1.35 Table 1.2 shows the distribution of the business and employment populations in Wales and across the UK. There was little difference in the profile of establishments and employment in Wales between 2013 and 2015.

Table 1.2 Wales and UK business and employment population by size and sector

	Establishment			Employment		
	Wales n	Wales %	UK %	Wales n	Wales %	UK %
Size						
2-4	42,600	52	51	111,400	9	9
5-24	30,500	38	38	303,400	25	24
25-49	4,400	5	6	151,200	13	12
50-99	2,100	3	3	143,800	12	12
100+	1,600	2	2	483,900	41	42
Sector						
Agriculture	9,500	12	6	27,300	2	1
Manufacturing	4,300	5	6	133,400	11	9
Electricity, Gas and Water	600	1	1	17,800	1	1
Construction	7,200	9	9	54,900	5	4
Wholesale and Retail	16,900	21	21	189,900	16	16
Hotels and Restaurants	8,400	10	9	88,800	7	7
Transport and Communications	4,400	5	7	60,900	5	8
Financial Services	1,500	2	2	28,300	2	4
Business Services	11,900	15	21	131,600	11	17
Public Administration	1,200	2	1	87,400	7	5
Education	2,800	3	3	126,000	11	9
Health and Social Work	7,000	9	7	197,400	17	14
Arts and Other Services	5,500	7	7	50,100	4	5

Note: Figures are rounded to the nearest 100. They represent population figures as used in the 2015 ESS survey, taken from ONS IDBR 2014 population figures.

1.36 By region, south east Wales accounted for two-fifths (40 per cent) of businesses, and approaching half (49 per cent) of overall employment. North Wales (25 per cent) and south west Wales (23 per cent) both constituted around a quarter of businesses in Wales, with similar proportions of employment (23 per cent and 22 per cent respectively). One in eight establishments (12 per cent) were located in mid Wales (with overall employment at seven per cent). Again, this showed no change from 2013.

Structure of this report

1.37 This report has been structured into five key sections followed by a conclusions chapter.

- Chapter 2: Recruitment and skill-shortage vacancies

  This chapter looks at employer recruitment activity, measuring the extent, causes and impacts of recruitment difficulties, with a particular focus on skill shortages within the labour market, the nature of these skill shortages and the impact such labour market failure has on establishments. It then explores the difficulties employers face in retaining staff, in which occupations these commonly occur, and the main reasons for their retention difficulties.

- Chapter 3: The internal skills challenge

  This chapter explores the extent and nature of skills gaps within the workforce, and how these affect different occupations, as well as the causes and impact of these skills deficiencies.

- Chapter 4: Employer perspectives of under-use of skills and qualifications

  Chapter 4 covers the under-utilisation of skills where establishments report that employees have both skills and qualifications beyond those required for their current job role. It explores the occupations most affected by under-utilisation, and the reasons for this mismatch between skills and job roles.

- Chapter 5: Employer investment in training and skills

  Chapter 5 explores in detail the extent and nature of employer training and workforce development, including the investment made in training. It examines the number of staff provided with training over the previous 12 months, the type and volume of this training, the extent to which employers would have liked to provide more training and development than they did, and the barriers that prevented increased training activity.

- Chapter 6: Working practices and product market strategies

  Chapter 6 explores the working practices being adopted by employers in regard to how they manage, develop, engage with and incentivise their staff, and seeks to assess the prevalence of High Performance Working (HPW) practices.

It also explores the Product Market Strategies (PMS) of employers, and whether this relates to their skill needs and training practices.

- Chapter 7: Conclusions

  The final chapter revisits the key stories emerging from the different strands of the survey, bringing them together and considering their implications.

Reporting conventions

1.38 Unless otherwise stated, differences are commented upon in the text if the results are statistically significant (at the 95 per cent confidence level) to those they are being compared with.

1.39 The survey was carried out at an establishment level. The terms "establishment", "employer", "workplace" and "business unit" are used for this interchangeably throughout this report to avoid excessive repetition.

1.40 Unweighted base figures are shown on tables and charts to give an indication of the statistical reliability of the figures. These figures are always based on the number of *establishments* answering a question, as this is the information required to determine statistical reliability. This means, for example, that where percentages are based on "all vacancies" (such as the percentage of all vacancies which are hard to fill) the base figure quoted is the unweighted number of establishments with vacancies.

1.41 In a departure from previous surveys, employers in Mining & Quarrying have been combined with those in Manufacturing for reporting purposes, owing to the relatively low number of establishments they represent in the UK population. 2011 and 2013 figures for Manufacturing have thus been adjusted in this report to include Mining & Quarrying to allow time series comparisons. Appendix C has more information on sector coding.

1.42 To aid analysis we have sometimes reported on occupations at a broader classification of high-skill, middle-skill, service-intensive and labour-intensive roles, as shown in Table 1.3.

Table 1.3 Broad occupational groups

Specific occupation	Broad occupational group
Managers Professionals Associate Professionals	High-skill
Administrative and Clerical Skilled Trades	Middle-skill
Caring, Leisure and Other Services Sales and Customer Service	Service-intensive
Machine Operatives Elementary occupations	Labour-intensive

1.43 Typically, large employers as referred to in this report include all those with 100 or more staff at their site (as opposed to 250+).

1.44 In tables, “zero” is denoted as a dash (“-“); and an asterisk is used (“*”) if the figure is larger than zero but less than 0.5 per cent.

1.45 Throughout the report, figures with a base size of fewer than 25 establishments are not reported (a double asterisk, “**”, is displayed instead), and figures with a base size of 25 to 49 are in italics and should be treated with caution.

2. Recruitment and skill-shortage vacancies

Chapter Summary

2.1 In line with the overall increase in recruitment market activity at a UK level since 2013, **there has been substantial growth in the number of employers in Wales that were active in the recruitment market**. Around one in six establishments (17 per cent) had at least one current vacancy at the time of the survey (March to July 2015), up from 14 per cent in 2013. The number of reported vacancies was also higher: around 36,000 at the time of the survey (equivalent to 3.1 per cent of total employment) compared with 26,000 in 2013 (2.2 per cent of total employment).

2.2 The ability of employers to recruit and grow may be constrained by skill shortages in the labour market. While in most cases employer demand for skills is met through successful recruitment, skill-shortage vacancies (vacancies which employers find hard-to-fill due to a lack of skills, qualifications or experience among applicants) present an increasing challenge. **Six per cent of employers in Wales had at least one skill-shortage vacancy** at the time of the survey, up from four per cent in 2013. In volume terms, there were almost 9,000 skill-shortage vacancies in 2015; a considerable increase from the 5,000 reported in 2013.

2.3 The increase in the number of skill-shortage vacancies outstripped the growth in the number of vacancies. Therefore, the density of skill-shortage vacancies (i.e. the proportion of vacancies which employers were struggling to fill because of skill shortages) has increased since 2013: from 20 per cent to 24 per cent.

2.4 The frequency with which employers encountered skill-shortage vacancies differed by occupation. **The density of skill-shortage vacancies was highest for Skilled Trades** (43 per cent of all vacancies for this occupation were hard-to-fill due to skill shortages) but **there has been a large increase in the density of skill-shortage vacancies for Machine Operatives** (from 25 per cent in 2013 to 40 per cent in 2015).

2.5 The skills lacking among applicants spanned both people and personal skills as well as technical and practical related skills. Skills relating to operational aspects of the role, as well as complex analytical skills, were the main technical and practical skills lacking. Employers also reported a shortage of oral Welsh

language skills (15 per cent of all skill-shortage vacancies) and written Welsh language skills (11 per cent). The main people and personal skills lacking commonly related to time management skills, management and leadership skills, and sales and customer handling skills.

Introduction

2.6 At a macro level, recruitment is an indicator of the health of the labour market and the economy in general. The UK Commission's Employer Skills Survey 2015 provides insight into the level and nature of employer demand for new staff and the ability of the labour market to meet such demand.

2.7 When employers have vacancies, the labour market is either able to meet employer requirements (the most common scenario) or it is not. Following a brief analysis of vacancies, this chapter focuses specifically on skill-shortage vacancies: these are vacancies that employers find difficult to fill due to a lack of applicants in the labour market with the required skills, qualifications and/or experience. These types of vacancies are of particular policy interest given that education and training systems can clearly influence the supply of suitable skilled applicants.

2.8 The chapter examines the incidence, volume and profile of skill-shortage vacancies, before exploring the specific skills that employers found lacking and the impact that skill-shortage vacancies have had on the establishment. New for ESS 2015 was a revised list of skill descriptors used to better understand the skills lacking[3]. Further detail on the changes made to the skill descriptors is provided in the Introduction to the report.

2.9 Vacancies can also prove 'hard-to-fill' for other, non-skills-related reasons (such as perceived poor rates of remuneration, unsociable hours etc.) and these are discussed later in this chapter, followed by a review of retention difficulties.

[3] Half of employers with skill-shortage vacancies were assigned to the 'new' skill descriptors, whereas the other half were assigned to the 'old' skill descriptors used in ESS 2011 and 2013 to facilitate comparisons over time. Time series data and analysis on the skills lacking among applicants according to the 'old' skill descriptors is included in Appendix B. Further information on the changes to the skill descriptors used is provided in the ESS 2015 Technical Report (https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-results).

2.10 The key measures used in this chapter are as follows:

Vacancies

2.11 There was notable growth in the proportion of establishments reporting vacancies between 2013 and 2015, pointing to strong labour market activity and positive changes in the Wales economy, in line with the changes seen in the UK economy as a whole. Specifically, 17 per cent of all establishments in Wales had at least one current vacancy at the time of ESS 2015 fieldwork; a substantial increase from 2013 when 14 per cent of establishments had at least one vacancy (see Table 2.1).

2.12 This increased incidence of recruitment activity was also evident when considering the proportion of establishments that had successfully recruited at least one new employee over the 12 months prior to the survey. Just under half (49 per cent) of all establishments in Wales had successfully recruited someone during this period; an increase from the 42 per cent reported in the 2014 Employer Perspectives Survey (Shury et al., 2014).

2.13 In volume terms, there were around 36,000 reported vacancies in Wales at the time of the survey (equivalent to 3.1 per cent of total employment). This is an increase of 42 per cent compared to 2013 when there were around 26,000 vacancies (equivalent to 2.2 per cent of total employment).

2.14 As detailed in Table 2.1, growth in recruitment activity was evident in all the Welsh regions, with the incidence and density of vacancies having increased in each. It should be noted, however, that it is only in north and south east Wales where the increases in the incidence of vacancies since 2013 are statistically

significant (and only in south east Wales where the increase in vacancy density is statistically significant).

Table 2.1 Incidence and density of vacancies overall and by region

		% of establishments with a vacancy (incidence)			Vacancies as a % of employment (density)		
	Unweighted base	**2011**	**2013**	**2015**	**2011**	**2013**	**2015**
	2015	%	%	%	%	%	%
UK	*91,210*	14	15	19	2.2	2.4	3.3
Wales	***6,027***	**12**	**14**	**17**	**1.9**	**2.2**	**3.1**
Region							
North Wales	*1,528*	11	14	17	1.6	2.4	2.9
Mid Wales	*742*	11	11	13	2.9	1.8	2.4
South east Wales	*2,395*	14	14	19	1.9	2.0	3.2
South west Wales	*1,362*	11	14	15	2.0	2.6	3.2
ESF Region							
West Wales and the Valleys	*3,645*	12	14	15	2.0	2.2	2.6
East Wales	*2,382*	13	13	20	1.8	2.2	3.7

Base: All establishments.
Percentages in the final three columns are shown as a proportion of all employment.
Note that 2011 figures may differ from the 2011 report due to reweighting.

2.15 The proportion of establishments that reported having at least one vacancy increased with the size of establishment. Ten per cent of establishments with fewer than five employees had at least one vacancy, compared with 59 per cent of establishments with 100 or more employees. Conversely, the density of vacancies (i.e. as a proportion of employment) was greater among smaller establishments.

2.16 By sector, the proportion of establishments that reported vacancies ranged from five per cent in Agriculture to 26 per cent in Public Administration. The incidence of vacancies has significantly increased in three sectors since 2013: Construction (from nine per cent to 16 per cent), Business Services (from 13 per cent to 18 per cent) and Transport, Storage and Communications (from 12 per cent to 17 per cent).

2.17 The density of vacancies ranged from 1.5 per cent of total employment in Education and Manufacturing to 5.6 per cent in Business Services. The density of vacancies has increased in most sectors since 2013. However, it was only in Business Services where the increase was statistically significantly (from 2.6 per cent in 2013 to 5.6 per cent in 2015).

2.18 Tables A.2.1 and A.2.2 in Annex A provide a detailed breakdown of recruitment activity by region, size of establishment and sector.

2.19 The survey also identifies the occupational groups where vacancies exist[4]. The occupation with the highest density of vacancies was Associate Professionals at 6.7 per cent (i.e. around seven vacancies for every 100 people working in this role). This occupation also had the highest density of vacancies in 2011 and 2013. Following a similar pattern to the rest of the UK, the density of vacancies was also relatively high for Skilled Trades roles and Elementary Occupations (4.5 per cent and 4.6 per cent, respectively) and was lowest for Managers (0.8 per cent).

2.20 Table A.2.3 in Annex A provides a detailed breakdown of recruitment activity by occupation.

Skill-shortage vacancies

2.21 Where establishments had vacancies, the labour market was largely able to meet the recruitment needs of employers: around a third of vacancies in Wales were considered hard-to-fill (33 per cent)[5]. Where employers had hard-to-fill vacancies, these were mainly due to a lack of skills, qualifications or experience among applicants (73 per cent of all vacancies that were hard-to-fill)[6] and this was higher than the UK overall (69 per cent). This equates to six per cent of establishments in Wales having at least one skill-shortage vacancy at the time of ESS 2015 fieldwork (in line with the UK overall). The rest of this section explores these skill-shortage vacancies in more detail.

The incidence, volume and density of skill-shortage vacancies

2.22 The six per cent of establishments in Wales with at least one skill-shortage vacancy at the time of ESS 2015 fieldwork is significantly higher than the four per cent that reported having skill-shortage vacancies in 2013. Similar to the UK picture overall, this increased incidence of skill-shortage vacancies

[4] See Appendix D for the definitions and types of job roles included under the occupational groupings.
[5] Of course very recent vacancies may not be described as hard-to-fill but may become so over time.
[6] During the survey, employers were first asked to give their reasons for not being able to fill vacancies spontaneously (i.e. without being presented with a list of possible reasons). Any employers not reporting skills-related issues were then prompted as to whether any of their hard-to-fill vacancies were proving hard-to-fill due to a lack of skills, experience or qualifications among applicants, and these responses combined to give an overall picture of the incidence and volume of skill-shortage vacancies in the market.

indicates that recruiting staff with sufficient skills, qualifications or experience presents a growing challenge to employers in Wales.

2.23 Moreover, in volume terms, there was a substantial 71 per cent increase in the number of reported skill-shortage vacancies compared to 2013: from around 5,000 to just under 9,000. The increase in the number of skill-shortage vacancies outstripped the growth in vacancies and thus the density of skill-shortage vacancies has increased since 2013, from 20 per cent to 24 per cent.

2.24 As detailed in Table 2.2, the incidence of skill-shortage vacancies differed little by region. However, the density of skill-shortage vacancies did vary: from 22 per cent in south west Wales to 34 per cent in mid Wales.

2.25 It should be remembered when considering the density of skill-shortage vacancies reported in this chapter that they affect only a small proportion of employers (six per cent).

Table 2.2 Incidence and density of skill-shortage vacancies (SSV) overall and by region

		% of establishments with an SSV (incidence)				% of vacancies that were SSVs (density)		
	Unwtd base	**2011**	**2013**	**2015**	*Unwtd base*	**2011**	**2013**	**2015**
	2015	%	%	%	*2015*	%	%	%
UK	*91,210*	3	4	6	*24,306*	16	22	23
Wales	***6,027***	**3**	**4**	**6**	***1,277***	**18**	**20**	**24**
Region								
North Wales	*1,528*	2	4	6	*308*	17	14	27
Mid Wales	*742*	4	3	5	*137*	32	21	34
South east Wales	*2,395*	3	4	6	*558*	16	23	23
South west Wales	*1,362*	4	4	5	*274*	16	20	22
ESF Region								
West Wales and the Valleys	*3,645*	3	4	5	*707*	16	20	22
East Wales	*2,382*	3	4	8	*570*	21	20	26

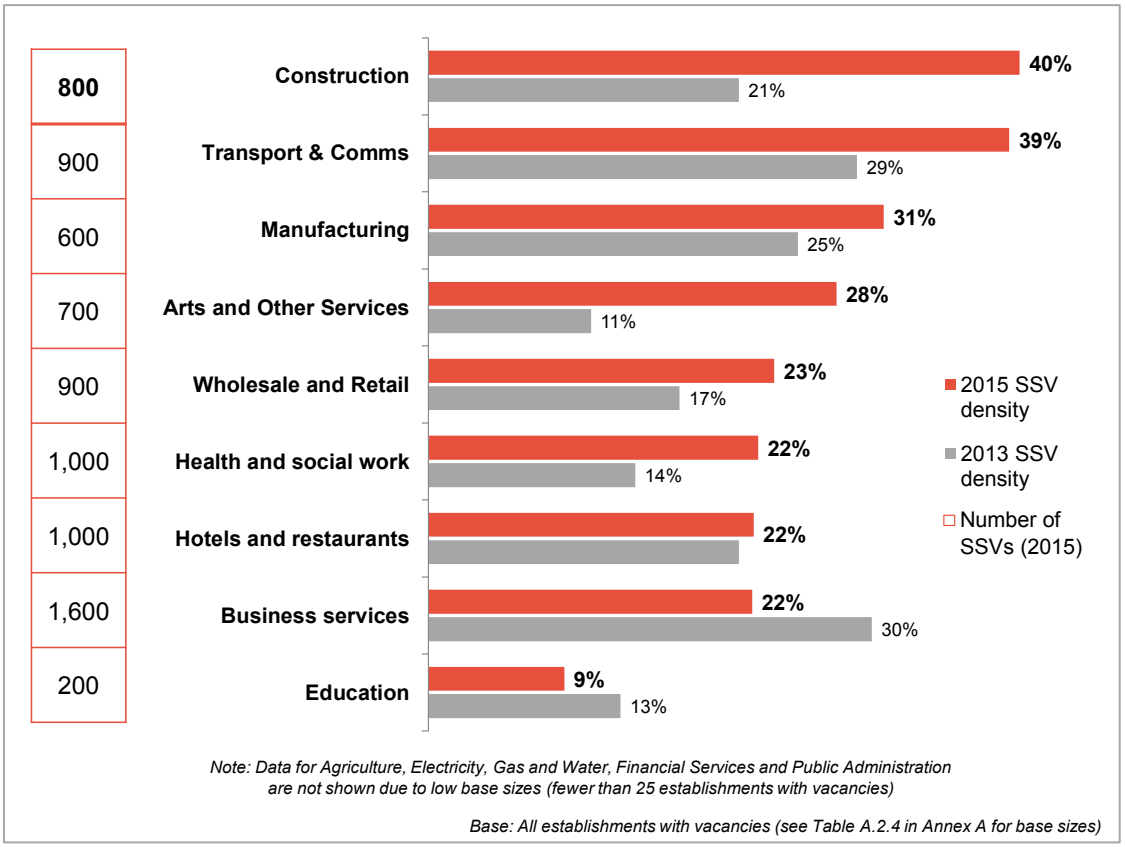
Base: Columns 1-3 all establishments; columns 4-6 all establishments with vacancies.
Percentages in the final three columns are shown as a proportion of all vacancies.
Note that 2011 figures may differ from the 2011 report due to reweighting.

2.26 The density of skill-shortage vacancies was higher among smaller establishments than larger ones. Approaching two in five vacancies (37 per cent) in establishments with fewer than five employees were proving hard-to-fill due to difficulties in finding applicants with appropriate skills, qualifications or experience. This compares with around one in five vacancies (20 per cent) among large establishments with 100 or more employees.

2.27 The experience of skill-shortage vacancies varied greatly by sector. The density of skill-shortage vacancies ranged from nine per cent in Education to 40 per cent in Construction. As illustrated in Figure 2.1, most sectors have experienced an increase in skill-shortage vacancy density since 2013 with the increase most pronounced in the Construction sector (from 21 per cent in 2013 to 40 per cent in 2015). This reverses the trend reported in 2013 whereby the Construction sector experienced a decrease in skills-shortage vacancy density between 2011 and 2013. The Arts, Entertainment, Recreation and Other Services sector also saw a large increase in skill-shortage vacancy density (from 11 per cent to 28 per cent).

2.28 Tables A.2.4 and A.2.5 in Annex A provide a detailed breakdown of skill-shortage vacancies by region, size of establishment and sector.

Figure 2.1 Density and number of skill-shortage vacancies (SSVs), by sector



2.29 By occupation, the number of skill-shortage vacancies was highest among staff in Skilled Trades roles (around 1,700 skill-shortage vacancies) and the density of skill-shortage vacancies was also highest for this occupation at 43 per cent. As illustrated in Figure 2.2, the density of skill-shortage vacancies has most notably increased since 2013 in Associate Professionals, Machine Operatives, Elementary Occupations and Professionals.

Figure 2.2 Density and number of skill-shortage vacancies (SSVs), by occupation

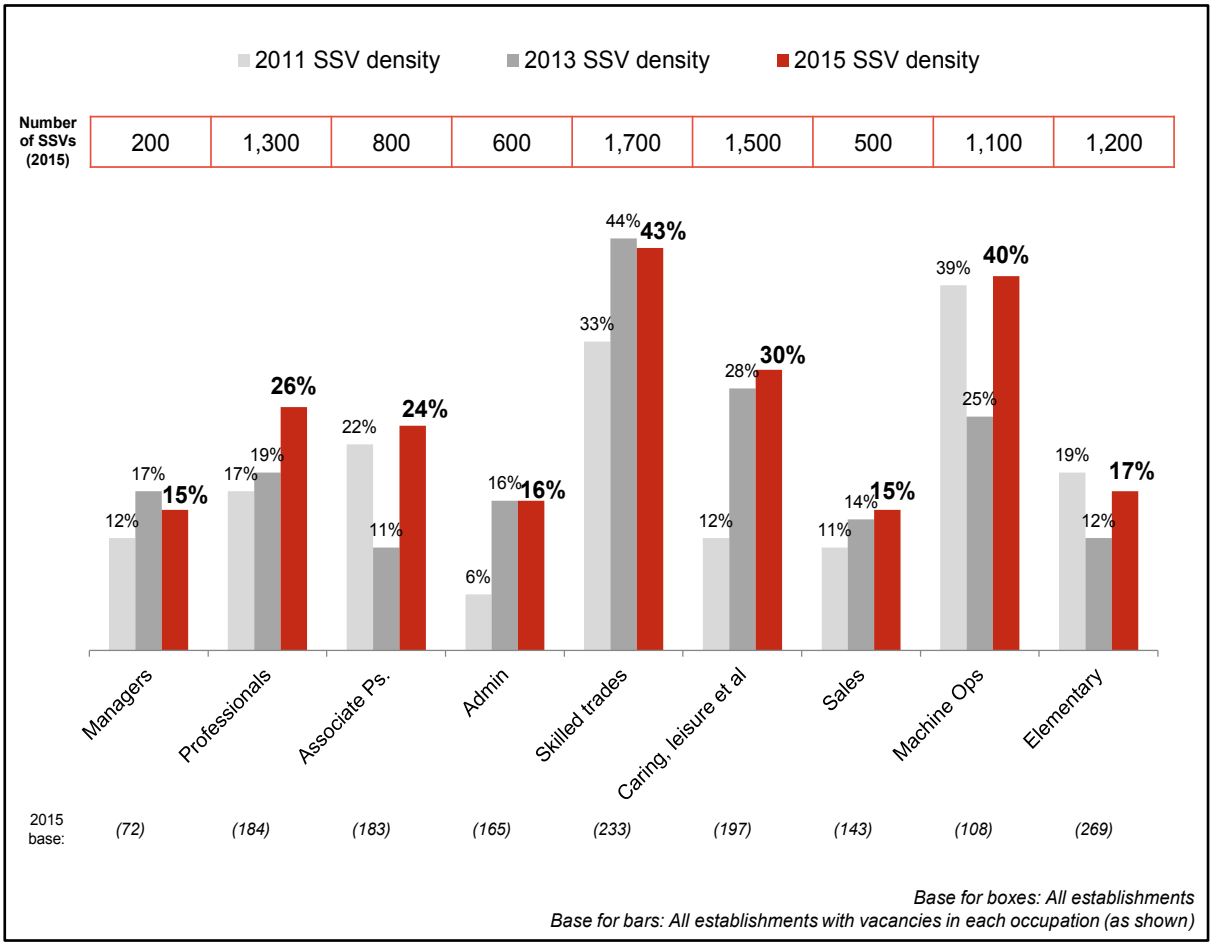


Table A.2.6 in Annex A details the density of skill-shortage vacancies for each occupation by region.

Skills lacking in the available labour market

2.30 Where establishments struggle to find the skilled recruits that they need from the available labour supply, there is clear value in understanding which skills are in short supply.

2.31 The skills perceived to be lacking in the labour market can be broadly categorised into two categories: people and personal skills, and technical and practical skills[7].

2.32 The skills found lacking in the available labour market are shown in Figure 2.3. The stand out skill shortage was a lack of specialist skills or knowledge needed to perform the job role. This was mentioned as being, at least in part, the cause of more than two-thirds of skill-shortage vacancies (69 per cent).

2.33 Among the other technical and practical skills lacking, skills that can be categorised as 'complex analytical skills' accounted for a significant proportion of skill-shortage vacancies. Specifically, a lack of skills for solving complex problems accounted for 44 per cent of all skill-shortage vacancies and 26 per cent of all skill-shortage vacancies were attributed to a lack of complex numerical/statistical skills.

2.34 Similarly, skills relating to operational aspects of the role were also commonly cited by employers, namely: knowledge of how the organisation works (42 per cent) and knowledge of the products and services offered (41 per cent).

2.35 Around one in seven (15 per cent) skill-shortage vacancies were ascribed, at least in part, to a lack of oral Welsh language skills and 11 per cent ascribed to a lack of written Welsh language skills.

2.36 Compared to the UK overall, a greater proportion of skill-shortage vacancies in Wales were attributed to a lack of the following technical and practical skills: knowledge of how the organisation works; writing instructions and reports; and adapting to new equipment and materials.

2.37 People and personal skills can often be less tangible than technical and practical skills, but can still have a big impact on the ability of a potential

[7] Half of employers with skill-shortage vacancies were assigned to the 'new' skill descriptors, whereas the other half were assigned to the 'old' skill descriptors used in ESS 2011 and 2013 to facilitate comparisons over time. Time series data and analysis on the skills lacking among applicants according to the 'old' skill descriptors is included in Appendix B. Further information on the changes to the skill descriptors used is provided in the ESS 2015 Technical Report (https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-results).

employee to adapt to the workplace and be an effective member of staff. The most common people and personal skill cited as lacking in the labour market was time management skills (57 per cent of all skill-shortage vacancies).

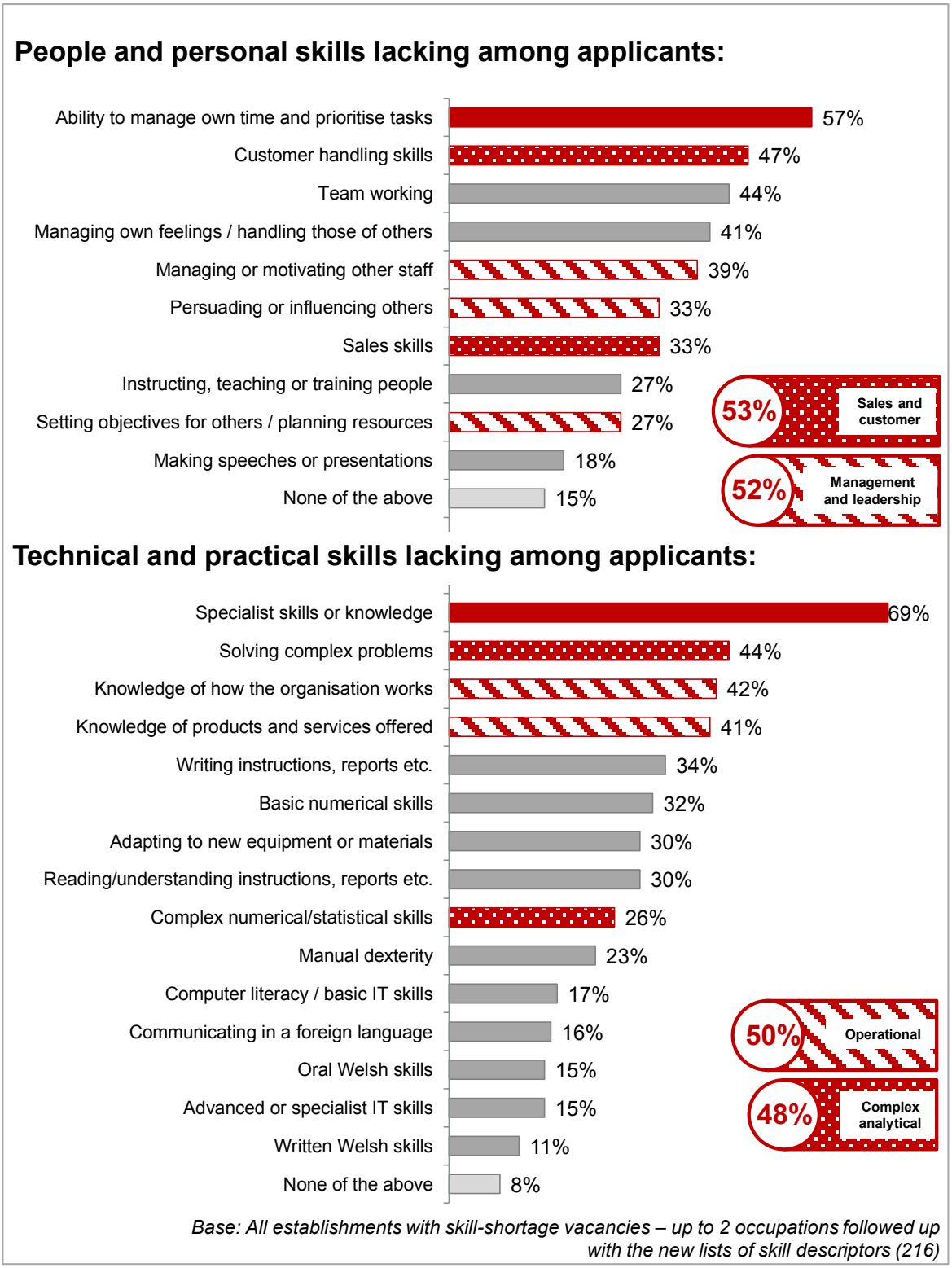
2.38 Skills related to 'management and leadership' were also commonly reported to be lacking, including: managing or motivating other staff (39 per cent), persuading or influencing others (33 per cent), and setting objectives and/or planning resources (27 per cent).

2.39 Another grouping of skills that were commonly lacking was 'sales and customer skills', including: customer handling skills (47 per cent) and sales skills (33 per cent).

2.40 Compared to the UK overall, a greater proportion of skill-shortage vacancies in Wales were attributed to a lack of the following people and personal skills: customer handling skills; team working; managing own feelings and handling those of others; managing or motivating other staff; and sales skills.

2.41 Table A.2.7 in Annex A details the skills lacking among applicants for each region.

Figure 2.3 Skills lacking among applicants to establishments with at least one skill-shortage vacancy (prompted)[8]



[8] Figure 2.3 illustrates the skills lacking among applicants based on the total number of skill-shortage vacancies (as opposed to establishments with skill-shortage vacancies). It should be noted that employers could cite more than one skill lacking among applicants for each of their skill-shortage vacancies, thus the percentages displayed sum to greater than 100 per cent.

The impact of skill-shortage vacancies on employers

2.42 Although skill-shortage vacancies were reported by a small minority of employers (six per cent), for establishments that had them the impact can be significant. Almost all establishments that had hard-to-fill vacancies solely as a result of skill shortages reported that these were having an impact on the establishment (97 per cent)[9].

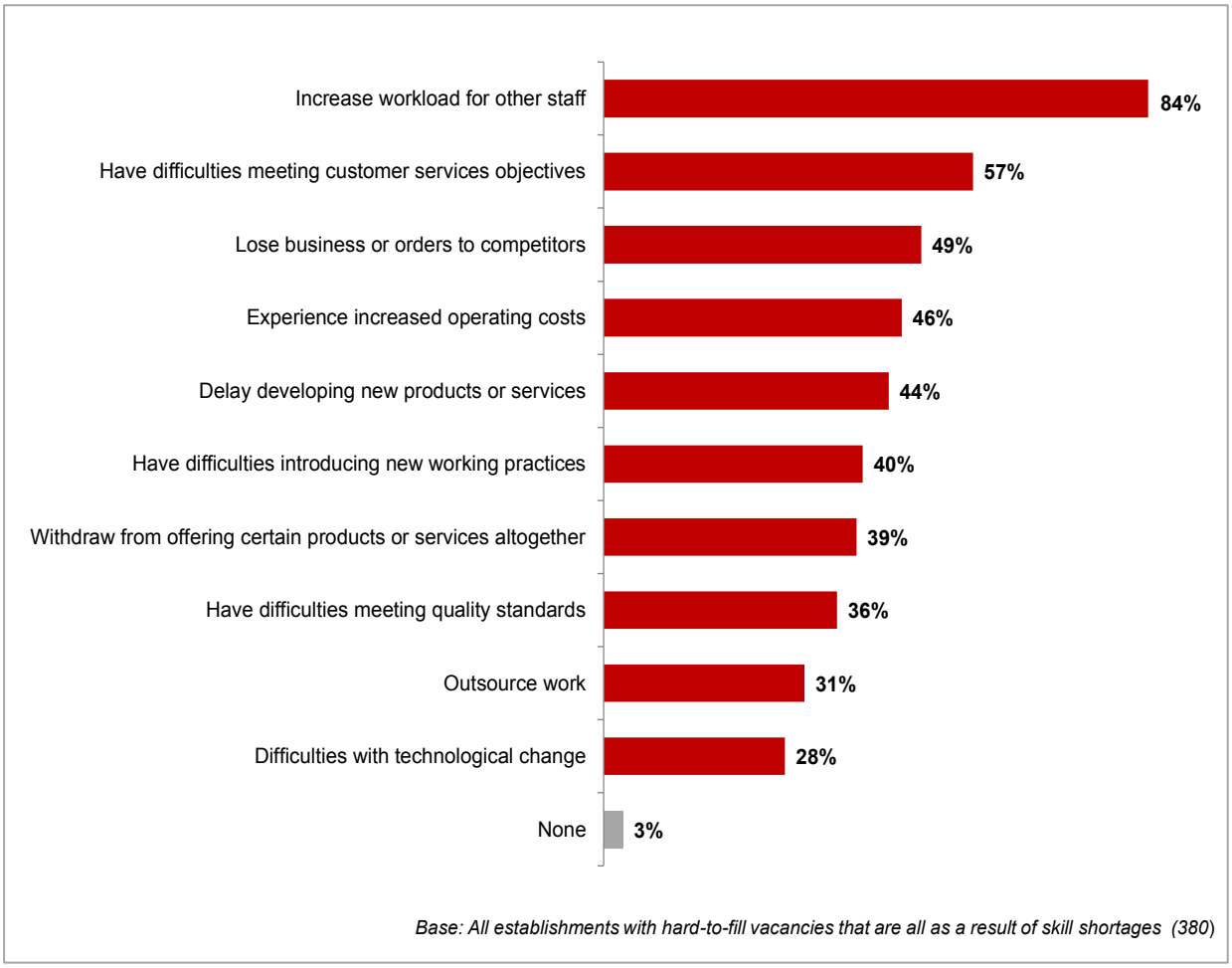
2.43 The vast majority of employers that had skill-shortage vacancies reported that these led to an increased workload for other staff (84 per cent).

2.44 Other impacts of skill-shortage vacancies are shown in Figure 2.4. These include impacts relating to a direct financial impact on the establishment, such as a loss of business or orders to competitors (49 per cent) and increased operating costs (46 per cent). Impacts that would likely affect an establishment's ability to innovate were also reported by employers, including: delays to developing new products or services (44 per cent), difficulties introducing new working practices (40 per cent) and difficulties introducing technological change (28 per cent).

2.45 There has been little change since 2013 in the impacts of skill-shortage vacancies, with the exception of an increase in the proportion of establishments having to withdraw from offering certain products or services (from 23 per cent in 2013 to 39 per cent in 2015). This impact was also more prevalent among employers in Wales compared to the UK overall (39 per cent compared with 24 per cent, respectively).

[9] The survey did not measure the impact of skill-shortage vacancies on employers specifically (i.e. it did not ask employers with skill-shortage vacancies what the impacts of these were on the establishment, only the impact of hard-to-fill vacancies *as a whole*). However, it was possible to isolate the effect of skill deficiencies by exploring the impact of hard-to-fill vacancies in establishments where all the hard-to-fill vacancies were caused by skills-related issues. Given the majority of establishments with hard-to-fill vacancies fell into this group (73 per cent) – in part reflecting that the majority had just a single vacancy that was proving hard-to-fill – this was a suitable sample from which it was possible to gain a robust measurement.

Figure 2.4 Impact of skill-shortage vacancies (prompted)



Base: All establishments with hard-to-fill vacancies that are all as a result of skill shortages (380)

Wider recruitment challenges

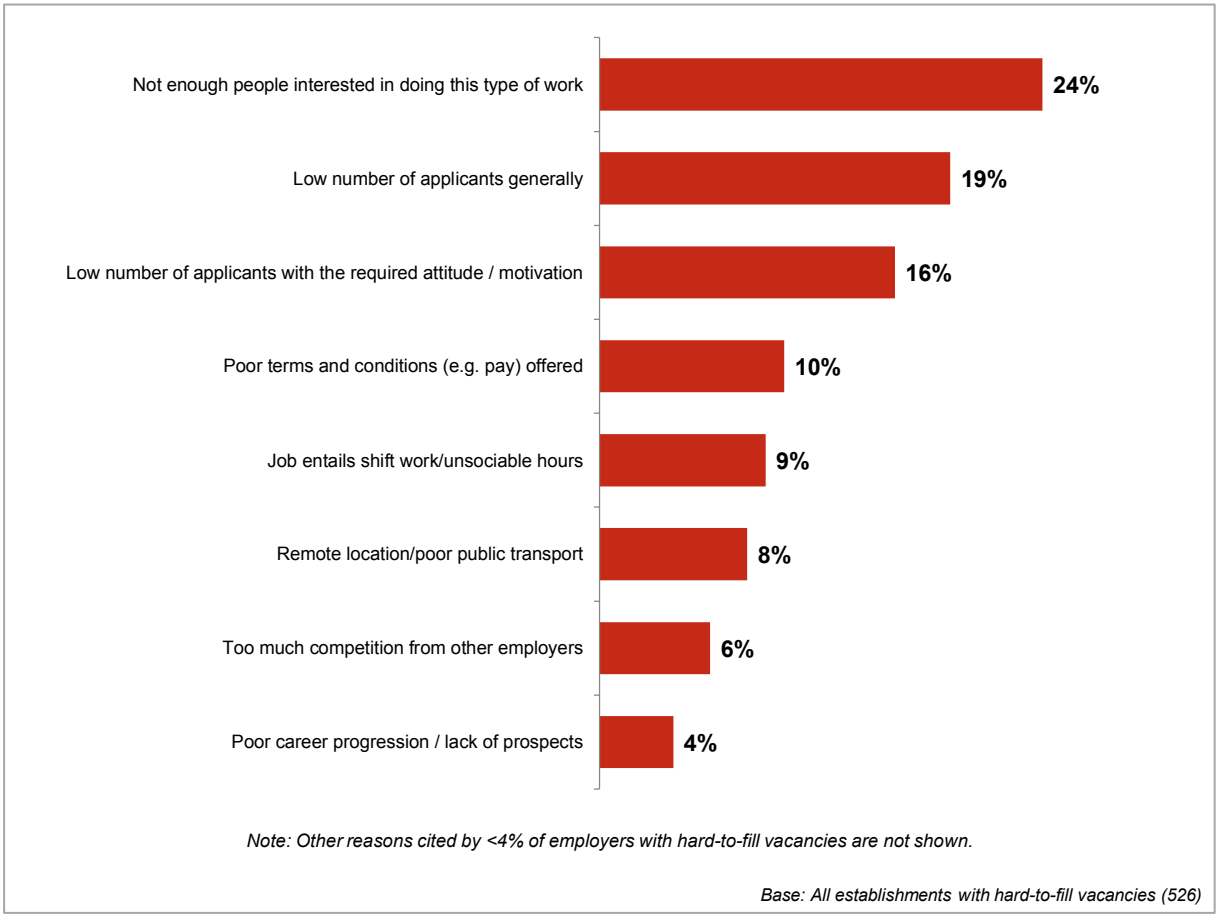
2.46 As discussed earlier, hard-to-fill vacancies were commonly caused, at least in part, by a shortage of skills, qualifications or experience among applicants. However, establishments may also face other recruitment challenges and have hard-to-fill vacancies for non-skills-related reasons (see Figure 2.5 for a list of these 'other' reasons).

