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Employer Skills Survey 2013: Wales Report

Employer Skills Survey 2013: 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 or site)	A single location of an organisation with people working at it.
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 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" is where an employee is not fully proficient, i.e. is not able to do their job to the required level. See Appendix D for a discussion on the measure.
Skills gap density	The number of staff reported as being not fully proficient as a proportion of all employment.

UKCES	The UK Commission for Employment and Skills
Under-use of skills	An employee is “under-used” if the employer reports they have both more skills and more qualifications than are required to perform the job role they are currently in.
Upskilling	A need for employees to gain new skills or knowledge.
Product Market Strategy (PMS)	An establishment’s PMS score is worked out from the combined answers of 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 would indicate 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 Appendix B.
Occupations	For definitions of the occupational groups used in this report please refer to Appendix C.

Executive Summary

1. The UK Commission's Employer Skills Survey is the definitive source of data on employer investment in skills in the UK. The survey comprises interviews with over 91,000 employers across the UK, just under 6,000 of which were with employers in Wales. It explores the skills challenges that employers face both within their existing workforces and in terms of bringing in new skilled labour, the levels, and nature of training investment, recruitment of young people and education leavers, and the relationship between skills challenges, training activity and business strategy.
2. The survey was first run in 2011. Conducted every two years, 2013 provides the first opportunity to track this survey data in Wales over time[1]. The scale of the survey also allows for detailed sub-group analysis at a regional and sector level, as well as allowing for comparisons with other countries within the UK.

Skill shortages

3. ***The survey provides evidence that the Welsh economy is moving towards recovery.*** At the time of the survey (conducted March to July 2013) 14 per cent of employers reported having a vacancy, and the number of vacancies they reported equated to 2.2 per cent of the total workforce in Wales (the latter is referred to as the 'vacancy density'). This is an increase from the comparable period in 2011, when 12 per cent of establishments reported vacancies and vacancy density was 1.9 per cent. The increase from 2011 to 2013 in the incidence and density of vacancies in Wales is similar to the picture seen in the UK as a whole.
4. However the picture varies across the different regions of Wales. The increase in the incidence and density of vacancies was most strongly seen in north Wales and south west Wales; in south east Wales and mid Wales there was no significant change from 2011.

[1] It should be noted that, due to methodological changes regarding the population of eligible employers, data from 2011 have been recalculated to remove establishments not eligible in 2013, and reweighted to the population of establishments in Wales with employment of two or more. Due to this change figures shown for 2011 may differ from those reported in the 2011 ESS report for Wales.

5. Whilst in most cases demand for skills is met through successful recruitment, four per cent of employers in Wales had vacancies that they were finding hard to fill due to shortages of applicants with the correct skills, qualifications or experience. These 5,100 “skill-shortage vacancies” make up a fifth (20 per cent) of all vacancies in Wales. This is an increase on 2011, when three per cent of employers were affected and 18 per cent of vacancies were classed as skill-shortage vacancies.
6. Skill-shortage vacancies are a particular issue for establishments in south east Wales (where 23 per cent of vacancies are skill-shortage vacancies), the Business Services sector (30 per cent) and small establishments with fewer than five staff (27 per cent) and between 5-24 employees (30 per cent).
7. Whilst the proportion of vacancies that are hard to fill due to skill shortages is slightly lower in Wales than found in the UK as a whole (22 per cent), it still presents a challenge for the Welsh economy as ***economic growth and the recovery may be constrained by these skill shortages***. Indeed, nearly all employers (97 per cent) who said all of their hard-to-fill vacancies were as a result of skill shortages reported these were having an impact on their establishment. This was most commonly in the form of increased workload for other staff (an issue for 90 per cent of those with skill-shortage vacancies) but these establishments also commonly mentioned skill-shortage vacancies impacting on business performance, for example having difficulties meeting customer service objectives (49 per cent), delays in developing new products and services (47 per cent) and losing business orders to competitors (45 per cent). The proportion of employers facing this issue is small, but the impact these recruitment difficulties have on these employers is considerable.
8. ***Skill shortages differ by occupation, and there are pockets within the economy where skill shortages are particularly prevalent***. Skilled Trades represent the most common occupation where skill shortages were encountered when recruiting (44 per cent of vacancies in this occupational group were hard to fill because of skill shortages, up from 33 per cent in 2011). There has also been an increase in the proportion of Caring,

Leisure and Other services vacancies falling into this category (28 per cent, from 12 per cent in 2011).

9. Skills specific to the job role (technical, practical or job specific skills) were the most common skills lacking from applicants (cited in relation to 69 per cent of skill-shortage vacancies).

Skills gaps

10. ***The majority of employers report that they have a proficient workforce with no skills gaps,*** that is, all of their staff have the skills to carry out their job to the required level. Overall, 16 per cent have at least one member of staff who is not fully proficient. Whilst the proportion of establishments affected by skills gaps has remained constant since 2011, the number of staff considered not fully proficient at their roles has risen from 53,900 in 2011 to 67,400 in 2013 (five per cent to six per cent of the workforce as a whole). This is similar to figures seen in the UK as a whole in 2013, where 15 per cent of employers reported having any skills gaps, and five per cent of the workforce were considered not fully proficient.
11. Skills gaps are more prevalent in north Wales, where eight per cent of staff were identified as lacking proficiency. Skills gaps were more common among lower skilled occupations, and affect nine per cent of staff working in Elementary occupations. There has also been an increase in skills gaps among Caring, Leisure and Other services staff compared to 2011, with the proportion of the workforce in this occupation with skills gaps also nine per cent in 2013 up from five per cent in 2011. This occupational group was also highlighted as one where skill-shortage vacancies were particularly common, suggesting a widespread lack of skills.
12. The indications are that ***the rise in skills gaps across the Welsh economy has been at least in part due to increased recruitment, with the majority of skills gaps caused by people being new to their roles*** (63 per cent, higher than the 54 per cent caused by this factor in 2011). This cause could also be due to internal recruitment including promotions, secondments and transfers: it was also common to find training not yet being completed as a reason for skills gaps (cited as a contributing factor in 47 per cent of skills gaps). Both of these causes of skills gaps tend to

be transient in nature, that is, it might be expected that the skills gaps would be eliminated in most cases once the individual had settled into their new role and/or completed their training.

