



Skills Pulse Survey



KEY FINDINGS
OCTOBER 2012 SURVEY



SCDI & TERU

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Key Headlines

- **Employers would welcome even more engagement with skills organisations**
- **The main challenges cited by employers are: attracting and retaining customers and the wider economic climate**
- **Other challenges include increased costs, increasing competition and the attraction and retention of appropriately skilled staff**
- **Many employers recognise the benefits of training for both their organisation and employees**

1. Purpose of Survey

Recent strategic guidance on the part of the Scottish Government has placed increased emphasis on the need to respond more effectively to the recruitment and skill needs of employers both in order to promote recovery from the economic recession but also build the long term competitiveness of the Scottish business base. The Skills Pulse Survey (SPS) fieldwork was undertaken by the Scottish Council for Development and Industry (SCDI) in partnership with Training and Employment Research Unit (TERU) at the University of Glasgow who coordinated the analysis. This survey will add significantly to our understanding of employer recruitment and skill needs. The information in the SPS will help guide organisations tasked with commissioning skills delivery to make the supply of skills more responsive to employers over time.

“This survey will add significantly to our understanding of employer recruitment and skill needs”

2. Summary

The Skills Pulse Survey was conducted with SCDI members by emailing a web link to the online survey. The first survey yielded responses from 200 employers across Scotland.

- 72% of these were from the private sector, 16% from the public sector and 13% from the third sector.¹
- 25% were micro-businesses (under 10 employees), 41% had between 10 and 249 employees and 35% employed 250 or more. The majority of the large employers were in the public sector.
- Most of the employers were located in the more densely populated parts of Scotland but 20% were from Highland and Islands and 13% from Borders and Dumfries & Galloway.
- The bulk of the employers across all sectors are involved in service sector activity, reflecting the nature of the Scottish economy as a whole.

1 **Note:** percentages may not appear to add due to individual rounding

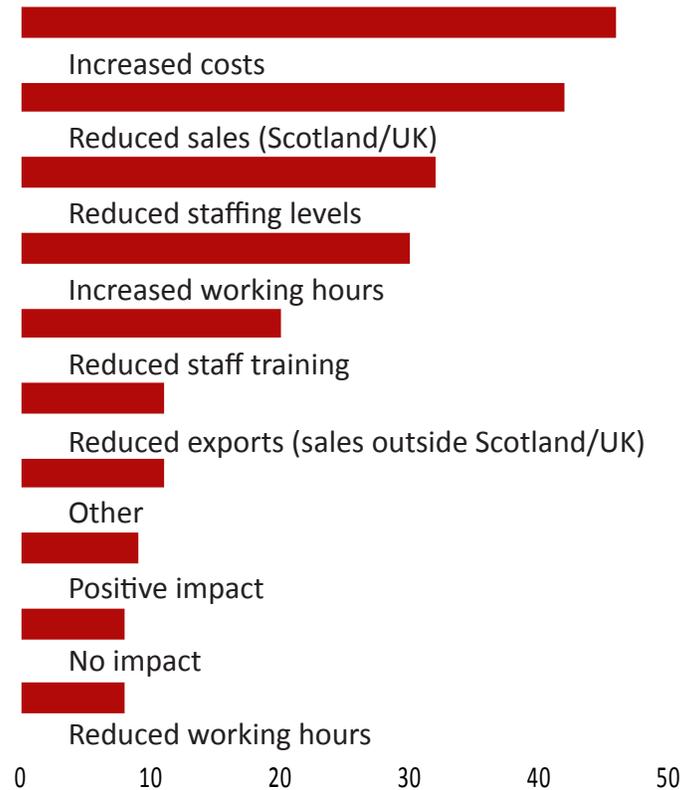
3. The Economy: Impacts, Prospects and Challenges

Impacts

Employers were asked to characterise the impact of the current economic climate on their organisations.

- Perhaps surprisingly the most common impact (46%) was increased costs, and this applied across public, private and third sectors. It is the case that over the last two years inflation has been well above the 2% target set for the Bank of England to achieve.
- Reduced sales were the second most salient impact, suggested by 42% of employers.
- Reduced staffing levels were cited by 32% of employers, although this rose to 50% for public sector employers.
- Reduced staff training was reported by 20% of respondents.
- Around 10% of private sector employers said the recession had not impacted upon them and in nearly 10% of instances the impact had been positive.