2.47 Overall, nine per cent of all vacancies in Wales – around 3,300 vacancies in total – were reported to be hard-to-fill exclusively for reasons not related to skills, qualifications or experience. Despite the number of these vacancies having increased by around 1,200 since 2013, the proportion of vacancies that were hard-to-fill for reasons not related to skills has largely remained constant (nine per cent in 2015 compared with eight per cent in 2013).

2.48 The density of these vacancies in Wales was broadly in line with the rest of the UK (nine per cent compared with 10 per cent, respectively), and, within Wales, did not significantly differ by region. Table A.2.8 in Annex A details the density

of vacancies that were hard-to-fill for non-skills-related reasons by region, size of establishment and sector.

Figure 2.5 Main non-skills-related causes of having hard-to-fill vacancies (unprompted)



Retention difficulties

2.49 The issue of retaining existing staff is closely linked to employers' experiences in the recruitment market. The impact of hard-to-fill vacancies is likely to be compounded if employers also experience difficulties holding on to staff. Similarly, if an employer has difficulty in retaining staff, this may cause persistent skill shortages if the employer also has difficulty filling their vacancies. This next section looks at the characteristics of employers that experienced retention difficulties, the occupations which are most affected, and the factors underlying retention difficulties.

2.50 Around one in ten establishments in Wales (nine per cent) reported that there were specific jobs in which they had difficulties retaining staff[10]. This is similar to the proportion across the UK as a whole (eight per cent) and has increased since 2011 – the last time retention difficulties were covered in the Employer Skills Survey series – when seven per cent of establishments in Wales had difficulties retaining staff.

2.51 The proportion of establishments reporting retention difficulties increases with establishment size, from seven per cent among establishments with fewer than five employees to 18 per cent among those with 100 or more employees.

2.52 The proportion of establishments experiencing retention difficulties did not significantly differ by region.

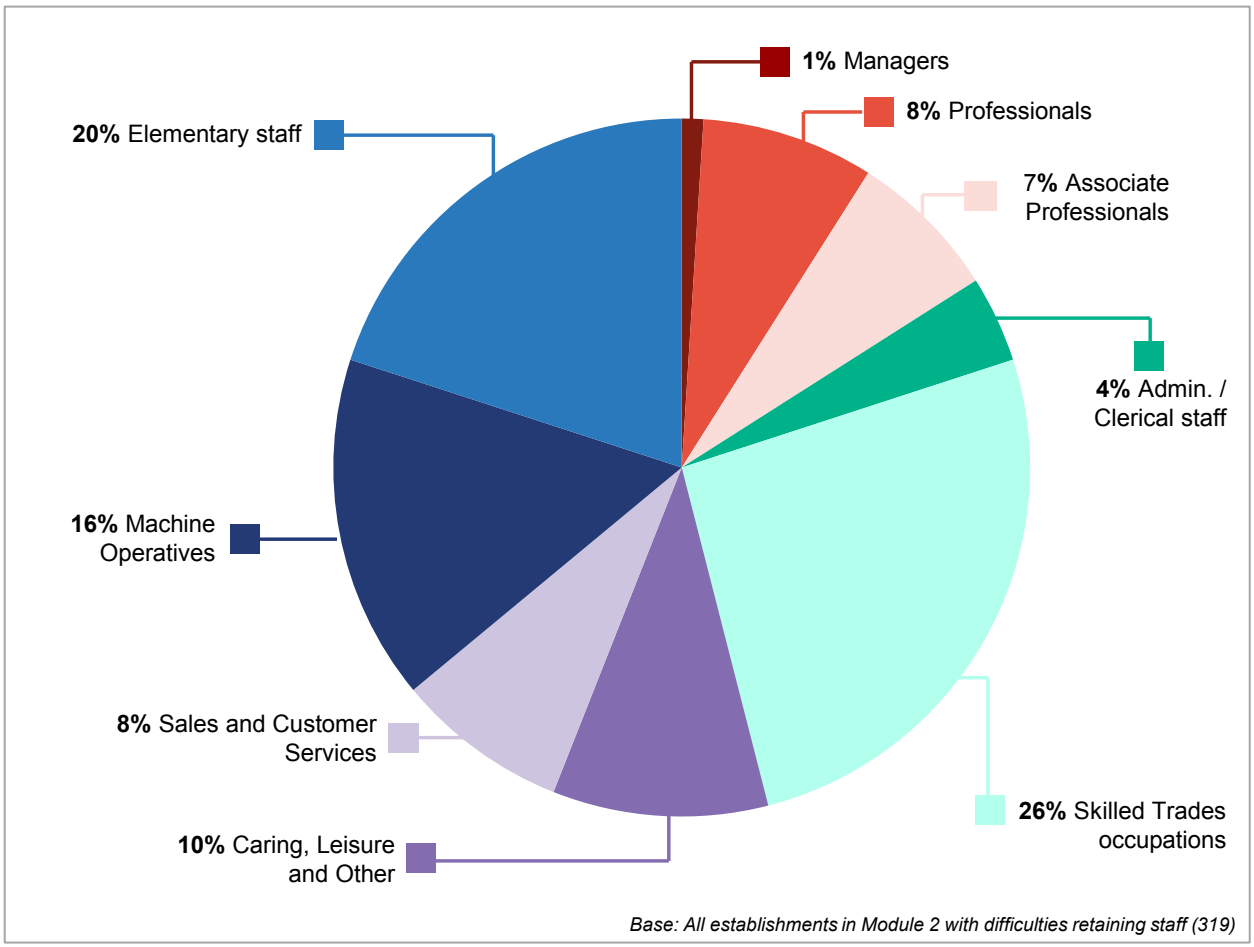
2.53 By sector, employers within the Hotels and Restaurants sector were most likely to experience retention difficulties (20 per cent), which is in line with the incidence of retention difficulties in this sector at a UK level.

2.54 Table A.2.9 in Annex A provides detailed figures of the incidence of establishments with retention difficulties by region, size and sector.

2.55 Where employers experience retention difficulties, these were most likely to relate primarily to Skilled Trades occupations (26 per cent), followed by Elementary roles (20 per cent) and Machine Operatives (16 per cent); see Figure 2.6. In contrast, very few establishments reported retention difficulties to be primarily among Managers (one per cent).

[10] Employers were asked: *Are there any particular jobs in which you have difficulties retaining staff? (Add if necessary: retention difficulties are when a high number of staff leave, but not as a result of downsizing or redundancy).*

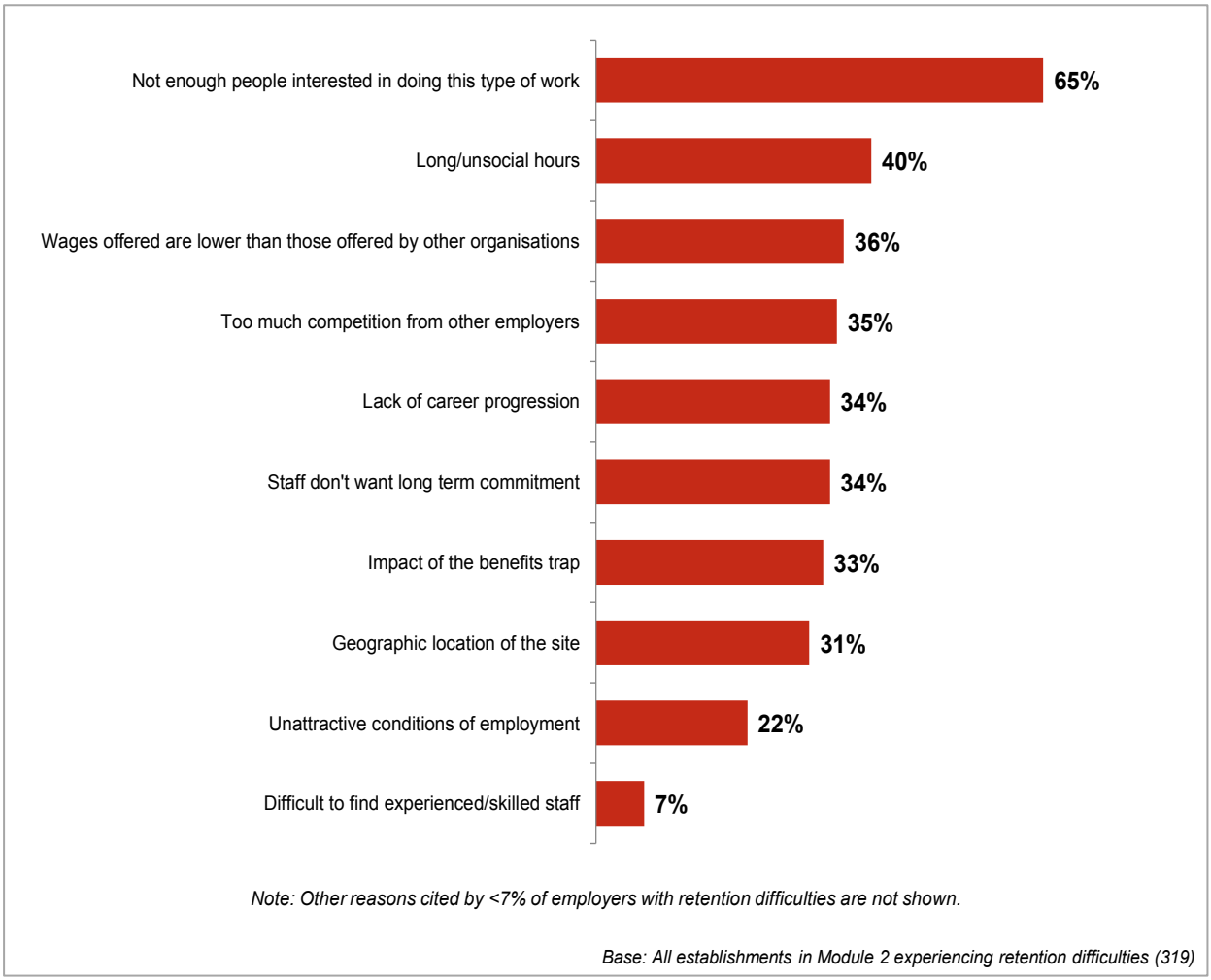
Figure 2.6 Occupations in which employers had most difficulty retaining staff



Reasons for retention difficulties

2.56 The reasons establishments had difficulties retaining staff are shown in Figure 2.7. Some of the most common reasons given related to retention difficulties rising from conditions within the job market, including: a lack of people interested in the type of work (65 per cent), lower wages being offered relative to other organisations (36 per cent) and too much competition from other employers (35 per cent). Reasons for retention difficulties also commonly related to unappealing characteristics of the role, including: long and/or unsociable hours (40 per cent), lack of career progression (34 per cent), geographic location of the workplace (31 per cent) and unattractive conditions of employment (22 per cent).

Figure 2.7 Reasons for retention difficulties



Conclusions

2.57 In line with the picture of a growing UK economy, ESS 2015 provides evidence of strong labour market activity in Wales. There were, however, signs of increasing challenges for establishments in being able to recruit individuals with the required level of skills, qualifications or experience.

2.58 The marked increase in skill-shortage vacancies since 2013 may act as a threat to business growth and hinder productivity if employers are unable to recruit sufficiently skilled labour. Indeed, the reported impacts of skill-shortage vacancies for employers were numerous, including those which have a direct financial impact on the establishment through increased operation costs and loss of business to competitors.

2.59 Where employers had difficulties filling vacancies due to skill shortages in the available labour market, the types of skills lacking in the labour market included management and leadership skills, as well as complex analytical skills. These

types of skills are important when considering the productivity of the workforce and the ability of establishments to innovate through the introduction of new technologies and working practices.

2.60 Having considered the external skills challenges that employers in Wales face when recruiting, the next chapter examines the skills challenges that employers face within their existing workforce.

3. The Internal Skills Challenge

Chapter Summary

3.1 **The majority of establishments reported that they had a fully proficient workforce**: 86 per cent felt that all their staff were fully proficient at their job. However, around one in seven employers (14 per cent) experienced skills gaps within their establishment, and approximately 54,000 staff were deemed not fully proficient (five per cent of the workforce in Wales). These proportions were similar to those across the UK.

3.2 The proportion of employers with any skills gaps, and the proportion of the workforce affected, decreased between 2013 and 2015, reverting to levels more in line with 2011.

3.3 **At an occupational level, skills gaps were more likely to be found in Machine Operatives and Elementary occupations**. Skills gap density was highest in the Manufacturing sector (despite a decrease in density compared with 2013), and this was the sector with the highest number of skills gaps.

3.4 Two-thirds of all skills gaps were deemed to be caused, at least in part, by the fact that staff were new to the role, while a similar proportion were attributed to employees' training being only partially complete. These factors are both predominantly transient: that is to say one would expect skills gaps resulting from these causes to be eliminated once staff have settled into their new roles and/or existing training has been completed.

3.5 **People and personal skills, such as time management and the ability to prioritise tasks, as well as team working, were commonly lacking** across a range of occupations where skills gaps were present. Specialist skills or knowledge needed to perform the role were also widely considered to be lacking, along with good operational understanding and knowledge.

3.6 **Skills gaps were seen to have a major impact on smaller businesses** in particular. An increased workload for other staff was the most common impact, affecting around half of all establishments with skills gaps.

Introduction

3.7 Chapter 2 examined the extent to which establishments encountered difficulties recruiting and holding on to staff with the skills they need: a challenge that has increased over time. This chapter explores the related issue of skills gaps within the existing workforce. This internal challenge arises when employees lack proficiency to fulfil their role. Such skills gaps can hinder an establishment's ability to function efficiently, thereby harming its productivity and profitability.

3.8 The chapter covers the incidence, volume, profile and causes of skills gaps, both at an overall and sector level, and by occupation. It then considers the specific skills that establishments reported their staff to be lacking, the impact that skills gaps had on their business, and their response to address these issues. It finishes by exploring the relationship between internal and external skills challenges.

3.9 New for ESS 2015 was a revised list of skill descriptors used to better understand the skills lacking in the workforce (the same approach has been taken for skill-shortage vacancies). In the 2011 and 2013 surveys a large number of establishments reported that skills gaps were due, at least in part, to deficiencies in 'technical, practical or job-specific skills', without any further information collected on the nature of the skills that were lacking.

3.10 To address this lack of detail – alongside a desire for improved coverage of 'higher level' skills that underpin innovative business practices and to harmonise the skill descriptors used with those of other international skills surveys – the skill descriptors used were revised for ESS 2015[11]. These skill descriptors can be broadly categorised into two: 'technical and practical' skills, which define the content of a job role; and 'people and personal' skills, which define the way in which job roles are delivered.

[11] Half of employers with skills gaps were assigned to the 'new' skill descriptors, whereas the other half were assigned to the 'old' skill descriptors used in ESS 2011 and 2013 to facilitate comparisons over time. Time series data on the skills lacking among applicants according to the 'old' skill descriptors are shown in Figures B.1 and B.2 in Appendix B. Further information on the changes to the skill descriptors used is provided in the ESS 2015 Technical Report (https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-results).

The incidence, volume and density of skills gaps

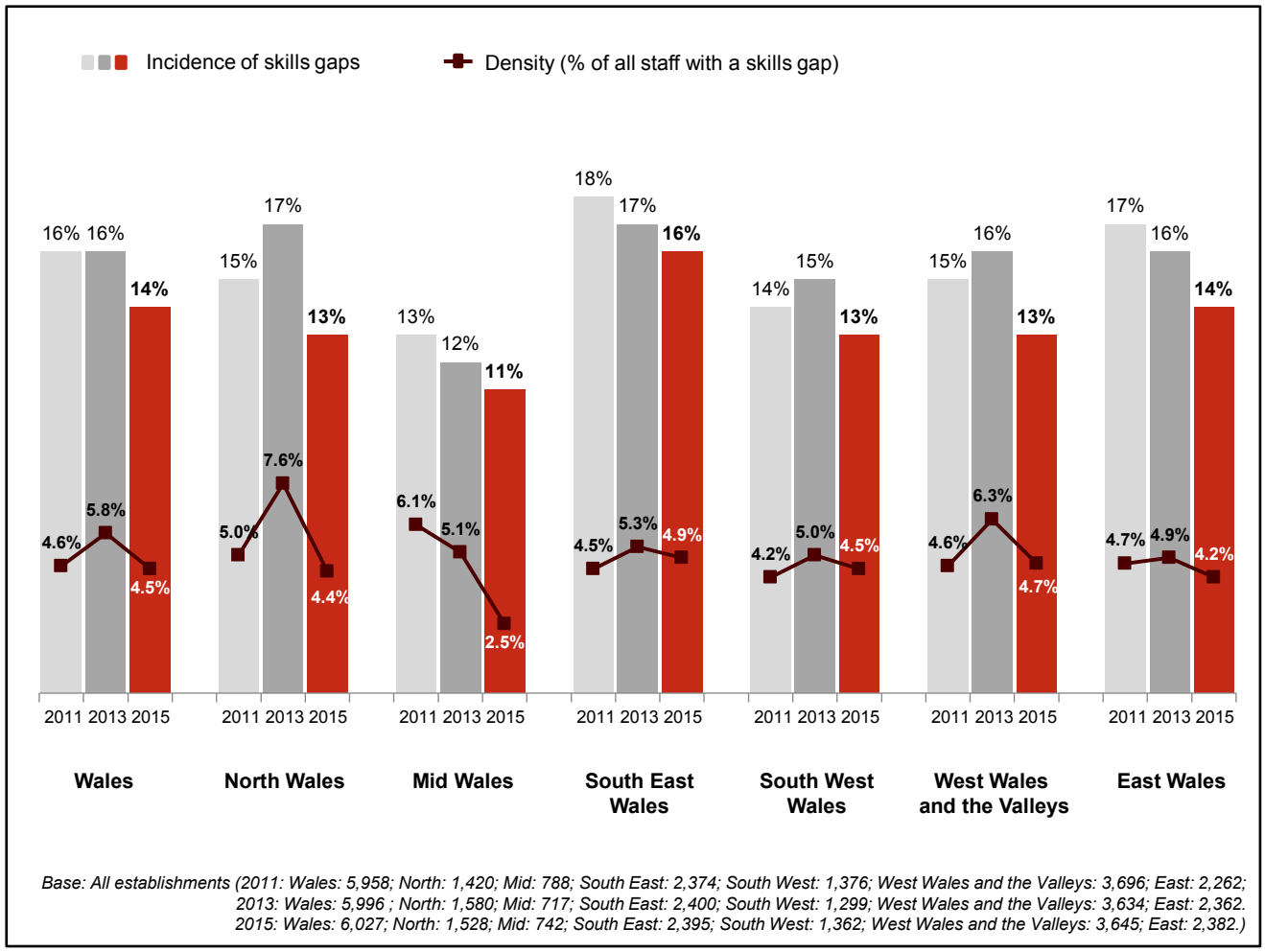
3.11 The vast majority of employers (86 per cent) reported that all of their staff were fully proficient at their job. Approaching one in seven establishments (14 per cent) considered that at least some of their staff were not fully proficient (i.e. they reported skills gaps). In total, 54,000 employees across Wales were perceived to be lacking proficiency, equating to 4.5 per cent of the total workforce.

3.12 These figures are similar to those seen in the UK as a whole, where 14 per cent of establishments reported that 5.0 per cent of the workforce had skills gaps.

3.13 The *proportion* of staff not fully proficient in their job (i.e. the skills gap density) fell from 5.8 per cent in 2013, to 4.5 per cent in 2015, reverting back to a density more in line with 2011 (4.6 per cent). This fall occurred predominantly in north and mid Wales, wherein density of skills gaps decreased from 7.6 per cent to 4.4 per cent and 5.1 per cent to 2.5 per cent, respectively. In 2015 skills gaps density was highest in south east Wales (4.9 per cent), as shown in Figure 3.1.

3.14 Incidence and density of skills gaps did not differ greatly by ESF region, although a significant decrease was seen in the density of skills gaps in West Wales and the Valleys from 2013 to 2015 (from 6.3 per cent to 4.7 per cent).

Figure 3.1 Incidence and density of skills gaps by region



Base: All establishments (2011: Wales: 5,958; North: 1,420; Mid: 788; South East: 2,374; South West: 1,376; West Wales and the Valleys: 3,696; East: 2,262; 2013: Wales: 5,996 ; North: 1,580; Mid: 717; South East: 2,400; South West: 1,299; West Wales and the Valleys: 3,634; East: 2,362. 2015: Wales: 6,027; North: 1,528; Mid: 742; South East: 2,395; South West: 1,362; West Wales and the Valleys: 3,645; East: 2,382.)

3.15 Larger employers were more likely than smaller employers to experience skills gaps, reflecting in part that with a larger workforce, it was more probable that at least one employee would lack full proficiency. Six per cent of establishments with 2-4 employees experienced skills gaps, rising to 51 per cent of those with 100 or more employees. These larger employers also experienced a higher skills gap density: 2.4 per cent of the workforce employed by establishments with fewer than five staff were described as not fully proficient, rising to 5.3 per cent among those with 100+ staff. This pattern of increased density by size of establishment is consistent with 2013 and 2011, although it was less pronounced in 2011.

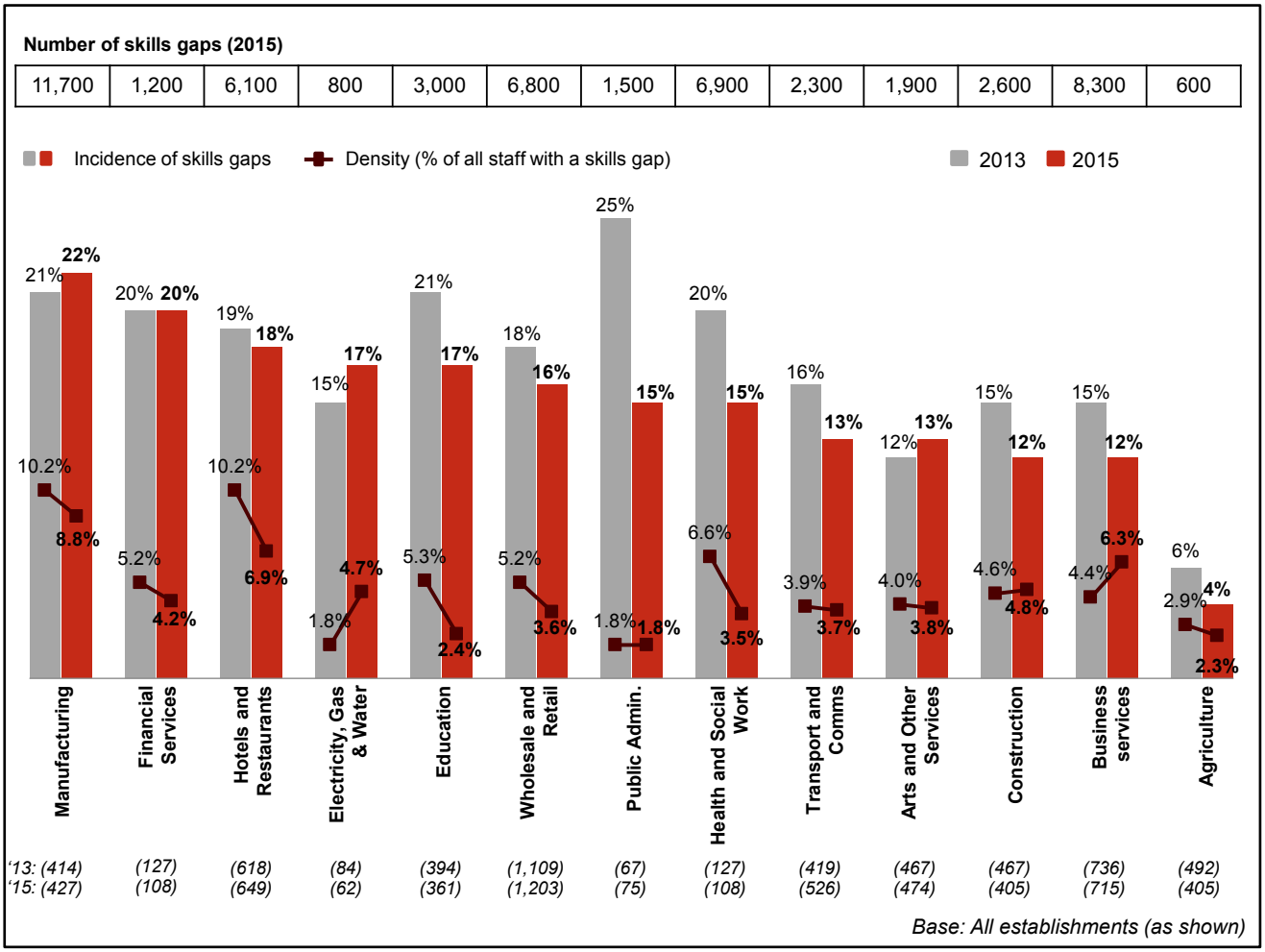
The sectoral distribution of skills gaps

3.16 By sector the only significant increase in skills gap density from 2013 was seen in Business Services which rose from 4.3 per cent to 6.3 per cent in 2015 and (from 5,800 to 8,300 staff).

3.17 Conversely, there were significant decreases in skills gap density in the Hotels and Restaurants sector (from 10.2 per cent in 2013 to 6.9 per cent in 2015), Health and Social Work (6.6 per cent to 3.5 per cent) and Education (5.3 per cent to 2.4 per cent).

3.18 Skills gap density was highest in the Manufacturing sector (despite a decrease in density from 2013), and this was the sector with the highest *number* of skills gaps.

Figure 3.2 Density and number of skills gaps by sector (2013 and 2015)



3.19 Tables A.3.1 and A.3.2 in Annex A provide a detailed breakdown of the incidence, number and density of skills gaps by region, size of establishment and sector.

The occupational distribution of skills gaps

3.20 At an occupational level, skills gaps were more likely to be found in labour-intensive occupations, particularly Machine Operatives[12](seven per cent of such staff were described as lacking full proficiency) and Elementary occupations (six per cent) compared with 4.5 per cent across the total workforce. Collectively these occupations accounted for around one in five (22 per cent) of all employees, but around a third (32 per cent) of all skills gaps. This was broadly consistent with the occupational pattern of the UK.

3.21 Managers were most likely to be fully proficient in their job (with a skills gap density of 2.2 per cent), in line with UK findings.

[12] These include drivers, food and drink process operatives, and scaffolders, among other occupations.

Table 3.1 Number and density of skills gaps by occupation

		Number of skills gaps in Wales	% of staff in Wales reported as having skills gaps (Skills Gap density)			% of staff in UK reported as having skills gaps (Skills Gap density)
		2015	2011	2013	2015	2015
	Unwtd base 2015	n	%	%	%	%
Overall	*6,027*	53,800	4.6	5.8	4.5	5.0
Occupation						
Managers	*5,714*	4,300	2.5	2.7	2.2	2.7
Professionals	*961*	3,900	1.8	2.8	3.0	3.0
Associate Professionals	*734*	2,500	4.1	3.5	4.9	5.3
Administrative and Clerical	*3,106*	5,000	4.0	4.8	3.5	5.4
Skilled Trades	*1,625*	4,700	5.8	6.1	5.5	5.5
Caring, Leisure and Other Services	*921*	7,600	5.2	8.8	5.0	4.1
Sales and Customer Service	*1,633*	8,400	6.2	6.9	5.2	6.6
Machine Operatives	*903*	8,100	7.3	7.2	7.4	7.0
Elementary staff	*2,001*	9,100	6.3	9.0	5.8	6.9

Base: All establishments with staff in each occupation.

Percentages are based on all employment, rather than all establishments; figures therefore show the number of skills gaps as a proportion of all employment in each occupation.

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

Table A.3.3 in Annex A details the density of skills gaps for each occupation by region.

The causes of skills gaps

3.22 Employers identified a variety of factors that led to skills gaps in their workforce. The main causes for staff not being fully proficient overall are presented in Table 3.2. The figures show what proportions of skills gaps were caused by the various factors reported by establishments. Respondents were able to give more than one cause for skills gaps within each occupation.

3.23 As in 2013, transient causes dominated. Two-thirds of skills gaps (67 per cent) were deemed to be caused, at least in part, by the fact that staff were new to the role. A similar proportion of skills gaps (63 per cent) were attributed to employees' training only being partially complete; this is a significant increase from the proportion citing this reason in 2013 (47 per cent). Combined, these

transient factors contributed, at least to some extent, to 78 per cent of all skills gaps. One would expect these transient skills gaps to be resolved relatively quickly, but the majority of establishments also suggested additional factors that had led to skills gaps.

3.24 These findings largely mirror those at the UK level, wherein staff being new to the role and incomplete training were the most common cause of skills gaps (60 and 56 per cent respectively).

3.25 While the general hierarchy of causes remained relatively similar to 2013, there was a sharp decrease in the proportion of skills gaps caused by employees' performances failing to improve sufficiently as a result of the training (from 47 per cent to 37 per cent in 2015).

Table 3.2 Main causes of skills gaps (prompted)

	2011	2013	2015
Unweighted base	*1,354*	*1,219*	*1,100*
	%	%	%
Staff are new to the role	58	63	67
Their training is currently only partially completed	62	47	63
Staff lack motivation	35	52	46
They have been on training but their performance has not improved sufficiently	34	47	37
Unable to recruit staff with the required skills	26	35	31
The introduction of new working practices	30	29	30
Staff have not received the appropriate training	33	27	27
The introduction of new technology	26	20	26
Problems retaining staff	10	24	17
The development of new products and services	22	21	15
Summary: New to role and/or training incomplete (transient causes)	74	74	78

Base: All establishments with skills gaps; up to two skills gaps followed up.

Percentages are based on all skills gaps, rather than all establishments with skills gaps; proportions therefore show the percentage of skills gaps attributed to each cause.

3.26 Transient skills gaps were far less common among Sales and Customer Services staff compared to all other occupations (67 per cent compared to 78 per cent average). Inversely, transient skills gaps were significantly more likely among Associate Professionals (92 per cent).

3.27 Table A.3.4 in Annex A provides a breakdown of the factors that caused skills gaps by occupation.

Skills lacking internally

3.28 The skills that employers perceive their staff to be lacking can broadly be categorised into two: on the one side are the technical and practical skills that define the content of a job role, and on the other side are the softer 'people and personal' skills which can define the way in which job roles are delivered.

These people and personal skills are often less tangible but can have as great an impact on the efficiency of a workforce[13].

3.29 As shown in Figure 3.3, the most common people and personal skill felt to be lacking was time management and prioritisation of tasks (cited in relation to 67 per cent of skills gaps), demonstrating that staff struggled to cope with the various demands placed on them. Team working was also widely cited as lacking among existing staff (59 per cent).

3.30 Establishments also faced challenges with management and leadership within their organisation. Combining various specific skills that pertained to these issues ('managing or motivating staff', 'persuading others' and 'setting objectives'), a lack of management and leadership skills was cited in relation to around three-fifths of all skills gaps (61 per cent). Just under half of skills gaps were attributed to sales and customer skills (49 per cent)[14].

3.31 Specialist or knowledge-based skills required for the particular job role of the employee were mentioned in relation to nearly three in five skills gaps (56 per cent), rendering this the most common technical and practical skill lacking among existing staff. A similar proportion of skills gaps related to a lack of operational knowledge: 44 per cent of skills gaps were attributed to a lack of knowledge of the products and services the establishment offers and 40 per cent to a lack of knowledge in how the organisation worked. There were also deficiencies in complex analytical skills: 37 per cent of skills gaps were attributed to a lack of proficiency in solving complex problems, and 28 per cent were attributed to a lack of complex numerical or statistical skills.

3.32 Improving technologies in the workplace is perceived to be a critical area of change for businesses over the next few years (UKCES, 2014a). However, nearly two-fifths of all skills gaps (37 per cent) related to a lack of proficiency in adapting to new equipment or materials. A lack of basic IT skills was cited for a comparable proportion of skills gaps (37 per cent), while advanced IT skills

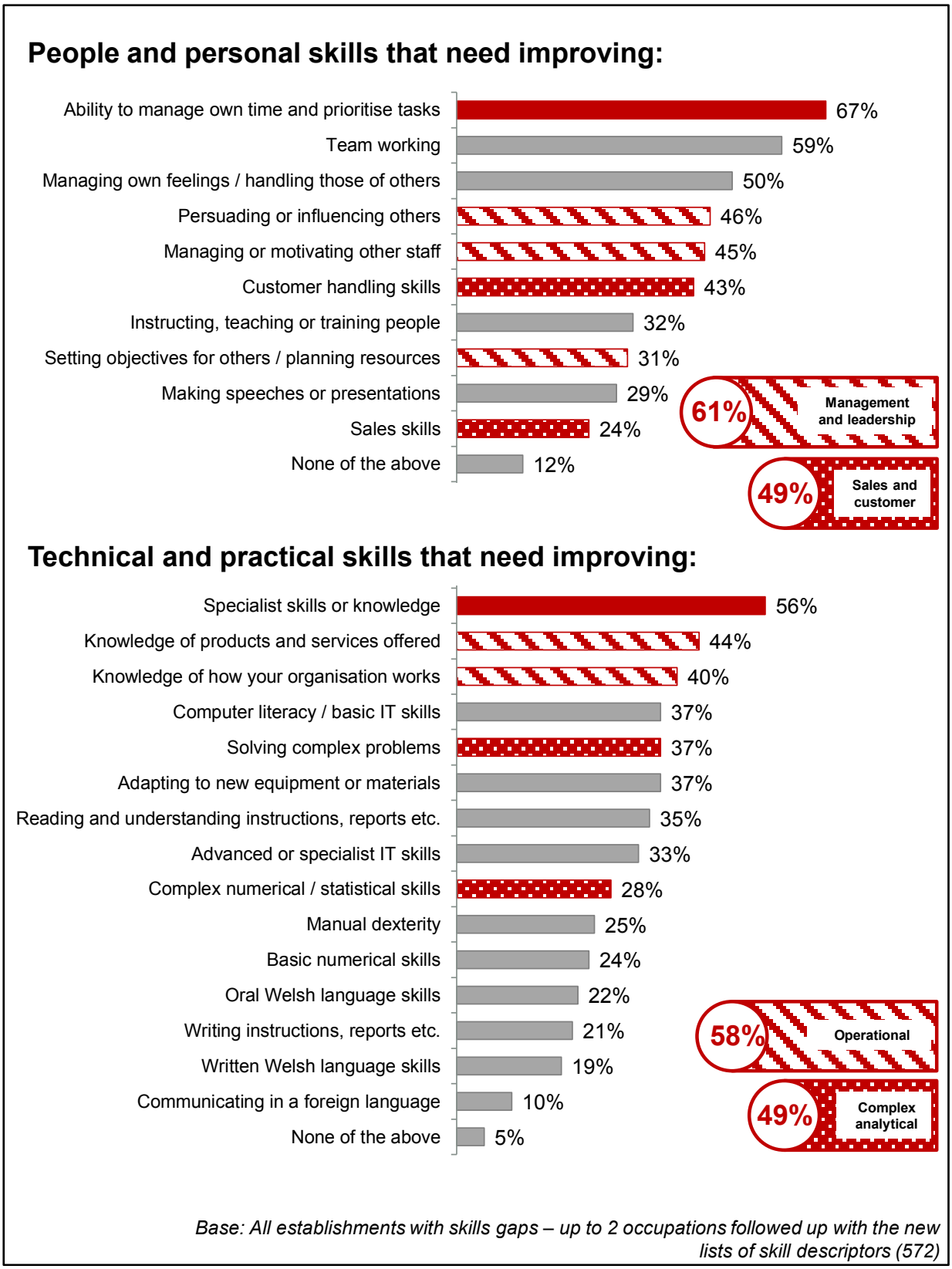
[13] As noted in the introduction to this chapter, a new list of skill descriptors were developed for ESS 2015 in order to better understand the skills lacking among staff. Half of employers with skills gaps were assigned to the 'new' skill descriptors, whereas the other half were assigned to the 'old' skill descriptors used in ESS 2011 and 2013 to facilitate comparisons over time. Time series data on the skills lacking among applicants according to the 'old' skill descriptors are shown in Appendix B. Further information on the changes to the skill descriptors used is provided in the ESS 2015 Technical Report (https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-results).

[14] This includes 'sales skills' and 'customer handling skills'.

were also commonly lacking (33 per cent), particularly among those in high-skill or middle-skill roles.

3.33 Comparable proportions of the skills gaps – around one in five- were attributed to either oral or written Welsh language skills (19 per cent and 22 per cent, respectively).

Figure 3.3 Skills lacking among staff with skills gaps



Base: All establishments with skills gaps – up to 2 occupations followed up with the new lists of skill descriptors (572)

3.34 Across a range of skills, Wales reported a higher proportion lacking than in the UK. In terms of people and personal skills, this difference was most stark in

relation to time management and prioritisation and making speeches or presentations (67 per cent compared to 59 per cent across the UK, and 29 per cent compared to 17 per cent, respectively). For technical and practical skills, the most notable differences were seen for specialist skills and knowledge (56 per cent compared to 48 per cent in the UK) and manual dexterity (29 per cent compared to 17 per cent).

3.35 Table A.3.5 in Annex A details the skills lacking among applicants for each region.

The impact of skills gaps

3.36 Close to two-thirds (64 per cent) of establishments with skills gaps found these impacted on how their business performed; 17 per cent considered this to be a *major* impact for them (a similar proportion to 2011 and 2013). Establishments in mid Wales were more likely than average to state that skills gaps had any impact on their business (72 per cent), although no significant differences were seen in terms of it being a *major* impact. No significant differences were seen by ESF region.

3.37 Figure 3.4 shows the impacts of skills gaps in 2015 and the implications for the business. As seen in previous years, the most common impact of skills gaps was an increased workload for other staff: this affected over half of establishments with skills gaps (54 per cent, rising to 66 per cent among establishments with 100+ employees).