13. Additionally ***increased skill shortages in the available labour market may play some part in explaining the increase in skills gaps:*** there has been a sharp rise in employers saying their skills gaps are a result of being unable to recruit suitably skilled staff (from 23 per cent in 2011 to 35 per cent in 2013).
14. Encouragingly, since 2011 there has been a marked rise in the proportion of employers with skills gaps that have taken action to tackle them (although this may just be an indicator of increased severity of the skills gaps). Whilst the proportion dealing with skills gaps through increasing staff training has remained constant, far more are now using employee-centric methods to address these gaps such as supervision, mentoring and individual performance reviews.
15. Employers tend to be challenged *either* in terms of having inadequate skills among some of their existing workforce *or* struggling to find new recruits with the skills that the vacant positions require. It is very rare for employers to be challenged from both directions; just one per cent of all employers in Wales experienced both skill-shortage vacancies and skills gaps.
16. It is more commonly the case that employers were not fully utilising their workforces' skills. Half of establishments in Wales (50 per cent) reported having staff with skills and qualifications higher than required for their current role. This equates to around 241,000 workers (21 per cent of the workforce) having *under-used* skills; ***harnessing these latent capabilities could potentially yield wide-ranging benefits for the Welsh economy***.
17. Looking to future skills needs, almost three-quarters (72 per cent) of establishments anticipate that they will have a need to increase or refresh the skills of their staff in the coming year. This was particularly the case for employers with staff in Professional occupations (43 per cent of those employing professionals identified a need to increase the skills of this group) and Caring, Leisure and Other services occupations (39 per cent).

This again highlights skill needs in Wales among Caring, Leisure and Other services occupations.

Training and Workforce Development

18. ***Most employers in Wales arrange or fund training for their staff:*** over three-fifths had done so in the previous 12 months (62 per cent), a figure in line with 2011 (63 per cent) but still lower than in the UK as a whole, where the figure was 66 per cent. Training was more common in south east Wales, where 67 per cent of establishments had provided any training for staff.
19. However, ***the proportion of the workforce receiving training in Wales has increased substantially*** from 56 per cent in 2011 to 62 per cent in 2013 (this increase was seen UK-wide as well), and employees in Wales are just as likely to receive training as their counterparts in the rest of the UK.
20. Each person trained in Wales received a similar number of training days over the last 12 months as was found in the 2011 survey at 7.7 days per trainee – a trend not mirrored in the UK as a whole, where training days per person trained fell from 7.8 days in 2011 to 6.7 in 2013.
21. ***The total investment in training in Wales increased slightly*** from £1.5bn to £1.6bn; this runs contrary to the decrease seen across the UK as a whole (from £45.3bn to £42.9bn). The increase in Wales was driven by increased investment among smaller establishments.
22. Most employers in Wales could be described as being in "training equilibrium", that is, they were able to provide the amount of training they wanted. This includes employers who had delivered no training because they had "no need for it". Believing all staff to be fully proficient at their job roles was by far the most common reason given for not providing any training. However, half of all training employers (50 per cent) would have liked to have provided more training than they were able to provide to staff. Lack of time and lack of funds were the most common barriers to providing more training. A lack of suitable provision was rarely mentioned.
23. ***The proportion of training employers who had funded or arranged any training intended to lead to a nationally recognised qualification***

has risen from 47 per cent in 2011 to 53 per cent in 2013. Training employers in Wales were more likely than any other country of the UK to train to qualifications (the UK-wide figure was 47 per cent).

Recruitment of Young People

24. ***Among employers in Wales that had recruited in the past two to three years, almost three-quarters (74 per cent) had recruited at least one young person***[2]. Overall almost half (45 per cent) of all employers had recruited a young person in the two to three years preceding the survey (similar to the 44 per cent found UK-wide).
25. Just over a quarter of establishments in Wales (27 per cent) had recruited someone directly from education into their first job during this period.
26. ***The main obstacle to (more) young people getting jobs is competition in the market place***. In around half (53 per cent) of cases where young people had applied for a job but it had gone to an older candidate employers felt the young people had been suitable and met the requirements, but an older candidate was felt to be better. Those who did not feel the young candidates were suitable for the role cited a lack of skills (61 per cent) and a lack of work experience (also 61 per cent) as the primary reasons for this.
27. Most employers recruiting education leavers find them to be well prepared for work, and this level of preparedness increases with the level of education (i.e. university leavers are seen as better prepared than school leavers). However 40 per cent of those taking on 16-year-old school leavers felt them to be poorly or very poorly prepared for work, primarily due to a lack of working world, life experience or maturity.

High Performance Working and Product Market Strategies

28. High Performance Working (HPW) is defined by the UK Commission 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' (UKCES 2009).

[2] "Young person" is defined as somebody under the age of 25.

29. This survey identifies ***10 per cent of employers in Wales as "HPW employers"***, that is they adopt 14 out of the 21 HPW practices covered by the survey questionnaire. This compares to 12 per cent of employers in the UK as a whole.
30. HPW employers were considerably more likely to be active in the recruitment market, with more than twice as many having a vacancy than non-HPW employers (26 per cent compared with 12 per cent). However a significantly lower proportion of HPW employers' vacancies were proving hard to fill (17 per cent, compared to 32 per cent among non-HPW employers).
31. HPW employers were also considerably more likely to be experiencing skills gaps than non-HPW employers (25 per cent compared to 15 per cent), although the proportion of their workforce that lacks proficiency was in line with the national average (five per cent). It is likely that due to the employment practices they adopt HPW employers are better able to identify skills gaps in their workforce, and perhaps address them accordingly.
32. Product Market Strategies (PMS) are defined within the survey by aggregating responses to a series of questions exploring pricing strategies, approaches to innovation and the nature of the product market (the extent to which the market attracts a "premium" and the extent of customisation of products and services in the market).
33. Just over two in five (41 per cent) private sector employers in Wales were classified as having a high or very high product market strategy indicating that their competitive success is not dependent on price, they pursue innovation, they compete on quality and/or that they offer customised goods or services. This is slightly but significantly lower than in the UK as a whole (44 per cent).
34. Compared to employers operating at the "very low" end of the PMS scale, employers with a higher composite PMS score were more likely to be active in the recruitment market, more likely to identify skills gaps among their staff (although the proportion of staff with skills gaps is no higher) and more likely to fund or arrange training for their staff.