Figure 1 Impact of the Economic Climate (%)



Prospects

In terms of the anticipated *employment change* over the next 12 months:

- Private sector employers are relatively bullish with nearly 27% anticipating an increase as opposed to 16% projecting decline – however stability is the most common response (47%)¹. Third sector employers responded in a similar vein.
- Public sector employers are more pessimistic with 50% projecting declining employment, although nearly 14% expect employment to increase.

1 **Note:** Some employers did not know

Challenges

Employers were asked about the biggest challenges currently facing their organisations. Focusing on the private sector businesses which made up the great majority of the employers surveyed, a number of key challenges emerged.

A cluster of challenges around the *wider economic circumstances* dominated the responses including:

- Finding and retaining customers.
- Increased competition more generally.

Typically around half the businesses responding to this question mentioned these kinds of challenges.

Skills were also recognised as being a focus for business success with some respondents highlighting their need for specific skills.

- Attracting appropriately skilled staff was mentioned as one their challenges by 42% of the businesses.
- Retention of existing staff was cited as a challenge by 20%.
- Some challenges in relation to developing and training existing staff were acknowledged by 21% of employers with 18% recognising challenges in relation to planning for future skills and training needs.

These figures indicate that there is more work to be done on the employment and skills side of policy implementation to help businesses recover from the recession, and to build through investment in skills and training a more competitive business base.

4. Skills Focus

Employers' Views

Skill needs closely follow the main challenges cited by Scottish employers.

Employers were asked about their **most pressing specific skill needs**. A higher percentage of private sector employers (57%) were able to identify these and are focused on here. This survey generated a lot of detailed material which will be collated and analysed, and built upon in future surveys to provide guidance to organisations commissioning or funding skills provision. However, in broad terms, the survey suggests that the most pressing needs relate to:

- Technical or practical skills specific to the sector or employer.
- Management skills.

Basic, core or employability skills are mentioned much less frequently.

The survey also sought to assess the potential **impacts on businesses** if these skill needs were not met. Businesses found it more difficult to articulate the impacts but typical responses included:

- Inability to service current demands and retain **customers**.
- Limits on **competitiveness**.
- Restrictions on **company growth**.

We have already noted above that skills issues are pointed up by a significant proportion of employers as among their major challenges. Employers were also specifically asked about **staff proficiency**.

- Most employers stated that most of their staff were fully proficient – this is a high standard.
- In terms of the causes of some staff not being fully proficient in their existing role:
 - A frequently cited cause (cited by 38%) of a lack of proficiency was the fact that insufficient training and staff development had been carried out.....
 -however, 36% simply said that people had not been in the job long enough to become sufficiently proficient, i.e. less of a skills problem more on issue of the time required to get new recruits up to speed.
- A small percentage (around 16%) focused on deficiencies in the skills that new recruits brought to the organisation with issues around lack of core skills (literacy, numeracy and communication skills), poor employability skills (reliability, timekeeping, etc) and limited previous work experience. However, as noted above, these were rarely mentioned as the most pressing skills needs.
- Around 20% focused on the difficulty in keeping the workforce up to speed with changes in technologies, although 25% noted recruitment problems which implied that the supply of suitably skilled labour, notwithstanding the economic downturn, was deficient.

In terms of skills gaps, that is, the skills that need improving amongst staff who are not fully proficient in their role:

- Customer handling skills were the most frequently reported requirement (50%), followed by technical and practical skills (45%), with advanced IT and software skills close behind (29%). In a sense, these are all technical and practical skills but for different types of sectors.
- Over 40% of responses focused on needing to improve the skills of staff around planning and organising, and 33% on strategic management.
- Although basic, core and employability skills were frequently mentioned in terms of low levels of proficiency they are much less frequently reported in terms of skills that need to be improved among staff, perhaps because employers were less comfortable with up-skilling in these areas relative to the practical and technical skills required to do the job. One area, however, in terms of basic and core skills where employers do report a need for skills enhancement are communication skills – both oral (24%) and written (32%).

Investment in Staff Training

Over the 12 months prior to the survey 93% of employers reported that they had invested in staff training, with this ranging from just over 91% for private sector employers to all respondents from the public sector.

- Over 90% of employers said they didn't experience difficulties in sourcing relevant training, with over 70% saying they found it easy or very easy.
- Around 23% of employers reported that they were participating in skills-related government programmes and schemes, although 16% said that they didn't know or weren't sure.

Following through on the issue of skills enhancement within the organisation, employers were asked to report on the type of staff training they had arranged or funded in the 12 months prior to the survey. In broad terms the pattern is one where:

- The skills deficits and need for skills enhancement reported earlier were also the areas where employers invested, such as technical and practical skills, customer handling, advanced IT or software, etc.