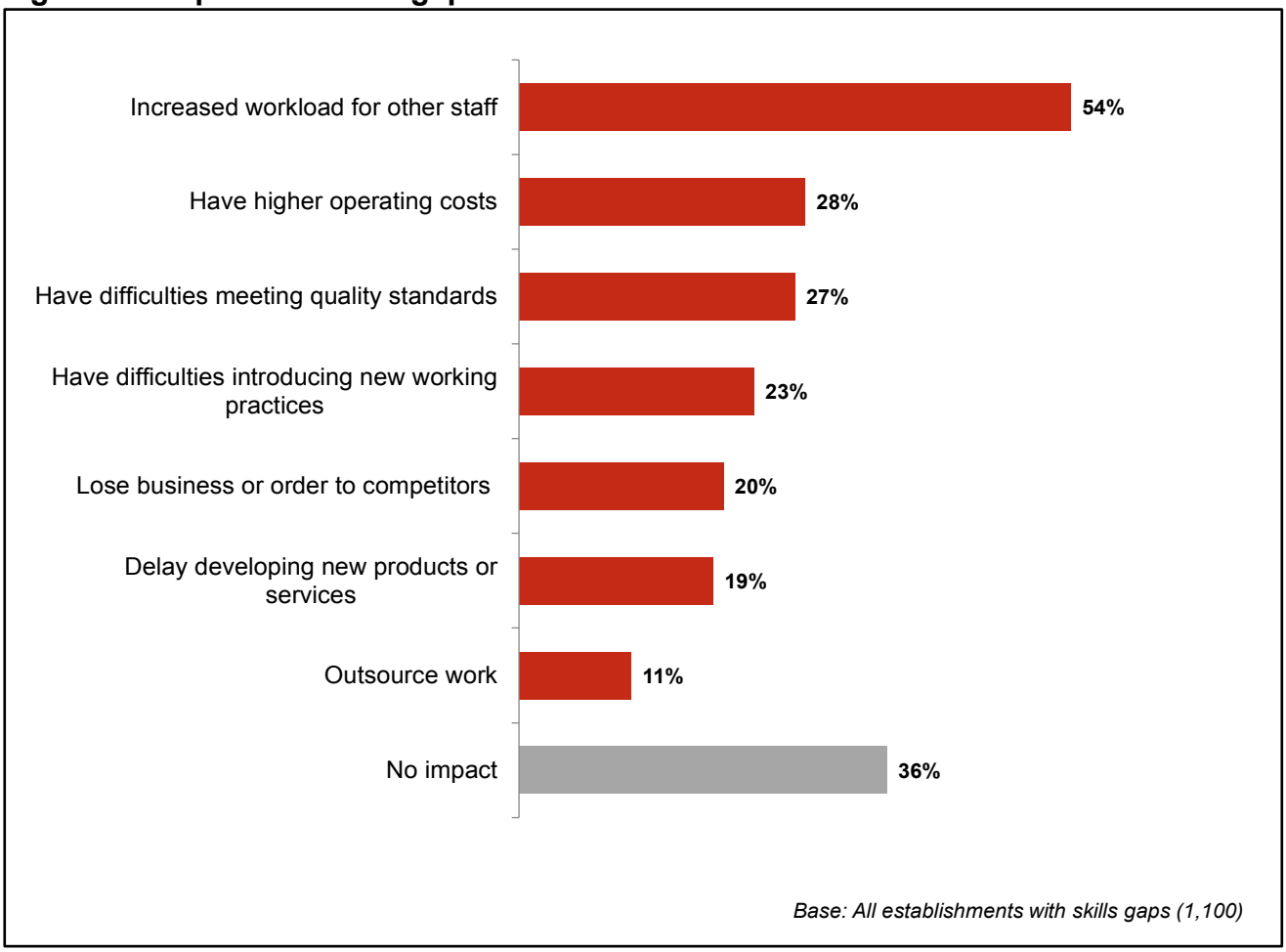
3.38 Establishments also suffered financial impacts as a result of their internal skills challenge. The fact that not all of their staff were fully proficient drove up the operating costs of nearly three in ten employers with skills gaps (28 per cent). This was a particular issue for Manufacturing establishments in Wales (49 per cent compared with 37 per cent of Manufacturing establishments across the UK).

3.39 Additionally, 20 per cent of establishments in Wales with skills gaps lost business or orders to competitors, a scenario that affected small establishments most (28 per cent among employers with 2-4 staff).

3.40 Skills gaps also impacted on establishments' ability to innovate, signalling more long-term business implications. These impacts varied according to the size of the establishment. While a quarter of establishments with skills gaps (23 per

cent) had difficulty introducing new working practices, this was much higher among those with 100+ staff (40 per cent). This pattern was reflected in UK findings, although to a much lesser extent (24 per cent across UK, and 31 per cent in establishments with 100+ employees).

Figure 3.4 Impacts of skills gaps



3.41 Table A.3.6 in Annex A provides a breakdown of impacts of skills gaps by size, sector and region.

Employer response to skills gaps

3.42 The vast majority of employers with skills gaps (83 per cent) had taken steps to tackle them. In addition, seven per cent had not taken steps at the time but planned to do so in future. Approaching one in ten (nine per cent) of establishments with skills gaps had taken no action and had no plans to tackle these issues.

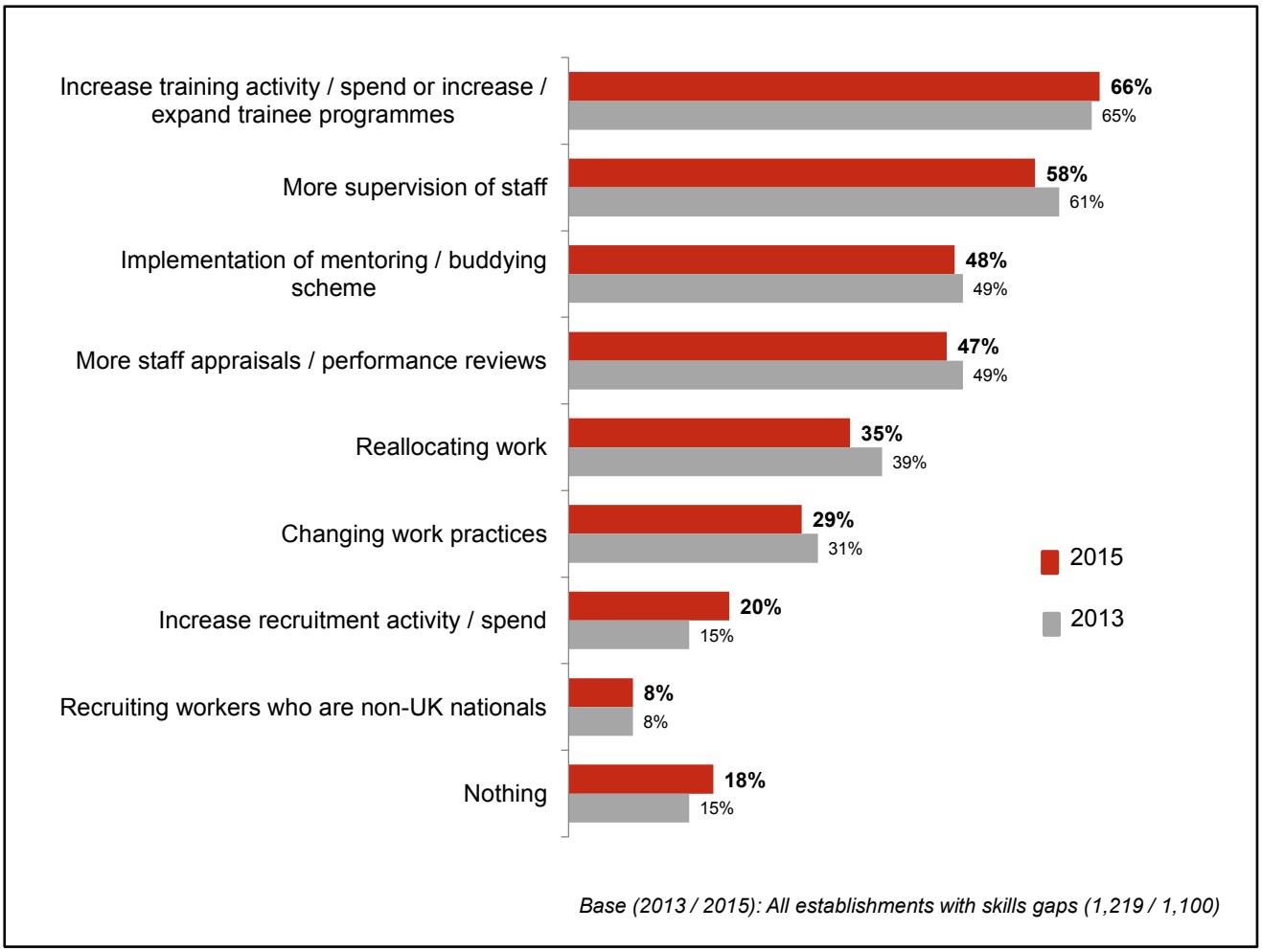
3.43 Establishments with 2-4 staff were less likely to experience skills gaps than larger employers and were also less likely to have responded to them: 16 per

cent of small establishments with skills gaps had neither taken steps to tackle them nor planned to compared with nine per cent overall.

3.44 Table A.3.7 in Annex A provides a breakdown of actions taken to tackle skills gaps by region, size and sector.

3.45 As Figure 3.5 illustrates, additional training remained at the forefront of establishments' approaches to tackling internal skills gaps: two-thirds of establishments (66 per cent) increased their training activity or spend in order to improve the skills levels of their employees. This was consistent with the findings from 2013, and across the UK.

Figure 3.5 Actions taken to overcome skills gaps (prompted)



3.46 Another common method that establishments employed to respond to skills gaps was harnessing the experience of existing staff to improve the performance of others (58 per cent for example had introduced more supervision of staff). Such actions were particularly common among larger employers (100+ employees) and those in the Health and Social Work sector (69 and 75 per cent respectively).

3.47 Changing structural approaches to work in response to skills gaps was less common: 35 per cent of establishments with skills gaps reallocated work and 29 per cent changed their working practices (although this proportion was considerably higher among those with 100+ employees, 49 per cent).

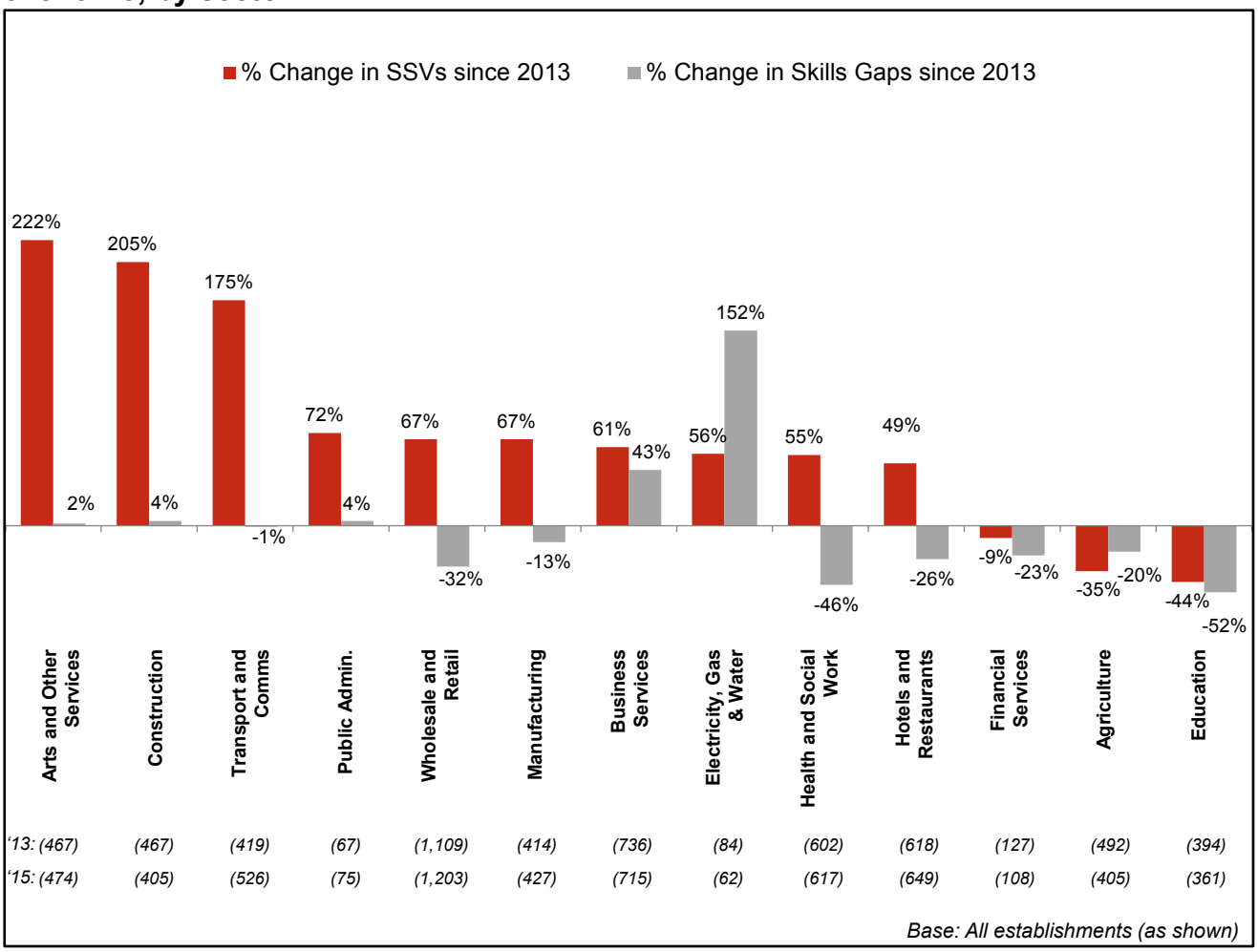
3.48 One in five establishments with skills gaps (20 per cent) responded by increasing recruitment spend and activity. From a time series perspective, this represented a steady increase over time (10 per cent in 2011; 15 per cent in 2013), and matches a similar rise across the UK.

Skills deficiencies among existing staff and when recruiting

3.49 We have explored skills lacking both among potential recruits and within the existing workforce. It may be the case that establishments experienced substitution between these two measures of labour market deficiency. Some employers when faced with inadequate applicants will leave the vacancy unfilled, in which case the issue reveals itself as a skill-shortage vacancy; other employers may feel it is better to recruit someone who is not appropriately skilled, in which case the deficiency will reveal itself as a skills gap, albeit potentially a transient one.

3.50 There appeared to be no sign that the scale of the skills challenge at this collective level had changed since 2013. Approaching one in five establishments (17 per cent) were suffering from either form of skills deficiency in 2015, in line with 2013, as Table A.3.8 in Annex A shows. However, in 2015 these skills challenges had become more external, with the density of skills gaps decreasing, and the density of skill-shortage vacancies increasing (albeit slightly). Figure 3.6 illustrates how the skills challenge has evolved over time, by sector.

Figure 3.6 Changes in the number of skill-shortage vacancies and skills gaps over time, by sector



3.51 The most common trend exhibited across sectors was skills challenges became more external, with a decrease in the number of skills gaps and an increase in the number of skill-shortage vacancies since 2013.

3.52 No sectors demonstrated the inverse of this trend, although some did show variations:

- Bucking the general trend of a decrease in number of skills gaps were notable increases in the Electricity, Gas and Water and Business Services sectors.
- The Education, Agriculture and Financial Services sectors were the only sectors to exhibit a decrease in the number of skill-shortage vacancies from 2013 to 2015.

Skills lacking internally and externally

3.53 We can also explore the dynamic between the skills that were perceived to be lacking among existing staff and potential recruits, although such comparisons are not perfect owing to the difficulty in observing skills lacking among people external to the business.

3.54 In general, the issues faced externally and internally followed a similar hierarchy.

3.55 Looking at specific people and personal skills, the greatest imbalances between internal and external challenges related to team working and persuading or influencing others. Internally, 59 per cent of existing staff were felt to lack presentation skills, compared to just 44 per cent of applicants. A lack of persuasion and influencing skills contributed to nearly half all skills gaps (46 per cent), compared with only one-third of skill-shortage vacancies (33 per cent). This suggests that employers could do more to assess the characteristics of candidates which contribute to these skills prior to offering employment, particularly for team working as this is felt to be a more common issue among existing staff.

3.56 Turning to practical and technical skills, while basic and advanced IT skills were not regarded by many as skills lacking in potential recruits (17 and 15 per cent respectively), such skills revealed themselves to be a greater issue among existing staff (37 and 33 per cent). One could posit a variety of theories to explain these differences, but they do at least illustrate that – in the context of a rapidly changing technological landscape – employers could do more to ensure their existing staff are able to adapt and harness new technologies.

Conclusions

3.57 Few staff were deemed to lack proficiency (4.5 per cent); this has fallen since 2013, and returned to 2011 levels.

3.58 The survey points to particular areas of skills gaps among existing staff which, unless resolved, may prevent establishments from maximising their potential. A lack of time management and task prioritisation skills for example points to a growing demand on staff to juggle multiple responsibilities. Such issues could hamper productivity in the workplace.

3.59 A lack of complex analytical skills was also apparent in existing staff. Such skills are of increasing importance as employers make use of more elaborate technologies. Limitations in this area could prevent companies from engaging in innovative practices that are often the pre-cursor to growth.

3.60 So far this report has focussed on the skills deficiencies that exist both externally and within an organisation, and how these issues affect business performance. In the next chapter we explore the skills imbalance that can occur when establishments do not make the most effective use of the skills and qualifications their employees possess.

4. Employer perceptions of under-use of skills and qualifications

Chapter Summary

4.1 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. **A third of employers reported that they had at least one employee who fits this description within their establishment** (34 per cent), with 89,000 workers reported to be under-utilised in this way (eight per cent of the workforce). Managers were the single most common occupation under-utilised.

4.2 There are a number of different reasons given by employers for the under-use of skills. **Around one in five (22 per cent) of employers that reported under-use of skills said the reason was staff not being interested in taking on a higher level role**; 14 per cent reported that the working hours suited their employees 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, 14 per cent of employers reporting under-utilisation said the reason was a lack of jobs in the desired higher level role and nine per cent reported that these staff were gaining experience for a higher level role.

4.3 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.

Introduction

4.4 As well as shortages of skills in the available labour market and/or among the existing workforce, skills imbalance can occur within establishments when the skills and qualifications held by individuals are not fully deployed in the workplace. We refer to this in this report as 'under-utilisation' (though the phenomenon is sometimes referred to elsewhere as 'under-use of skills', 'over-skilling', 'over-qualification' and/or 'under-employment').

4.5 Within ESS, under-utilisation is said to occur where a member of staff is perceived by their employer to have ***both*** qualifications ***and*** skills that are more advanced than required for their current job role. In 2011 and 2013, incidence was drawn from a single question[15], and under-utilisation was reported by half of employers in 2013 (50 per cent), and just under half in 2011 (45 per cent).

4.6 ESS 2015 has sought to fine-tune how the incidence of 'under-utilisation' is measured, identifying under-utilisation through a sequential two question approach[16], with a view to minimising suspected over-reporting (i.e. cases where staff have ***either*** skills ***or*** qualifications but ***not both***). Due to this adjusted measure of under-utilisation, no time series comparisons are presented in this chapter[17].

4.7 The 2015 survey also added questions to explore the occupational roles in which, *according to employers' perception*, under-utilisation most frequently occurs within an organisation, and the reasons why employers perceive that it occurs. Examining the perceived reasons for under-utilisation allows us to identify where there may be inefficiency within the market as individuals achieve qualifications and develop skills which they (and the economy) are then unable to exploit (and, therefore, the return on investment of skills development is constrained).

4.8 Supplementing the questions in this way facilitates the identification of potential opportunities for (some) employers to restructure the jobs that they have on offer, or to rethink their organisational practices, in order to better utilise the skills that could be available to them.

[15] "You said that you have [NUMBER] staff who are **fully** proficient at their job. Of these, how many would you say have **both** qualifications **and** skills that are more advanced than required for their current job role?"

[16] "How many [of your staff at this establishment] would you say have ***qualifications*** that are more advanced than required for their current job role?" followed by "And how many of [them] ***also*** have ***skills*** that are more advanced than required for their current job role?"

[17] The impact of this re-definition on levels of incidence of all under-utilisation can be reviewed in Table A.4.1 in Annex A, which provides a detailed breakdown of incidence of under-utilisation for 2011, 2013 and 2015, by region, size of establishment and sector.

Prevalence of under-utilisation

4.9 Across businesses in Wales, 44 per cent reported having employees with qualifications more advanced than required for their current job role. This reduced to one-third (34 per cent) when establishments considered whether these individuals *also* had skills more advanced than needed. In volume terms, 89,000 workers or eight per cent of the workforce had both under-utilised skills and under-utilised qualifications.

4.10 These findings (in terms of both incidence and density) are slightly, albeit significantly, higher than those seen across the UK as a whole, where 30 per cent of establishments reported under-utilised staff, accounting for seven per cent of the workforce.

4.11 There were some notable patterns of under-utilisation in different parts of the economy in Wales:

- Employers in mid Wales were significantly less likely than those from all other regions to report under-utilisation (29 per cent compared to 33, 35 and 35 per cent in south east Wales, north Wales and south west Wales, respectively). Looking at ESF region, those in east Wales were also less likely to do so (32 per cent compared to 34 per cent in west Wales and the valleys).
- The likelihood of employers reporting under-utilisation was significantly lower among those with 2-4 employees compared to those with 5 or more (32 per cent and 35 per cent).
- Under-utilisation was most common within the Hotels and Restaurants sector (45 per cent), followed by Arts, Entertainment, Recreation and Other Services and Electricity, Gas and Water sectors (both 43 per cent).

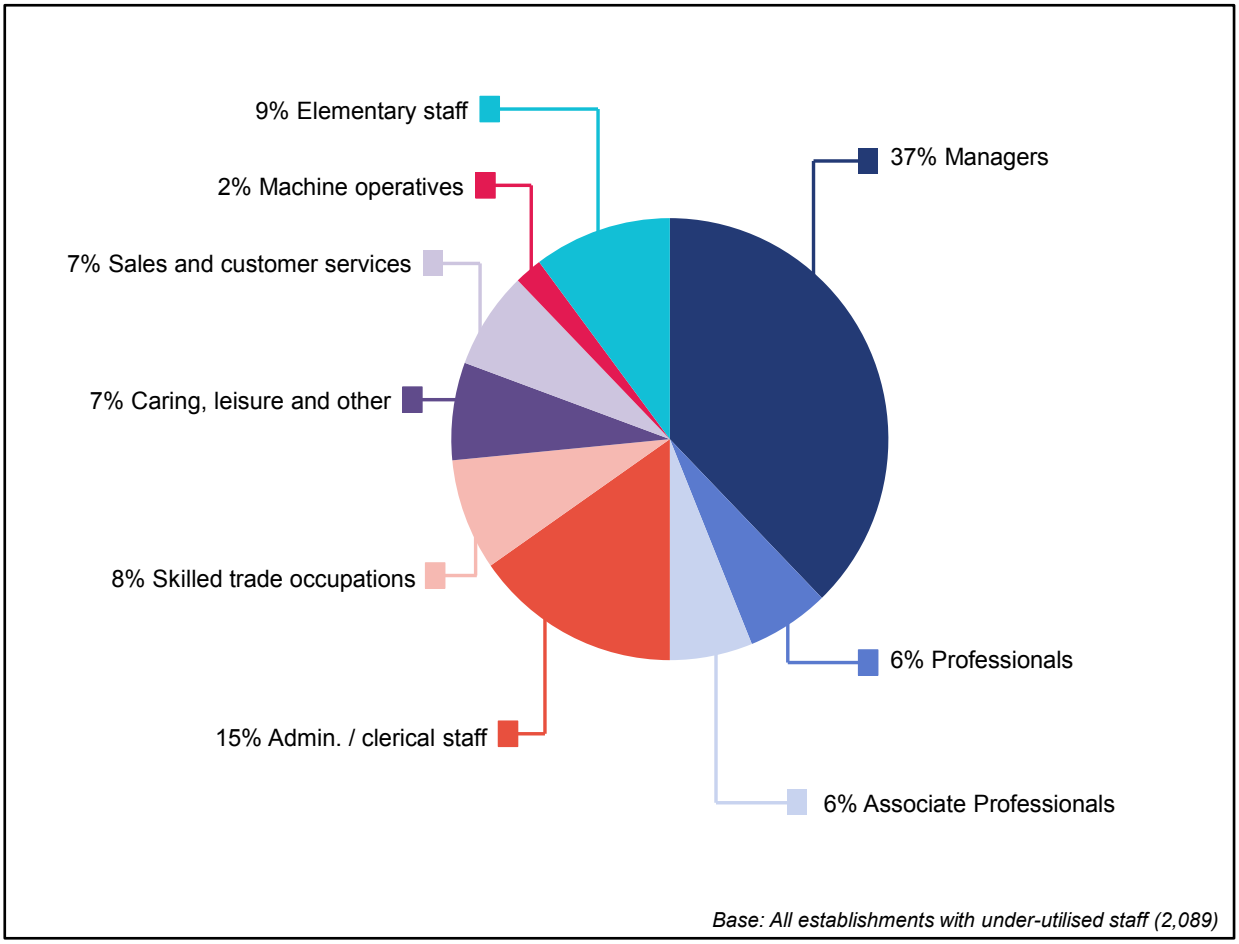
4.12 It is possible that this is an underestimate: seven per cent of employers did not know whether their staff had skills or qualifications more advanced than required for their role, with this proportion rising to more than two-thirds (36 per cent) among establishments employing 100+ workers. This is perhaps unsurprising, in particular within a larger workforce where it can be hard for employers to have full knowledge of ***all of*** the skills and qualifications that ***all*** individuals possess. This is all the truer if individuals have made a choice to

restrict which skills and qualifications they want to bring to their choice of employment or to the attention of their employer.

Occupations most affected by under-utilisation

4.13 Where employers reported that they had any staff whose qualifications and skills were under-utilised in their current job role, the survey asked them to identify the role in which this most commonly occurred. Figure 4.1 illustrates the roles in which employers most commonly reported under-utilisation.

Figure 4.1 Single occupation most affected by under-utilisation



4.14 Nearly two in five employers (37 per cent, the same proportion as found across the UK) who reported under-utilisation said that it was most likely to occur among those occupying managerial roles. This is somewhat surprising, in the sense that managers sit at the top of the occupational hierarchy so one might surmise that there is not a higher level at which people could put their surplus skills and qualifications to use.

4.15 This result can be explained to some extent by the fact that this is the most prevalent occupation across establishments, and there is a natural narrowing of

the career ladder as it reaches the top, meaning that the number of people who can continue to climb is limited. Furthermore, as individuals assume positions of management, they can commonly cease to need to utilise some of the more technical skills and qualifications that they have previously acquired (e.g. skills and qualifications that relate to the core service that their organisation provides). If they, or their employer, perceive these technical or service-related skills and qualifications to be "more advanced" than needed for their managerial role, then they may report this rise up the job ladder as reflecting under-utilisation of the full repertoire of their skills.

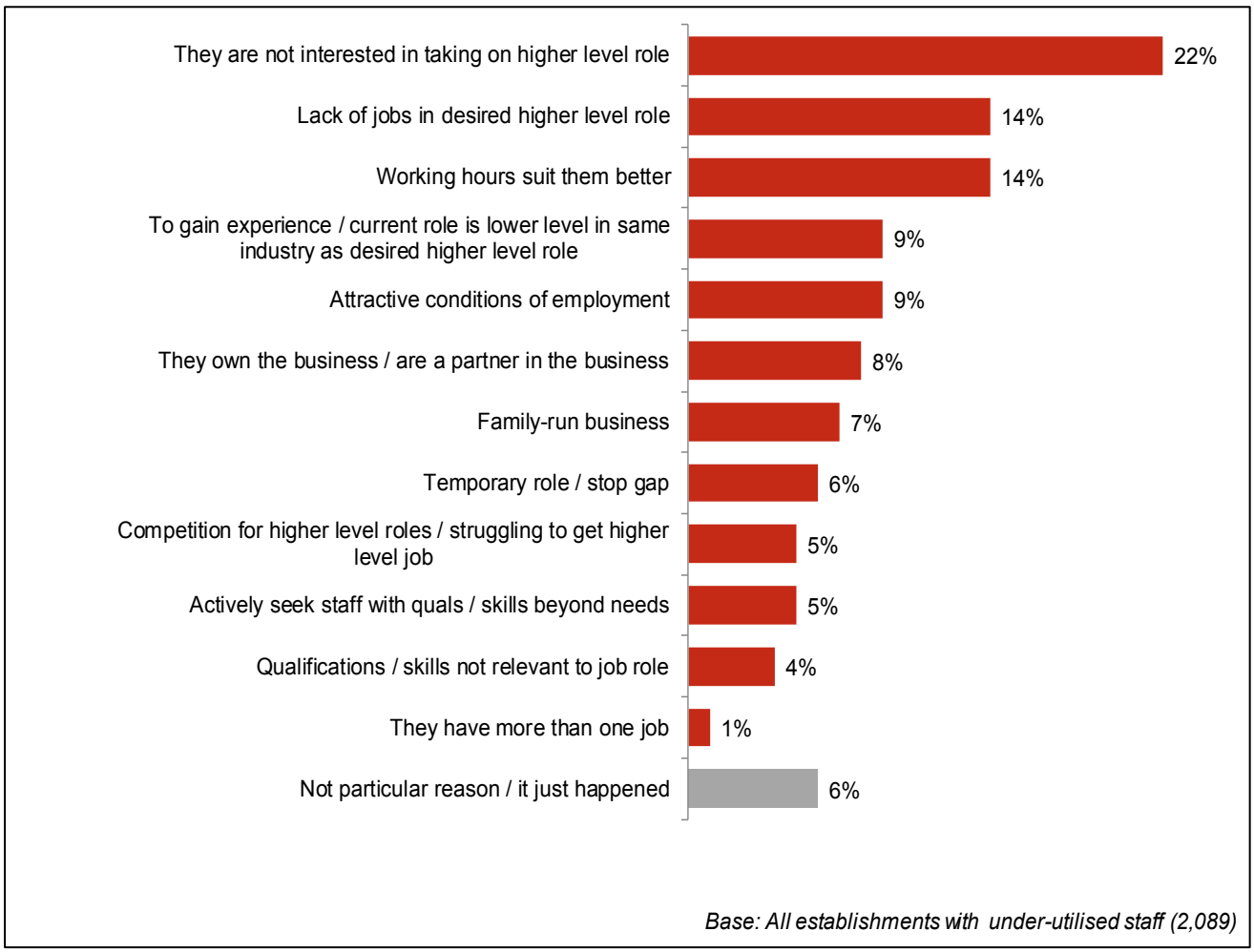
4.16 Note employers were asked to select ***the single occupation*** in which under-utilisation is ***most*** common: this means the survey does not establish a full analysis of the occupations in which under-utilisation occurs.

Reasons for under-utilisation

4.17 After employers had identified the occupations in which under-utilisation most commonly occurred in their establishment, they were asked why they felt that it occurred among these staff. It is important to bear in mind throughout this section that all reasons provided are from the perspective of the employer. As shown in Figure 4.2, the most common cause of under-utilisation, as perceived by employers, was a lack of interest among staff to take on a higher level role with more responsibility; more than one in five establishments where under-utilisation occurred cited this reason (22 per cent). This is slightly lower than found UK wide (26 per cent).

4.18 In a similar vein, a lack of jobs in higher level roles was also among the more commonly cited reasons (14 per cent). This opens up the question as to whether – if employers redesigned job roles, and/or adapted the conditions of employment in other ways – there could be opportunities for employers to better utilise the skills and qualifications that are already available to them within their organisation.

Figure 4.2 Reasons for under-utilisation (unprompted)



4.19 Around one in ten employers felt under-utilisation occurred due to staff needing to gain experience in their desired job before progressing to such roles (nine per cent). One could posit that a number of causes of under-utilisation are driven (or at least enhanced) by a demand deficiency for the skills and/or qualifications held by these staff. This may be a structural issue reflecting an over-supply of suitably skilled people looking for a particular type of role; or it may be more transient in nature, reflecting a lag between people acquiring skills and being able to utilise them, or receiving recognition for them (for example, through promotion). It appears to be a particular issue in Wales, with only 11 per cent of UK businesses reporting that under-utilisation occurred due to a lack of available jobs in desired higher level roles (compared with 14 per cent in Wales)

4.20 Key findings of how different types of under-utilisation relate to the different occupations are shown in Table 4.1 (for full breakdown see Table A.4.2 in Annex A).

4.21 Employers perceived a lack of interest from staff in taking on higher roles to be the main reason for under-utilisation across the majority of occupations, and most prominently in relation to Caring, Leisure and Other Services staff (28 per cent). For Elementary staff and Machine Operatives, a lack of jobs in desired higher level roles was deemed to be the most prominent reasons for staff being under-utilised (23 per cent and 22 per cent, respectively).

Table 4.1 Reasons for under-utilisation by occupation

Occupation	Main reasons for under-utilisation	(Other) Variations from the average
Managers	1. Not interested in taking on higher level role (23%) 2. They own the business / are a partner (17%) 3. The working hours suit them better (12%)	
Professionals	1. Not interested in taking on higher level role (27%) 2. To gain experience / current role is lower level in same industry as desired higher level role (14%) 3. The working hours suit them better (12%)	
Associate Professionals	1. Not interested in taking on higher level role (27%) 2. To gain experience / current role is lower level in same industry as desired higher level role (19%) 3. Lack of jobs in desired higher level role (17%)	The working hours suit them better was less likely than average to be reported for associate professionals (7%)
Administrative / Clerical staff	1. Not interested in taking on higher level role (18%) 2. The working hours suit them better (18%) 3. Lack of jobs in desired higher level role (17%)	
Skilled Trades occupations	1. Not interested in taking on higher level role (23%) 2. Family run business (12%) 3. Attractive conditions of employment (11%) 4. Lack of jobs in desired higher level role (11%)	
Caring, Leisure and Other Services	1. Not interested in taking on higher level role (28%) 2. To gain experience / current role is lower level in same industry (20%) 3. The working hours suit them better (19%)	Actively seeking staff with qualifications above those needed for role most commonly reported for this occupation (8%)
Sales and Customer Services	1. Not interested in taking on higher level role (22%) 2. Lack of jobs in desired higher level role (21%) 3. The working hours suit them better (18%)	Competition for higher levels roles and current role is temporary more commonly reported for this occupation than average (12% and 16%)
Machine Operatives	1. Lack of jobs in the desired higher level role (22%) 2. The working hours suit them better (15%) 3. Not interested in taking on higher level role (13%)	
Elementary staff	1. Lack of jobs in the desired higher level role (23%) 2. Current job is temporary / a stop gap (22%) 3. The working hours suit them better (16%)	Competition for higher levels roles and family run business most commonly reported for this occupation (13% and 12%)

Base: All establishments with under-utilised staff (2,089)

Reasons for under-utilisation by region

4.22 Few significant differences were seen by region. The most marked was the higher proportion of employers stating that under-utilisation was due to staff being uninterested in taking on higher level roles in mid Wales (28 per cent), compared to all other regions (20 to 23 per cent).

4.23 Mid Wales also differed from other regions in terms of the proportion of establishments where a need to gain experience or work in a lower level role in the desired field was perceived as a reason for under-utilisation; only four per cent of establishments in mid Wales stated this as a reason, compared to around one in ten establishments in north and south east Wales (nine and 11 per cent, respectively).

4.24 South east Wales had a significantly lower proportion of staff being under-utilised due to the family run nature of the establishment than all other regions (four per cent, compared to 13, eight and seven per cent in mid, north and south west Wales).

Reasons for under-utilisation by establishment size

4.25 A lack of interest in higher level roles was considered to be the main reason for under-utilisation within establishments with 2 to 49 employees; particularly those employing 25 to 49 workers (26 per cent).

4.26 Larger establishments (with 50+ employees) were much more likely to see the challenge from the opposite perspective, that there was a shortage of jobs in desired higher level roles; over a quarter of establishments with 50 to 99 employees (26 per cent), and two in five with 100 or more employees (39 per cent) attributed under-use of staff to this. Related to this, larger establishments were also more likely to report competition for higher level roles as a reason for under-utilisation (18 per cent for 100+ establishments, compared to five per cent on average).

4.27 Taken together, this suggests that some larger establishments are either unable or unwilling to move employees up the chain, or to create an environment which allows for progression for those who warrant it.

4.28 These findings are largely in line with those across the UK.

4.29 A full breakdown of perceived reasons for under-utilisation by establishment size can be found in Table A.4.3 in Annex A.

Reasons for under-utilisation by sector

4.30 A lack of interest in higher level roles was the most common reason given for under-utilisation across the majority of sectors, and most prominently in relation to staff in Public Administration (33 per cent[18]), Education (30 per cent), and the Health and Social Work sector (28 per cent). These are all sectors in which the workforce tends to be more dominated by women[19], adding credence to the notion that it is predominantly women who make a decision to remain in under-utilised roles due to gender imbalances in the management of family and childcare.

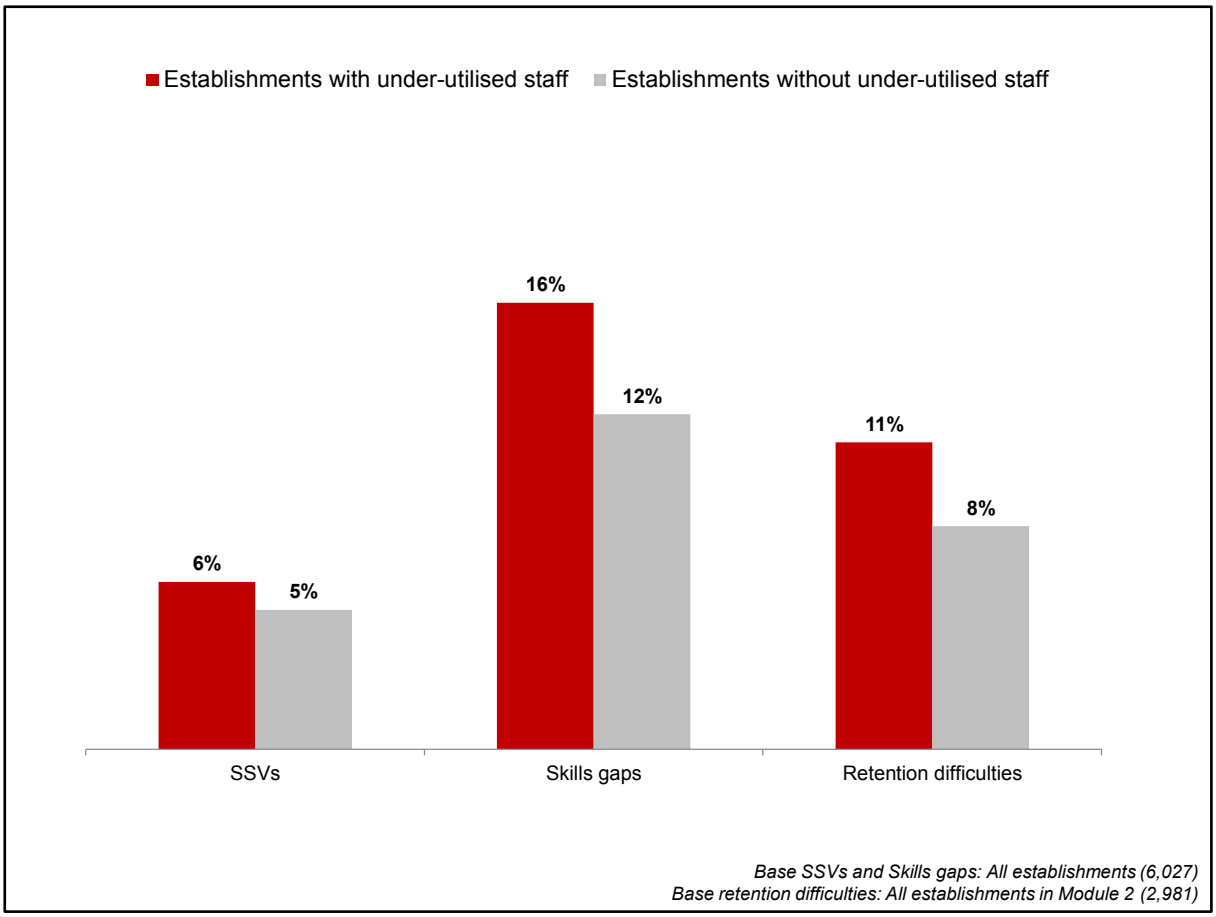
4.31 A full breakdown of reasons by sector is provided in Table A.4.4 in Annex A.