Conclusions

35. Findings from the 2013 survey reveal increased recruitment activity compared with 2011, but at the same time skills challenges for employers have also increased, and these have the potential to act as a brake on economic recovery. There has been an increase compared with 2011 both in the number and proportion of vacancies across Wales proving hard to fill due to applicants lacking the skills, experience or qualifications employers require and in the proportion of the workforce described as lacking proficiency (the latter mainly a result of the increased recruitment activity).
36. The pattern of skills shortages and skills gaps varies quite widely by region and occupation. For example a much higher proportion of vacancies in south east Wales were hard to fill because of skill shortages than in north Wales. It was also much higher for vacancies for Skilled Trades roles.
37. Although there been little change in the proportion of employers in Wales providing training, and it remains the case that fewer employers in Wales train than in the rest of the UK, there has been an encouraging increase in the proportion of the workforce trained over the previous 12 months compared with 2011. Further, on a number of measures training in Wales has shown more resilience than found across the UK as a whole: the total number of training days provided and overall employer investment in training both increased compared with 2011 despite the fact that both measures fell across the UK as a whole.
38. The proportion of the workforce in Wales with skills that are under-utilised is much higher than the proportion with skills gaps, has increased compared with 2011, and is much higher than found across the UK. Harnessing these latent capabilities could yield wide ranging benefits for the Welsh economy.
39. Most employers taking on recruits who were entering the labour market direct from education found them to be well prepared for work. That said, two-fifths of employers taking on 16 year old school leavers felt at least some of these recruits had been poorly prepared. The longer recruits had been in education the more likely employers were to think they were well prepared.

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 2013 (UKCESS 2013), 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. UKCESS 2013 is the second time the survey has been conducted, the first having taken place in 2011.

1.2 Throughout the report comparisons are made with UK results, as well as with findings in Wales in 2011.

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 2013: UK Results,* Evidence Report 81, published January 2014; see www.gov.uk/government/publications/ukces-employer-skills-survey-2013).

Methodological overview

1.5 Like UKCESS 2011, UKCESS 2013 was carried out in two parts: a core survey of employers, and a follow-up survey of a sample of workplaces 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"). Both surveys were conducted by telephone. Employers were given the option to complete the interview in Welsh if they preferred.

1.6 This section briefly summarises the key features of the methodology adopted across both surveys. Further detail can be found in the Technical Report (*UK Commission's Employer Skills Survey 2013: Technical Report,* Evidence Report 82, published January 2014; see www.gov.uk/government/publications/ukces-employer-skills-survey-2013).

Survey sampling

1.7 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.

1.8 The survey covers 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 2012 statistics.

1.9 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).

1.10 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.

1.11 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.

Survey questionnaire

1.12 The core survey questionnaire was based largely on that used in the 2011 survey. The average length of interview in 2013 was 22 minutes (two minutes shorter than 2011). The need to maintain comparability and address all the areas of interest whilst reducing the length from the 2011 survey placed considerable pressures on the questionnaire. In order to tackle these issues, as in 2011, a modularised questionnaire design was developed where certain sections were only asked of half of the respondents. The report indicates where questions were split in this way, and the footnote to tables indicates if the data shown was from a modularised question. Further details are provided in the main Technical Report of the UK survey.

1.13 The questionnaire used for the UK Investment in Training Survey was identical to that used in 2011 except for the addition of two questions on the amount spent with different types of training providers.

1.14 The questionnaires to both surveys can be found in the Technical Report of UKCESS 2013 which can be found at the link set out in paragraph 1.6.

Survey fieldwork

1.15 Fieldwork for the core survey was undertaken between March and July 2013, and involved over 91,000 interviews UK-wide, including just under 6,000 interviews in Wales.

1.16 Fieldwork for the Investment in Training Survey was undertaken in May to August 2013, and involved 13,138 follow-up interviews with employers UK-wide, of which 1,432 were with employers in Wales.[3]

1.17 An overall response rate of 45 per cent was achieved for the core survey in Wales in 2013 (similar to the UK-wide figure of 44 per cent). For the Investment in Training follow-up, respondents were already engaged with the survey so a much higher response rate of 65 per cent was achieved (a little lower than the 71 per cent achieved UK-wide).

Table 1.1: Interviews achieved and the survey response rates

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

Note: the response rate in 2011 includes those records removed to ensure comparability between 2011 and 2013 (in Wales, 54 have been removed for the core survey and 18 for the Investment in Training follow-up) – see the section in this chapter (paragraphs 1.21-1.22) entitled 'A note on the 2011findings used in this report'.

Response rates show interviews as a proportion of all completed contacts (completes, refusals and stopped interviews).

[3] An initial 71 records in Wales were rejected after the interview due to incompleteness (i.e. a large number of 'don't know' responses) and inconsistencies. Data were checked for consistency both internally and against responses in the core survey.

Data weighting

1.18 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 additional rim weight for the four Welsh regions.

1.19 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.

1.20 Findings from the Investment in Training Survey have been weighted and grossed up to reflect the population of training employers as generated by the weighted Wave 1 findings.

A note on the 2011 findings used in this report

1.21 The sampling approaches for the 2011 and 2013 surveys were not identical. UKCESS 2011 covered all establishments except those with one working proprietor and no employees, whereas eligibility for UKCESS 2013 was establishments with employment of two or more people. To ensure findings in this report are comparable between 2011 and 2013, figures for 2011 have been recalculated removing establishments that would not have been eligible in 2013 (those with one employee and no working proprietors), and then re-weighted to the population of establishments in Wales with employment of two or more. For the core survey this entailed removing 54 respondents from the original 2011 Wales dataset.

1.22 Because of this change, 2011 results in this report may differ from those reported in the 2011 ESS report for Wales.

Structure of this report

1.23 This report has been structured into five key sections followed by a chapter drawing out conclusions. Additional tables of survey data can be found in a separate annex at the end of the report.

- Chapter 2: The nature of establishments in Wales
  This chapter explores the size, sector and region profile of establishments in Wales in order to provide context to the findings in the following chapters. Most of the figures reported are not findings as such and simply reflect the

employer population as indicated by ONS's Inter-Departmental Business Register.

- Chapter 3: Employers' experience of skill shortages
  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 and the impact such labour market failure has on establishments.
- Chapter 4: The internal skills challenge
  This chapter explores the proficiency of establishments' existing workforces, and describes any skills gaps in detail. It also explores 'under-use of skills' (defined as having staff with both qualifications and skills that are more advanced than required for their current job role; this phenomenon is sometimes also referred to as 'over-skilling', 'over-qualification' and/or 'under-employment') and employers' predictions of the need for new skills or knowledge among their staff ('upskilling').
- Chapter 5: Training and workforce development
  This chapter explores in detail the extent and nature of employer training and workforce development, including the investment made in training, the extent to which employers would have liked to provide more training and development, and the barriers that prevented increased training activity.
- Chapter 6: Young people in the labour market
  This chapter looks at the recruitment of young people, including those recruited directly from education, and examines employer perceptions of how well prepared they are for work.
- Chapter 7: High performance working practices and product market strategy
  This chapter explores the working practices being adopted by employers in regard to how they manage, develop, engage with and incentivise their staff, and assesses the prevalence of High Performance Working (HPW) practices. It also explores the Product Market Strategies (PMS) of employers, and whether this impacts on their skill needs and training practices.
- Chapter 8: 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

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

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

1.26 Throughout the report 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 because of a lack of the required skills among applicants) the base figure quoted is the unweighted number of establishments with vacancies.