- By the same token only 10% of responses related to enhancing employability skills, 8% to working on numeracy and 6% to improving literacy.

The latter point in particular raises a serious issue for Scotland's workforce. Some employers are reporting that too many people are coming into their workforce with deficits in basic, core and employability skills, but these are not areas where they appear to be investing for improvement. Who should be doing this?

In relation to the provision of training, employers used a variety of providers:

- 72% of employers used their own staff to provide training.
- Over half (55%) of employers also used private training providers, with consultants playing a role for 33% of employers.
- Industry bodies or professional associations were also significant providers of training, cited by 33% of employers
- E-learning was mentioned by over a quarter of employers (29%).
- Further education (15%), higher education (18%), distance learning (7%), and voluntary sector (2%) were cited less frequently by employers surveyed.

Finally, a small number of employers (around 5%) who had not arranged or funded any staff training in the previous 12 months were asked why. Given the small number of respondents, it may be unwise to place much weight on the feedback, but the most typical response was that the skills they need are acquired on the job.

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5. Benefits of Investment in Training

Employer Benefit

The employers in this survey were asked for their views on how their organisation had benefited from staff training. Around a third did not answer this question which suggests that either they saw no benefit or were unable to articulate them, both of which present problems of a different kind to government and skills agencies. The focus here is on the answers from private enterprises although there is a high degree of similarity of response across public, private and third sectors. Of those responding to the question, the most frequently cited benefits were as follows.

- Enhanced quality of service delivery or products (60%).
- Increased productivity (58%).
- More efficient processes (53%).
- Responding to changing customer requirements (45%).
- Complying with regulations (36%).
- Taking advantage of new technology (29%).
- Increased profitability (23%).

These are compelling benefits from a business perspective although it is interesting to note that although many of the benefits articulated are around creating a more effective business, increased profitability of the business is mentioned as a benefit by less than one in four respondents.

Figure 2 Benefits of Training for Private Sector Organisations (%)



Employee Benefits

On the question of employee benefits a smaller number of factors were mentioned by a high percentage of employers. Focusing again on private sector enterprises, the following employee benefits were highlighted:

- Increased confidence (85%).
- Improved knowledge and/or skills (73%).
- Increased morale (54%).
- Sense of achievement (54%).
- Promotion and other career advancement (25%).
- Pay rise on completion of training (11%).

It is easy to see the business benefits of a number of these positive impacts on employees through increased productivity, either as a result of greater motivation and confidence and/or because of enhanced skills knowledge. Again the pattern of responses was very similar across all 3 sectors from which the employers were drawn.

Figure 3 Benefits of Training for Private Sector Employees (%)



Barriers to Doing More Training

Given that a high percentage of the employers responding to the survey were able to identify the benefits of training both for themselves as an organisation and for their employees the question arises as to what could be done to promote more training funded or arranged by employers. One way to address this question is to consider the barriers to doing more. 63% of all businesses responded to this question, but of those responding 29% felt that there were no barriers or that no training was required as sufficient skills were provided on the job. The main barriers identified by private sector enterprises were as follows:

- Sparing time for staff to train off the job (42%).
- Lack of funding for training (37%).
- Lack of time or in-house capacity to organise training (20%).
- Lack of internal resources for training (17%).
- Difficulty in finding training providers able to deliver where and when required (10%).

Each of these barriers raises challenges in terms of designing a cost-effective response and the mix of challenges shows there is no single solution.

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6. Scotland's Education and Training System

Employers were asked about the education and training system in Scotland as a whole. Their responses make very interesting reading but reflect a great diversity of view. Below we highlight a small number of points where there was some evidence of commonality of view.

What Works Well

There was some measure of agreement that three features of the system were deemed to work well.

- The strong emphasis on the needs of young people and in helping them make effective transitions at key points.
- The Modern Apprenticeship programme and other national training programmes.
- The supply of graduate labour and the good quality of this supply.

What Could Work Better

Perhaps not surprisingly opinions were wide ranging on what could work better, but again there was some measure of agreement on the following:

- For some employers, they see a need for further development of basic skills, fundamentally literacy and numeracy in some candidates.
- The need for greater focus on STEM subjects across the educational system.
- The importance of strengthening links between businesses, schools and colleges.
- The need to improve commercial and business awareness among students leaving school, college and university.

What Needs to Change to Best Support Further Skills Needs of Businesses

Employers have identified some areas for improvement. Some of their comments in the survey highlighted areas they would like to see prioritised:

- ***'further integration between skills and employability'***
- ***'focused work-ready training'***
- ***'training to better serve the needs of recruiting employers'***

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