Under-utilisation and other challenges

4.32 As shown in Figure 4.3, establishments with under-utilised staff were more likely than those without to have skills gaps and to experience retention difficulties; they were also slightly more likely to experience skill-shortage vacancies.

[18] Caution should be taken with this figure due to the low base size (*n=29)*
[19] ONS Annual Population Survey (from Nomis 2015) - Females account for 70 per cent of employment within the Public Administration, Education and Health sectors (SIC O-P).

Figure 4.3 Relationships between under-utilisation and other challenges



4.33 For skills gaps, the difference is most marked where the perceived reason for under-utilisation was a lack of jobs in desired higher level roles: about a quarter of employers citing this reason experienced skills gaps (23 per cent). This is a similar pattern to UK findings.

4.34 The higher levels of retention difficulties among establishments with under-utilisation could indicate that staff are leaving organisations where they feel they are not able to fully deploy their skills.

Conclusions

4.35 This chapter has analysed a set of questions which are new to the Employer Skills Survey series and which describe a skills challenge where employers report that their employees have skills and qualifications that are in excess of those that they need to perform in their job role.

4.36 Where this sort of misalignment occurs, it may speak to a need for employers to reorganise how they offer work to their employees, particularly where they are more likely to also experience skills gaps or staff retention problems.

4.37 In the next chapter we look at skills development, and employers' practices in terms of funding and arranging training to develop the skills of their workforce.

5. Training and workforce development

Chapter Summary

5.1 There was little change in the headline training measures in Wales between 2015 and the 2013 survey.

5.2 It remained the case that **just over three-fifths of employers (63 per cent) had funded or arranged training or development for their staff over the previous 12 months**; as in previous years, this was slightly lower than the proportion training across the UK as a whole (66 per cent).

5.3 Around half the employers in Wales provided on-the-job training (49 per cent), with the same proportion providing off-the-job training (49 per cent, up from 47 per cent in 2013).

5.4 In contrast with the UK as a whole, where similar proportions of staff were trained in 2015 as in 2013, **employers in Wales trained a greater proportion of their staff in 2015** (64 per cent) compared with 2013 (62 per cent) and 2011 (56 per cent). Employers in Wales were also more likely to have arranged or funded training to a nationally recognised qualification (54 per cent of those that trained, compared to 47 per cent across the UK).

5.5 Each person trained in Wales received an average 7.2 days of training, higher than the average of 6.8 days across the UK as a whole, but a slight drop from 7.7 days per person trained in Wales in 2013. However, the total number of training days in Wales was 5.4 million days, similar to 5.6 million in 2013.

5.6 **Employers in Wales spent a total of £2.1 billion on training in 2015, an eight per cent increase on the £1.9 billion spent in 2013, and a 27 per cent increase on the £1.6 billion spent in 2011**. However, average spend per person trained and per employee remained in line with 2013.

5.7 Use of **online training or e-learning** and of **other self-learning** was fairly common among training employers in Wales (43 per cent and 37 per cent respectively). These types of training were also generally increasing, particularly online training and e-learning (40 per cent of those using this method at all in the last two years reported an increase over the last 12 months, compared with 19 per cent using it less).

5.8 Half of employers that trained (49 per cent) wanted to provide more training than they had been able to do, with the main barriers being a lack of funds for

training and a lack of time. 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.

Introduction

5.9 Training staff in the workplace is widely recognised as a key means to improving skills and productivity, thereby maintaining and improving competitiveness and stimulating economic growth[20]. Previously in this report, we saw that increasing training activity was the most common employer response to attempt to tackle skills gaps among their workforce. This chapter examines trends in employer training activity since 2011, looking at:

- Which employers funded or arranged training and development for their employees.
- How many and which employees they provided training for.
- The types and amount of training provided.
- Employer expenditure on training.
- Reasons for not providing training and barriers to providing more training.

5.10 Throughout the chapter the training or development provided by employers is discussed in terms of:

- **Off-the-job training or development**: training undertaken away from the individual's immediate work position, whether on the employer's premises or elsewhere.
- **On-the-job training and development**: activities that would be recognised as training by staff, and not the sort of learning by experience which could take place all the time.

[20] For example, training is seen as central to the delivery of the four key skills areas set out in the Welsh Government's Policy Statement on Skills (Welsh Government, 2014) http://gov.wales/docs/dcells/publications/140129-policy-statement-on-skills-en.pdf

Incidence of training and workforce development

5.11 Just over three-fifths of employers in Wales (63 per cent) had arranged or funded any off- or on-the-job training or development for any of their staff in the previous 12 months, in line with the proportions in 2013 (62 per cent) and 2011 (63 per cent).

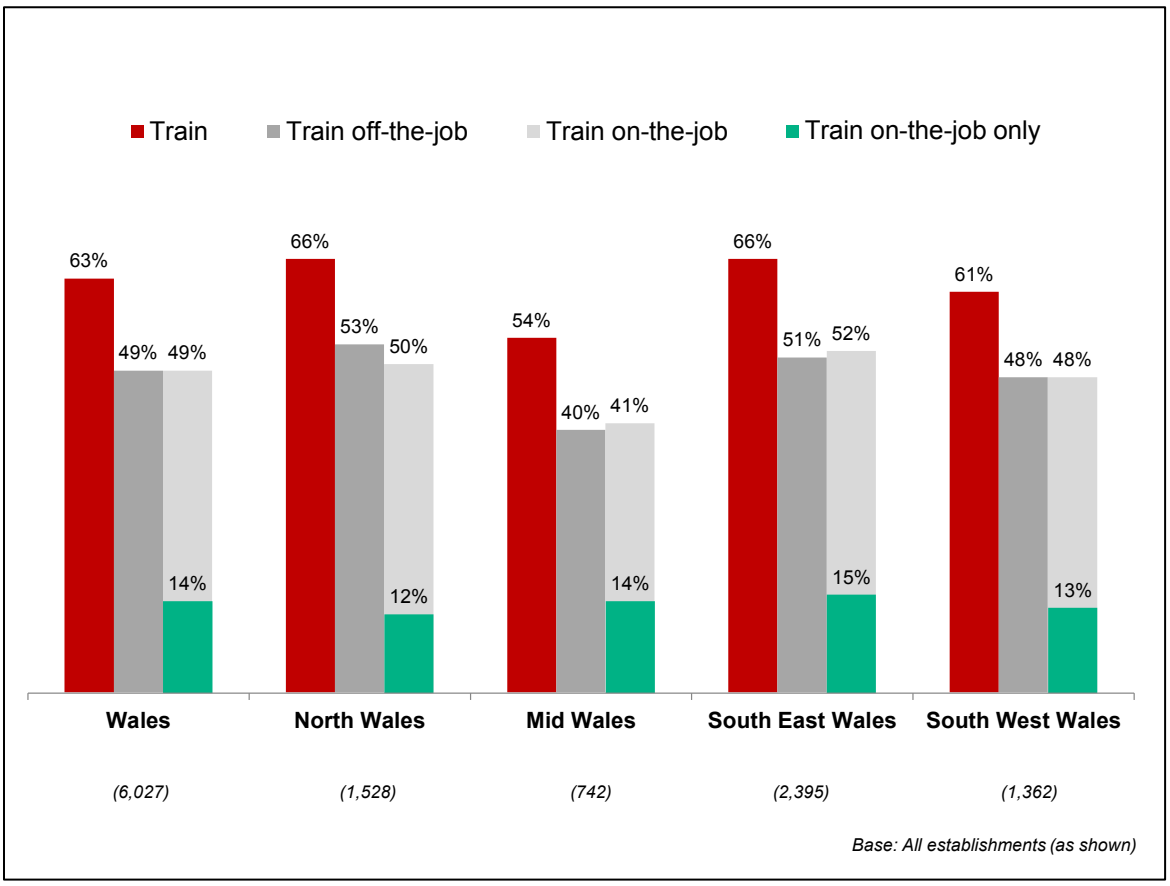
5.12 As in previous years, the proportion providing training in Wales in 2015 was significantly lower than the overall UK figure (66 per cent); this difference was driven by higher proportions training in England (66 per cent) and Scotland (71 per cent). The proportion providing training in Northern Ireland was in line with Wales (62 per cent).

5.13 Around half (49 per cent) of employers in Wales provided on-the-job training, consistent with 2013 (48 per cent), but lower than the level seen across the UK (53 per cent); this lower level of on-the-job training largely explains why employers in Wales were less likely to have provided training than the other UK nations. However, there was an increase in the proportion of employers in Wales providing off-the-job training, from 47 per cent in 2013 to 49 per cent in 2015. This increase is in contrast to the picture at the UK level, where the proportion providing off-the-job training remained consistent between 2013 and 2015 (each 49 per cent)

5.14 Around one in seven employers (14 per cent) in Wales had provided only on-the-job training, lower than the UK average of one in six employers (17 per cent).

5.15 As shown in Figure 5.1, establishments in mid Wales were significantly less likely than other regions to have provided either off-the-job training (40 per cent) or on-the-job training (41 per cent), as was the case in 2013 (40 per cent and 37 per cent respectively). There were no differences by ESF region.

Figure 5.1 Training provision over the last 12 months



5.16 As found in previous surveys, and in the rest of the UK, likelihood to provide training increased with employer size. Among the smallest sites with 2-4 staff, just under half (47 per cent) had provided any training, rising to over three-quarters (77 per cent) of those with between five and 24 staff, and was almost universal among those with 25 or more staff (96 per cent).

5.17 There was considerable variation between sectors, with training most likely to be provided by employers in Education (92 per cent), Electricity, Gas and Water (88 per cent), Health and Social Work (87 per cent) and Public Administration (85 per cent), and least likely to be provided by employers in Agriculture (36 per cent), Wholesale and Retail (57 per cent), and Construction (60 per cent). These results were in line with 2013 figures in Wales.

5.18 More data on the incidence of training by size and sector can be found in Table A.5.1 in Annex A.

Number of staff trained

5.19 Employers in Wales had trained around 0.8 million staff in the previous 12 months, equivalent to just under two-thirds of the workforce[21] (64 per cent); an increase on both 2013 (62 per cent) and 2011 (56 per cent). This was in contrast to the general UK picture, which saw similar proportions of the workforce trained in both 2013 and 2015 (62 per cent and 63 per cent respectively).

5.20 Table 5.1 shows the number and proportion of staff trained by region and size for 2011, 2013 and 2015.

Table 5.1 Number and proportion of staff trained over the last 12 months, by region and establishment size

	2011		2013		2015	
	Number trained (000's)	% of staff trained	Number trained (000's)	% of staff trained	Number trained (000's)	% of staff trained
UK	14,700	55	16,800	62	17,400	63
Wales	**700**	**56**	**700**	**62**	**800**	**64**
Region						
North Wales	155	59	182	69	166	60
Mid Wales	40	51	36	44	57	71
South west Wales	111	45	156	62	162	63
South east Wales	349	60	349	61	376	65
ESF Region						
West Wales and the valleys	377	54	472	63	429	62
East Wales	278	59	252	60	331	66
Size						
2-4	48	41	41	36	42	37
5-24	165	56	161	55	171	56
25-49	93	65	98	67	108	71
50-99	94	67	106	75	93	62
100+	255	54	318	67	346	73

Base: All establishments. Base sizes are shown in Table A.5.2 in Annex A.

Percentages are based on all employment rather than all establishments, figures therefore show the proportion of staff within each subgroup trained over the last 12 months.

5.21 Mid Wales experienced the largest increase in the proportion of staff trained (from 44 per cent in 2013 to 71 per cent in 2015), alongside a smaller increase

[21] The figure potentially involves an element of over counting in that employers are asked about the number of staff they trained over the last 12 months whether or not they still work at the site. Hence someone who was trained at a site in the last 12 months but who left to join another employer who provided that person with training would be counted twice (if both employers were interviewed for the survey).

in south east Wales. In contrast, the proportion of the workforce trained in North Wales had fallen, from 69 per cent in 2013 to 60 per cent in 2015.

5.22 By establishment size, much of the increase took place within the 100+ size band, with the proportion trained rising by six percentage points to 73 per cent, and the number trained increasing from 318,000 in 2013 to 346,000 in 2015. However, all other size bands also saw increases, on a smaller scale, apart from those with between 50 and 99 staff; the proportion of the workforce trained in these mid-sized establishments fell from 75 per cent in 2013 to 62 per cent in 2015, with an accompanying fall in the actual number trained (from 106,000 to 93,000).

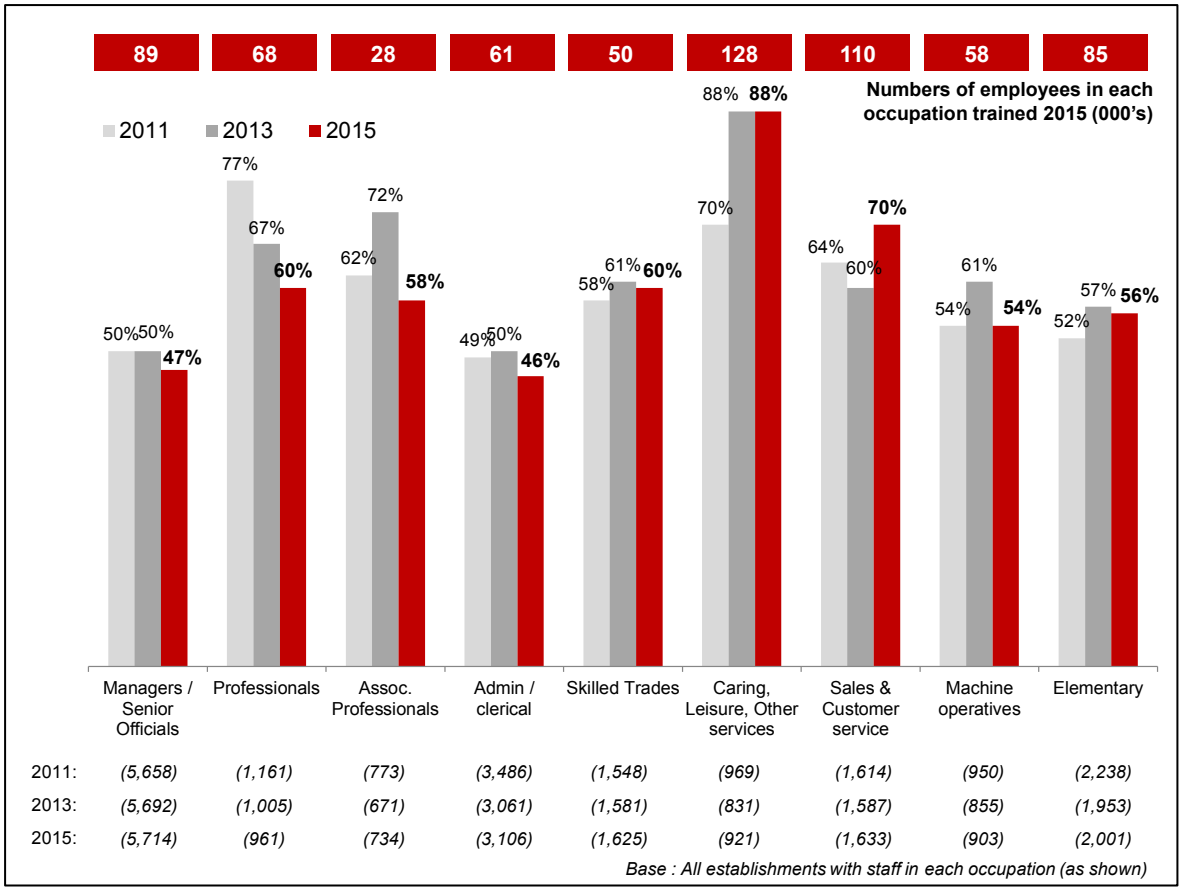
5.23 There were considerable differences in the proportions of the workforce trained by sector. The highest proportions of staff were trained by employers in Health and Social Work (86 per cent), Education (72 per cent), and Business Services (70 per cent). As in 2013, employers in Agriculture trained by far the lowest proportion of their workforce (27 per cent), in line with the UK hierarchy.

5.24 Results for the number and proportion of staff trained by sector, in 2015, 2013 and 2011, are provided in Table A.5.3 in Annex A.

5.25 Turning to occupations, in 2015 in Wales, staff in Caring, Leisure and Other Services roles were most likely to have received training (88 per cent), as was the case across the UK as a whole (80 per cent). However, in contrast to results across the UK, in Wales there was an increase in the proportion of Sales and Customer Service roles receiving training, from 60 per cent in 2013 up to 70 per cent in 2015[22]. Other occupations all saw varying degrees of decrease in the proportions trained.

[22] Though some caution is needed in that results were heavily influenced by a small number of establishments with a high number of Sales and Customer Service staff receiving training.

Figure 5.2: Proportion of staff trained over the last 12 months by occupation (2011-2015)



Training days

5.26 The number of training days provided per employee over the previous 12 months varied widely. One in nine (11 per cent) funded or arranged an average of one day or less per member of staff trained, while seven per cent provided an average of more than 20 days per member of staff trained.

5.27 Table A.5.4 in Annex A provides detailed findings on the range of days training provided by region, size and sector of employer.

5.28 Each person trained over the previous 12 months received on average 7.2 days of training, higher than the average of 6.8 days across the whole UK, and the highest level of each of the four nations. However, this still represented a slight drop from an average of 7.7 days in Wales in 2013. Results are shown in Table 5.2.

5.29 There was a drop in training days among the largest establishments with 100 or more staff, with the days per person trained falling from 7.6 in 2013 to 6.0 in 2015, and the days per employee falling from 5.1 to 4.4 over the same period. This shows that alongside the increase in proportion and numbers of staff

trained within establishments with 100 or more employees, the amount of training provided per person decreased, leading to a slight drop in total training days among this group compared with 2013 (from 2.4 million to 2.1 million).

5.30 The total number of training days in Wales was 5.4 million days, in line with 5.6 million days in 2013. Across the UK total training days increased from 113 million to 118 million days, largely driven by an increase in the total training days provided in England.

Table 5.2 Total training and development days, and days per person trained and per employee by size (2011 – 2015)

	2011			2013			2015		
	Total training days	Days per person trained	Days per employee	Total training days	Days per person trained	Days per employee	Total training days	Days per person trained	Days per employee
UK	115m	7.8	4.2	113m	6.7	4.2	118m	6.8	4.2
Wales	**4.9m**	**7.5**	**4.2**	**5.6m**	**7.7**	**4.8**	**5.4m**	**7.2**	**4.6**
Size									
2-4	0.5m	11.2	4.6	0.4m	9.8	3.5	0.4m	8.5	3.2
5-24	1.3m	8.1	4.5	1.3m	8.3	4.6	1.4m	8.2	4.6
25-49	0.7m	7.4	4.8	0.7m	7.6	5.0	0.9m	8.3	5.9
50-99	0.6m	6.8	4.6	0.7m	6.3	4.7	0.7m	7.7	4.7
100+	1.7m	6.7	3.6	2.4m	7.6	5.1	2.1m	6.0	4.4

Base: All establishments that train (though 'days per employee' is based upon employment across all establishments). Base sizes are shown in Table A.5.5 in Annex A.

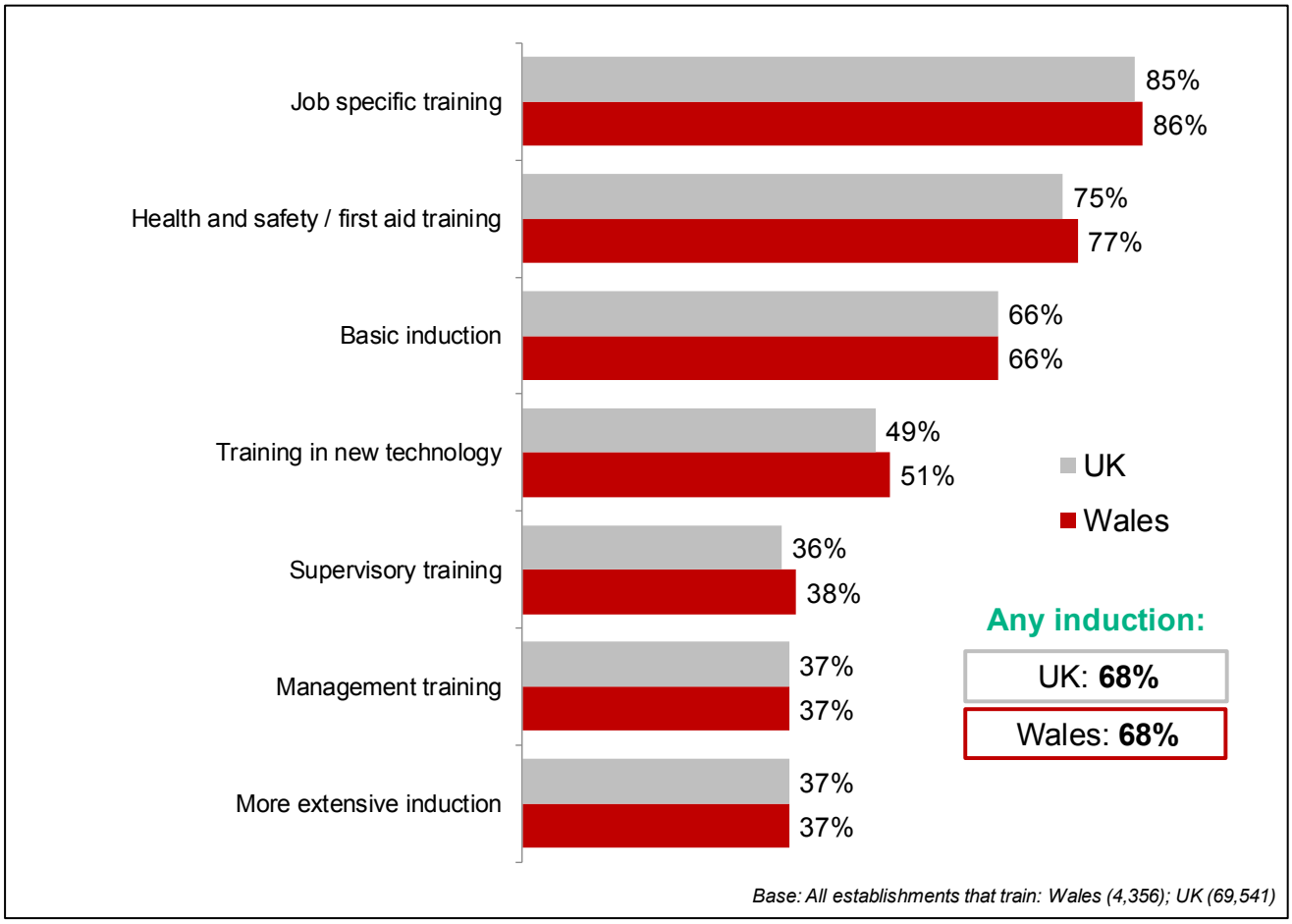
5.31 As in 2013, in nearly all sectors the average number of annual training days per person trained fell in the 6-9 days range, although outliers included Arts, Entertainment, Recreation and Other Service activities with an average of 10.8 days, and Public Administration, with an average of 3.9 days.

5.32 Results by region and sector for the total number of training and development days, and days per person trained and per employee for 2013 and 2011 can be found in Table A.5.6 in Annex A.

Types of training provided

5.33 The most common type of training provided in Wales was job-specific, aimed at developing the skills of a particular occupation or job role (provided by 86 per cent of employers that trained). A majority of training employers had also funded or arranged health and safety or first aid training (77 per cent) and basic induction training for new staff (66 per cent). The types of training provided by employers in Wales were very similar to those reported across the UK as a whole, as shown in Figure 5.3.

Figure 5.3 Types of training provided over the last 12 months by employers that trained (prompted)



5.34 Results in Wales in 2015 were in line with those reported in 2013 (all within two percentage points) where directly comparable. Due to the fact that 'induction training' was split into 'basic induction training' and 'more extensive induction training' in 2015, having previously been asked as a single item, caution should be used when comparing the results of previous years. However, results suggest there was an increase in any induction training in Wales (68 per cent, up from 58 per cent in 2013), in line with results in the UK overall.

5.35 Induction and health and safety or first aid training is often undertaken because it is a legislative requirement (rather than to develop the skills of the workforce). The UK Employer Skills Survey series therefore asked employers what proportion of their training over the previous 12 months involved these types of training.

5.36 For around a third of employers in Wales that trained (32 per cent), induction or health and safety training accounted for *at least half* of their training, the same proportion as in the UK overall.

5.37 By sector, training employers in Electricity, Gas and Water, Hotels and Restaurants and Construction were each more likely than average to say that *all* of their training had been induction or health and safety training (27 per cent, 19 per cent, and 14 per cent respectively).

5.38 A detailed breakdown of the proportion of training that was health and safety or induction training in 2015 by region, and at an overall Wales level for 2011 and 2013, is provided in Table A.5.7 in Annex A.

5.39 Among employers in Wales that trained, those in south east Wales and south west Wales were more likely to have provided supervisory training (41 per cent), more extensive induction training (40 per cent) and management training (40 per cent).

Training to qualifications

5.40 In addition to measuring the quantity and specific type of training provided, the survey also sought to provide other means of assessing its quality, namely by examining the extent to which training was designed to lead to nationally recognised qualifications.

5.41 Just over half of employers in Wales that trained over the last 12 months had funded or arranged any training that was intended to lead to a nationally recognised qualification (54 per cent, equivalent to 34 per cent of all employers in Wales, in line with 53 per cent and 33 per cent respectively in 2013). This was a higher proportion than across the UK as a whole (47 per cent of UK employers that trained funded or arranged training intended to lead to a nationally recognised qualification, equivalent to 31 per cent of all employers).

5.42 Close to six in ten (58 per cent) of those training to nationally recognised qualifications had done so to level 3 or above (equivalent to 31 per cent of

establishments that had trained, and 20 per cent of all employers). The proportion of all employers that had trained to nationally recognised qualifications at level 3 or above in Wales was higher than the UK average (18 per cent).

5.43 Employers in Wales reported that 161,000 staff were trained towards a nationally recognised qualification over the previous 12 months, lower than 215,000 in 2013. The proportion of staff receiving training in Wales that were trained to a nationally recognised qualification also dropped, from 30 per cent in 2013 to 21 per cent in 2015, but was in line with the UK average for 2015 (20 per cent). Staff who were trained by employers in mid Wales in the previous 12 months were around half as likely to have been trained to a nationally recognised qualification as those in other regions (12 per cent, compared with 20 per cent in south west Wales, 22 per cent in north Wales, and 23 per cent in south east Wales).

Table 5.3 Training to nationally recognised qualifications over the previous 12 months

	2011	2013	2015	2015	2011	2013	2015	2015
	All employers				Employers that trained			
	Wales	Wales	Wales	UK	Wales	Wales	Wales	UK
	%	%	%	%	%	%	%	%
Trained any staff to a qualification	29	33	34	31	47	53	54	47
Trained any to: Level 1	5	8	7	6	9	12	12	9
Level 2	10	13	12	11	17	21	20	17
Level 3	12	13	13	12	19	22	20	18
Level 4 or above	9	11	11	9	14	17	18	14
Number trained to a qualification (000's)	156	215	161	3,500				
Of staff trained, the % trained to a qualification over the last 12 months	24	30	21	20				
Of all employees, % trained to a qualification over the last 12 months	13	18	13	12				

Base: Columns 1-4 'All establishments', columns 5-8 'Establishments that trained'; base sizes are shown in Tables A.5.2 and A.5.5 in Annex A.

Note: the row 'number trained to a qualification' shows how many individuals were undertaking training leading to nationally recognised qualifications in the 12 months prior to interview, not how many staff had achieved these qualifications.

Note also in the final row the base for the number of employees is all employers not just employers that train.

5.44 In 2013, size was found to be a key determinant of the extent to which employers that trained used nationally recognised qualifications, with the proportion using nationally recognised qualifications increasing with size. This finding was mirrored to an extent in 2015, with the proportion rising from less than half (44 per cent) of those with 2-4 employees to three-quarters (74 per cent) of those with 50-99 employees. However, there was a fall in the proportion of large employers with 100 or more employees using nationally recognised qualifications (72 per cent, down from 85 per cent in 2013).

5.45 By sector, those most likely to train to nationally recognised qualifications were employers in Health (74 per cent of employers that trained), Education (70 per cent), Construction (59 per cent) and Arts and Other Services (59 per cent). This partly mirrors the findings across the UK as a whole, that those most likely to offer any training were also the most likely to train to national qualifications,

but with the exception of Construction; employers in Construction in Wales were among the least likely to have provided training in the last 12 months, but those that did train were more likely than average to have trained to nationally recognised qualifications.

5.46 Table A.5.9 in Annex A details the incidence and extent of provision of training leading to qualifications by region, size and sector.

Online / e-learning and other self-learning

5.47 To explore the issue of whether the recession had led employers to 'train smarter', with increased emphasis on in-house and online training, new questions were added in 2015 asking employers if they had arranged or funded any training in the previous 12 months using online training or e-learning, or any other self-learning where the employee did the learning at a time of their own choosing.

5.48 Just over two-fifths (43 per cent) of employers in Wales that provided training had used online training or e-learning in the previous 12 months[23]. This was slightly lower than the UK average of 45 per cent.

5.49 There were considerable regional differences, with training employers in mid Wales less likely to have used online training or e-learning (33 per cent) compared with those in north Wales and south west Wales (each 40 per cent), while those in south east Wales were more likely than all other regions to have used this type of training (47 per cent).

5.50 Generally larger employers that trained were more likely to have provided online training or e-learning, with seven in ten establishments (69 per cent) with 100 or more staff doing so, compared to just three in ten establishments (30 per cent) with 2 to 4 employees.

5.51 As in the UK as a whole, use of online training or e-learning varied widely by sector, and was particularly high in Financial Services, Public Administration, Health and Social Work and Education.

[23] This might include training that was completely online, or that had a significant online element.

Table 5.4 Provision of online training or e-learning over the past 12 months by region and establishment size

	Unwtd Base	**Used online training in last 12 months**	*Unwtd Base*	**Online training increased**	**Online training decreased**
		%		%	%
UK	*69,541*	45	*39,695*	39	18
Wales	***4,356***	**43**	***2,365***	**40**	**19**
Region					
North Wales	*1,138*	40	*592*	38	21
Mid Wales	*485*	33	*250*	41	28
South east Wales	*1,783*	47	*1,011*	43	17
South west Wales	*950*	40	*512*	38	19
Size					
2-4	*825*	30	*304*	35	27
5-24	*2,607*	48	*1,436*	42	17
25-49	*523*	58	*345*	49	14
50-99	*263*	56	*169*	41	17
100+	*138*	69	*107*	43	15
Sector					
Agriculture	*148*	17	*35*	*39*	***39***
Manufacturing	*279*	31	*107*	43	27
Electricity, Gas and Water	*56*	30	*23*	**	**
Construction	*267*	28	*100*	36	26
Wholesale and Retail	*798*	43	*461*	43	20
Hotels and Restaurants	*486*	42	*295*	38	20
Transport, Storage and Comms	*325*	39	*142*	35	24
Financial Services	*83*	77	*68*	40	11
Business Services	*591*	50	*351*	38	18
Public Administration	*63*	61	*43*	*40*	*18*
Education	*330*	53	*196*	39	15
Health and Social Work	*560*	54	*352*	45	14
Arts and Other Services	*370*	36	*192*	42	19

Base: All establishments that provided training / all establishments that have provided any online training or e-learning in the last two years

*Figures in italic text should be treated with caution due to low base size. '**' denotes figure not shown due to a very low base size.*

5.52 On balance, the use of online training or e-learning appears to have been increasing over the last two years. Two-fifths (40 per cent) of those that had used it at all in that period indicated its use had increased in the previous 12 months compared with the 12 months before that, while around a fifth (19 per cent) of users reported a decrease in the use of online training or e-learning.

5.53 Along with having the highest usage in the previous 12 months, employers in south east Wales were also more likely to say that use of online training had increased (43 per cent). Conversely, use of online training or e-learning was much more likely to have decreased in mid Wales (28 per cent), where usage in the previous 12 months was also lowest.

5.54 The smallest establishments with 2 to 4 employees were least likely to report an increase in online training or e-learning (35 per cent) while mid-sized employers with 25 to 49 employees were most likely (49 per cent).

5.55 Nearly two-fifths (37 per cent) of employers that trained in the previous 12 months said they had provided other self-learning (i.e. besides online or e-learning) where the employee did the training at a time of their own choosing[24].

5.56 As with online training and e-learning, employers in mid Wales were least likely to offer other self-learning (30 per cent), and those in south east and south west Wales were most likely (each 39 per cent), as shown in Table 5.5.

5.57 Likelihood to offer other self-learning increased with employer size, rising from 30 per cent of training employers with 2 to 4 staff, to 59 per cent of those with 100 or more staff.

[24] The questionnaire did not specify whether this time was within or outside of the employee's contracted work hours

Table 5.5 Provision of other self-learning over the previous 12 months by region and establishment size

	Unwtd Base	**Used other self-learning in last 12 months** %	*Unwtd Base*	**Other self-learning increased** %	**Other self-learning decreased** %
UK	*69,541*	38	*37,768*	29	23
Wales	***4,356***	**37**	***2,231***	**30**	**24**
Region					
North Wales	*1,138*	36	*548*	30	27
Mid Wales	*485*	30	*226*	29	33
South east Wales	*1,783*	39	*893*	31	21
South west Wales	*950*	39	*479*	28	21
Size					
2-4	*825*	30	*317*	27	29
5 -24	*2,607*	39	*1,246*	30	22
25-49	*523*	51	*317*	33	20
50-99	*263*	57	*173*	29	21
100+	*138*	59	*93*	37	12

Base: All establishments that provided training / all establishments that have provided any other (non-online training or e-learning) self-learning in the last two years

5.58 Use of other self-learning varied by sector, with those most likely to have used online training or e-learning also most likely to have used other self-learning in the previous 12 months: Financial Services (54 per cent), Health and Social Work (52 per cent), Public Administration (50 per cent) and Education (50 per cent).

5.59 Among employers in Wales that had offered any other self-learning in the past two years, slightly more (30 per cent) said its use had increased in the last 12 months than said its use had decreased (24 per cent).

5.60 Offering other self-learning was more likely to have decreased over the last 12 months in north Wales (27 per cent) and mid Wales (33 per cent); it was also more likely to have decreased among employers with less than 100 employees (24 per cent, compared with 12 per cent of employers with 100 or more employees).

5.61 More than half (56 per cent) of all employers in Wales that trained had provided *either* online training / e-learning or other self-learning where the employee did the learning at a time of their own choosing. Patterns by region, size and sector mirrored those seen among employers providing each of the individual training types.

5.62 Table A.5.10 in Annex A provides a detailed breakdown of figures on provision of online training or e-learning and other self-learning by region, size and sector.

Investment in Training

5.63 A sample of establishments which had arranged or funded training for employees in the 12 months preceding the survey were followed up to look at the investment they had made in this training.

5.64 Employer expenditure in Wales on training and development over the previous 12 months was £2.1 billion. As well as such elements as fees to external providers and expenditure on equipment or materials (which comprised a relatively small proportion of overall employer investment in training), a substantial proportion of this expenditure covered the wages of staff while being trained, and of staff delivering training. How total training expenditure breaks down into the constituent parts is examined in Table 5.7 later in this chapter.

5.65 The 2015 spend of £2.1 billion was an eight per cent increase on the spend of £1.9 billion in 2013, and a 27 per cent increase on the spend of £1.6 billion in 2011[25]. This was a greater level of increase than seen across the UK as a whole: the 2015 UK spend of £45.4 billion was a six per cent increase on 2013, and a four per cent increase on 2011.

5.66 Employers' total investment in training was equivalent to around £2,750 per person trained and £1,750 per employee. These figures were in line with average spends in Wales in 2013, but higher than those in 2011. Average spend per person trained and per employee were both slightly higher than the figures for the UK as whole (see Table 5.6).

[25] It is worth noting that here, and throughout this chapter, training expenditure figures for 2011 and 2013 have not been adjusted for inflation. Additionally, in 2015 a new weighting strategy was implemented to further increase the accuracy of the training spend estimates; this new weighting strategy has also been retrospectively applied to both the 2011 and 2013 data files, meaning some of the figures reported here for 2011 and 2013 may differ slightly from the original reports. A full explanation of the new weighting strategy, the rationale behind it, as well as revised figures for training spend by country, are presented in a separate publication, available here: https://www.gov.uk/government/publications/ukces-employer-skills-survey-2015-supplementary-documents

Table 5.6 Total training expenditure and spend per person trained and per employee (2011 to 2015)

	2011			2013			2015		
	Total	Spend per person trained	Spend per employee	Total	Spend per person trained	Spend per employee	Total	Spend per person trained	Spend per employee
	£	£	£	£	£	£	£	£	£
UK	43.8bn	3,000	1,600	43.0bn	2,600	1,600	45.4bn	2,500	1,600
Wales	**1.6bn**	**2,500**	**1,400**	**1.9bn**	**2,700**	**1,700**	**2.1bn**	**2,800**	**1,800**
Region									
North Wales	0.4bn	2,300	1,300	0.5bn	2,600	1,800	0.4bn	2,500	1,500
Mid Wales	0.2bn	4,100	2,100	0.1bn	3,300	1,500	0.2bn	2,900	2,000
South east Wales	0.8bn	2,400	1,500	0.9bn	2,700	1,600	1.2bn	3,200	2,100
South west Wales	0.3bn	2,600	1,100	0.4bn	2,600	1,600	0.3bn	2,000	1,300
Size									
2-4	0.2bn	4,400	1,800	0.3bn	7,100	2,500	0.2bn	5,000	1,900
5-24	0.5bn	3,000	1,700	0.6bn	3,500	1,900	0.6bn	3,600	2,000
25-49	0.2bn	2,200	1,500	0.3bn	2,800	1,900	0.3bn	2,400	1,700
50-99	0.2bn	2,500	1,700	0.3bn	2,800	2,100	0.3bn	2,700	1,700
100+	*0.5bn*	*1,900*	*1,100*	*0.5bn*	*1,700*	*1,100*	**	**	**

Base: Establishments completing the investment in training study (UK 2011: 11,027; 2013: 12,522; 2015: 12,614; Wales 2011: 1,483; 2013: 1,361; 2015: 1,234). Base sizes for region and size can be found in Table A.5.11 in Annex A.