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

1.28 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 presented in lighter, grey scale and should be treated with caution.

2 The nature of establishments in Wales

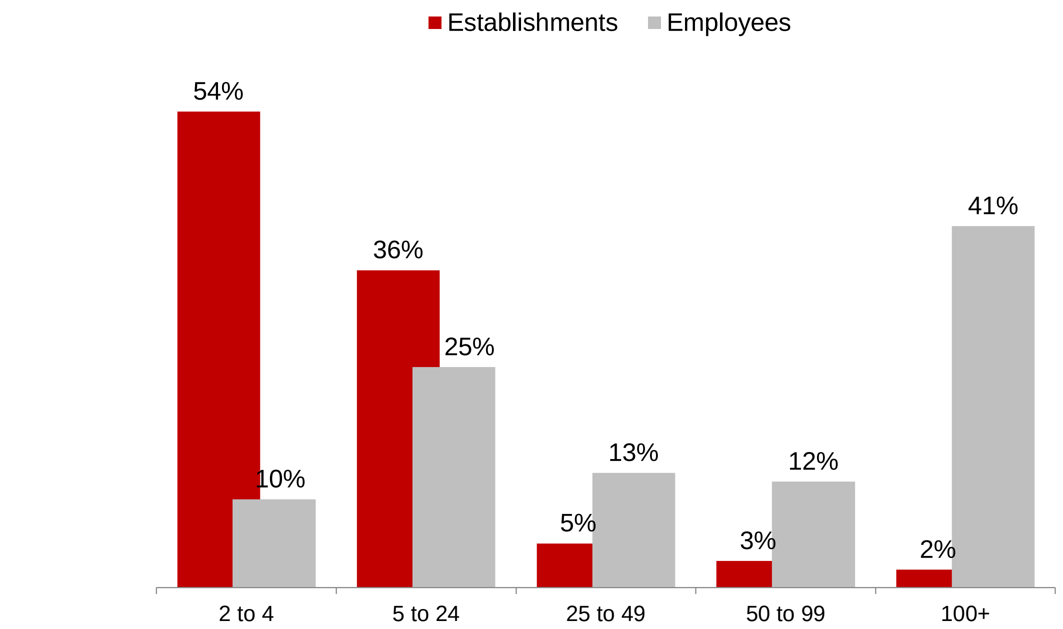
2.1 To give context to the findings presented in this report, this chapter describes the key characteristics of business establishments in Wales. It examines the size, sector and region profile. Because the survey data in Wales was grossed up to the population of businesses in Wales on a size, sector and region basis (as recorded by ONS on the IDBR) these are not survey findings as such. In addition the distribution of establishments between private sector, public sector and voluntary / third sector is also discussed.

2.2 ONS figures show there were around 81,300 in-scope establishments (with employment of two or more) in Wales (as of March 2012, the most up to date data at the time the weighting was conducted). Overall 1.2m people were employed in these establishments.

Size

2.3 IDBR data indicates that the majority of Welsh establishments (54 per cent) were small, employing fewer than five people. However these establishments account for just 10 per cent of total employment (within establishments with two or more staff). Sites employing 100 or more staff represent two per cent of all establishments but account for two-fifths (41 per cent) of overall employment (see Figure 2.1). Distribution of establishment and employment by size is similar in Wales to the rest of the UK.

Figure 2.1: Size distribution of establishments and employees in Wales (March 2012)



	2 to 4	5 to 24	25 to 49	50 to 99	100+
Number of establishments:	*43,800*	*29,600*	*4,300*	*2,100*	*1,600*
Employment:	*115k*	*291k*	*148k*	*141k*	*475k*

Source: IDBR March 2012
Number of establishments rounded to nearest 100; employment rounded to nearest 1,000.

Sector

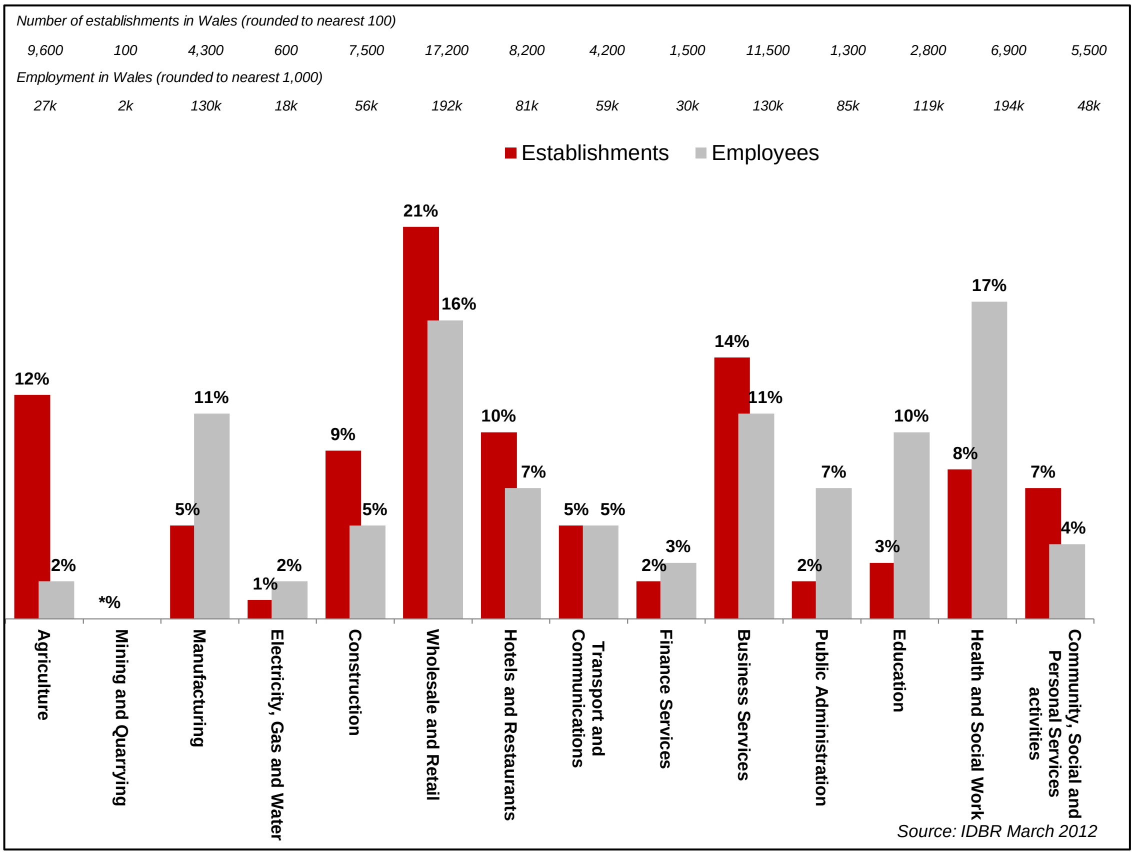
2.4 Sectoral analysis in the ESS series is defined by a 14 sector split, based on the establishment's Standard Industrial Classification (SIC) 2007 code. Within Wales just 13 interviews were conducted in the Mining and quarrying sector, and because of this low base results are not shown for this sector within this report.