*Figures in italic should be treated with caution due to low base size. '**' denotes figure not shown due to a very low base size.*

5.67 Due to the fact that mid Wales experienced a large increase in the number of staff trained (from 36,000 in 2013 to 57,000 in 2015), the spend per person trained in mid Wales fell accordingly (from £3,300 to £2,900), despite the fact that the total spend in the region did not decrease. Spend per person trained increased in south east Wales (from £2,700 to £3,200), giving it the highest spend per person trained.

5.68 Smaller employers reported higher spends on those that they trained: the smallest employers with 2 to 4 staff spent £5,000 per person trained, while those with 25 or more staff spent around half this amount. This pattern is likely to reflect in part economies of scale for larger employers.

5.69 As shown in Table 5.6 the increase in total employer training expenditure from 2013 to 2015 was mainly a result of increased expenditure among employers in

south east Wales. In contrast, expenditure in north Wales and south west Wales fell slightly compared with 2013, returning to levels seen in 2011.

5.70 As shown in Table 5.7, the composition of training expenditure in Wales shifted compared with 2013, as the proportion spent on off-the-job training increased to 54 per cent (compared with 49 per cent in 2013 and 44 per cent in 2011). This reflects the increase in the proportion of employers offering off-the-job training in 2015, discussed earlier in the chapter.

5.71 The increase in total training expenditure in Wales was predominantly the result of higher expenditure on off-the-job training (from £948 million in 2013 to £1.1 billion in 2015), and particularly the spend on on-site training centres (from £197 million in 2013 to £299 million in 2015), and trainee labour costs associated with non-course-related training (from £78 million in 2013 to £129 million in 2015). As seen across the UK as a whole, fees to external providers were lower, from £95 million in 2013 to £81 million in 2015.

5.72 There was a decrease in spend on on-the-job training, from £996 million in 2013 to £961 million in 2015 (although the level remained higher than the £912 million spend in 2011). This decrease was driven by a fall in trainers' labour costs (from £421 million in 2013 to £343 million in 2015). Therefore, it appears employers in Wales were doing roughly the same amount of training as in 2013, but with a slight shift of focus from on-the-job to off-the-job training, reflected in the associated expenditure.

Table 5.7 Total training expenditure broken down by individual components (2011 to 2015)

	2011		2013		2015	
Unweighted Base:	*1,483*		*1,361*		*1,234*	
	£	%	£	%	£	%
Total training expenditure	**£1.6bn**	**100**	**£1.9**	**100**	**£2.1bn**	**100**
Off-the-job training: total	*£731m*	44	*£948m*	49	£1.1bn	54
Off-the-job training: Course-related: total	*£596m*	36	*£834m*	43	*£975m*	47
Trainee labour costs	£153m	9	£200m	10	£245m	12
Fees to external providers	£102m	6	£95m	5	£81m	4
On-site training centre	£77m	5	£197m	10	£299m	14
Off-site training centre (in the same company)	£20m	1	£20m	1	£31m	1
Training management	£244m	15	£314m	16	£334m	16
Non-training centre equipment and materials	£17m	1	£20m	1	£21m	1
Travel and subsistence	£21m	1	£17m	1	£18m	1
Levies minus grants	-£38m	-2	-£28m	-1	-£54m	-3
Off-the-job training: other (seminars, workshops etc.): total	*£135m*	8	*£114m*	6	*£158m*	8
Trainee labour costs	£95m	6	£78m	4	£129m	6
Fees to external providers	£41m	2	£36m	2	£29m	1
On-the-job training: Total	*£912m*	56	*£996m*	51	*£961m*	46
Trainee labour costs	£587m	36	£575m	30	£619m	30
Trainers' labour costs	£325m	20	£421m	22	£343m	16

Base: Establishments completing the Investment in Training study

5.73 The wages of staff being trained (trainee labour costs) accounted for nearly half (47 per cent) of all training expenditure (in line with 48 per cent across the UK as a whole). The wages / salaries of those providing on-the-job training accounted for 16 per cent of total training expenditure, lower than the UK average of 19 per cent. Relatively little was spent on fees to external providers in Wales (five per cent), and less than the equivalent expenditure across the UK as a whole (seven per cent).

5.74 Table 5.8 summaries the results on the breakdown of training expenditure by regions and size of establishment.

Table 5.8: Training expenditure by region and size, the proportion spent on off-the-job elements, and the breakdown of total training expenditure (both on-the-job and off-the-job) by key elements

Row percentages	*Unwtd Base*	Expenditure on training	% spent on off-the-job training		Wages of trainees	Wages of trainers	Fees to external providers	Other
UK	*12,614*	£45.4bn	50	%	48	19	7	27
Wales	***1,234***	**£2.1bn**	**54**	**%**	**47**	**16**	**5**	**31**
Region								
North Wales	*281*	£0.4bn	52	%	45	17	5	33
Mid Wales	*153*	£0.2bn	55	%	48	13	7	32
South east Wales	*505*	£1.2bn	57	%	48	15	5	31
South west Wales	*295*	£0.3bn	47	%	47	21	5	26
Size								
2-4	*226*	£0.2bn	52	%	40	15	8	37
5-24	*778*	£0.6bn	55	%	43	18	6	32
25-49	*146*	£0.3bn	57	%	50	18	6	27
50-99	*61*	£0.3bn	47	%	53	15	4	27
100+	*23*	**	**	%	**	**	**	**

Base: Establishments completing the Investment in Training study

The column 'other' includes such items as expenditure on training centres and on training management.

*'**' denotes figure not shown due to a low base size.*

5.75 The proportion of training expenditure spent on off-the-job training was highest in south east Wales (57 per cent) and lowest in south west Wales (47 per cent), in direct contrast to 2013 (when the proportions were 45 per cent and 58 per cent respectively).

5.76 Mid-sized establishments with 5 to 24 and 25 to 49 staff spent more on off-the-job training (55 per cent and 57 per cent respectively), compared to smaller establishments with 2 to 4 staff (52 per cent) and larger establishments with 50 to 99 staff (47 per cent). This is a different pattern to that seen in 2013, when the proportion of total training expenditure spent on off-the-job training decreased as the size of establishment increased.

5.77 The proportion of total expenditure spent on wages of trainees increased with establishment size, from two-fifths (40 per cent) of establishments with 2 to 4 staff, to just over half (53 per cent) of those with 50 to 99 staff.

5.78 Around £14 million was spent by employers in Wales in the previous 12 months on fees to FE colleges and HEIs, equivalent to 13 per cent of total fees to

external providers (in line with 14 per cent in Wales in 2013, and the UK wide 2015 figure of 15 per cent).

5.79 Of the regions, employers in north Wales paid the greatest proportion of their total spend on external providers to FE colleges and HEIs (20 per cent), followed by south west Wales (16 per cent); those in mid and south east Wales spent the smallest proportion on fees to FE and HE providers (each nine per cent).

5.80 Details of fees paid to FE colleges or to Universities or other Higher Education institutions for training are shown in Table A.5.12 in Annex A.

Barriers and limits on training

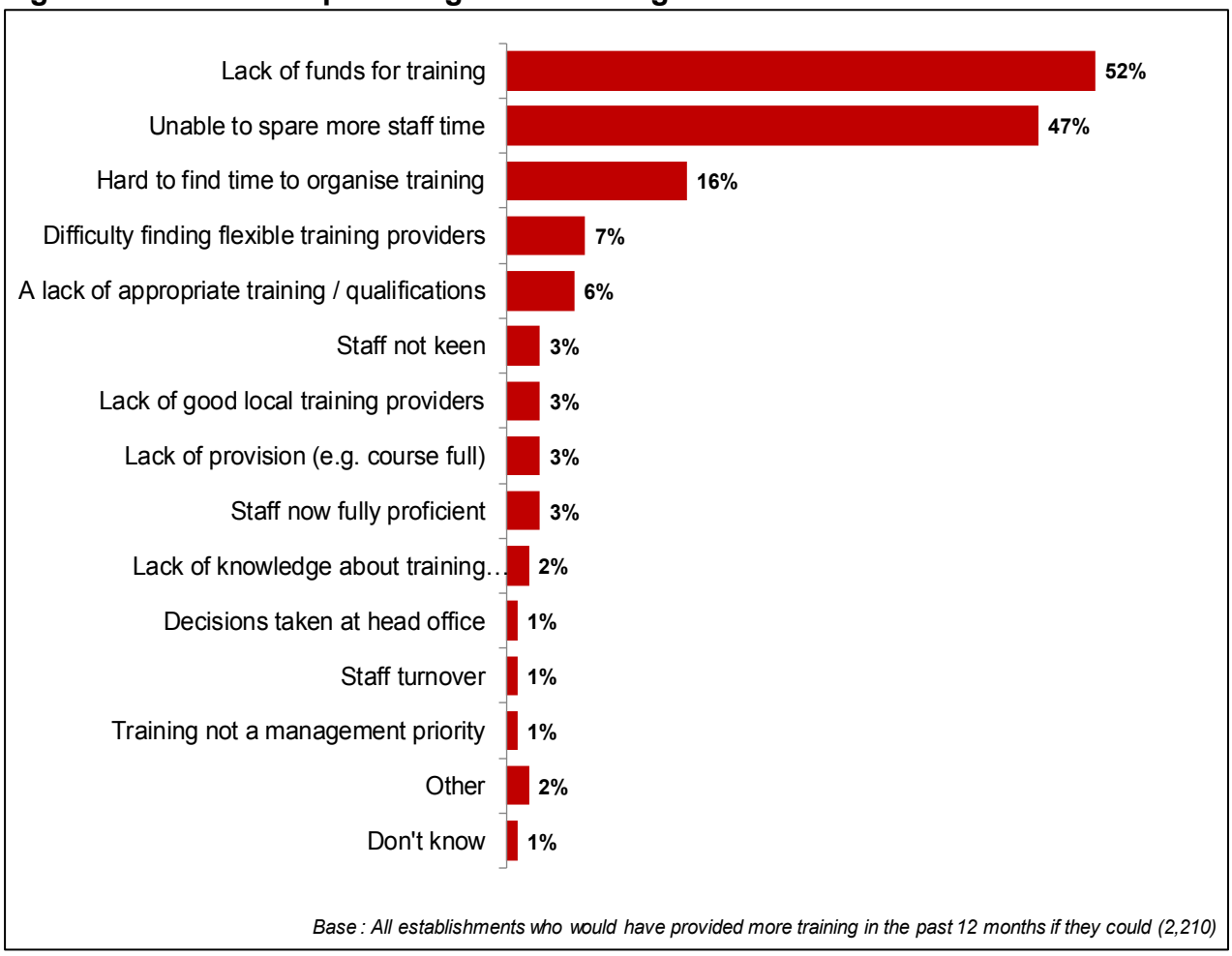
5.81 Around half of employers that had trained over the last 12 months would have liked to provide more training than they did (49 per cent, higher than 46 per cent across the whole of the UK, though in line with 50 per cent in Wales in 2013). Employers that trained in south east and south west Wales were more likely to have wanted to provide more training (each 50 per cent) compared to those in mid Wales (44 per cent), while those in north Wales were in line with the average (49 per cent).

5.82 The smallest employers with 2 to 4 employees were less likely to have wanted to provide more training (46 per cent) than employers with 5 or more employees (51 per cent).

5.83 As shown in Figure 5.4, the two most common reasons given by training employers in Wales for being unable to deliver their desired amount of training were:

- A lack of funds for training (52 per cent). This was also the most common reason in Wales in 2013, though it was then mentioned by more employers (62 per cent).
- Being unable to spare more staff time for training (47 per cent, down slightly from 51 per cent in 2013).

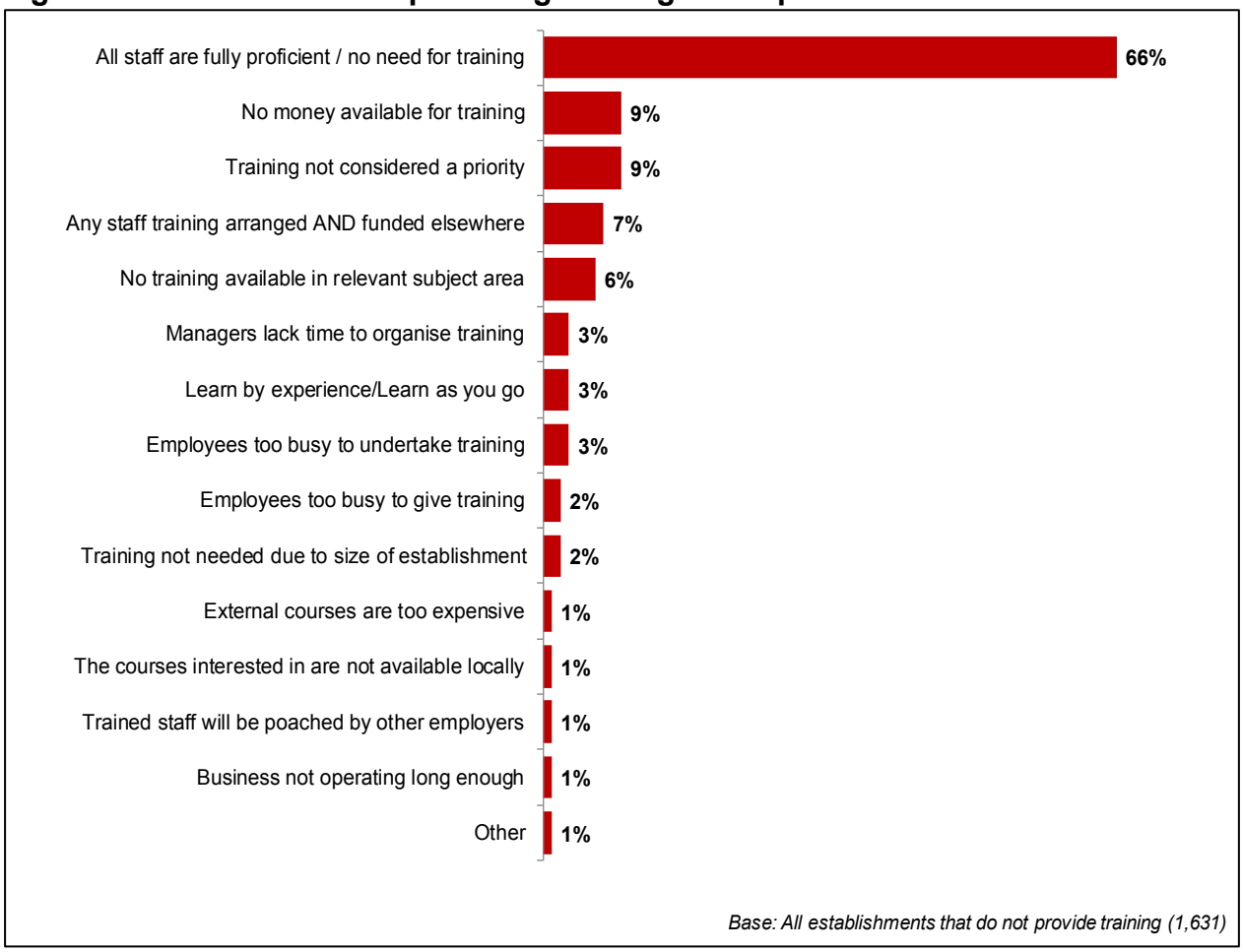
Figure 5.4 Barriers to providing more training



5.84 More information on the proportion of training employers that would have liked to provide more training over the previous 12 months, and the main barriers preventing them doing so, can be found in Table A.5.13 in Annex A.

5.85 Some employers in Wales chose not to provide any training or development for their staff in the previous 12 months; nearly all (99 per cent) of these businesses had fewer than 25 employees. Figure 5.5 presents the reasons given by employers for not training over the previous 12 months.

Figure 5.5 Reasons for not providing training in the previous 12 months



5.86 As across the UK as a whole, by far the most common reason for employers in Wales not providing any training was the perception that they did not need to because all their staff were fully proficient (66 per cent). This reason was more common among the smallest non-training employers with 2 to 4 employees (69 per cent).

5.87 Other reasons indicative of low demand (to the extent that training was clearly treated as a lower priority than more pressing day-to-day issues) included training not being a priority for the organisation (nine per cent), managers being too busy to organise training (three per cent), and employees being too busy to undertake training (three per cent) or to deliver training (two per cent).

5.88 A lack of funds available for training was mentioned as a reason by nine per cent of non-training employers in Wales, in line with 2013 (10 per cent), but higher than the 2015 UK figure of seven per cent. As in the UK overall, lack of funds was more likely to be a barrier for employers in the charity / voluntary sector (21 per cent) than those in the private sector (eight per cent).

5.89 As in 2013 (and as found across the UK in 2015) perceived poor supply of training was infrequently given as the reason for not training:

- Six per cent of non-training employers in Wales said training was not available in the subject area they wanted.
- One per cent of non-training employers in Wales said the courses they were interested in were not available locally.

5.90 There appeared to be a strong link between the skills gaps reported by employers in Wales, their training activity and the reasons for not training. Employers that did not report any skills gaps were less likely to train than those that did (60 per cent compared with 82 per cent). Moreover, among non-training employers, those with no perceived skills gaps at the time of the interview were much more likely to say the reason for not training over the previous 12 months was there being no need as all their staff were fully proficient (68 per cent compared with 30 per cent of those with skills gaps) and less likely to give a number of other reasons, in particular a lack of funds for training (eight per cent, compared with 18 per cent of those with skills gaps).

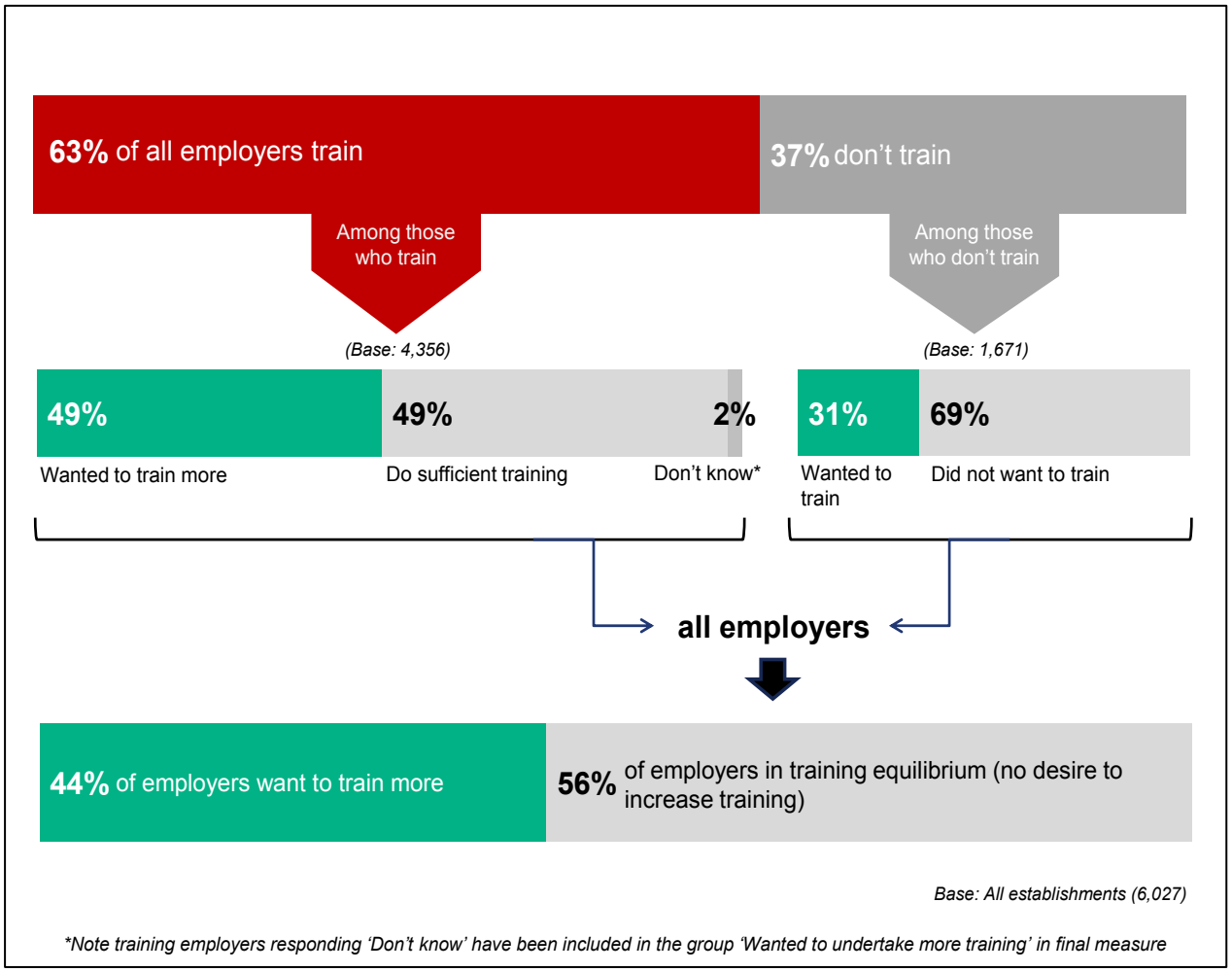
5.91 More data on the reasons for not providing training can be found in Table A.5.14 in Annex A.

5.92 Figure 5.6 summarises the proportion of all employers that would have liked to have undertaken more training or, in the case of non-training employers, any training, over the previous 12 months[26]. It also shows the proportion that were in 'training equilibrium', or in other words had no wish to have undertaken more training. Only results from 2015 are shown, as these were all very similar to those in 2013.

5.93 Overall just over two-fifths (44 per cent) of employers in Wales would have liked to have undertaken more training over the previous 12 months, more than the UK average (42 per cent).

[26] Results for non-trainers have been determined from their reasons for not training, rather than a direct question. Those answering that they had not provided any training because training was not considered to be a priority for their establishment, because all their staff were fully proficient or they had no need for training were regarded as being in skills equilibrium and having no perceived need to undertake training. Those not giving any of these reasons were classified as wanting to have undertaken training. Additionally, training employers that answered 'don't know' when asked if they would have liked to train more were classified as not being in training equilibrium.

Figure 5.6 Employer interest in undertaking more training over the last 12 months than they were able to provide



5.94 Employers in north and south east Wales were more likely to not be in training equilibrium (46 per cent and 45 per cent respectively). The likelihood of not being in training equilibrium (i.e. wanting to have undertaken more training over the previous 12 months) also increased with establishment size, from nearly two-fifths (38 per cent) of those with 2 to 4 staff, to three-fifths (62 per cent) of those 100 or more staff.

Other development opportunities

5.95 It is worth noting that although this chapter has discussed the provision of formal on and off-the-job training, it is the case that among employers where no formal training had been provided in the last 12 months, most (64 per cent, equivalent to 23 per cent of all employers) had provided other development opportunities for their staff covering: supervision to guide employees through their job role, providing staff with opportunities to spend time learning through watching others perform their role, or allowing staff to perform tasks that go beyond their strict job role and providing feedback on how well they had done.

5.96 The vast majority (91 per cent) of training employers had also provided these wider development activities alongside formal training.

5.97 Data on how provision of wider development activities differed by region, sector and size of employer both in 2015, 2013 and 2011, and the nature of the development activity, is provided in Table A.5.15 in Annex A.

Conclusions

5.98 Although the proportion of employers in Wales providing training in 2015 remained consistent with 2013 and 2011, employers trained a greater *proportion of their staff* in 2015. However, the total number of training days in Wales remained in line with 2013, as the increase in the overall number trained was accompanied by a slight decrease in the number of days training per person trained. Increased numbers trained contributed to an eight per cent increase in total training expenditure in 2015; however, spend per person trained remained in line with 2013.

5.99 There were signs of employers in Wales changing their approach towards training: while the overall amount of training remained roughly the same, there was a shift towards off-the-job training, as well as an increase in the proportion of employers funding or arranging training designed to lead to a nationally recognised qualification. At the same time, responses showed a high and increasing level of online training and e-learning.

5.100 Half of training employers in Wales would have liked to deliver more training over the last 12 months than they did, in line with employers across the UK as a whole. The most common barriers to this were 'internal' to the establishment (that is, lack of funds or time, lack of staff need or desire for training, and lack of

knowledge about opportunities) as opposed to ‘external’ barriers (such as a lack of local training providers or appropriate training).

5.101 Policy interventions seek to stimulate employer training activity not as an end in itself but because of its impact on skills, productivity and economic prosperity. How training is delivered and assessed is one element which contributes to high performance within workplaces, and in the next chapter we explore High Performance Working, as well as the product market strategies that employers adopt.

6. High performance working practices and product market strategies

Chapter summary

6.1 High Performance Working (HPW) is defined by UKCES as a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance. **A minority of employers in Wales (11 per cent) adopted 14 or more HPW practices and were thus classified as HPW employers.**

6.2 Product Market Strategies (PMS) are defined within the survey according to private sector employers' responses to a series of questions exploring pricing strategies, approaches to innovation, and the nature of the product markets that establishments operate in. **Aggregating these responses classified two-fifths** (40 per cent) **of all private sector establishments in Wales as having 'high' or 'very high' product market strategies**. This was lower than the overall UK figure of 46 per cent.

6.3 Businesses that adopted HPW practices and those that pursued "very high product market strategies" (i.e. those 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) **tended to be more active in the labour market and had a more frequent experience of skill shortages**: however, they also found it easier to fill their vacancies in the sense that a smaller proportion of their vacancies were hard-to-fill.

6.4 **HPW employers in Wales were also more likely to identify skills gaps in their workforce**. This was both in terms of the proportion of establishments with at least one skills gap and the proportion of the workforce deemed not fully proficient in their job. These differences were likely a reflection of HPW employers adopting practices (such as training needs assessments) that would assist in identifying skills gaps in their workforce.

6.5 **The experience of skills gaps was similar across establishments, irrespective of their product market strategies.** However, skills gaps were more likely to have been caused by 'transient' reasons (such as staff being new to the role and/or their training not being completed) in establishments with higher product market strategies.

6.6 **There was a clear relationship between an establishment's PMS score and their provision of training** – those operating at the higher end of the PMS index were more likely to have trained their staff and to have trained a higher proportion of their staff. Employers with higher product market strategies were also more likely to have provided training that led to nationally recognised qualifications and to qualifications that are of a higher level than those at the lower end.

Introduction

6.7 In previous chapters this report has looked at employers' experiences of skill shortages and skills gaps, as well as their practices in funding and arranging training. The analysis in these chapters has largely focussed on how these challenges have affected employers in different parts of Wales, of different sizes and in different industry sectors.

6.8 There are other ways of grouping employers to understand commonalities and differences between them. In this chapter we use two alternative categorisations derived from a set of survey questions relating to the planning, organising and performance strategies used by employers. These categorisations help better understand what might influence employers' experiences of skill shortages and skills gaps and what drives them to fund and arrange training for their employees. These two categorisations are:

- Whether or not the employers are High Performance Working (HPW) employers.
- The Product Market Strategies (PMS) that employers adopt.

High Performance Working

6.9 It is not only important to consider the skills challenges faced by employers and the extent to which they develop workplace skills, but also to understand the ways in which employers ensure that skills are harnessed and nurtured in the workplace. If skilled workers are not managed and organised effectively in the workplace then it is likely that their productivity and contribution to economic growth will be limited (UKCES, 2015[27]). One way of assessing the workplace environment is through the measurement of so-called High Performance Working (HPW) practices. High Performance Working is defined by UKCES as

[27] UKCES (2015). Growth Through People: Evidence and Analysis. UK Commission for Employment and Skills.

'a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance' (Belt and Giles, 2010).

6.10 Consistent with the 2013 survey, ESS 2015 included a series of questions relating to a set of 21 recognised HPW practices. In line with other analysis of HPW practices undertaken by UKCES[28], it is possible to group the HPW practices into five factors: planning; organisation; skills; rewards; and autonomy. Table 6.1 details these five factors and the individual HPW practices that form each group.

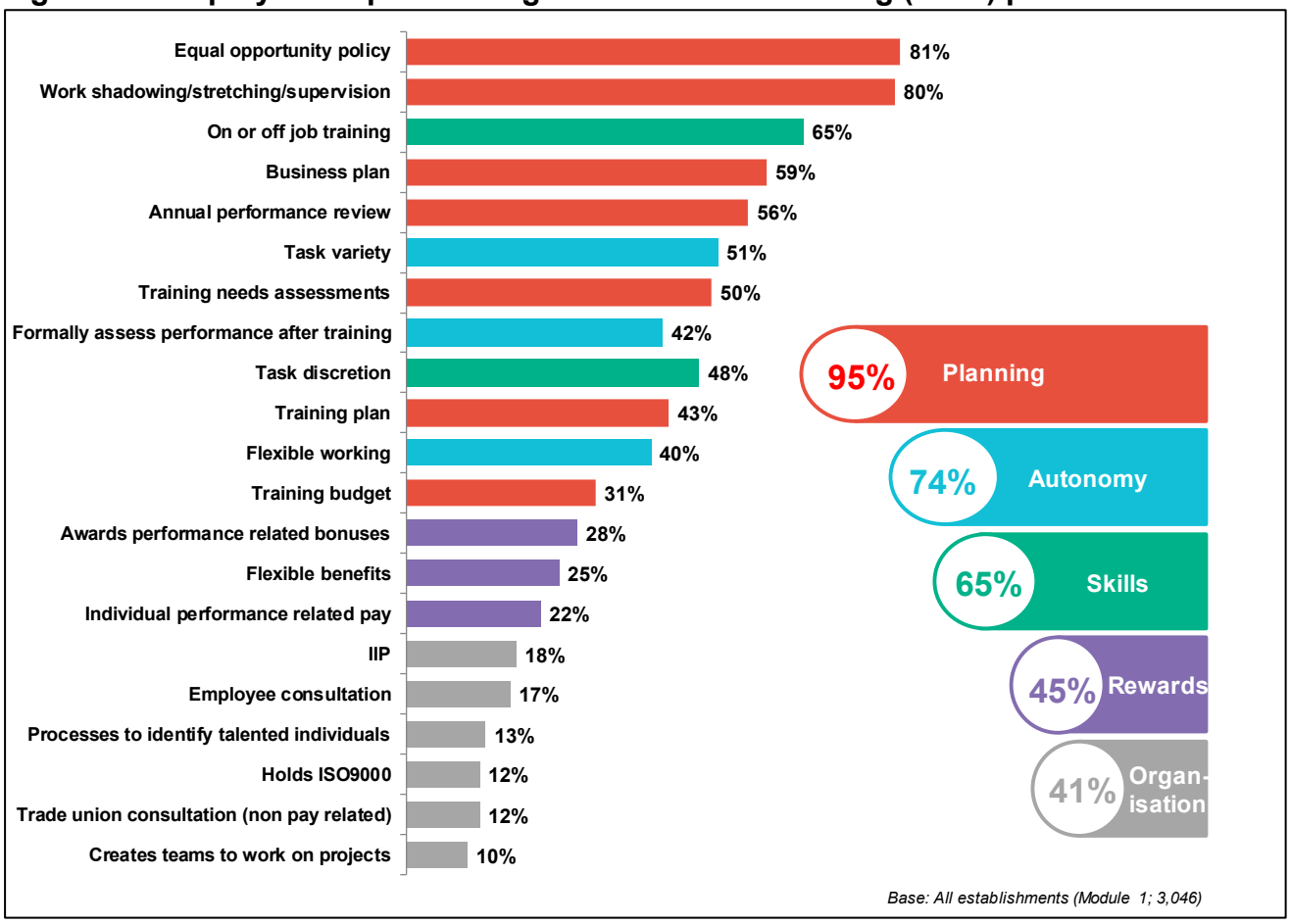
Table 6.1 High Performance Working (HPW) practices according to the five factors

Factor name	HPW practices
Planning	Training plan, annual performance review, training budget, work shadowing, business plan, equal opportunities policy, training needs assessment
Organisation	Investors in People (IIP), ISO 9000, trade union consultation, employee consultation, working in teams, process to identify talented individuals
Skills	On or off the job training, formal performance review after training
Rewards	Bonus scheme, performance related pay, flexible benefits
Autonomy	Task variety, task discretion, flexible working.

6.11 Figure 6.1 shows the proportion of employers that adopted each individual HPW practice and the proportion that adopted at least one of the practices according to the five factor groupings.

[28] Brown, D. (2014). High Performance Working: a new segmentation of smaller workplaces. UK Commission for Employment and Skills.

Figure 6.1 Employer adoption of High Performance Working (HPW) practices



6.12 Overall, 11 per cent of employers in Wales adopted 14 out of the 21 HPW practices which – in line with the approach taken in ESS 2013 – classified these establishments as being High Performance Working employers (HPW employers). The proportion of employers in Wales classified as being HPW employers was consistent with 2013, and in line with the figure for the UK as a whole (12 per cent). The remainder of this section focusses on this select group of HPW employers.

6.13 When considering HPW employers it is worth noting that:

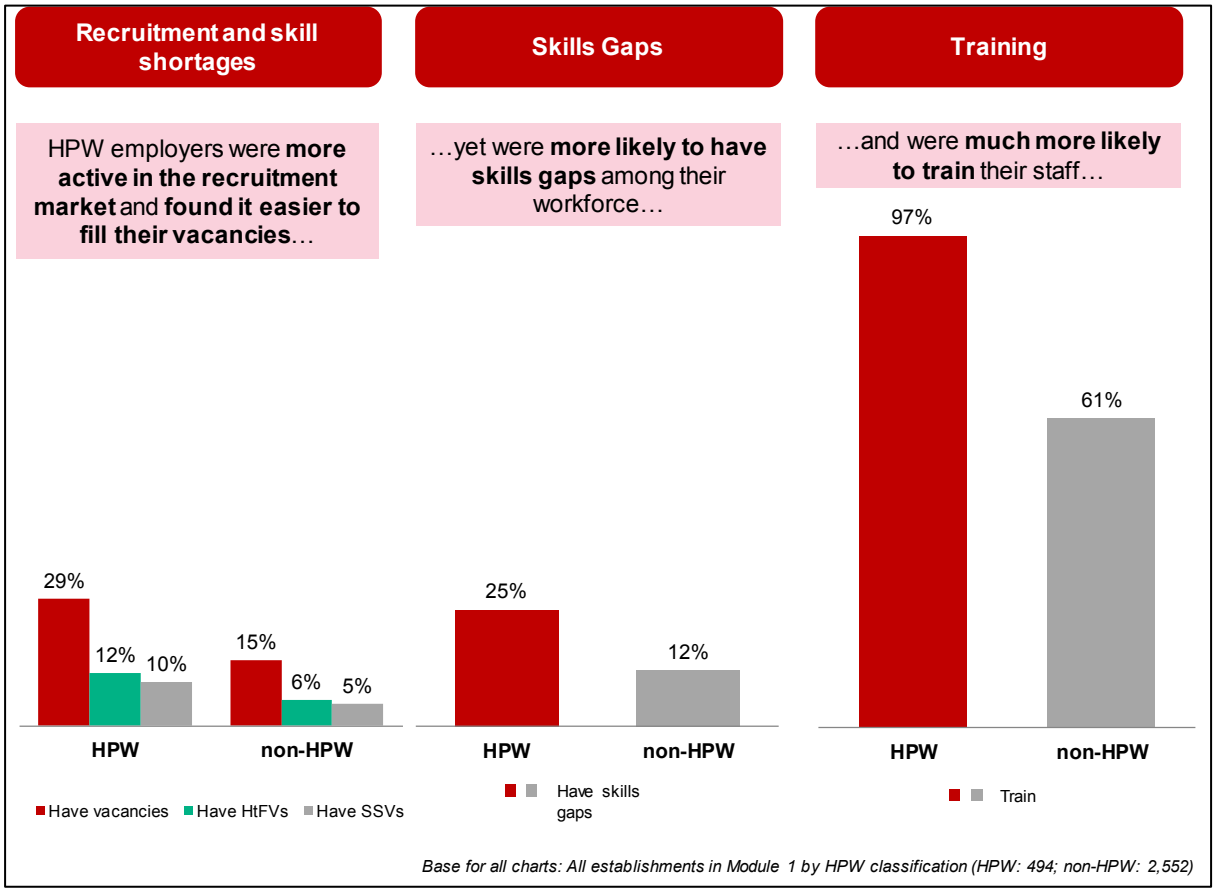
- There was a strong link between HPW status and the size of establishment. Only three per cent of establishments with fewer than five employees adopted 14 or more of the HPW practices, increasing to 53 per cent of all establishments with 100 or more employees. The proportion of the workforce employed by HPW establishments, therefore, was disproportionately large at approximately two-fifths of the workforce.

- There were differences by region: employers in south east Wales were more likely than all other regions to be HPW employers (15 per cent), followed by north Wales (11 per cent) and south west Wales (nine per cent), while employers in mid Wales were least likely to adopt 14 or more HPW practices (six per cent).
- HPW employers were disproportionately likely to be part of a wider organisation and, thus, had access to the associated resources and management structures that this often provides (70 per cent of all HPW employers were multi-site establishments, whereas only a third of all employers in Wales overall were multi-site).
- The sector profile of HPW employers varied considerably. As many as three in ten employers in the Education sector were HPW employers (30 per cent), and a fifth of employers in the Health and Social Work sector (22 per cent). Conversely, only one per cent of employers in Agriculture and five per cent in Construction were HPW employers (two sectors that tended to comprise small, single-site establishments).

6.14 Table A.6.1 in Annex A shows the proportion of employers adopting 14 or more HPW practices by region and sector.

6.15 The following subsections of this chapter discuss the differing experiences of HPW and non-HPW employers in terms of skill shortages, training and skills gaps: Figure 6.2 summarises these findings. Unless otherwise stated, the findings reported in this section are consistent with findings reported in Wales in 2013.

Figure 6.2 Summary of employers' experience of skill shortages, skills gaps and training depending on High Performance Working (HPW) classification



The relationship between HPW and skill shortages

6.16 HPW employers in Wales, as in the UK as a whole, were considerably more active in the recruitment market than non-HPW employers and were, consequently, more likely to have experienced at least one hard to fill vacancy and at least one skill-shortage vacancy (see the furthest left chart of Figure 6.2). However, in density terms, a smaller proportion of HPW employers' vacancies were hard-to-fill (29 per cent, compared with 39 per cent in non-HPW employers).

6.17 Where HPW employers encountered hard-to-fill vacancies, a greater proportion of these were caused by skill shortages (88 per cent of hard-to-fill vacancies were caused at least in part by skill shortages in HPW employers compared with 67 per cent in non-HPW employers). This suggests that HPW employers had a greater demand for skills, qualifications and experience when recruiting than non-HPW employers.

The relationship between HPW and skills gaps

6.18 A greater proportion of HPW employers in Wales had skills gaps in their workforce (25 per cent) than non-HPW employers (12 per cent), although the proportion of the workforce deemed not fully proficient in their job was similar across the two groups (5.0 per cent among HPW employers, and 5.5 per cent among their non-HPW counterparts).

6.19 The greater incidence of skills gaps among HPW employers may reflect that HPW employers were – by definition – more likely to engage in activities that were likely to leave them better placed to identify skill gaps (e.g. annual performance reviews, training needs assessments, formally assessing performance after training). However, the similarity in density of skills gaps despite the greater incidence among HPW employers may reflect that HPW employers are more likely to address their skills gaps via training. While both HPW and non-HPW employers with skills gaps had taken action to address those gaps (89 per cent and 82 per cent respectively), HPW employers were more likely to have increased training and/or introduced a mentoring scheme for staff (76 and 66 per cent of HPW employers with skills gaps respectively compared to 63 and 43 per cent of non-HPW employers).