2.5 IDBR statistics show that the Wholesale and Retail and Business Services sectors are the two largest in terms of the number of establishments. Together, these two sectors account for more than a third of establishments in Wales (35 per cent). When measured in terms of employment, however, the two largest sectors are Health and Social Work and Wholesale and Retail (employing 17 and 16 per cent of the workforce in Wales respectively).

2.6 The sector profile of Wales differs somewhat to the rest of the UK. The most striking difference, as reported in 2011, is a higher proportion of establishments in Agriculture in Wales (12 per cent in Wales but just five per cent in the UK as a whole) and a lower proportion in Business Services (14 per cent compared to 20 per cent across the UK as a whole).

2.7 The Health and Social Work, Public Administration, Education and Manufacturing sectors have a higher than average proportion of large establishments. For example, Education accounts for three per cent of all establishments, but 10 per cent of employment. Approaching half (46 per cent) of establishments in Education employ 25 or more staff, compared with 10 per cent across all sectors. Conversely, the Agriculture sector comprises 12 per cent of establishments, but employs only two per cent of the workforce in Wales. Almost no establishments in this sector employ 25 or more staff (fewer than 0.5 per cent). This is summarised in Figure 2.2.

Figure 2.2: Sectoral distribution of establishments and employment (March 2012)



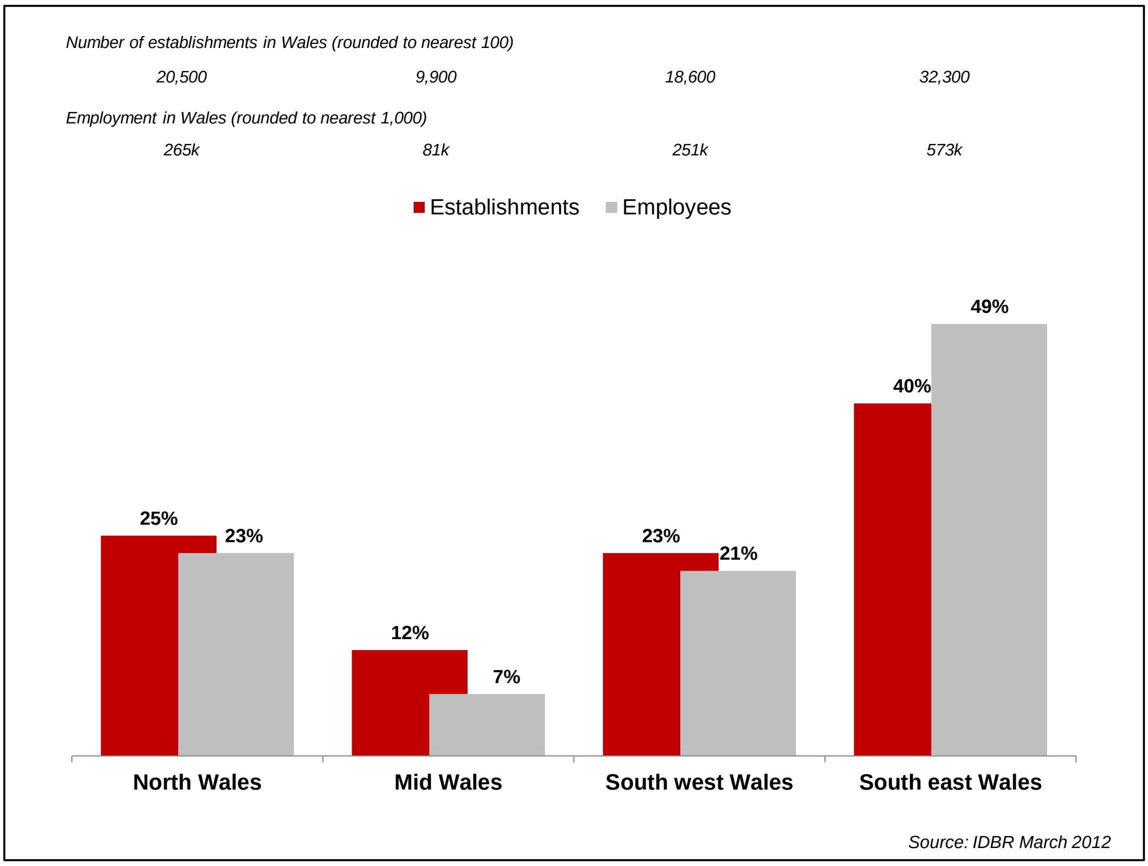
2.8 Most establishments in Wales (86 per cent) described themselves as operating in the commercial sphere, with small minorities operating in the public sector (six per cent) and in the voluntary / charity / third sector (eight per cent, labelled 'third sector' throughout the report). Establishments in the private sector account for almost three-quarters of total employment (73 per cent of employment), hence less than its share of all establishments. Conversely, establishments in the public sector are larger than average; though accounting for only six per cent of establishments in Wales they employ around a fifth (19 per cent) of the workforce. Third sector employers account for a similar share of employment as establishments (seven and eight per cent respectively).

Region

2.9 As shown in Figure 2.3, two-fifths of establishments (40 per cent) are based in south east Wales, and the region accounts for an even higher proportion of employment (49 per cent). Mid Wales is the smallest region with only 12 per cent of establishments and employing seven per cent of the workforce. North Wales and south west Wales are of similar size, each accounting for around a fifth to a quarter of both establishments and employees. All percentages shown on Figure 2.3 are within one percentage point of results reported in 2011.

2.10 Establishments in mid Wales are smaller than average: 66 per cent employ fewer than five staff (compared to 54 per cent across Wales as a whole, and just under half (49 per cent) in south east Wales).

Figure 2.3: Establishments and employment by Region (March 2012)



2.11 Similarly, there is some difference in the sector distribution of establishments between the different regions, as shown in Table 2.1. Mid Wales has a far higher proportion of Agriculture establishments, with over a third of establishments in this region falling into this sector (36 per cent), three times the proportion across Wales as a whole (12 per cent). Eight per cent of establishments in mid Wales fall within the Business services sector, roughly half the level found in south west Wales and south east Wales (15 and 17 per cent respectively).