The relationship between HPW and training

6.20 HPW employers in Wales were much more likely than non-HPW employers to have arranged or funded training for their employees over the 12 months prior to the survey (98 per cent had done so, compared with 62 per cent of non-HPW employers, as shown in Figure 6.2). HPW employers had also trained a much greater proportion of their workforce over this period than non-HPW establishments (77 per cent compared with 54 per cent respectively). This suggests that HPW employers took a more active role in developing the skills of their workforce.

6.21 Arranging or funding training for staff was one of the 21 HPW practices recognised in the survey (along with other training related practices, such as having a training plan); it is therefore not surprising that HPW employers were more likely to have arranged or funded training for their employees. However, it should also be noted from earlier that HPW employers were more active in the recruitment market and thus likely had greater need to train new recruits. Similarly, the previous section on skills gaps suggested that HPW employers

were more likely to identify skills gaps in their workforce and thus identify a need for training and developing the skills of their workforce.

6.22 HPW employers were also more likely to have funded or arranged training towards nationally recognised qualifications and to qualifications that were of a higher level. Specifically, 72 per cent of HPW employers that had trained their staff had arranged or funded training towards a nationally recognised qualification over the 12 months prior to the survey (compared with 51 per cent of non-HPW employers). Furthermore, a greater proportion of HPW employers (30 per cent) had trained their staff to qualifications at Level 4 and above compared with non-HPW employers (17 per cent).

Product market strategies

6.23 Product market strategies (PMS) describe the ways in which private sector establishments choose to differentiate and position the products and services they provide within the markets in which they operate. Employers operating 'higher' product market strategies offer greater opportunity for sustainable business growth and productivity which should, in turn, place a greater demand on skills. The inter-relationship between PMS and workforce skills is a theme of policy interest for government as the availability of workforce skills may have a bearing on the strategies that firms are able to pursue (and on their medium and long-term success).

6.24 Within the survey, ***private sector employers*** were asked to rate their establishments on a five-point scale, compared to other establishments in the same industries, in terms of:

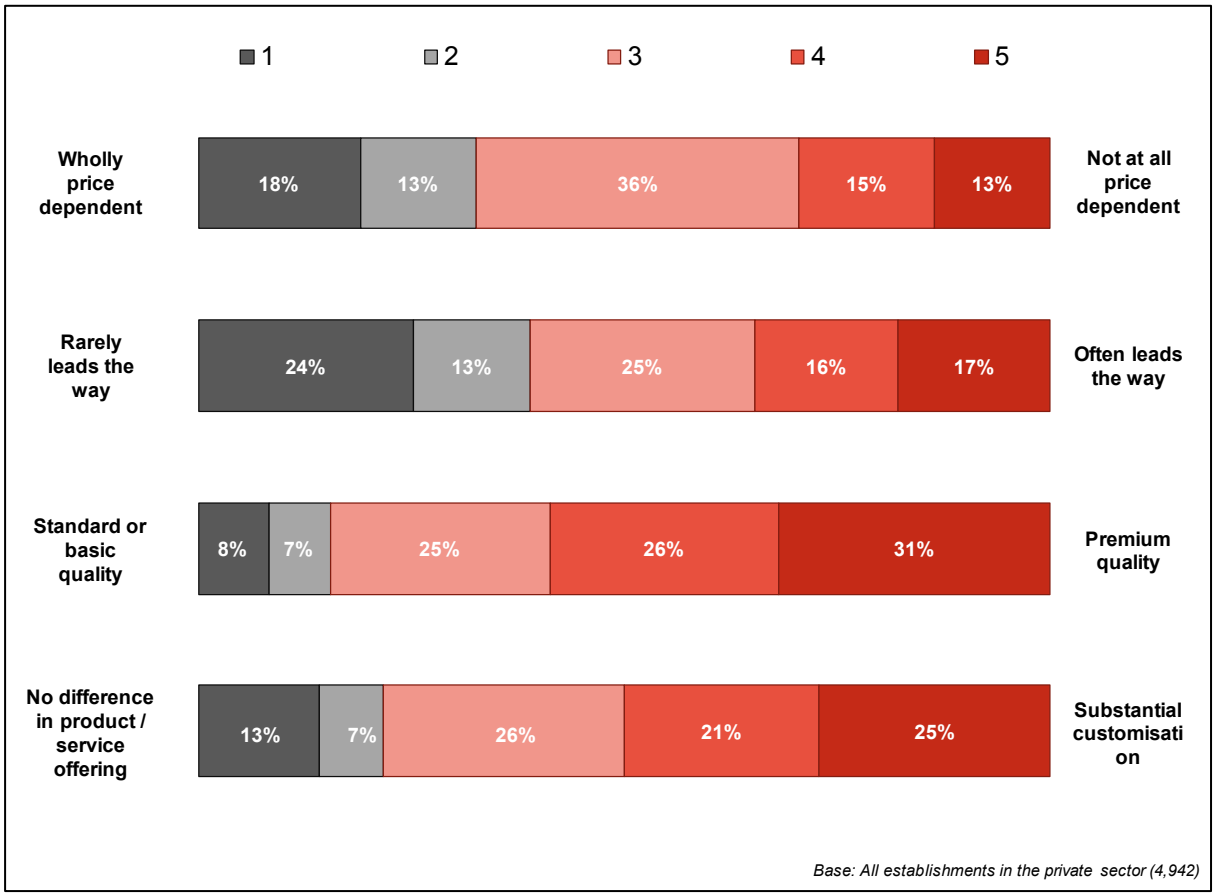
- the extent to which their competitive success depended on price
- the extent to which the establishment tended to lead the way in their industry in terms of the development of new products, materials or techniques
- the extent to which the establishment competed in a 'premium quality' product market as opposed to a 'standard or basic quality' product market
- the extent to which they offered goods or services with a substantial amount of customisation according to customer requirements.

6.25 Figure 6.3 illustrates the overall responses to each of these individual product market 'position statements', including the score attributed to each response.

6.26 The responses to the position statements were very similar to 2013 and 2011. This lack of change over time was expected given that the 'position statements' asked in the survey were standardised in the sense that employers were asked to compare their products and services against those provided by others in their industry (i.e. if there had been industry-wide advancements in product market strategies the individual employers' positioning within the industry against their competitors would not necessarily have changed).

6.27 However, there was a small but significant move away from employers in Wales being wholly price dependent (a two percentage point decrease in the proportion of employers that provided a 'score' of one for this statement).

Figure 6.3 Product Market Strategy positions



Deriving a composite Product Market Index

6.28 In order to discern the overall product market strategies of each establishment, the responses to the four product market 'position statements' were aggregated to derive a composite PMS score. These composite scores were then converted to a fivefold classification ranging from 'very low' to 'very high' (see Table 6.2). A 'very high' composite score indicated that the employer tended to lead the way and innovate in its sector, tended not to compete on price and/or tended to offer a premium and/or highly customised product or service. Conversely, a 'very low' composite score indicated that the employer tended not to do any of these things.

Table 6.2 Overall composite Product Market Strategy scores

Aggregate PMS score		% of private sector Wales establishments	% of private sector Wales employment
1 to 7	Very low	6	3
8 to 10	Low	15	9
11 to 13	Medium	26	25
14 to 16	High	27	31
17 to 20	Very high	13	20

Base: All establishments in the private sector (4,942)

Note: Figures do not sum to 100 per cent as 'don't know' responses have been excluded (13 per cent of private sector establishments gave a 'don't know' response).

Profiling higher and lower composite PMS score employers

6.29 Employers at the 'very high' end of the PMS scale tended to be larger on average than those at the 'very low' end. However, as in 2013, and across the UK as a whole, it was the case that all of the PMS classifications (from very low to very high) were dominated by small establishments with fewer than 25 employees, broadly reflecting the size profile of private sector establishments in general (see Table 6.3). It should therefore be noted that the analyses presented in the remainder of this chapter, looking at differences by PMS grouping, are – in effect – predominantly a discussion about smaller establishments regardless of which PMS grouping they fell into. This means that differences recorded between PMS groupings are not likely to be driven (solely) by size.

Table 6.3 Overall composite Product Market Strategy scores by size

	All private sector	Very Low	Low	Medium	High	Very High
Unwtd Base:	*4,942*	*241*	*690*	*1,263*	*1,434*	*743*
	%	%	%	%	%	%
Size						
2-4	55	72	64	55	49	45
5-24	37	26	33	38	41	41
25-49	4	2	2	4	5	8
50-99	2	*	1	2	3	3
100+	2	0	*	1	2	3

Base: All establishments in the private sector, by PMS classification.
'' denotes a figure larger than zero but smaller than 0.5*

6.30 Employers with a 'very low' PMS score were disproportionately likely to be located in mid Wales, which accounted for 20 per cent of all 'very low' PMS establishments but only 13 per cent of all private sector establishments.

6.31 Employers in Wales with a 'very high' PMS score were slightly more likely to be operating in the Business Services sector, which accounted for 20 per cent of all 'very high' PMS establishments but only 16 per cent of all private sector establishments. Conversely, employers with a 'very low' score were disproportionately likely to be operating in the Agriculture sector, which accounted for 30 per cent of all 'very low' PMS establishments, but only 13 per cent of all private sector establishments.

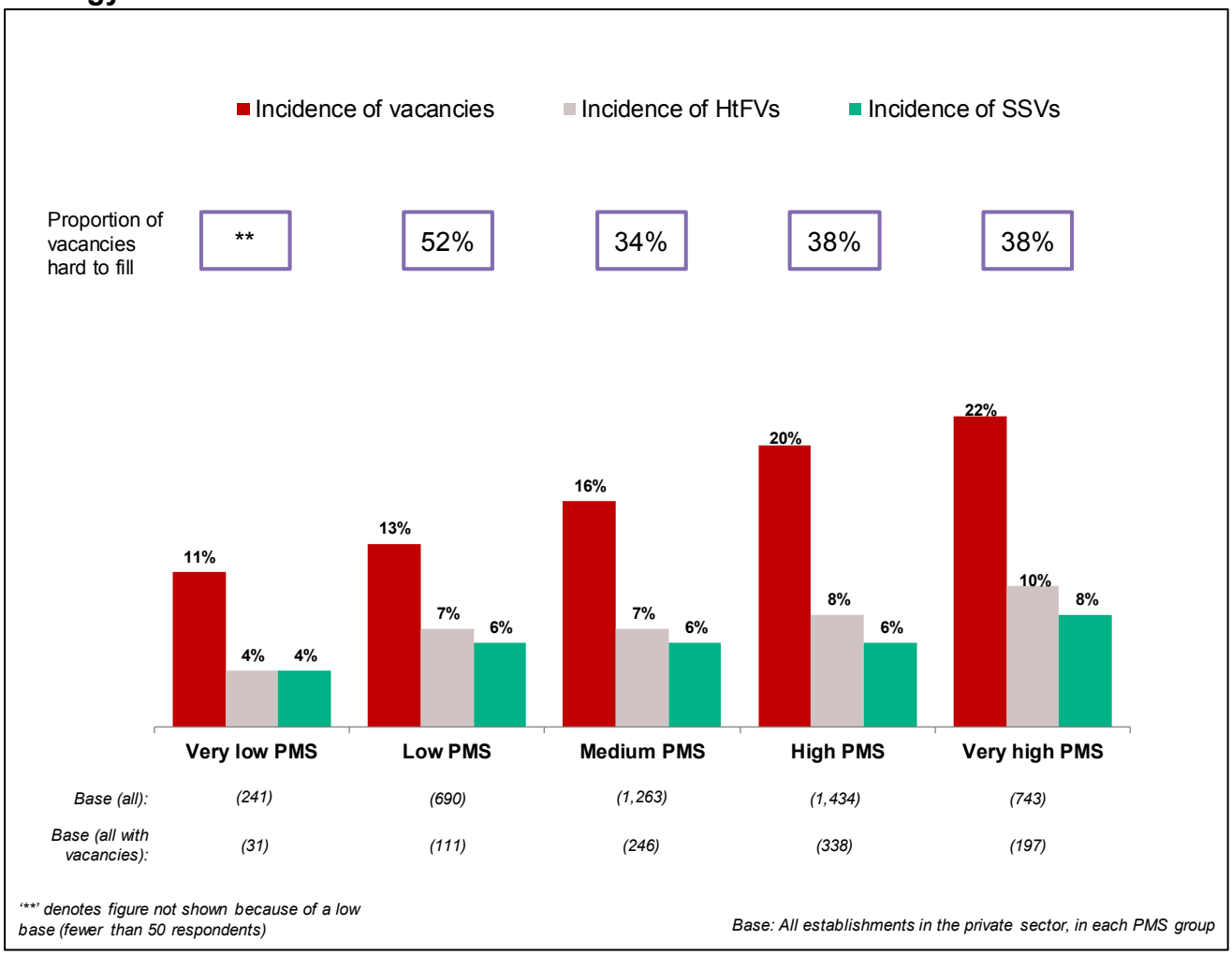
6.32 Table A.6.2 in Annex A provides further detail on the characteristics of employers in each PMS category in terms of region and sector.

6.33 The following subsections of this chapter discuss the experiences of employers according to their differing positions on the PMS scale. Unless otherwise stated, the findings reported in this section are consistent with findings reported in 2013.

Relationship between PMS and skill shortages

6.34 As illustrated in Figure 6.4, establishments with a higher PMS score were more active in the recruitment market. The incidence of establishments with vacancies increased from 11 per cent among those with a 'very low' PMS score to 22 per cent among those with a 'very high' PMS score. In line with this increased recruitment activity, employers at the higher end of the PMS index were also more likely to have at least one hard-to-fill vacancy and at least one skill-shortage vacancy, compared with those at the lowest end of the index (see Figure 6.4).

Figure 6.4 Incidence of vacancies, hard-to-fill vacancies (HtFVs) and skill-shortage vacancies (SSVs), as well as density of HtFVs, by Product Market Strategy classification



6.35 When considering the density of hard-to-fill vacancies (i.e. the number of hard-to-fill vacancies as a proportion of all vacancies) there was no linear trend across the PMS groupings.

6.36 Table A.6.3 in Annex A provides a full breakdown of the differences in recruitment activity by PMS classification.

Relationship between PMS and skills gaps

6.37 As detailed in Table 6.5, establishments with a medium to very high PMS score had a greater incidence of skills gaps compared to those with a low or very low score; however, there was no clear relationship between PMS score and skills gap density.

Table 6.5 Incidence and density of skills gaps by Product Market Strategy classification

	Very low	Low	Medium	High	Very high
Unweighted Base	*241*	*690*	*1,263*	*1,434*	*743*
	%	*%*	*%*	*%*	*%*
% of establishments with a skills gap	10	12	16	15	15
% of workforce with skills gaps	6	6	7	5	4

6.38 There was a broad trend of an increased proportion of skills gaps that were ascribed only to transient causes (i.e. staff were new to the role and/or their training was not complete) in establishments with higher product market strategies. Specifically, eight per cent of skills gaps in 'low' PMS establishments were due to transient causes, rising to 23 per cent in 'very high' PMS establishments. It can take time for new staff to reach full proficiency and, given these transient causes, one would expect a greater proportion of skills gaps to be resolved given time in establishments with higher product market strategies. Indeed, employers with higher product market strategies were less likely to have attributed skills gaps to staff having not received the appropriate training.

Table 6.6 Main causes of skills gaps (prompted), by Product Market Strategy

	Very low	Low	Medium	High	Very high
Unweighted Base	*34*	*116*	*265*	*299*	*142*
	%	%	%	%	%
Transient causes					
Staff are new to the role	*70*	70	61	67	68
Their training is currently only partially completed	*66*	60	53	65	63
*Summary: Skills gaps due to transient causes **only***	*14*	8	16	16	23
Other causes					
Staff lack motivation	*36*	36	47	33	44
They have been on training but their performance has not improved sufficiently	*38*	37	27	31	33
Introduction of new working practices	*14*	41	30	26	32
Staff have not received the appropriate training	*39*	44	34	26	20
Unable to recruit staff with the required skills	*40*	32	42	32	30
Introduction of new technology	*19*	18	17	18	18
Development of new products and services	*16*	14	17	15	19
Problems retaining staff	*30*	31	18	17	13

Base: All establishments in the private sector with skills gaps; up to two skills gaps followed up

Percentages shown as a proportion of all skills gaps followed up

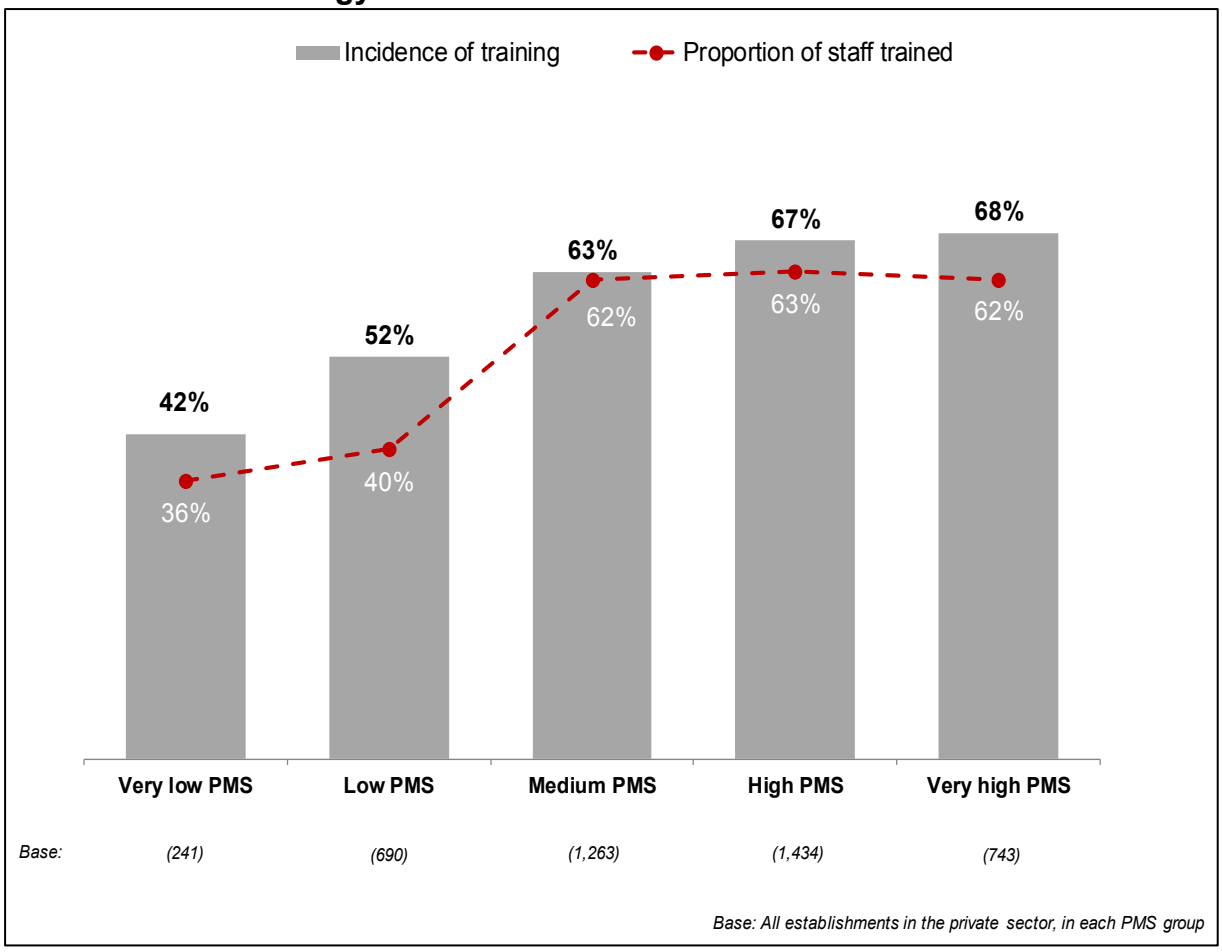
Figures in italic should be treated with caution due to the low base size

Relationship between PMS and training

6.39 As illustrated in Figure 6.5, there was a linear relationship between an establishment's product market strategies and their level of training activity over the 12 months prior to the survey. As the PMS composite score increases, the incidence of establishments that had provided training for their staff also increases.

6.40 The relationship between PMS composite score and the proportion of the workforce trained was less linear. However overall those with 'medium' to 'very high' PMS scores provided training for a greater proportion of their workforce than those with 'low' or 'very low' PMS scores.

Figure 6.5 Incidence of training and proportions of the workforce trained by Product Market Strategy classification



6.41 As reported in Chapter 5, a strong relationship existed between employer size and training activity, with the likelihood of training increasing with employer size. We have also seen in this chapter that employers with higher PMS scores tend to be larger employers. However, the pattern here appears to be driven by PMS level rather than by establishment size: looking at employers with different composite PMS scores within each size band, it was almost entirely the case that employers with the highest PMS scores were most likely to train, and likely to train a greater a proportion of their staff (see Table A.6.4 in Annex A).

6.42 A greater proportion of employers in Wales that had trained their staff and operated at the lowest end of the PMS index *only* provided induction and/or health and safety training for their staff (16 per cent of those with a 'very low' PMS score, compared with between nine and 12 per cent across all other groups). Induction training and health and safety training can often be relatively basic and a legislative requirement, rather than being something that is

focussed on the development of workforce skills. This finding further suggests, therefore, that the training undertaken by the employers with higher product market strategies was more focussed on developing the skills of their workforce.

6.43 Likelihood to offer any online training or e-learning, or other self-learning, increased alongside PMS score: among establishments that trained, two-fifths (40 per cent) those with a 'very low' PMS score offered this type of training, rising to three-fifths (61 per cent) of those with a 'very high' PMS score. This suggests higher PMS scores are associated with more innovative training.

6.44 Employers with higher PMS scores were also more likely to have funded or arranged training towards nationally recognised qualifications and to qualifications that were of a higher level than employers at the lower end of the PMS index. Nearly two-thirds (57 per cent) of all training employers in Wales with a 'very high' PMS score had arranged or funded training for their staff to a nationally recognised equalisation compared with half (49 per cent) of those with a 'very low' PMS score. When considering the level of qualification trained to, the proportion of training employers that had trained their staff to qualifications at Level 4 or above increased with PMS (from eight per cent among establishments with a 'very low' PMS score to 20 per cent among those with a 'very high' PMS score).

Conclusion

6.45 In this final chapter of the report we have considered how the strategies that employers adopt impact on their experiences of skills challenges.

6.46 We have seen that employers in Wales that pursued High Performance Working (HPW) practices, and those who pursued higher product market strategies, were more active in the labour market and were consequently more likely to experience skill shortages, were more likely to identify skills gaps and were more likely to be responding to these factors through the provision of training.

6.47 This reflects and confirms that the existence of skill deficiencies is not always a negative indicator for individual employers or for the economy. The pursuit of ambitious strategies, which help in driving the UK economy forward in its pursuit of higher productivity levels, can both point to skills deficiencies (because better practices are in place to identify them) and create them

(because skills development can lag behind innovation in workplace practice and service delivery). The challenge becomes how to deal with such deficiencies. Here, it was clear that High Performance employers and those with more advanced strategies were markedly more likely to fund and arrange training to develop the skills of their workforce.

7. Conclusions

7.1 This chapter draws out some important themes and questions raised by the survey. Beginning with an exploration of what the survey tells us about the overall Welsh skills picture and how that compares to the UK as a whole, it then explores what these findings suggest in terms of action to meet local needs, to support employment and to create growth.

Overall skills picture

7.2 ESS15 findings paint a positive picture of the Welsh economy and the skills of its workforce. There are signs of increasing buoyancy in the labour market with a substantial growth in the number of employers active in recruitment.

7.3 The majority of businesses in Wales were confident that their workforce is fully proficient. Nearly nine in ten (86 per cent) reported that they were happy with the expertise of their staff. Indeed, the main reason that employers said they had not provided any training for staff in the last 12 months was because they were already fully proficient in the role.

7.4 Businesses in Wales are investing in their staff through training. Nearly two-thirds of employers in Wales had funded or arranged training and development over the last 12 months. Although this is similar to the UK overall proportion, employers in Wales trained a greater proportion of their workforce, meaning that more individuals received training. Employers in Wales were also more likely to train to a nationally recognised qualification than UK employers overall. The investment that employers in Wales made in training has increased from previous years and is now over £2billion per year (across the UK as a whole, the figure is over £45billion). Furthermore, training spend in Wales, both at an overall level and in terms of spend per trainee, has increased at a faster rate than across the UK as a whole.

7.5 Yet skills challenges remain. Where job vacancies were hard to fill, in the majority of cases this was because candidates were lacking the requisite skills, qualifications and experience. Six per cent of businesses in Wales were experiencing skills-shortage vacancies (SSVs). This is a slight increase on 2013 and suggests that there is more to be done to match labour market supply and demand.

7.6 A more robust labour market also creates greater competition for workers and this is reflected by a slight increase in the proportion of businesses in Wales that reported difficulties retaining staff. Around one in ten establishments said that this was the case in 2015.

7.7 Across Wales one third of businesses had under-utilised workers on the ESS15 definition, which is slightly higher than the UK as a whole, and equates to 89,000 workers. Findings also confirm a link between under-utilisation and retention issues which suggests that employers should think carefully about employee engagement and development to avoid the costs associated with poor retention such as recruitment and loss of productivity.

7.8 Employers in Wales were similar to the rest of the UK in their low adoption of High Performance Working (HPW) practices which aim to stimulate employee involvement and commitment with a view to achieving high levels of performance. Just one in ten employers in Wales were classified as HPW employers. This is an important indicator of the extent to which employers are making good use of workforce skills, to drive greater innovation and productivity in the Welsh economy.

Skills to meet local needs

7.9 Findings show considerable diversity and complexity beneath this macro-level picture, suggesting that skills solutions must reflect differing regional and sectoral profiles.

7.10 At sector level for example, Manufacturing was one of the sectors most likely to be affected by skills gaps and to report that skills gaps had driven up their operating costs. Yet they were also one of the sectors least likely to have provided training over the past 12 months. Businesses in the Financial Services sector were similarly likely to report skills gaps in the workforce but nearly three-quarters of these businesses had offered training to their staff over the past year.

7.11 Findings by region clearly highlight the very different labour markets and employer needs across Wales. For example, north and south east Wales have the greatest proportion of vacancies but it is in mid Wales that employers experience greater difficulties in finding workers with the right skills to fill their vacancies. Mid Wales and south east Wales are similar in relation to spend per person trained but employers in south east Wales are

more likely to be training online, training in management and supervisory skills and to nationally recognised qualifications, than their mid Wales counterparts.

7.12 These findings support efforts to ensure that skills responses are designed and delivered sub-nationally to stimulate employer demand and ensure that training providers are operating flexibly to meet local labour market needs.

Skills for employment

7.13 The skills that are lacked by both potential recruits and current employees have been fairly consistent over time and are in areas that should be easily addressed.

7.14 The core skills that employers identified as being hard to find amongst applicants and lacking amongst current staff were the specialist skills needed to perform the job role, knowledge of how the organisation works and knowledge of products and services offered. Basic employability skills such as time management and team working were also widely reported as lacking among applicants and current staff.

7.15 There is a variety of options open to employers themselves to mitigate against these skills deficiencies, from providing work experience and work trials that create pathways to employment, and offering relevant training that upskills employees to the level of knowledge required. But there is also an onus on recruitment organisations and training providers alike to ensure individuals are suitably equipped for the workplace.

Skills for growth

7.16 Wales needs its skills base to evolve to meet the opportunities created by the changing labour market. Employers have an important part to play in supporting the Welsh economy to be globally competitive by creating a more highly-skilled workforce and maximising business productivity. Findings suggest a number of potential areas of focus:

7.17 *Stimulating demand for training*. There remains a proportion of employers that have not provided training to their workforce over the past 12 months, with a consistent picture of lower demand amongst small employers. Non-training employers commonly state that their workforce is fully proficient but

arguably employers should not only consider the skills their employees need *now* but also those that they will need in future.

7.18 *Smarter training strategies.* Key reasons for non-training and not training more included lack of funds and lack of time. One way to address these issues is greater use of online training or e-learning, currently offered by a significant minority of employers in Wales and expected to increase over time. E-learning was not necessarily delivered at the expense of other more traditional routes, as off-the-job training had also increased since 2013. This pattern suggests that employers can successfully diversify their approach to training and/or offer flexibility in learning modes to meet employee needs.

7.19 *Creating a highly trained workforce*. International trends indicate a shift towards more high-skill and service-intensive roles, fewer middle-skill and labour-intensive roles, often described as the 'hourglass' labour market. There are positive signs that employers in Wales are responding to this challenge, as they were more likely to have provided training to nationally-recognised qualifications and to have trained to Level 3 or above than in the UK overall. Yet, at the same time employers in Wales were also more likely than the UK as a whole to say that *all* their training was made up of mandatory induction and Health and Safety courses. This implies that there may be further work to do to stimulate a consistent level of demand for training across region, business size and sector and to champion those employers who *are* taking action on skills. It is also important that middle-skill roles do not get left behind, with these occupations found to be the hardest to fill for skills-related reasons.

7.20 *Maximising skills use*. Effective use of skills in the workplace matters. Improving the supply of high level skills will have a limited effect unless there is the capability and ambition to make use of those skills. Eight per cent of the workforce in Wales is estimated to have both under-utilised skills and under-utilised qualifications. Making better use of their skills would help them to innovate and turn investment in new technologies and equipment into better products and services. This brings competitive advantage and allows businesses to grow and move up the value chain, creating more and better jobs and progression opportunities.

Appendix A: Supplementary Tables

Table A.2.1 Incidence, number and density of vacancies by region, size and sector

	Base	% of establishments with a vacancy (incidence)	Number of vacancies Rounded to nearest 100	Vacancies as a % of employment (density)	Average (mean) vacancies per establishment
UK	*91,210*	19	928,000	3.3	2.6
Wales	***6,027***	**17**	**36,500**	**3.1**	**2.6**
Region					
North Wales	*1,528*	17	8,000	2.9	2.1
Mid Wales	*742*	13	1,900	2.4	2.1
South east Wales	*2,395*	19	18,400	3.2	2.9
South west Wales	*1,362*	15	8,100	3.2	3.0
ESF Region					
West Wales and the valleys	*3,645*	15	18,100	2.6	2.4
East Wales	*2,382*	20	18,400	3.7	2.9
Size					
2-4	*1,749*	10	5,400	4.9	1.4
5-24	*3,316*	20	12,400	4.1	2.0
25-49	*547*	34	4,100	2.7	2.7
50-99	*273*	45	3,300	2.2	3.3
100+	*142*	59	11,200	2.3	11.2
Sector					
Agriculture	*405*	5	600	2.3	1.3
Manufacturing	*427*	21	2,000	1.5	2.1
Electricity, Gas and Water	*62*	23	300	1.8	1.6
Construction	*405*	16	2,000	3.6	1.7
Wholesale and Retail	*1,203*	15	4,000	2.1	1.6
Hotels and Restaurants	*649*	21	4,400	5.0	2.6
Transport and Communications	*526*	17	2,300	3.8	2.9
Financial Services	*108*	19	700	2.5	1.8
Business Services	*715*	18	7.400	5.6	3.2
Public Administration	*75*	26	4,100	4.7	12.6
Education	*361*	21	1.900	1.5	4.6
Health and Social Work	*617*	24	4,300	2.2	2.3
Arts and Other Services	*474*	19	2,400	4.8	2.5

Base: All establishments. (Note: percentages in Column 3 are shown as a proportion of all employment). Number of vacancies rounded to the nearest 100.

Table A.2.2 Density of vacancies by size and sector (2013 and 2015)

	Vacancies as % of employment			
	2013		2015	
	Unwtd Base:	%	*Unwtd Base*	%
UK	*91,279*	2.4	*91,210*	3.3
Wales	***5,996***	**2.2**	***6,027***	**3.1**
Region				
North Wales	*1,580*	2.4	*1,528*	2.9
Mid Wales	*717*	1.8	*742*	2.4
South east Wales	*2,400*	2.0	*2,395*	3.2
South west Wales	*1,299*	2.6	*1,362*	3.2
ESF Region				
West Wales and the valleys	*3,634*	2.2	*3,645*	2.6
East Wales	*2,362*	2.2	*2,382*	3.7
Size				
2-4	*1,847*	4.6	*1,749*	4.9
5-24	*3,229*	2.5	*3,316*	4.1
25-49	*512*	1.9	*547*	2.7
50-99	*236*	2.6	*273*	2.2
100+	*172*	1.4	*142*	2.3
Sector				
Agriculture	*492*	1.3	*405*	2.3
Manufacturing	*414*	1.1	*427*	1.5
Electricity, Gas and Water	*84*	2.6	*62*	1.8
Construction	*467*	2.2	*405*	3.6
Wholesale and Retail	*1,109*	1.7	*1,203*	2.1
Hotels and Restaurants	*618*	3.8	*649*	5.0
Transport and Communications	*419*	1.9	*526*	3.8
Financial Services	*127*	1.4	*108*	2.5
Business Services	*736*	2.6	*715*	5.6
Public Administration	*67*	2.3	*75*	4.7
Education	*394*	2.0	*361*	1.5
Health and Social Work	*602*	2.3	*617*	2.2
Arts and Other Services	*467*	4.1	*474*	4.8

Base: All establishments.

Percentages are shown as a proportion of all employment.

Table A.2.3 Incidence and density of vacancies by occupation (2011-2015)

	% of establishments with vacancies who have a vacancy in occupation	Number of vacancies	Vacancy density
	Unwtd Base:	Rounded to nearest 100	%
2011	*1,095*		
Managers	6	700	0.3
Professionals	15	2,900	2.2
Associate Professionals	13	2,400	3.7
Administrative and Clerical	17	2,600	1.7
Skilled Trades	15	2,400	2.2
Caring, Leisure and Other services	12	3,500	2.9
Sales and Customer Service	16	3,400	2.5
Machine Operatives	8	1,400	1.5
Elementary occupations	16	3,200	2.0
TOTAL		**22,500**	**1.9**
2013	*1,016*		
Managers	5	700	0.3
Professionals	14	3,000	2.2
Associate Professionals	17	4,600	10.3
Administrative and Clerical	15	2,100	1.5
Skilled Trades	16	2,700	3.2
Caring, Leisure and Other services	14	4,200	2.8
Sales and Customer Service	15	3,000	2.2
Machine Operatives	7	1,300	1.3
Elementary occupations	16	3,600	2.2
TOTAL		**25,700**	**2.2**
2015	1,277		
Managers	6	1,500	0.8
Professionals	14	4,900	3.7
Associate Professionals	14	3,400	6.7
Administrative and Clerical	14	3,400	2.4
Skilled Trades	20	3,900	4.5
Caring, Leisure and Other services	13	4,900	3.2
Sales and Customer Service	11	3,300	2.1
Machine Operatives	8	2,600	2.4
Elementary occupations	19	7,200	4.6
TOTAL		**36,500**	**3.1**

Base: Column 1: all establishments with vacancies; Column 3: all establishments.

Column 3 percentages are based on all employment, rather than all establishments; figures therefore show the number of vacancies as a proportion of all employment in each occupation.

Vacancy density is number of vacancies as a proportion of total employment

Table A.2.4 Incidence, number and density of skill-shortage vacancies (SSVs) by region, size and sector

	Base:	% of establishments with a skill-shortage vacancy	Number of skill-shortage vacancies Rounded to nearest 100	Base:	% of vacancies which are SSVs
UK	*91,210*	4	209,500	*24,306*	22
Wales	***6,027***	**6**	**8,800**	***1,277***	**24**
Region					
North Wales	*1,528*	6	2,100	*308*	27
Mid Wales	*742*	5	700	*137*	34
South east Wales	*2,395*	6	4,200	*558*	23
South west Wales	*1,362*	5	1,800	*274*	22
ESF Region					
West Wales and the valleys	*3,645*	5	4,000	*707*	22
East Wales	*2,382*	8	4,800	*570*	26
Size					
2-4	*1,749*	4	2,000	*169*	37
5-24	*3,316*	6	2,900	*692*	24
25-49	*547*	11	800	*196*	20
50-99	*273*	12	800	*133*	22
100+	*142*	20	2,300	*87*	20
Sector					
Agriculture	*405*	1	**	*21*	**
Manufacturing	*427*	10	600	*89*	31
Electricity, Gas and Water	*62*	8	**	*17*	**
Construction	*405*	7	800	*67*	40
Wholesale and Retail	*1,203*	4	900	*216*	23
Hotels and Restaurants	*649*	7	1,000	*197*	22
Transport and Communications	*526*	8	900	*87*	39
Financial Services	*108*	4	**	*19*	**
Business Services	*715*	7	1,600	*183*	22
Public Administration	*75*	8	**	*17*	**
Education	*361*	5	200	*72*	9
Health and Social Work	*617*	6	1,00	*172*	22
Arts and Other Services	*474*	7	700	*120*	28

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

Percentages in Column 3 are based on all vacancies, rather than all establishments with vacancies; figures therefore show the proportion of vacancies caused by skill shortages.

*Notes: The number of skill-shortage vacancies has been rounded to the nearest 100. '**' denotes figure not shown because of a low base (fewer than 25).*

Table A.2.5 Density of skill-shortage vacancies by region, size and sector (2011- 2015)

	% of vacancies which are SSVs					
	2011		2013		2015	
	Unwtd Base:	%	*Unwtd Base:*	%	Unwtd Base:	%
UK	*17,093*	16	*18,959*	22	*24,306*	22
Wales	***1,095***	**18**	***1,016***	**20**	***1,277***	**24**
Region						
North Wales	*245*	17	*294*	14	*308*	27
Mid Wales	*151*	32	*101*	21	*137*	34
South east Wales	*445*	16	*405*	23	*558*	23
South west Wales	*254*	16	*216*	20	*274*	22
ESF Regions						
West Wales and the valleys	*666*	16	*616*	20	*707*	22
East Wales	*429*	21	*400*	20	*570*	26
Size						
2-4	*90*	26	*156*	27	*169*	37
5-24	*567*	25	*508*	30	*692*	24
25-49	*189*	22	*153*	13	*196*	20
50-99	*115*	7	*111*	10	*133*	22
100+	*134*	8	*88*	12	*87*	20
Sector						
Agriculture	*4*	**	*20*	**	*21*	**
Manufacturing	*85*	23	*76*	25	*89*	31
Electricity, Gas and Water	*16*	**	*16*	**	*17*	**
Construction	*38*	*29*	*50*	21	*67*	40
Wholesale and Retail	*187*	12	*158*	17	*216*	23
Hotels and Restaurants	*150*	22	*146*	21	*197*	22
Transport and Communications	*89*	21	*55*	29	*87*	39
Financial Services	*22*	**	*22*	**	*19*	**
Business Services	*137*	24	*113*	30	*183*	22
Public Administration	*25*	*4*	*21*	**	*17*	**
Education	*94*	5	*98*	13	*72*	9
Health and Social Work	*126*	13	*139*	14	*172*	22
Arts and Other Services	*119*	18	*100*	11	*120*	28

Base: All establishments with vacancies

Percentages are based on all vacancies, rather than all establishments with vacancies; figures therefore show the proportion of vacancies caused by skill shortages.