Table 2.1: Sector distribution within Region

Sector	Wales	North Wales	Mid Wales	South west Wales	South east Wales
Total number of establishments	*81,300*	*20,500*	*9,900*	*18,600*	*32,300*
	%	%	%	%	%
Agriculture	12	11	36	14	4
Mining and Quarrying	*	*	*	*	*
Manufacturing	5	6	3	5	6
Electricity, Gas and Water	1	1	*	1	1
Construction	9	9	8	9	10
Wholesale and Retail	21	21	16	22	23
Hotels and Restaurants	10	12	9	10	9
Transport and Communications	5	5	3	5	6
Financial Services	2	1	1	2	3
Business Services	14	12	8	15	17
Public Administration	2	1	1	1	2
Education	3	4	3	3	4
Health and Social Work	8	9	7	7	9
Community, Social and Personal Services activities	7	8	5	7	7

Source: ONS IDBR March 2012

The structure of establishments

2.12 The size of an establishment is important in that it determines both the scale of the skills and employment challenges employers face and the ways in which they are able to respond to these challenges. However, an establishment can be part of a wider organisation, and hence the size of an establishment does not necessarily tell a complete story about, for example, its access to skills or other resources.

2.13 Just over a third of all establishments in Wales (35 per cent) report that they are part of a larger organisation, exactly the figure found UK wide. The larger the establishment the more likely they are to be part of a larger organisation: less than a quarter (23 per cent) of establishments with fewer than five staff, but almost three-quarters (71 per cent) of those with 100 or more staff were part of a larger organisation.

2.14 While around two-thirds of establishments in Wales were single site organisations (65 per cent), this was much higher among those in Agriculture (94 per cent) and Construction (90 per cent), and among those based in mid Wales (77 per cent). Small and Medium Sized Enterprises (SMEs) are those that employ fewer than 250 staff across the organisation as a whole (legal definitions also include aspects relating to turnover and balance sheet but for the purposes of the current survey just employment was considered). Across Wales as a whole, 83 per cent of private sector establishments were SMEs, this is exactly the ratio found across the UK as a whole. Nearly all those operating in Agriculture (99 per cent) and in Construction were SMEs (96 per cent). In contrast less than half of Finance establishments were SMEs (44 per cent).

3 Employers' experience of skill shortages

Chapter Summary

3.1 In line with the economic outlook of the UK, the survey supports a picture of an economy in Wales which is moving towards recovery. The number of employers reporting vacancies at the time of the survey (March to July 2013) was higher than at the equivalent time in 2011 (up from 12 per cent to 14 per cent), as was the number of vacancies that they reported (in 2011, the number of vacancies was equivalent to 1.9 per cent of the total workforce, rising to 2.2 per cent in 2013).

3.2 Economic growth and recovery may be constrained by skill shortages as the labour market responds to employer requirements. While in most cases demand for skills is met through successful recruitment, almost three in ten vacancies were reported to be hard to fill, and shortages in suitably skilled, qualified and/or experienced workers were the main reason for this. Overall, such skill-shortage vacancies represented a fifth of all vacancies (20 per cent), up from 18 per cent in 2011.

3.3 The frequency with which skill shortages are encountered when recruiting differs by occupation. Skilled Trades represented the most common occupation where skill shortages are likely to be encountered when employers recruit for these roles (in 2011 it was Machine Operatives). The pattern among other occupations has remained broadly the same as 2011, although there has been a heightened challenge regarding recruiting suitably skilled Caring, Leisure and Other services, Skilled Trades, and Administrative occupations.

3.4 Technical, practical and job-specific skills were those most commonly lacking among applicants. Core generic skills such as planning and organisation, oral communication, customer handling and problem solving skills were also commonly cited causes of skill-shortage vacancies. Nevertheless, there has been an increased difficulty finding appropriate written Welsh language skills and numeracy skills: these skills were cited as lacking by greater proportions of employers reporting skill-shortage vacancies than in 2011.

Introduction

3.5 The UK Commission's Employer Skills Survey 2013 provides a picture of the level and nature of employer demand for new staff and the ability of the labour market to meet such demand. This sets the context for then exploring imbalances and mismatches in the labour market that result from a lack of skills.

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

	Vacancies	Hard-to-fill vacancies	Skills-shortage vacancies
Incidence	The proportion of establishments reporting at least one vacancy	The proportion of establishments reporting at least one hard-to-fill vacancy	The proportion of establishments reporting at least one skill-shortage vacancy
Density	The number of vacancies per employee	Hard-to-fill vacancies as a proportion of all vacancies	Skill-shortage vacancies as a proportion of all vacancies

3.7 Following a brief analysis of vacancies, this chapter focuses specifically on **skill-shortage vacancies** (those vacancies that employers find difficult to fill specifically as a result of a lack of applicants in the labour market with the required skills, qualifications and/or experience). Of course, skill-shortage vacancies are just one cause of recruitment difficulties. Other causes can relate to the job itself (e.g. perceived poor rates of remuneration, unsociable hours etc.) and these are discussed at the end of the chapter. However, skill-shortage vacancies are of particular policy interest because the education and training system can clearly influence the supply of suitably skilled applicants. The chapter examines the incidence, volume and profile of skill-shortage vacancies, before exploring the specific skills that employers find lacking and the impact that this has.

Vacancies

3.8 Most employers had recent experience of recruitment. The latest version of the UK Commission's Employer Perspectives Survey (Shury et al., 2012) reported that around four in every ten (43 per cent) employers in Wales had at least one vacancy over the 12 months prior to the survey. However, at any one point in time, the majority of establishments were not looking to recruit new staff; 14 per cent of establishments in Wales had a current vacancy at the time of ESS2013 fieldwork (similar to the overall UK figure of 15 per cent).

3.9 Although most employers reported having no current vacancies, there has been a small but statistically significant increase in recruitment activity since the 2011 survey when 12 per cent of establishments in Wales reported having a vacancy.

3.10 In total, there were around 26,000 vacancies in Wales at the time of the survey (equivalent to 2.2 per cent of total employment). This is an increase of 14 per cent compared to 2011 when there were around 22,000 vacancies (equivalent to 1.9 per cent of total employment).

3.11 As shown in Table 3.1, evidence of a recovery in the labour market is particularly marked in north Wales and south west Wales, where both the incidence and density of vacancies have increased since 2011. Note that whilst the number of vacancies as a proportion of employment has decreased since 2011 in mid Wales – from 2.9 per cent in 2011 to 1.8 per cent in 2013 – this decrease is not statistically significant.

Table 3.1: Incidence and density of vacancies, by region (2011 vs. 2013)

	Unweighted base		**% of establishments with a vacancy (incidence)**		**Vacancies as a % of employment (density)**	
	2011	*2013*	**2011** %	**2013** %	**2011** %	**2013** %
UK	*86,522*	*91,279*	14	15	2.2	2.4
Wales	***5,958***	***5,996***	**12**	**14**	**1.9**	**2.2**
Region						
North Wales	*1,420*	*1,580*	11	14	1.6	2.4
Mid Wales	*788*	*717*	11	11	2.9	1.8
South west Wales	*1,376*	*1,299*	11	14	2.0	2.6
South east Wales	*2,374*	*2,400*	14	14	1.9	2.0
ESF Region						
West Wales and the Valleys	*3,696*	*3,634*	12	14	2.0	2.2
East Wales	*2,262*	*2,362*	13	13	1.8	2.2

Base: All establishments

Percentages in the final two columns are shown as a proportion of all employment.

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

3.12 There was substantial variation in the extent and pattern of recruitment activity by size of establishment and by sector. Whilst the proportion of establishments reporting vacancies increased with the size of establishment (from nine per cent among establishments with 2-4 employees to 51 per cent among employers with 100+ employees), the density of vacancies were larger among the smaller establishments. By sector, the proportion of establishments reporting vacancies ranged from four per cent in Agriculture to 32 per cent in Public Administration, while the density of vacancies ranges from 1.1 per cent of total employment in Manufacturing to 4.1 per cent in Community, Social & Personal Service Activities.

3.13 The survey also identifies the occupational groups and jobs where vacancies exist[4]. The occupational group with the highest level of demand was Associate Professionals (around 10 vacancies for every 100 people working in this role). Although also the one occupational group with the highest vacancy density in 2011, in that year the level of demand was much lower (when there was four vacancies for every 100 Associate Professional roles). This is also the occupation for which employers were most likely to report vacancies (17 per cent of employers with vacancies did so).

3.14 Tables A.3.1 and A.3.2 in Annex A provide a detailed breakdown of recruitment activity by region, size of establishment, sector and occupation.

Skill-shortage vacancies

3.15 Although recruitment activity has increased, the labour market typically is able to meet employer requirements with approaching three-quarters of vacancies across Wales (72 per cent) reported as not difficult to fill[5]. However, the majority of hard-to-fill vacancies are, at least in part, a result of a lack of skills, qualifications or experience amongst applicants (71 per cent)[6] and this is similar to – although significantly lower than the UK overall (77 per cent). The rest of this section explores these skill-shortage vacancies in more detail.

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[4] For a definition of occupational groups, see Appendix C.

[5] Of course very recent vacancies may not initially 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.

The incidence, volume and density of skill-shortage vacancies

3.16 For the vast majority of establishments, demand for skills is met through successful recruitment (or through their current workforce, as will be explored in the next chapter). Only four per cent of establishments in Wales reported having vacancies at the time of the survey that they were having difficulties filling due to a lack of skills, qualifications or experience in applicants for the role (this is in line with the four per cent reported for the UK overall).

3.17 While it is relatively uncommon for employers to report such skills shortages, this represents a small but significant increase from the three per cent reported in 2011. Moreover, the proportion of all vacancies that employers found hard to fill at least in part due to a shortage of skills, experience or qualifications in the labour market (often referred to as skill-shortage vacancy density) has increased from 18 per cent to 20 per cent. Results differed little by region, other than significantly fewer vacancies in north Wales being hard to fill at least in part due to skill shortages (14 per cent).

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

Table 3.2: Incidence and density of skill-shortage vacancies (SSVs) by region (2011 vs. 2013)

			% of establishments with an SSV (incidence)				**% of vacancies which are SSVs (density)**	
	Unwtd base		**2011**	**2013**	*Unwtd base*		**2011**	**2013**
	2011	*2013*	%	%	*2011*	*2013*	%	%
UK	*86,522*	*91,279*	3	4	*17,093*	*18,959*	16	22
Wales	***5,958***	***5,996***	**3**	**4**	***1,095***	***1,016***	**18**	**20**
Region								
North Wales	*1,420*	*1,580*	2	4	*245*	*294*	17	14
Mid Wales	*788*	*717*	4	3	*151*	*101*	32	21
South west Wales	*1,376*	*1,299*	4	4	*254*	*216*	16	20
South east Wales	*2,374*	*2,400*	3	4	*445*	*405*	16	23
ESF Region								
West Wales and the Valleys	*3,696*	*3,634*	3	4	*666*	*616*	16	20
East Wales	*2,262*	*2,362*	3	4	*429*	*400*	21	20

Base: Columns 1 and 2 all establishments; Columns 3 and 4 all establishments with vacancies

Percentages in Columns 3 and 4 are shown as a proportion of all vacancies.

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

3.19 Since 2011 the proportion of vacancies that were hard-to-fill due to a lack of skills, qualifications or experience in applicants has increased in south east Wales. Other regional differences seen in Table 3.2 are not statistically significant.

3.20 As in 2011, vacancies in smaller establishments were more likely to be hard-to-fill due to the difficulties in finding applicants with appropriate skills, qualifications or experience. Over a quarter (27 per cent) of all vacancies in establishments with fewer than five staff and three-in-ten of those with between 5-24 staff were hard-to-fill as a result of a lack of skills, qualifications or experience compared to 10 per cent amongst those with 50-99 staff and 12 per cent in the establishments with 100 or more employees.

3.21 By sector, the proportion of vacancies reported as hard-to-fill as a result of a lack of skills, qualifications or experience ranged from 11 per cent in Community, Social and Personal Service Activities to 30 per cent in Business Services. Most sectors have experienced an increase in skill-shortage vacancy density since 2011 with the increase most pronounced in Transport and Communications (from 21 per cent in 2011 to 29 per cent in 2013) and in Education (from five per cent in 2011 to 13 per cent in 2013). In the Manufacturing, Construction, Hotels and Restaurants, Transport and Communications, and Business Services sectors at least a fifth of all vacancies were skill-shortage vacancies in both 2011 and 2013, suggesting the presence of persistent skills issues.