*"**" denotes figure not shown because of a very low base (fewer than 25 respondents); figures in italic text should be treated with caution due to low base size (25-49).*

Table A.2.6 Density of skill-shortage vacancies by occupation and region

	Wales	North Wales	Mid Wales	South East Wales	South West Wales	West Wales and the Valleys	East Wales
Managers	**15**	**	**	*10*	**	*12*	**
Professionals	**26**	*25*	**	20	*32*	21	*30*
Associate professionals	**24**	*42*	*29*	15	*27*	22	*25*
Administrative/clerical staff	**16**	*17*	**	22	*7*	14	*19*
Skilled trades occupations	**43**	43	*66*	47	33	35	54
Caring, leisure and other services staff	**30**	*28*	**	34	*19*	17	*43*
Sales and customer services staff	**15**	*21*	**	19	*5*	9	*21*
Machine operatives	**40**	*20*	**	*36*	*56*	48	*32*
Elementary staff	**17**	25	*11*	12	23	24	11

Base: All establishments with vacancies within each occupation by region

*"**" denotes figure not shown because of a very low base (fewer than 25 respondents); figures in italic text should be treated with caution due to low base size (25-49).*

Table A.2.6a Unweighted base sizes for previous table (Table A.2.6)

	Wales	North Wales	Mid Wales	South east Wales	South west Wales	West Wales and the valleys	East Wales
Managers	72	**	**	34	**	72	**
Professionals	184	47	**	82	34	184	47
Associate professionals	183	34	26	92	31	183	34
Administrative/clerical staff	165	43	**	78	32	165	43
Skilled trades occupations	233	68	28	86	51	233	68
Caring, leisure and other services staff	197	47	**	82	48	197	47
Sales and customer services staff	143	29	**	64	36	143	29
Machine operatives	108	25	**	45	28	108	25
Elementary staff	269	71	27	111	60	269	71

*'**' corresponds with the double asterisk shown in Table A.2.6 (i.e. where the base is fewer than 25 establishments with vacancies)*

Table A.2.7 Skills lacking among applicants, overall and by region (prompted)

	Wales	North Wales	Mid Wales	South east Wales	South west Wales	West Wales and the valleys	East Wales
Unweighted Base	*216*	*55*	*24*	*96*	*41*	*110*	*106*
	%	%	%	%	%	%	%
Technical or practical skills							
Specialist skills or knowledge	69	58	**	70	*71*	63	73
Solving complex problems	44	29	**	44	*62*	50	39
Knowledge of products and services offered	42	36	**	45	*55*	52	32
Knowledge of how the organisation works	41	42	**	44	*46*	53	34
Complex numerical/statistical skills	26	16	**	30	*33*	25	27
Reading/understanding instructions	30	21	**	28	*40*	31	29
Writing instructions, reports etc.	34	14	**	40	*46*	32	36
Basic numerical skills	32	22	**	34	*35*	28	35
Computer literacy / basic IT skills	17	20	**	16	*28*	26	11
Advanced or specialist IT skills	15	17	**	16	*13*	15	15
Adapting to new equipment or materials	30	27	**	29	*37*	28	32
Manual dexterity	23	28	**	18	*39*	25	21
Communicating in a foreign language	16	11	**	21	*8*	17	15
Oral Welsh language skills	15	15	**	13	*25*	23	8
Written Welsh language skills	11	17	**	6	*25*	15	8
None of the above	8	16	**	4	*8*	11	6
People and personal skills							
Ability to manage own time and prioritise	57	49	**	57	*79*	64	52
Customer handling skills	47	44	**	45	*72*	61	36
Team working	44	46	**	40	*66*	51	38
Managing own feelings / handling those of	41	46	**	30	*62*	51	33
Persuading or influencing others	33	27	**	35	*36*	37	30
Managing or motivating other staff	39	39	**	35	*57*	43	36
Sales skills	33	33	**	34	*42*	43	25
Instructing, teaching or training people	27	26	**	26	*36*	29	25
Setting objectives for others / planning	27	22	**	28	*27*	22	30
Making speeches or presentations	18	19	**	21	*10*	11	23
None of the above	15	20	**	13	*8*	12	18

Base: All establishments with skill-shortage vacancies that received the new list of skill descriptors
*"**" denotes figure not shown because of a very low base (fewer than 25 respondents); figures in italic text should be treated with caution due to low base size (25-49).*

Table A.2.8 Number and density of 'other' non-skills-related hard-to-fill vacancies by region, size and sector

		Number of skill-shortage vacancies	Number of 'other' hard-to-fill vacancies	% of vacancies that are hard-to-fill for 'other' non-skills related reasons
	Unwtd Base	Rounded to nearest 100	Rounded to nearest 100	%
UK	*24,306*	209,500	93,800	10
Wales	***1,277***	**8,800**	**3,300**	**9**
Region				
North Wales	*308*	2,100	600	8
Mid Wales	*137*	700	200	11
South east Wales	*558*	4,200	1,800	10
South west Wales	*274*	1,800	600	8
ESF Region				
West Wales and the valleys	*707*	4,000	1,500	8
East Wales	*570*	4,800	1,800	10
Size				
2-4	*169*	2,000	600	11
5-24	*692*	2,900	1,000	8
25-49	*196*	800	300	6
50-99	*133*	800	200	7
100+	*87*	2,300	1,300	11
Sector				
Agriculture	*21*	**	**	**
Manufacturing	*89*	600	170	8
Electricity, Gas and Water	*17*	**	**	**
Construction	*67*	800	300	16
Wholesale and Retail	*216*	900	300	8
Hotels and Restaurants	*197*	1,000	400	9
Transport and Communications	*87*	900	100	6
Financial Services	*19*	**	**	**
Business Services	*183*	1,600	200	3
Public Administration	*17*	**	**	**
Education	*72*	200	100	7
Health and Social Work	*172*	1,00	400	9
Arts and Other Services	*120*	700	400	18

Base: Establishments with vacancies.

Percentages are based on all vacancies, rather than all establishments with vacancies; proportions therefore show the percentage of vacancies that are hard-to-fill for non-skills related reasons.

*'**' denotes figure not shown because of a very low base (fewer than 25 respondents)*

Table A.2.9 Incidence of retention difficulties by size and sector (2011 and 2015)†

	% of establishments reporting retention issues			
	2011		2015	
	Unwtd Base	*%*	*Unwtd Base*	*%*
UK (excl. Scotland)†	*84,035*	6	*45,818*	8
Wales	***5,958***	**7**	***2,981***	**9**
Region				
North Wales	*1,420*	6	*756*	8
Mid Wales	*788*	9	*366*	8
South east Wales	*2,374*	6	*1,187*	9
South west Wales	*1,376*	7	*672*	10
ESF Region				
West Wales and the valleys	*3,696*	7	*1,784*	9
East Wales	*2,262*	6	*1,197*	10
Size				
2-4	*1,162*	5	*874*	7
5-24	*3,474*	8	*1,639*	11
25-49	*1,074*	11	*262*	15
50-99	*151*	11	*136*	16
100+	*97*	17	*70*	18
Sector				
Agriculture	*101*	3	*215*	5
Manufacturing	*489*	7	*209*	12
Electricity, Gas and Water	*110*	9	*33*	*8*
Construction	*498*	7	*184*	9
Wholesale and Retail	*1,062*	5	*618*	7
Hotels and Restaurants	*666*	11	*320*	20
Transport and Communications	*435*	7	*280*	11
Financial Services	*173*	5	*46*	*4*
Business Services	*789*	5	*347*	7
Public Administration	*129*	8	*31*	*8*
Education	*391*	9	*176*	9
Health and Social Work	*571*	8	*287*	9
Arts and Other Services	*544*	10	*235*	13

Base: 2011 – All establishments; 2015 – All establishments in Module 2.

†Note: retention difficulties were last covered by the Employer Skills Survey in 2011. For that survey, due to differing policy priorities and constraints on the length of the questionnaire, employers in Scotland were not asked to describe their experience of retention difficulties. As such, no Scotland or UK-wide data is available for time series comparisons.

Figures in italic text should be treated with caution due to low base size (25-49).

Table A.3.1: Incidence, number and density of skills gaps by region (2011-2015)

	2011			2013			2015		
	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps
UK	17	1,485,500	5.5	15	1,409,900	5.2	14	1,380,200	5.0
Wales	**16**	**53,900**	**4.6**	**16**	**67,400**	**5.8**	**14**	**53,800**	**4.5**
Region									
North Wales	15	12,900	5.0	16	20,100	7.6	13	12,200	4.4
Mid Wales	13	4,800	6.1	17	4,100	5.1	11	2,000	2.5
South east Wales	18	25,700	4.5	12	30,500	5.3	16	28,100	4.9
South west Wales	14	10,500	4.2	15	12,600	5.0	13	11,500	4.5
ESF Regions									
West Wales and the valleys	15	3,600	4.6	16	47,100	6.3	13	32,600	4.7
East Wales	17	22,300	4.7	16	20,300	4.9	14	21,200	4.2

Base: Columns 1, 4 and 7 all establishments; remainder all employment.

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

Percentages in columns 3, 6 and 9 are based on all employment, rather than all establishments; proportions therefore show the percentage of staff with a skills gap.

Note that 2011 figures may differ from the 2011 report due to reweighting.

Table A.3.2: Incidence, number and density of skills gaps by size and sector (2011- 2015)

	2011			2013			2015		
	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps
Wales	**16**	**53,900**	**4.6**	**16**	**67,400**	**5.8**	**14**	**56,900**	**4.5**
Size									
2-4	9	4,500	3.9	8	3,900	3.4	6	2,600	2.4
5-24	21	15,200	5.1	22	15,000	5.1	19	12,900	4.2
25-49	31	6,300	4.4	35	8,300	5.6	30	7,000	4.6
50-99	35	7,100	5.0	41	7,600	5.4	31	6,300	4.2
100+	41	20,800	4.4	46	32,600	6.9	51	24,900	5.3
Sector									
Agriculture	6	1,000	3.5	6	800	2.9	2	600	2.3
Manufacturing	19	8,500	6.1	21	13,400	10.3	22	11,700	8.8
Electricity, Gas and Water	17	1,000	6.7	15	300	1.8	17	800	4.7
Construction	12	2,100	3.3	15	2,500	4.6	12	2,600	4.8
Wholesale and Retail	19	10,200	5.4	18	10,000	5.2	16	6,800	3.6
Hotels and Restaurants	19	5,900	7.5	19	8,200	10.2	18	6,100	6.9
Transport and Communications	20	2,400	3.8	16	2,300	3.9	13	2,300	3.7
Financial Services	19	1,100	3.7	20	1,500	5.2	20	1,200	4.2
Business Services	14	6,300	5.0	15	5,800	4.4	12	8,300	6.3
Public Administration	18	1,600	1.8	25	1,500	1.8	15	1,500	1.8
Education	18	4,100	3.5	21	6,300	5.3	17	3,000	2.4
Health and Social Work	18	7,700	4.2	20	12,800	6.6	15	6,900	3.5
Arts and Other Services	14	2,100	4.6	12	1,900	4.0	13	1,900	3.8

Base: Columns 1, 4 and 7 all establishments; remainder all employment.

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

Percentages in columns 3, 6 and 9 are based on all employment, rather than all establishments; proportions therefore show the percentage of staff with a skills gap. Note that 2011 figures may differ from the 2011 report due to reweighting.

Table A.3.3 Density of skills gaps by occupation and region

	Wales	North Wales	Mid Wales	South east Wales	South west Wales	West Wales and the valleys	East Wales
Managers	**2.2**	*1.3*	*1.0*	2.9	*2.1*	2.1	2.2
Professionals	**3.0**	**	**	*3.4*	**	*3.7*	*2.2*
Associate professionals	**4.9**	**	**	*4.9*	**	*6.1*	*3.6*
Administrative/clerical staff	**3.5**	2.3	*2.2*	4.7	*2.5*	3.5	3.5
Skilled trades occupations	**5.5**	7.2	**	4.8	*4.6*	5.5	5.4
Caring, leisure and other services staff	**5.0**	*3.7*	**	6.2	*3.7*	5.5	3.9
Sales and customer services staff	**5.2**	4.8	*8.6*	4.4	7.2	5.7	4.6
Machine operatives	**7.4**	*10.5*	**	*6.8*	**	6.0	*9.5*
Elementary staff	**5.8**	6.1	*5.9*	6.3	4.7	6.0	5.5

Base: All establishments

*"**" denotes figure not shown because of a very low base (fewer than 25 respondents); figures in italic text should be treated with caution due to low base size (25-49).*

Table A.3.3a Unweighted base sizes for previous table (Table A.2.6)

	Wales	North Wales	Mid Wales	South East Wales	South West Wales	West Wales and the Valleys	East Wales
Managers	201	45	23	86	47	116	85
Professionals	66	**	**	31	**	39	27
Associate professionals	73	**	**	29	**	42	31
Administrative/clerical staff	224	50	26	102	46	125	99
Skilled trades occupations	195	56	**	82	38	115	80
Caring, leisure and other services staff	135	41	**	58	29	76	59
Sales and customer services staff	281	66	33	122	60	160	121
Machine operatives	102	29	**	48	**	55	47
Elementary staff	260	72	30	97	61	165	95

*'**' corresponds with the double asterisk shown in Table A.3.3 (i.e. where the base is fewer than 25 establishments)*

Table A.3.4: Causes of Skills Gaps, by occupation (prompted)

	Managers	Professionals	Associate Professionals	Administrative and Clerical	Skilled Trades	Caring, Leisure and Other services	Sales and Customer Service	Machine Operatives	Elementary occupations
	%	%	%	%	%	%	%	%	%
Base:	*175*	*55*	*59*	*192*	*182*	*129*	*270*	*88*	*244*
They are new to the role	55	56	82	60	69	80	61	70	65
Their training is currently only partially completed	47	53	83	58	80	77	52	81	46
Staff lack motivation	37	42	20	35	27	67	44	42	56
They have been on training but their performance has not improved sufficiently	29	19	31	30	24	62	30	27	48
Unable to recruit staff with the required skills	21	50	38	27	38	17	19	40	42
The introduction of new working practices	37	43	42	31	19	20	20	54	30
They have not received the appropriate training	38	38	33	35	26	11	19	39	28
The introduction of new technology	28	28	23	33	16	54	16	14	20
Problems retaining staff	16	5	8	19	22	13	16	14	20
The development of new products and service	25	10	22	17	18	7	15	20	14
Summary: New to role / training not complete (transient factors)	**69**	**83**	**92**	**73**	**88**	**85**	**67**	**86**	**73**

Base: All establishments with skills gaps in each occupation – up to two occupations followed up

Percentages are based on all skills gaps, rather than all establishments with skills gaps; proportions therefore show the percentage of skills gaps attributed to each cause.

Table A.3.5 Skills lacking among staff, overall and by region (prompted)

	Wales	North Wales	Mid Wales	South East Wales	South West Wales	West Wales and the Valleys	East Wales
Unweighted Base	*572*	*138*	*64*	*255*	*115*	*330*	*242*
	%	%	%	%	%	%	%
Technical or practical skills							
Specialist skills or knowledge needed to	**56**	57	53	58	49	50	62
Knowledge of products and services offered	**44**	52	38	44	37	38	50
Knowledge of how your organisation works	**40**	25	19	49	45	41	39
Adapting to new equipment or materials	**37**	55	28	32	33	33	41
Solving complex problems requiring a	**37**	44	29	36	33	36	38
Computer literacy / basic IT skills	**37**	41	31	38	30	33	41
Reading and understanding instructions,	**35**	42	22	29	49	37	33
Advanced or specialist IT skills	**33**	37	22	38	21	28	39
More complex numerical or statistical skills	**28**	27	15	36	16	29	28
Manual dexterity	**25**	45	18	17	22	17	32
Basic numerical skills and understanding	**24**	20	28	19	41	29	19
Oral Welsh language skills	**22**	15	18	28	14	22	21
Writing instructions, guidelines, manuals or	**21**	18	16	25	15	19	23
Written Welsh language skills	**19**	13	17	24	12	20	18
Communicating in a foreign language	**10**	9	15	10	7	10	9
None of the above	**5**	6	6	4	6	6	3
People and personal skills							
Ability to manage own time and prioritise own	**67**	71	72	68	60	71	64
Team working	**59**	68	45	55	64	60	58
Managing their own feelings, or handling the	**50**	59	44	48	48	46	55
Persuading or influencing others	**46**	39	43	54	34	43	50
Managing or motivating other staff	**45**	44	43	51	32	42	49
Customer handling skills	**43**	37	43	50	35	49	38
Instructing, teaching or training people	**32**	40	35	31	21	27	37
Setting objectives for others and planning	**31**	35	31	33	21	29	34
Making speeches or presentations	**29**	30	24	33	20	26	33
Sales skills	**24**	27	40	20	24	27	20
None of the above	**12**	7	18	14	9	8	15

Base: All establishments with skills gaps that received the new list of skill descriptors

Table A.3.6 Extent of impact of skills gaps, by size and sector

		% reported extent of impact		
	Unwtd Base:	**Major impact**	**Minor impact**	**No impact**
UK	*18,265*	17	48	34
Wales	*1,100*	**17**	**47**	**36**
Region				
North Wales	*268*	14	45	41
Mid Wales	*116*	17	55	28
South east Wales	*483*	19	46	35
South west Wales	*233*	17	48	35
ESF Region				
West Wales and the valleys	*645*	16	47	37
East Wales	*455*	19	48	33
Size				
2-4	*107*	20	40	39
5-24	*661*	16	48	36
25-49	*170*	13	49	38
50-99	*95*	22	52	26
100+	*67*	19	52	29
Sector				
Agriculture	*17*	**	**	**
Manufacturing	*99*	23	50	28
Electricity, Gas and Water	*12*	**	**	**
Construction	*62*	20	39	41
Wholesale and Retail	*241*	11	52	36
Hotels and Restaurants	*188*	20	50	30
Transport and Communications	*77*	13	46	41
Financial Services	*21*	**	**	**
Business Services	*128*	32	36	33
Public Administration	*9*	**	**	**
Education	*54*	16	51	33
Health and Social Work	*105*	13	46	41
Arts and Other Services	*87*	13	50	37

Base: All establishments with skills gaps

*'**' denotes figure not shown because of a very low base (fewer than 25 respondents).*

Table A.3.7 Actions taken to overcome skills gaps, by country, size and sector

	Unwtd Base		% taking each action								
			Increase training activity	More supervision	Mentoring	More appraisals	Reallocating work	Changing working practices	Increase recruitment activity	Recruit non-UK nationals	Any action
UK	*18,265*	%									
Wales	*1,100*	%	66	58	48	47	35	29	20	8	**82**
Regions											
North Wales	*268*	%	66	57	48	41	32	27	19	7	**83**
Mid Wales	*116*	%	71	50	40	44	32	31	13	4	**83**
South east Wales	*483*	%	67	58	50	50	37	30	22	9	**83**
South west Wales	*233*	%	60	61	48	47	37	26	21	9	**76**
ESF Regions											
West Wales and the valleys	*645*	%	62	56	47	47	34	28	21	8	**80**
East Wales	*455*	%	71	60	50	47	38	29	19	8	**85**
Size											
2-4	*107*	%	50	38	34	27	24	16	14	4	**67**
5-24	*661*	%	67	61	48	50	37	29	20	6	**83**
25-49	*170*	%	80	69	59	56	43	34	21	11	**94**
50-99	*95*	%	71	63	60	62	38	34	28	13	**88**
100+	*67*	%	76	69	59	57	42	49	30	2	**92**
Sector											
Agriculture	*17*	%	**	**	**	**	**	**	**	**	**
Manufacturing	*99*	%	64	49	38	2	43	36	25	13	**79**
Electricity, Gas & Water	*12*	%	**	**	**	**	**	**	**	**	**
Construction	*62*	%	62	54	41	37	23	17	14	5	**82**
Wholesale & Retail	*241*	%	67	59	53	50	10	29	17	7	**87**
Hotels & Restaurants	*188*	%	69	63	57	48	35	32	31	10	**86**
Transport & Comms.	*77*	%	57	49	31	39	41	33	18	9	**76**
Financial Services	*21*	%	**	**	**	**	**	**	**	**	**
Business Services	*128*	%	60	59	41	44	34	18	26	10	**77**
Public Administration	*9*	%	**	**	**	**	**	**	**	**	**
Education	*54*	%	80	56	74	47	37	27	15	0	**91**
Health & Social Work	*105*	%	77	75	63	61	37	45	21	13	**91**
Arts and Other Services	*87*	%	65	56	46	46	32	34	22	6	**76**

Base: All establishments with skills gaps

*'**' denotes figure not shown because of a very low base (fewer than 25 respondents).*

Table A.3.8: Skills gaps and skill-shortage vacancies, by region, size and sector (2013-2015)

	2013				2015			
		% of establishments with any skills gaps	% of establishments with any SSVs	% of establishments with either		% of establishments with any skills gaps	% of establishments with any SSVs	% of establishments with either
	Unwtd. base	%	%	%	*Unwtd. base*	%	%	%
Wales	*5,996*	**16**	**4**	**18**	*6,027*	**14**	**6**	**17**
Size								
2-4	*1,847*	8	3	10	*1,749*	6	4	9
5-24	*3,229*	22	4	24	*3,316*	19	6	23
25-49	*512*	35	4	37	*547*	30	11	35
50-99	*236*	41	8	46	*273*	31	12	37
100+	*172*	46	15	51	*142*	51	20	58
Sector								
Agriculture	*505*	6	2	7	*405*	2	1	5
Manufacturing	*401*	21	6	24	*427*	22	10	27
Electricity, Gas and Water	*84*	15	4	16	*62*	17	8	22
Construction	*467*	15	3	17	*405*	12	7	17
Wholesale and Retail	*1,109*	18	3	19	*1,203*	16	4	19
Hotels and Restaurants	*618*	19	6	22	*649*	18	7	21
Transport and Communications	*419*	16	4	19	*526*	13	8	19
Financial Services	*127*	20	5	23	*108*	20	4	21
Business Services	*736*	15	4	18	*715*	12	7	17
Public Administration	*67*	25	8	28	*75*	15	8	20
Education	*394*	21	6	24	*361*	17	5	19
Health and Social Work	*602*	20	2	21	*617*	15	6	18
Arts and Other Services	*467*	12	3	15	*474*	13	7	17

Base: All establishments

Table A.4.1 Impact of re-defining under-utilisation on incidence, by country size and sector (2011 - 2015)

	% of establishments reporting under-utilisation					
	2011		2013		2015	
	Unwtd Base		*Unwtd Base*		*Unwtd Base*	
UK	*86,522*	48	*45,644*	48	*91,210*	30
Wales	***5,946***	**45**	***3,026***	**50**	***6,027***	**34**
Region						
North Wales	*1,415*	40	*795*	52	*1,528*	35
Mid Wales	*787*	42	*360*	48	*742*	29
South east Wales	*1,373*	50	*630*	47	*2,392*	33
South west Wales	*2,371*	46	*1,241*	50	*1,362*	35
ESF Region						
West Wales and the valleys	*3,689*	45	*1,818*	49	*3,645*	34
East Wales	*2,257*	44	*1,208*	50	*2,832*	32
Size						
2-4	*1,159*	44	*898*	48	*1,749*	32
5-24	*3,466*	45	*1,653*	51	*3,316*	35
25-49	*750*	52	*283*	53	*547*	35
50-99	*323*	49	*108*	46	*273*	37
100+	*248*	50	*84*	57	*142*	38
Sector						
Agriculture	*100*	41	*248*	40	*405*	26
Manufacturing	*467*	35	*187*	49	*427*	27
Electricity, Gas and Water	*110*	40	*40*	*37*	*62*	43
Construction	*497*	38	*233*	45	*405*	30
Wholesale and Retail	*1,059*	48	*561*	50	*1,203*	30
Hotels and Restaurants	*665*	56	*325*	64	*649*	45
Transport and Communications	*434*	45	*216*	48	*526*	36
Financial Services	*173*	50	*68*	53	*108*	26
Business Services	*785*	37	*365*	45	*715*	32
Public Administration	*129*	44	32	*61*	*75*	38
Education	*391*	56	*213*	60	*361*	38
Health and Social Work	*570*	48	*297*	51	*617*	38
Arts and Other Services	*544*	50	*235*	52	*474*	43

Base: 2011 & 2015 - All establishments; 2013 – All establishments in Module 2

Note: Incidence of under-utilisation in 2015 uses a different measure than 2011 and 2013, meaning that these proportions are not directly comparable. This table should be considered in the sense of impact of the new measure on incidence.

Figures in italic text should be treated with caution due to low base size (25-49).

Table A.4.2 Reasons for under-utilisation by occupation (unprompted)

	Managers	Professionals	Associate Professionals	Admin. / Clerical staff	Skilled Trades occupations	Caring, Leisure and Other Services staff	Sales and Customer Services staff	Machine Operatives	Elementary staff
	%	%	%	%	%	%	%	%	%
They are not interested in taking on a higher level role with more responsibility	23	27	27	18	23	28	22	13	11
Lack of jobs in the desired higher level role	10	11	17	17	11	17	21	22	23
The working hours suit them better	12	12	7	18	9	19	18	15	16
To gain experience / current role is lower level in same industry as desired higher level role	7	14	19	8	8	20	7	12	6
Attractive conditions of employment (e.g. pay and benefits location of firm)	7	10	8	10	11	9	20	10	12
They own the business / are a partner in the business	17	1	1	2	7	5	-	-	1
Family run business	6	7	7	8	12	1	1	9	12
Current role is temporary job / stop gap before starting desired career	2	4	8	4	4	6	16	2	22
Competition for higher level roles / they are struggling to get a higher level job	3	4	6	5	2	7	12	6	12
We actively seek staff with qualifications and/or skills beyond those needed	4	4	6	3	7	8	1	6	3
Qualifications / Skills not relevant to job role	5	6	9	3	3	3	2	3	2
They have more than one job	*	4	1	1	1	-	2	4	3
Other	2	1	5	3	1	1	1	6	1
No particular reason / it just happened	8	7	2	8	7	4	3	5	1
Don't know	5	8	3	7	8	4	6	5	4

Base: All establishments with under-utilised staff (2,089)

Table A.4.3 Reasons for under-utilisation by establishment size (unprompted)

	2 to 4	5 to 24	25 to 49	50 to 99	100+
Unweighted Base	*562*	*1,162*	*199*	*110*	*52*
	%	*%*	*%*	*%*	*%*
They are not interested in taking on a higher level role with more responsibility	20	24	26	22	16
Lack of jobs in the desired higher level role	10	16	20	26	39
The working hours suit them better	13	14	6	14	9
To gain experience / current role is lower level in same industry as desired higher level role	6	11	14	19	19
Attractive conditions of employment (e.g. pay and benefits location of firm)	8	10	11	9	14
They own the business / are a partner in the business	12	4	<1	1	4
Family run business	11	3	1	2	0
Current role is temporary job / stop gap before starting desired career	3	9	8	10	4
Competition for higher level roles / they are struggling to get a higher level job	4	6	7	10	18
We actively seek staff with qualifications and/or skills beyond those needed	5	4	4	2	3
Qualifications / Skills not relevant to job role	5	4	3	5	5
They have more than one job	1	1	1	0	0
Other	2	2	1	3	3
No particular reason / it just happened	6	6	6	4	0
Don’t know	5	7	8	4	5

Base: All establishments with under-utilised staff.

Table A.4.4 Reasons for under-utilisation by sector (unprompted)

	Agriculture	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail	Hotels and Restaurants	Transport, Storage & Comms	Financial Services	Business Services	Public Admin.	Education	Health and Social Work	Arts and Other Services
Unweighted Base	*104*	*118*	*26*	*119*	*371*	*307*	*185*	*29*	*224*	*29*	*136*	*235*	*206*
	%	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*
They are not interested in taking on a higher level role with more responsibility	22	16	*12*	22	20	17	22	*7*	23	*33*	30	28	24
Lack of jobs in the desired higher level role	5	18	*9*	5	18	14	9	*13*	16	*29*	14	15	20
The working hours suit them better	10	7	*4*	12	13	19	16	*7*	14	*14*	17	13	16
To gain experience / current role is lower level in same industry as desired higher level role	5	11	*12*	7	6	9	6	*19*	11	*9*	20	13	10
Attractive conditions of employment (e.g. pay and benefits location of firm)	4	13	*6*	15	9	8	12	*16*	4	-	7	12	11
They own the business / are a partner in the business	10	7	*24*	15	5	10	9	*17*	7	-	5	4	6
Family run business	24	7	*7*	9	7	5	7	-	2	-	1	2	6
Current role is temporary job / stop gap before starting desired career	2	5	*3*	4	6	14	4	-	4	-	4	7	8
Competition for higher level roles / they are struggling to get a higher level job	2	7	*6*	3	9	7	4	-	5	*3*	8	4	4
We actively seek staff with qualifications and/or skills beyond those needed	8	6	*15*	8	1	3	1	*3*	9	*0*	3	6	4
Qualifications / Skills not relevant to job role	*5*	2	-	3	5	5	6	*7*	7	*0*	2	4	4
They have more than one job	3	1	-	-	1	2	2	-	1	*3*	-	-	1
Other	1	1	-	2	2	2	1	-	3	*5*	*	3	2
No particular reason / it just happened	8	8	-	7	8	3	8	*7*	5	*9*	*7*	7	5
Don't know	6	7	*10*	2	7	3	5	*7*	10	*9*	5	6	3

Base: All establishments with under-utilised staff. Figures in italic text should be treated with caution due to low base size (25-49).

Table A.5.1: Incidence of training by sector

	Base: All (Unwtd)		Any training	Any off-the-job	Any on-the-job training	Both off- and on-the-job
UK	*91,210*	%	66	49	53	35
Wales	***6,027***	**%**	**63**	**49**	**49**	**35**
Size						
2 to 4	*1,749*	%	47	35	32	20
5 to 24	*3,316*	%	77	60	64	46
25 to 49	*547*	%	95	81	86	72
50 to 99	*273*	%	96	85	85	74
100+	*142*	%	97	89	91	83
Sector						
Agriculture	*405*	%	36	28	21	13
Manufacturing	*427*	%	62	48	49	35
Electricity, Gas and Water	*62*	%	88	77	68	58
Construction	*405*	%	60	48	42	30
Wholesale and Retail	*1,203*	%	57	40	44	28
Hotels and Restaurants	*649*	%	62	40	49	26
Transport and Communications	*526*	%	63	48	47	33
Financial Services	*108*	%	77	52	68	43
Business Services	*715*	%	72	62	54	44
Public Administration	*75*	%	85	68	72	56
Education	*361*	%	92	82	82	72
Health and Social Work	*617*	%	87	73	78	64
Arts and Other Services	*474*	%	65	50	52	38

Base: All establishments

Table A.5.2 Unweighted base sizes for Tables 5.1 and 5.3

	2011	2013	2015
UK	*86,522*	*91,279*	*91,210*
Wales	*5,958*	*5,996*	*6,027*
Region			
North Wales	*1,420*	*1,580*	*1,528*
Mid Wales	*788*	*717*	*742*
South east Wales	*2,374*	*2,400*	*2,395*
South west Wales	*1,376*	*1,299*	*1,362*
ESF Region			
West Wales and the Valleys	*3,696*	*3,634*	*3,645*
East Wales	*2,262*	*2,362*	*2,382*
Size			
2-4	*1,162*	*1,847*	*1,749*
5 to 24	*3,474*	*3,229*	*3,316*
25-49	*750*	*512*	*547*
50-99	*324*	*236*	*273*
100+	*248*	*172*	*142*

Base: All establishments

Table A.5.3 Number employed and trained over the last 12 months by sector, and the proportion of the workforce trained

		2011	2013	2015		
	Unwtd Base	% of staff trained	% of staff trained	Number employed (000s)	Number trained (000s)	% of staff trained
Agriculture	*148*	30	21	27	7	27
Manufacturing	*279*	56	52	133	69	52
Electricity, Gas & Water	*56*	67	79	18	11	60
Construction	*267*	45	56	55	27	50
Wholesale & Retail	*798*	57	51	190	105	55
Hotels & Restaurants	*486*	48	56	89	53	60
Transport & Comms.	*325*	51	52	61	30	50
Financial Services	*83*	59	58	28	17	59
Business Services	*591*	59	63	132	92	70
Public Administration	*63*	57	62	87	59	67
Education	*330*	74	81	126	91	72
Health & Social Work	*560*	52	78	197	169	86
Arts and Other Services	*370*	64	61	50	29	58

Base: Establishments that had funded or arranged training in the previous 12 months.

Note: 'the percentage of staff trained' refers to the number of staff trained over the last 12 months (whether or not they still work at the establishment) as a percentage of the number of staff currently employed.

Table A.5.4 Average training days over the last 12 months per person trained, by region, size and sector

			Average days training per person trained					
	Unwtd Base		1 day or less	2	3-4	5-6	7-10	11+
UK	*69,541*	%	11	14	19	16	13	18
Wales	*4,356*	%	11	14	20	19	13	18
Region								
North Wales	*1,138*	%	11	16	20	18	13	16
Mid Wales	*485*	%	14	19	20	18	11	14
South east Wales	*1,783*	%	11	14	18	18	14	20
South west Wales	*950*	%	11	12	20	20	13	18
ESF Region								
West Wales and the valleys	*2,599*	%	11	14	21	19	13	18
East Wales	*1,757*	%	12	16	17	18	13	18
Size								
2-4	*825*	%	13	15	19	19	11	18
5-24	*2,607*	%	10	13	20	18	14	18
25-49	*523*	%	8	11	22	20	15	16
50-99	*263*	%	7	17	17	19	20	15
100+	*138*	%	10	20	11	22	12	9
Sector								
Agriculture	*148*	%	21	15	21	20	9	11
Manufacturing	*279*	%	10	19	17	17	13	17
Electricity, Gas & Water	*56*	%	4	12	22	22	10	23
Construction	*267*	%	12	15	19	23	11	15
Wholesale & Retail	*798*	%	12	15	19	13	12	24
Hotels & Restaurants	*486*	%	20	14	15	12	12	18
Transport & Comms.	*325*	%	11	18	18	21	11	17
Financial Services	*83*	%	4	13	11	17	28	24
Business Services	*591*	%	9	16	22	22	13	15
Public Administration	*63*	%	8	13	24	24	14	8
Education	*330*	%	4	12	22	21	19	15
Health & Social Work	*560*	%	5	10	19	27	16	17
Arts and Other Services	*370*	%	10	11	26	14	14	21

Base: Establishments that had funded or arranged training in the previous 12 months.

Table A.5.5 Unweighted base sizes for Tables 5.2 and 5.3

	2011	2013	2015
UK	*66,439*	*69,842*	*69,541*
Wales	*4,653*	*4,277*	*4,356*
Region			
North Wales	*1,127*	*1,131*	*1,138*
Mid Wales	*555*	*447*	*485*
South east Wales	*1,924*	*1,793*	*1,783*
South west Wales	*1,047*	*906*	*950*
ESF Region			
West Wales and the valleys	*2,847*	*2,540*	*2,599*
East Wales	*1,806*	*1,737*	*1,757*
Size			
2-4	*579*	*858*	*825*
5-24	*2,818*	*2,537*	*2,607*
25-49	*703*	*484*	*523*
50-99	*310*	*230*	*263*
100+	*243*	*168*	*138*

Base: Establishments that had funded or arranged training in the previous 12 months.

Table A.5.6 Total training and development days, and days per person trained and per employee by sector 2011 to 2015

	2011				2013				2015			
	Unwtd Base	Total training days	Days per person trained	Days per employee	*Unwtd Base*	Total training days	Days per person trained	Days per employee	*Unwtd Base*	Total training days	Days per person trained	Days per employee
UK	*66,439*	115m	7.8	4.2	*69,842*	113m	6.7	4.2	*69,541*	118m	6.8	4.2
Wales	***4,653***	**4.9m**	**7.5**	**4.2**	***4,277***	**5.6m**	**7.7**	**4.8**	***4,356***	5.6m	7.2	4.6
Region												
North Wales	*1,127*	1.4m	9.3	5.5	*1,144*	1.3m	7.2	4.9	*1,138*	1m	6.7	4.0
Mid Wales	*555*	0.3m	8.0	4.1	*570*	1.0m	29.1ǂ	12.9ǂ	*485*	0.4m	6.6	4.7
South east Wales	*1,924*	2.1m	6.1	3.7	*1,995*	2.3m	6.6	4.0	*1,783*	1.7m	7.3	4.7
South west Wales	*1,047*	1.0m	9.3	4.2	*915*	0.9m	5.8	3.6	*950*	2.4m	7.5	4.7
ESF Region												
West Wales and the Valleys	*2,847*	3.1m	8.1	4.4	*2,789*	3.0m	6.3	4.0	*2,599*	3.8m	7.1	4.4
East Wales	*1,806*	1.9m	6.7	3.9	*1,835*	2.6m	10.3	6.2	*1,757*	1.8m	7.2	4.8
Sector												
Agriculture	*40*	*56k*	*6.6*	*2.0*	*155*	30k	5.3	1.1	*148*	63k	7.4	2.0
Manufacturing	*354*	0.6m	7.4	4.1	*261*	0.4m	5.9	3.1	*279*	0.4m	7.4	3.9
Electricity, Gas & Water	*81*	36k	3.7	2.5	*65*	50k	3.5	2.7	*56*	39k	4.0	2.4
Construction	*335*	0.2m	8.1	3.7	*299*	0.2m	6.8	3.8	*267*	0.2m	8.2	4.1
Wholesale & Retail	*782*	1m	8.7	5.0	*758*	0.7m	7.5	3.9	*798*	0.8m	7.7	4.3
Hotels & Restaurants	*465*	0.3m	9.2	4.4	*448*	0.4m	9.2	5.2	*486*	0.5m	10.3	6.1
Transport & Comms.	*318*	0.2m	5.8	3.0	*271*	0.2m	5.8	3.0	*325*	0.2m	4.9	2.4
Financial Services	*143*	0.1m	8.2	4.8	*104*	85k	4.9	2.8	*83*	0.1m	6.7	3.9
Business Services	*655*	0.4m	5.7	3.4	*583*	0.6m	7.6	4.8	*591*	1m	9.6	6.7
Public Administration	*120*	0.4m	7.3	4.1	*61*	1m	19.3	12.0	*63*	2.2m	3.9	2.6
Education	*379*	0.5m	5.7	4.2	*366*	0.6m	6.5	5.2	*330*	0.8m	7.3	5.3
Health & Social Work	*528*	0.9m	9.2	4.8	*549*	0.9m	6.1	4.8	*560*	0.9m	5.3	4.5
Arts and Other Services	*433*	0.2m	8.1	5.2	*345*	0.2m	8.4	5.1	*370*	0.3m	10.8	6.3

Base: Establishments that had funded or arranged training in the previous 12 months.
'Days per employee' is based upon employment across all establishments.
ǂ *denotes figures should be treated with caution due to outliers having undue influence on the figures. Figures in italic text should be treated with caution due to low base size (25-49).*

Table A.5.7 Percentage of training that has been health and safety or induction training (2011, 2013 & 2015)

	2011	2013	2015				
	Wales	Wales	Wales	North Wales	Mid Wales	South east Wales	South west Wales
Unweighted Base	*4,653*	*4,277*	*4,356*	*1,138*	*485*	*1,783*	*950*
	%	*%*	*%*	*%*	*%*	*%*	*%*
None	18	18	14	13	19	13	15
Some but less than 20%	26	28	25	26	26	26	23
20-49%	23	24	24	24	22	23	24
50-80%	18	16	18	17	16	19	18
More than 80% but not all	5	4	4	3	2	4	5
All of it (100%)	5	7	10	11	11	10	10
AT LEAST 50%	28	27	32	31	28	33	33
Don’t know	5	3	5	6	4	5	4

Base: Establishments that had funded or arranged training in the previous 12 months.

Table A.5.8 Types of training provided over the last 12 months, by region, size and sector (prompted)

	Unweighted Base		Job specific	Health & Safety	Induction	New technology	Supervisory	Management
UK	*69,541*	%	85	75	66	49	37	37
Wales	*4,356*	%	**86**	**77**	**67**	**51**	**37**	**37**
Region								
North Wales	*1,138*	%	86	78	67	51	34	34
Mid Wales	*485*	%	82	73	56	49	32	30
South east Wales	*1,783*	%	87	77	68	52	41	40
South west Wales	*950*	%	86	78	68	50	39	39
ESF Region								
West Wales and the Valleys	*2,599*	%	85	77	67	49	37	37
East Wales	*1,757*	%	87	76	66	54	37	37
Size								
2-4	*825*	%	80	63	45	50	23	22
5-24	*2,607*	%	88	83	77	48	41	40
25-49	*523*	%	94	94	91	60	61	63
50-99	*263*	%	93	94	91	51	60	63
100+	*138*	%	96	95	96	69	79	79
Sector								
Agriculture	*148*	%	76	61	25	48	18	13
Manufacturing	*279*	%	84	82	74	50	38	33
Electricity, Gas & Water	*56*	%	89	91	77	47	39	35
Construction	*267*	%	81	82	60	40	38	28
Wholesale & Retail	*798*	%	85	73	76	55	46	41
Hotels & Restaurants	*486*	%	85	82	76	34	38	36
Transport & Comms.	*325*	%	92	67	61	65	28	28
Financial Services	*83*	%	88	60	57	60	44	42
Business Services	*591*	%	88	70	57	57	30	34
Public Administration	*63*	%	90	80	80	60	48	58
Education	*330*	%	92	92	76	65	46	63
Health & Social Work	*560*	%	89	90	77	44	45	47
Arts and Other Services	*370*	%	84	76	69	53	32	37

Base: Establishments that had funded or arranged training in the previous 12 months.

Table A.5.9 Training to nationally recognised qualifications in the last 12 months among employers that train, by region, size and sector

	Unwtd Base	% of staff trained to a qualification	Number that had received training intended to lead to a qualification	% of those trained to a qualification	% of all employees trained to a qualification
UK	*69,541*	47	3.5m	20	12
Wales	***4,356***	**54**	**161k**	**21**	**13**
Region					
North Wales	*1,138*	52	37k	22	13
Mid Wales	*485*	52	7k	12	8
South east Wales	*1,783*	55	85k	23	15
South west Wales	*950*	54	32k	20	13
ESF Region					
West Wales and the Valleys	*2,599*	54	98k	23	14
East Wales	*1,757*	53	63k	19	13
Size					
2-4	*825*	44	14k	33	12
5-24	*2,607*	56	53k	31	17
25-49	*523*	71	31k	28	20
50-99	*263*	74	22k	24	15
100+	*138*	72	42k	12	9
Sector					
Agriculture	*148*	47	3k	41	11
Manufacturing	*279*	54	15k	22	11
Electricity, Gas & Water	*56*	57	3k	30	18
Construction	*267*	59	12k	42	21
Wholesale & Retail	*798*	43	14k	13	7
Hotels & Restaurants	*486*	50	12k	22	13
Transport & Comms.	*325*	53	9k	30	15
Financial Services	*83*	47	7k	41	24
Business Services	*591*	46	17k	18	13
Public Administration	*63*	58	10k	17	12
Education	*330*	70	14k	16	11
Health & Social Work	*560*	74	35k	20	18
Arts and Other Services	*370*	59	10k	35	20

Base: establishments that had funded or arranged training in the previous 12 months

Note the final column shows the proportion of all employees in that size band or sector that were trained to a qualification (not the proportion of employees within establishments that train).

Table A.5.10 Whether establishment has funded or arranged online training or e-learning, or other self-learning, over the past 12 months

					Online training			Other self-learning		
Row percentages	*Unwtd Base*	Online	Other self-learning	Either	*Unwtd Base*	% reporting increase	% reporting decrease	*Unwtd Base*	% reporting increase	% reporting decrease
UK	*69,541*	45	38	57	*39,695*	39	18	*37,768*	28	22
Wales	***4,356***	**43**	**37**	**56**	***2,365***	**40**	**19**	***2,231***	**28**	**23**
Region										
North Wales	*1,138*	40	36	54	*592*	38	21	*548*	30	27
Mid Wales	*485*	33	30	45	*250*	41	28	*226*	29	33
South east Wales	*1,783*	47	39	61	*1,011*	43	17	*893*	31	21
South west Wales	*950*	40	39	53	*512*	38	19	*479*	28	21
ESF Region										
West Wales and the Valleys	*2,599*	41	38	54	*1,374*	40	19	*1,279*	31	27
East Wales	*1,757*	45	37	58	*991*	41	20	*867*	23	25
Size										
2-4	*825*	30	30	46	*304*	35	27	*317*	27	29
5-24	*2,607*	48	39	59	*1,436*	42	17	*1,246*	30	22
25-49	*523*	58	51	70	*345*	49	14	*317*	33	20
50-99	*263*	56	57	69	*169*	41	17	*173*	29	21
100+	*138*	69	59	84	*107*	43	15	*93*	37	12
Sector										
Agriculture	*148*	17	25	34	*35*	*39*	*39*	*53*	19	40
Manufacturing	*279*	31	25	42	*107*	43	27	*102*	30	36
Electricity, Gas & Water	*56*	30	32	46	*23*	**	**	*26*	*25*	*25*
Construction	*267*	28	21	38	*100*	36	26	*83*	30	28
Wholesale & Retail	*798*	43	38	55	*461*	43	20	*386*	35	21
Hotels & Restaurants	*486*	42	33	54	*295*	38	20	*236*	32	26
Transport & Comms.	*325*	39	37	52	*142*	35	24	*140*	24	23
Financial Services	*83*	77	54	82	*68*	40	11	*48*	*38*	*9*
Business Services	*591*	50	41	65	*351*	38	18	*303*	29	21
Public Administration	*63*	61	50	74	*43*	*40*	*18*	*34*	*19*	*28*
Education	*330*	53	50	65	*196*	39	15	*195*	30	24
Health & Social Work	*560*	54	52	70	*352*	45	14	*362*	31	19
Arts and Other Services	*370*	36	34	52	*192*	42	19	*178*	23	26

Base: Columns 1-3: Establishments that had funded or arranged training in the previous 12 months; columns 4-5: Establishments providing online training or e-learning in the last two years; columns 6-7: Establishments providing other self-learning in the last two years

*"**" denotes figure not shown because of a very low base (fewer than 25 respondents); figures in italic text should be treated with caution due to low base size (25-49).*

Table A.5.11 Total training expenditure and training spend per person trained and per employee by sector (2011 - 2015)

	2011				2013				2015			
	Unwtd Base	**Total**	**Spend per trainee**	**Spend per employee**	*Unwtd Base*	**Total**	**Spend per trainee**	**Spend per employee**	*Unwtd Base*	**Total**	**Spend per trainee**	**Spend per employee**
UK	*11,027*	£43.8bn	£2,970	£1,620	*12,522*	£43.0bn	£2,560	£1,600	*12,614*	£45.4bn	£2,610	£1,640
Wales	*1,483*	£1.6bn	£2,510	£1,410	*1,361*	£1.9bn	£2,690	£1,660	*1,234*	£2.1bn	£2,760	£1,750
Region												
North Wales	*380*	£0.4bn	£2,260	£1,340	*336*	£0.5bn	£2,650	£1,820	*281*	£0.4bn	£2,490	£1,500
Mid Wales	*187*	£0.2bn	£4,080	£2,090	*155*	£0.1bn	£3,310	£1,470	*153*	£0.2bn	£2,870	£2,020
South east Wales	*581*	£0.8bn	£2,420	£1,460	*581*	£0.9bn	£2,840	£1,630	*505*	£1.2bn	£3,180	£2,060
South west Wales	*335*	£0.3bn	£2,570	£1,150	*288*	£0.4bn	£2,590	£1,620	*295*	£0.3bn	£2,010	£1,270
Size												
2-4	*232*	£0.2bn	£4,370	£1,810	*271*	£0.3bn	£7,130	£2,550	*226*	£0.2bn	£4,990	£1,870
5-24	*914*	£0.5bn	£2,980	£1,660	*854*	£0.6bn	£3,460	£1,910	*778*	£0.6bn	£3,610	£2,030
25-49	*199*	£0.2bn	£2,240	£1,450	*146*	£0.3bn	£1,840	£1,890	*146*	£0.3bn	£2,400	£1,690
50-99	*83*	£0.2bn	£2,530	£1,700	*58*	£0.3bn	£2,750	£2,060	*61*	£0.3bn	£2,680	£1,660
100+	*55*	£0.5bn	£1,940	£1,050	*32*	*£0.5bn*	*£1,650*	*£1,110*	*23*	**	**	**
Sector												
Agriculture	*14*	**	**	**	*36*	*£13m*	*£2,250*	*£469*	*25*	*£8m*	*£1,060*	*£284*
Manufacturing	*106*	£141m	£1,840	£1,020	*62*	£111m	£1,650	£858	*91*	£112m	£1,610	£837
Electricity, Gas & Water	*32*	*£19m*	*£1,960*	*£1,310*	*17*	**	**	**	*14*	**	**	**
Construction	*95*	£69m	£2,440	£1,110	*100*	£115m	£3,690	£2,060	*73*	£69m	£2,530	£1,260
Wholesale & Retail	*244*	£271m	£2,490	£1,420	*218*	£268m	£2,710	£1,400	*202*	£181m	£1,730	£1,260
Hotels & Restaurants	*158*	£89m	£2,350	£1,130	*143*	£128m	£2,810	£1,580	*141*	£150m	£2,830	£1,690
Transport & Comms.	*109*	£95m	£3,000	£1,530	*99*	£96m	£3,150	£1,630	*91*	£72m	£2,360	£1,180
Financial Services	*50*	£173m	£9,860	£5,840	*42*	*£26m*	*£1,500*	*£870*	*19*	**	**	**
Business Services	*228*	£267m	£3,610	£2,120	*235*	£268m	£3,280	££2,050	*188*	£213m	£2,310	£1,620
Public Administration	*33*	*£26m*	*£530*	*£300*	*20*	**	**	**	*16*	**	**	**
Education	*91*	£145m	£1,690	£1,250	*81*	£432m	£4,520	£3,650	*73*	£381m	£4,200	£3,030
Health & Social Work	*171*	£134m	£1,420	£740	*186*	£305m	£2,000	£1,570	*189*	£278m	£1,650	£1,410
Arts & Other Services	*152*	£138m	£4,630	£2,960	*122*	£117m	£4,020	£2,450	*112*	£143m	£4,910	£2,860

Base: Establishments completing the Investment in Training study. Note: figures for spend per person trained and per employee have been rounded to the nearest £10.

*"**" denotes figure not shown because of a very low base (fewer than 25 respondents); figures in italic text should be treated with caution due to low base size (25-49).*

Table A.5.12 Training expenditure spent on Further Education colleges, Universities or other Higher Education institutions, and the proportion of the total fees to external providers that this represents, by region and size

	Base	Total fees to external providers	Total fees to FE/HE providers	% of fees to external providers paid to FE/HE providers
UK	*12,614*	£3.0bn	£453m	15
Wales	***1,234***	**£0.1bn**	**£14m**	**13**
Region				
North Wales	*281*	£22m	£4m	20
Mid Wales	*153*	£11m	£1m	9
South east Wales	*505*	£59m	£6m	9
South west Wales	*295*	£17m	£3m	16
ESF Region				
West Wales and the valleys	*775*	£65m	£7m	12
East Wales	*459*	£45m	£6m	13
Size				
2 to 4	*226*	£16m	£3m	17
5 to 24	*778*	£36m	£5m	14
25 to 49	*146*	£14m	£2m	11
50 to 99	*61*	£11m	£2m	22
100+	*23*	**	**	**

Base: establishments completing the Investment in Training study.

First and second columns rounded to the nearest £1m with the exception of the overall figure which is rounded to the nearest £100m.

*"**" denotes figure not shown because of a very low base (fewer than 25 respondents).*

Table A.5.13 Whether trainers would have liked to provide more training, and if so the main barriers (prompted), by region, size and sector

			Main barriers among those wanting to provide more training						
	Unwtd Base	% Would have liked to provide more training	*Unwtd Base*		Lack of funds/ training expensive	Can't spare time for employees to be training	Hard to find time to organise training	Difficulty finding provider to deliver where and when we want	Lack appropriate training / qualifications in the subjects we need
UK	*69,541*	46	*33,281*	%	52	49	14	4	5
Wales	***4,356***	**49**	***2,210***	**%**	**52**	**47**	**16**	**7**	**6**
Region									
North Wales	*1,138*	49	*557*	%	49	48	16	7	6
Mid Wales	*485*	44	*235*	%	53	47	19	8	9
South east Wales	*1,783*	50	*917*	%	54	47	15	6	5
South west Wales	*950*	50	*481*	%	54	47	18	9	5
ESF Region									
West Wales and Valleys	*2,599*	50	*1,317*	%	52	46	16	8	6
East Wales	*1,757*	48	*893*	%	54	49	16	6	6
Size									
2-4	*825*	46	*376*	%	51	40	17	9	7
5-24	*2,607*	50	*1,317*	%	52	50	15	7	6
25-49	*523*	55	*288*	%	52	54	19	3	3
50-99	*263*	55	*145*	%	64	50	17	7	5
100+	*138*	58	*84*	%	71	54	12	5	3
Sector									
Agriculture	*148*	34	*50*	%	54	42	20	4	10
Manufacturing	*279*	55	*148*	%	56	51	20	7	6
Electricity, Gas & Water	*56*	40	*22*	%	**	**	**	**	**
Construction	*267*	45	*121*	%	59	49	7	13	8
Wholesale & Retail	*798*	50	*407*	%	35	56	18	6	6
Hotels & Restaurants	*486*	56	*280*	%	50	36	22	6	2
Transport & Comms.	*325*	45	*149*	%	51	48	13	8	8
Financial Services	*83*	41	*32*	%	*21*	*64*	*27*	*3*	*3*
Business Services	*591*	46	*271*	%	51	49	20	8	7
Public Administration	*63*	48	*31*	%	*65*	*57*	*14*	*7*	*2*
Education	*330*	52	*175*	%	75	43	12	8	4
Health & Social Work	*560*	54	*305*	%	61	45	10	8	6
Arts and Other Services	*370*	58	*219*	%	65	38	12	5	6

Base: Column 1: Establishments who had funded or arranged any training in the previous 12 months; Columns 2-6 Establishments that had not funded or arranged training in the previous 12 months.

Note: responses are only shown if given by one per cent or more of respondents in 2013.

*"**" denotes figure not shown because of a very low base (fewer than 25 respondents); figures in italic text should be treated with caution due to low base size (25-49).*

Table A.5.14 Reasons for not funding or arranging training over the last 12 months (unprompted)

	2011		2013		2015	
	UK	Wales	UK	Wales	UK	Wales
Unweighted Base	*19,363*	*1,253*	*20,704*	*1,678*	*20,719*	*1,678*
	%	*%*	*%*	*%*	*%*	*%*
All our staff are fully proficient / no need for training	64	67	69	68	68	66
No money available for training	11	10	10	10	7	9
Training is not a priority for the establishment	9	10	7	10	7	9
No training available in relevant subject area	7	4	5	5	5	6
Managers have lacked the time to organise training	3	2	3	3	2	3
Employees are too busy to undertake training	2	3	2	3	2	3
Employees are too busy to give training	1	2	2	3	2	2
External courses are too expensive	2	2	2	1	1	1
Learn by experience/as you go	3	2	2	1	3	3
Business not operating long enough/New business	1	1	1	1	1	1
Small firm/training not needed due to size of establishment	1	1	1	1	1	2
Trained staff will be poached by other employers	1	1	1	1	1	1
Courses interested in not available locally	1	*	1	1	1	1
No particular reason	5	4	5	3	6	3

Base: establishments that had not funded or arranged training or development in the previous 12 months.

Note: responses are only shown if given by 1 per cent or more of respondents in 2013.

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

Note that 2011 figures may differ from the 2011 report due to reweighting.

Table A.5.15 Incidence of wider development activities

Row percentages	2011 Unwtd Base	2013 Unwtd Base	2015 Unwtd Base		Any wider development activities 2011	Any wider development activities 2013	Any wider development activities 2015	2015		
								Supervision guiding employees through their job role	Opportunities for staff to watch others carry out their roles	Allowed to perform tasks beyond their job roles
UK	86,522	91,279	91,210	%	82	85	84	74	70	66
Wales	5,958	5,996	6,027	%	79	81	81	70	67	62
Region										
North Wales	1,420	1,580	1,528	%	82	81	84	73	70	66
Mid Wales	788	717	742	%	67	67	71	57	58	50
South east Wales	2,374	2,400	2,395	%	83	86	84	74	70	66
South west Wales	1,376	1,299	1,362	%	78	80	78	66	65	57
ESF										
West Wales and the Valleys	3,696	3,634	3,645	%	78	80	81	70	66	62
East Wales	2,262	2,362	2,382	%	81	82	81	70	70	61
Size										
2-4	1,162	1,847	1,749	%	68	69	69	56	53	51
5-24	3,474	3,229	3,316	%	92	93	93	84	81	74
25-49	750	512	547	%	97	99	98	94	90	80
50-99	324	236	273	%	96	99	96	89	86	70
100+	248	172	142	%	99	98	99	94	94	77
Sector										
Agriculture	101	492	405	%	50	52	51	35	42	32
Manufacturing	467	401	427	%	82	83	83	71	70	64
Electricity, Gas & Water	110	84	62	%	90	88	86	78	69	72
Construction	498	467	405	%	75	73	80	69	61	57
Wholesale & Retail	1,062	1,109	1,203	%	84	85	84	71	72	67
Hotels & Restaurants	666	618	649	%	74	84	88	78	76	67
Transport & Comms.	435	419	526	%	80	80	84	70	66	64
Financial Services	173	127	108	%	90	93	91	84	81	71
Business Services	789	736	715	%	84	83	80	70	62	61
Public Administration	129	67	75	%	97	99	93	82	72	73
Education	391	394	361	%	93	96	95	87	86	76
Health & Social Work	571	602	617	%	94	95	95	90	84	74
Arts and Other Services	544	467	474	%	86	84	82	73	68	64

Base: All establishments

Table A.6.1 Adoption of 14 or more HPW practices by region and sector

	Unweighted base		**14+ HPW practices**
UK	*45,329*	%	12
Wales	*3,046*	%	11
Region			
North Wales	*772*	%	11
Mid Wales	*376*	%	6
South east Wales	*1,208*	%	15
South west Wales	*690*	%	9
ESF Region			
West Wales and the Valleys	*1,861*	%	10
East Wales	*1,185*	%	13
Sector			
Agriculture	*190*	%	1
Manufacturing	*218*	%	8
Electricity, Gas and Water	*29*	%	*18*
Construction	*221*	%	5
Wholesale and Retail	*585*	%	14
Hotels and Restaurants	*329*	%	10
Transport and Communications	*246*	%	6
Financial Services	*62*	%	15
Business Services	*368*	%	10
Public Administration	*44*	%	*23*
Education	*185*	%	30
Health and Social Work	*330*	%	22
Arts and Other Services	*239*	%	10

Base: All establishments in module 1 by region and sector.

Figures in italic text should be treated with caution due to low base size (25-49).

Table A.6.2 Product Market Strategy classification within the private sector, by region and sector

	Very Low	Low	Medium	High	Very High
Unweighted Base	*241*	*690*	*1,263*	*1,434*	*743*
	%	%	%	%	%
Region					
North Wales	22	24	26	27	24
Mid Wales	20	15	13	8	11
South east Wales	32	33	39	41	43
South west Wales	26	27	22	23	21
ESF Region					
West Wales and the Valleys	60	63	62	61	61
East Wales	40	36	38	39	39
Sector					
Agriculture	30	21	12	7	4
Manufacturing	6	5	6	7	8
Electricity, Gas and Water	1	1	1	1	1
Construction	12	11	13	9	10
Wholesale and Retail	22	25	24	25	22
Hotels and Restaurants	10	11	12	11	10
Transport and Communications	5	6	6	7	6
Financial Services	1	2	2	2	2
Business Services	8	10	17	18	20
Public Administration	-	*	*	*	-
Education	*	1	1	2	3
Health and Social Work	1	4	3	5	8
Arts and Other Services	4	2	4	6	6

Base: All private sector establishments in each PMS classification by region and sector.

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

Table A.6.3 Volume of skill-shortage vacancies by Product Market Strategy classification and occupation

	Very low	Low	Medium	High	Very high
Unweighted Base	*241*	*690*	*1,263*	*1,434*	*743*
	%	*%*	*%*	*%*	*%*
Have vacancies	11	13	16	20	22
Have HtFVs	4	7	7	8	10
Have SSVs	4	6	6	6	8
Density of HtFVs (as % of vacancies)	31	52	34	38	38
Density of SSVs (as % of vacancies)	31	44	27	24	32
Density of SSVs (as % of HtFVs)	**	84	78	63	84

Base: All private sector establishments in each PMS classification
*'**' denotes figure removed due to very low base size*

Table A.6.4 Training provision over the last 12 months, by size within Product Market Strategy

	Unwtd Base	Any training	Proportion of staff trained
		%	%
Very low PMS			
2-4	*126*	32	22
5-24	*102*	67	43
25-49	*10*	**	**
50-99	*3*	**	**
100+	*0*	**	**
Low PMS			
2-4	*282*	38	29
5-24	*361*	73	50
25-49	*27*	*97*	*53*
50-99	*17*	**	**
100+	*3*	**	**
Medium PMS			
2-4	*392*	50	38
5-24	*728*	75	49
25-49	*81*	98	62
50-99	*41*	*100*	*66*
100+	*21*	**	**
High PMS			
2-4	*372*	52	40
5-24	*832*	78	54
25-49	*128*	93	69
50-99	*71*	93	58
100+	*31*	*100*	*92*
Very high PMS			
2-4	*163*	51	37
5-24	*412*	78	64
25-49	*94*	95	69
50-99	*47*	*92*	*70*
100+	*27*	*100*	*65*

Base: All private sector establishments in each PMS classification by size.

'Proportion of staff trained' is shown as a proportion of all private sector employment

*'**' denotes figure not shown because of a low base (fewer than 25 respondents); Figures in italics denote base size smaller than 50: figures should be treated with caution*

Appendix B: Analysis of the 'old' list of skill descriptors

As detailed in the introduction chapter, a new list of skill descriptors was introduced for ESS 2015. Half of employers with skill-shortage vacancies and/or skills gaps were assigned to the 'new' skill descriptors, whereas the other half were assigned to the 'old' skill descriptors used in ESS 2011 and 2013 to facilitate comparisons over time. The analysis presented in this section describes the external and internal skills lacking according to the 'old' skill descriptors, with comparisons to findings from 2013.

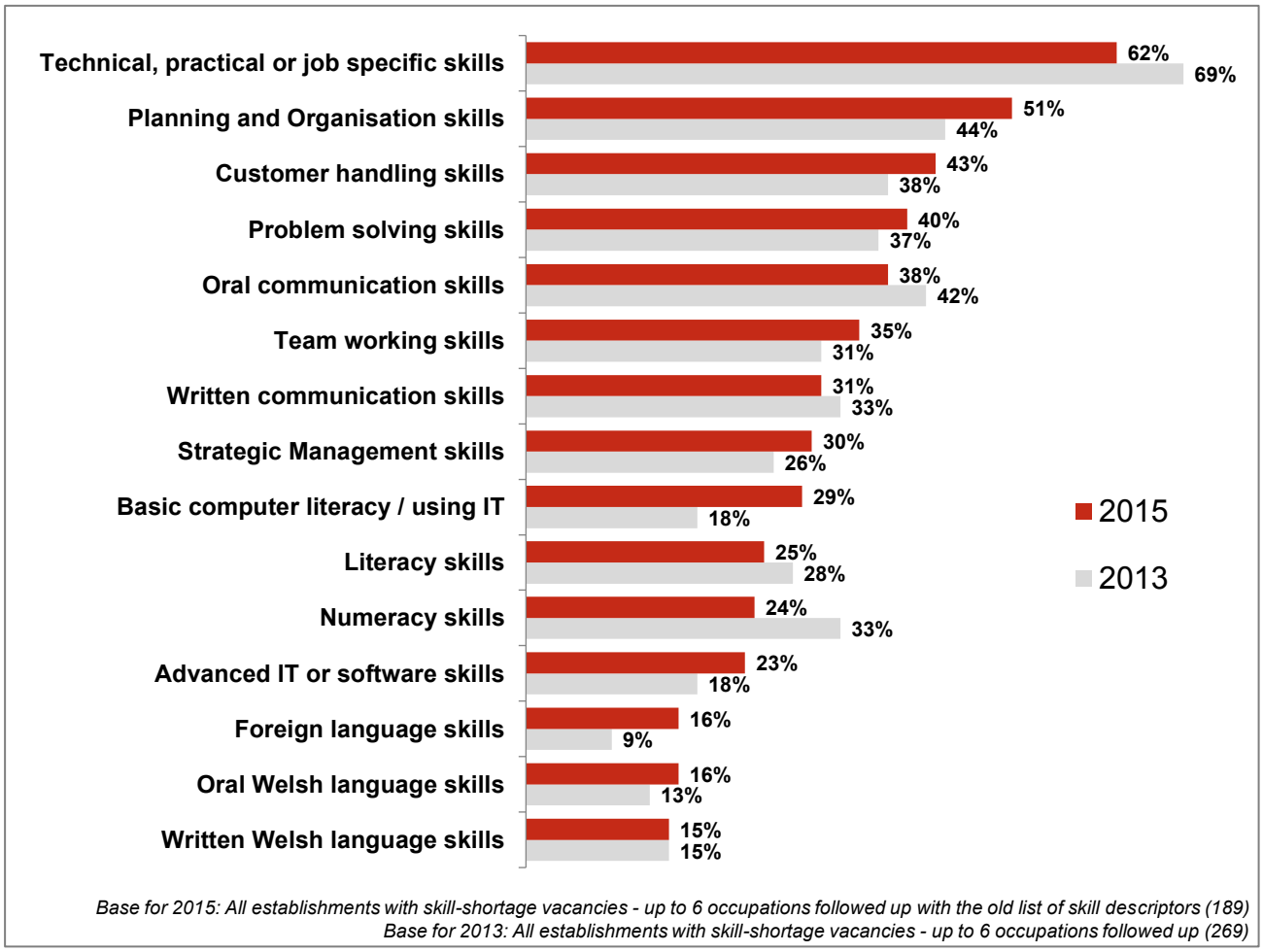
Skills-shortage vacancies

As shown in Figure B.1, the hierarchy of skills lacking among applicants was broadly similar to 2013. Employers with skill-shortage vacancies most commonly cited a lack of technical, practical or job specific skills (62 per cent) followed by a lack of planning and organisation skills (51 per cent).

There were, however, some notable changes from 2013. The proportion of skill-shortage vacancies ascribed to a lack of basic computer skills has increased significantly (from 18 per cent to 29 per cent), whereas the proportion ascribed to a lack of numeracy skills has decreased (from 33 per cent to 24 per cent).

The prevalence of a lack of written and oral Welsh language skills has remained relatively constant since 2013 (15 per cent and 16 per cent, respectively).

Figure B.1: Skills lacking among applicants according to the 'old' list of skill descriptors (prompted) (2013 and 2015)



Base for 2015: All establishments with skill-shortage vacancies - up to 6 occupations followed up with the old list of skill descriptors (189)
Base for 2013: All establishments with skill-shortage vacancies - up to 6 occupations followed up (269)

Skills gaps

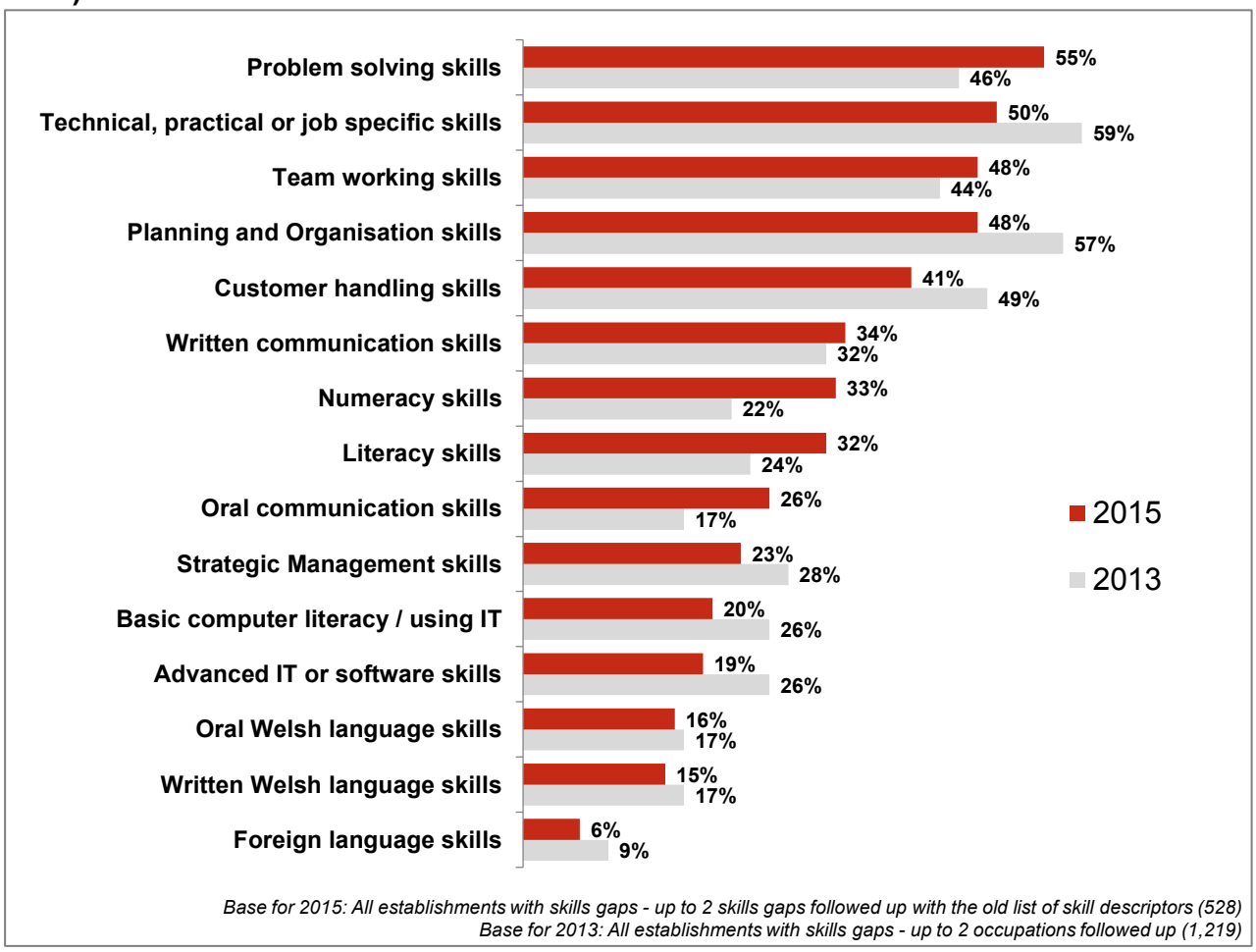
As shown in Figure B.2, problem solving skills were most commonly felt to be lacking among staff, accounting for more than half of skills gaps (55 per cent), marking an increase from 2013 (46 per cent). Other notable increases since 2013 were seen in relation to numeracy, literacy and oral communication skills.

In contrast, a decrease was seen for technical, practical or job specific and planning and organisation skills, although both were still attributed to around half of skills gaps in 2015 (50 per cent and 48 per cent).

IT skills, both basic and more advanced, are less commonly viewed as lacking among staff compared to 2013, their proportions of skills gaps both falling from around one-quarter to one-fifth (26 per cent to 20 per cent in 2015, and 26 per cent to 19 per cent, respectively). A lack of customer handling skills was also less prevalent compared to 2013.

Although they remain in similar positions in the hierarchy of skills lacking, comparative to 2013 skills gaps are less likely to be attributed to Welsh language skills.

Figure B.2: Skills gaps for 'old' list of skills descriptors (prompted) (2013 and 2015)



Base for 2015: All establishments with skills gaps - up to 2 skills gaps followed up with the old list of skill descriptors (528)
Base for 2013: All establishments with skills gaps - up to 2 occupations followed up (1,219)

Appendix C: Industry coding

During the sampling and weighting process, each establishment was allocated to one of 15 sectors, based on their Standard Industrial Classification (SIC). SIC 2007 was used to classify establishments using the following method. Using the four-digit Standard Industrial Classification (SIC) supplied for each record from the Experian database, a description of business activity was read out to each respondent. If they agreed that this description matched the main activity undertaken at the establishment, then the SIC on Experian's database was assumed to be correct. If however, the respondent felt the description did not correspond to their main business activity at the site (which about a quarter reported), a verbatim response was collected to find out what they do (see question A7 on the survey; questionnaire shown in the accompanying Technical Report). At the analysis stage this was coded to a four-digit SIC which was then used as the basis for allocation into sector. For the purposes of reporting, Mining & Quarrying were merged with Manufacturing to create 'Manufacturing', while Transport and storage and Information and Communications were merged to create 'Transport, storage and communications'. The final sector, which in previous iterations of the survey has been classified as 'Other Community, Social and Personal Services', has been renamed to 'Arts, Entertainment, Recreation and Other Service activities', in line with ONS guidance.

The table below shows the 15 sectors and their corresponding SIC 2007 definitions.

Sector	SIC 2007
1. Agriculture	A - Agriculture, forestry and fishing (01-03) Including farming, hunting and other related service activities, forestry and logging, fishing and aquaculture
2. Mining & Quarrying	B - Mining and quarrying (05-09) Including mining of coal, metals, sand/stone/clay, and extraction of crude petroleum and natural gas
3. Manufacturing	C - Manufacturing (10-33) Including manufacture of food and beverage, textiles, chemicals and chemical products, basic pharmaceutical products, other mineral products, manufacture of metals and metal products, machinery, computer and electronic products and equipment, motor vehicles and other transport equipment, furniture, and repair and installation of machinery and equipment
4. Electricity, Gas and Water	D - Electricity, gas, steam and air conditioning supply (35) E - Water supply, sewerage, waste management

Sector	SIC 2007
	and remediation activities (36-39) Including electric power generation, transmission and distribution, manufacture of gas and distribution of gaseous fuels, steam and air conditioning supply, water collection, treatment and supply, sewerage and waste collection, treatment and disposal activities and materials recovery
5. Construction	F - Construction (41-43) Including the construction of buildings, civil engineering (constructing roads, railways and other utility projects), demolition, and specialised activities such as electrical installation, roofing and scaffold erection
6. Wholesale and Retail	G - Wholesale and retail trade; repair of motor vehicles and motor cycles (45-47) Including sale, maintenance and repair of motor vehicles, parts and accessories, non-vehicle wholesale (for example agriculture, food, household goods), and the retail trade of all products whether in stores, stalls, markets, mail order or online
7. Transport and Storage	H - Transportation and storage (49-53) Including land, water and air transport (passenger and freight), warehousing and support activities for transportation, postal and courier activities
8. Hotels and Restaurants	I - Accommodation and food service activities (55-56) Including hotels, campsites, youth hostels, holiday centres, villages and other short stay accommodation, restaurants and takeaways, event catering and licensed clubs, pubs and bars
9. Information and Communications	J - Information and communication (58-63) Including publishing (books, journals, newspapers etc. and software/computer games), television, film and music production, broadcasting, telecommunications, computer programming and consultancy, information service activities (e.g. data processing and hosting)
10. Financial Services	K - Financial and insurance activities (64-66) Including banks and building societies, activities of holding companies, trusts, funds and similar financial entities, credit granting, pensions,

Sector	SIC 2007
	insurance and reinsurance
11. Business Services	L - Real estate activities (68) M - Professional, scientific and technical activities (69-75) N - Administrative and support service activities (77-82) Including the buying, selling and renting of real estate, legal activities, accounting, bookkeeping and auditing, management consultancy, architectural and engineering activities, scientific research and development, advertising and market research, specialist design, photographic activities, translation and interpretation, veterinary activities, renting and leasing of tangible goods (motors, household, machinery), employment agencies, travel agencies and tour operations, security and investigation activities, office administration and business support
12. Public Administration	O - Public administration and defence; compulsory social security (84) Including administration of the State and economic and social policy of the community, provision of services to the community as a whole such as defence activities, foreign affairs, justice and judicial activities, fire service and compulsory social security activities
13. Education	P - Education (85) Including pre-primary, primary, secondary and higher education, other education (such as sports, driving schools, cultural education), educational support activities
14. Health and Social Work	Q - Human health and social work activities (86-88) Including Hospitals, medical and dental practices, residential care, social work activities
15. Arts, Entertainment, Recreation and Other Service activities	R - Arts, entertainment and recreation (90-93) S - Other service activities (94-96) Including performing arts, libraries and museums, gambling and betting, sports facilities, amusement and recreation activities, activities of membership organisations (religious, political, trade union,

Sector	SIC 2007
	professional), personal services (hairdressing, beauty, textile cleaning, well-being activities, funeral activities)
	T - Activities of households as employers; undifferentiated goods and services producing activities of households for own use (97-98)
NOT COVERED IN SURVEY	U - Activities of extraterritorial organisations and bodies (99) Including households as employers of domestic personnel, private households producing goods for own use

Appendix D: Occupational Coding

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

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

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

Appendix E: Sampling Error and Statistical Confidence

Sampling errors for the survey results overall and for key sub-groups are presented in the table below. Figures have been based on a survey result of 50 per cent (the 'worst' case in terms of statistical reliability), and have used a 95 per cent confidence level. Where the table indicates that a survey result based on all respondents has a sampling error of +/-1.26 per cent, this should be interpreted as follows: 'for a question asked of all respondents where the survey result is 50 per cent, we are 95 per cent confident that the true figure lies within the range 48.74 per cent to 51.26 per cent'.

As a note, the calculation of sampling error has taken into account the finite population correction factor to account for cases where we are measuring a significant portion of the population universe (i.e. even if two sample sizes are the same, the sampling error will be lower if in one case a far higher proportion of the population was covered).

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

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

	Population	Number of interviews	(Maximum) Sampling Error
Wales	**81,202**	**6,027**	**+/-1.26**
By region			
North Wales	20,331	1,528	+/-2.51
Mid Wales	9,714	742	+/-3.60
South east Wales	32,564	2,395	+/-2.00
South west Wales	18,593	1,362	+/-2.66
By size of establishment			
2-4	42,553	1,749	+/-2.34
5-24	30,540	3,316	+/-1.70
25-49	4,401	547	+/-4.19
50-99	2,087	273	+/-5.93
100+	1,621	105	+/-9.56
By sector			
Agriculture	9,487	405	+/-4.87
Manufacturing	4,292	427	+/-4.74
Electricity, Gas and Water	629	62	+/-12.45
Construction	7,230	405	+/-4.87
Wholesale and Retail	16,887	1,203	+/-2.83
Hotels & Restaurants	8,372	649	+/-3.85
Transport and Communications	4,371	526	+/-4.27
Financial Services	1,534	108	+/-9.43
Business Services	11,871	715	+/-3.66
Public Administration	1,249	75	+/-11.32
Education	2,816	361	+/-5.16
Health and Social Work	6,979	617	+/-3.95
Arts and Other Services	5,485	474	+/-4.50

Appendix F: A Note on Proficiency and Skills Gaps

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

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

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

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