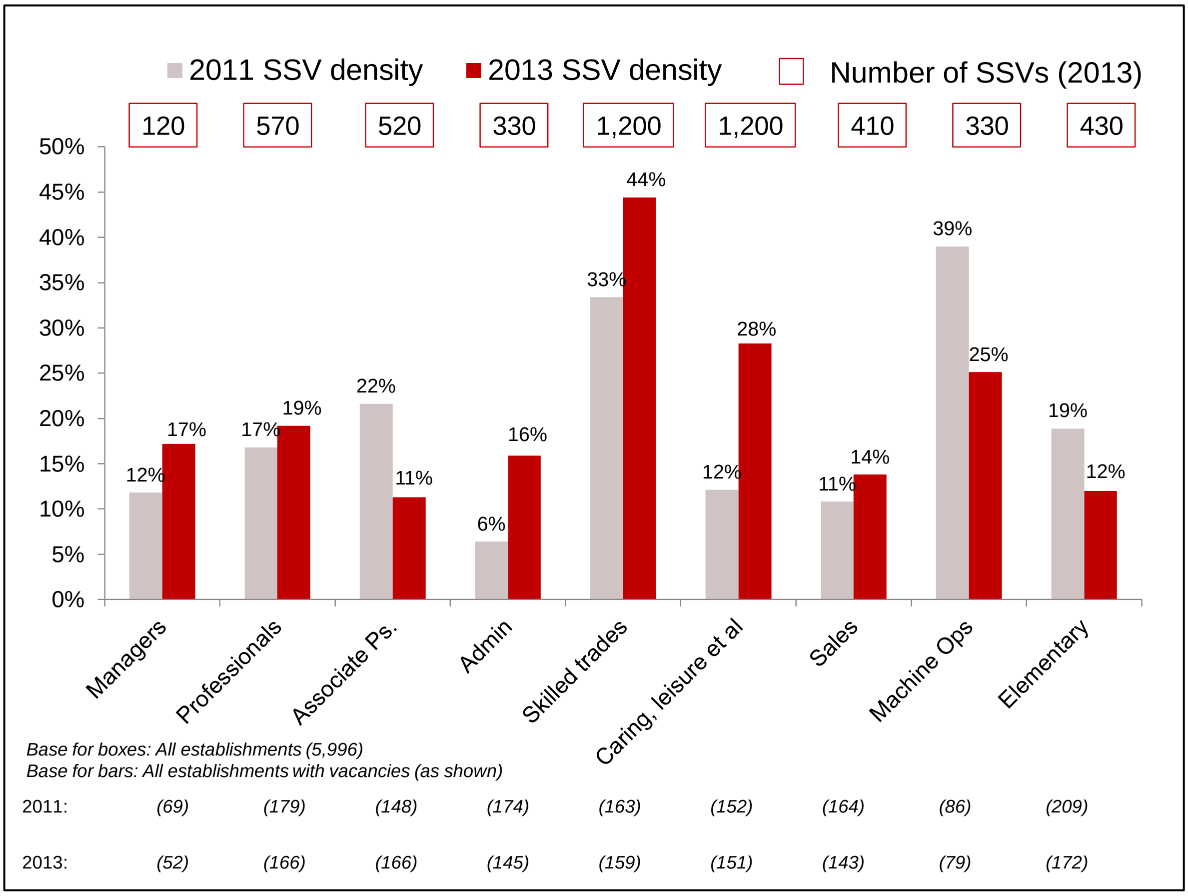
3.22 Two sectors bucked the general trend and reported reductions in their densities of skill-shortage vacancies: Construction (21 per cent, down from 29 per cent in 2011) and Community, Social and Personal Service Activities (11 per cent, down from 18 per cent in 2011).

3.23 Tables A.3.3 and A.3.4 in Annex A provide a detailed breakdown of skill-shortage vacancies by region, size and sector.

3.24 By occupation the number of skill-shortage vacancies was highest among Skilled Trades and Caring, Leisure and Other services (around 1,200 skill-shortage vacancies in each). In terms of density (i.e. the proportion of vacancies that were hard-to-fill due to a lack of skills, qualifications or experience in applicants), skill-shortage vacancies were highest among Skilled Trades (44 per cent). The density was also higher than average in Caring, Leisure and Other services (28 per cent, representing a considerable increase from the 12 per cent reported in 2011), and among Machine

Operatives (25 per cent, though this represents a decrease from the 39 per cent reported in 2011). In 2011 the density of skill-shortage vacancies was highest among Machine Operatives (39 per cent) and Skilled Trades (33 per cent).

Figure 3.1: Density and number of skill-shortage vacancies by occupation (2011 vs. 2013)



Skills lacking in the available labour market

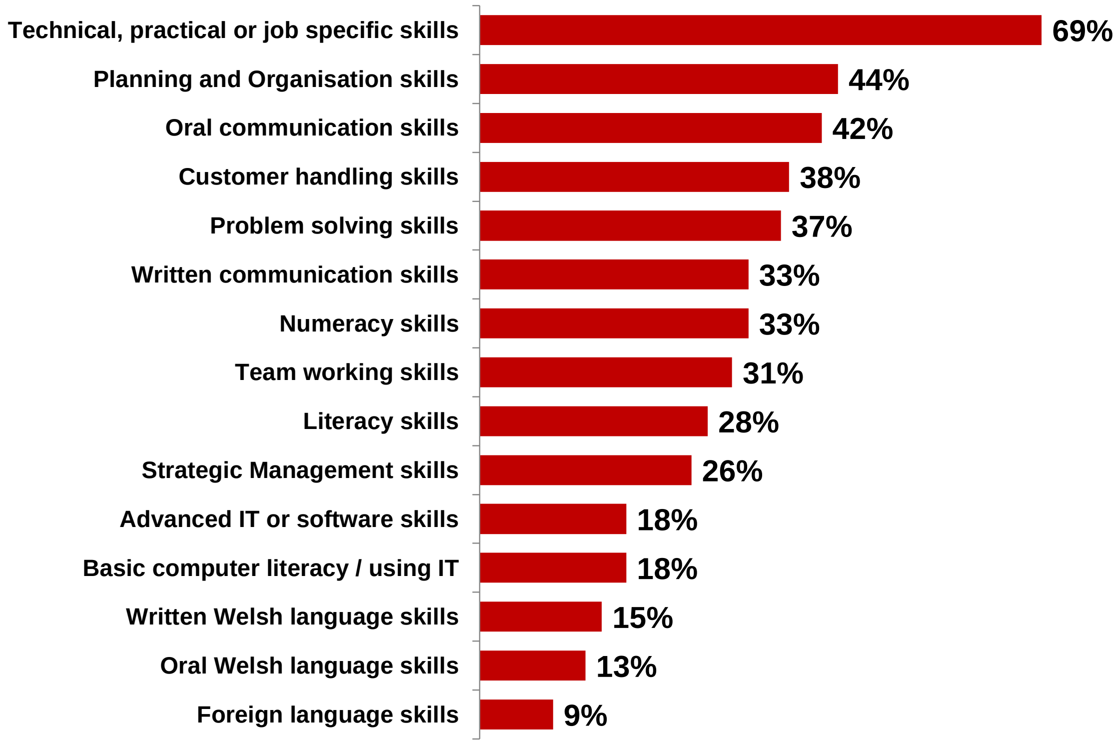
3.25 Employers who reported having vacancies that were difficult to fill because of skill-shortages were read a list of types of skills and asked, for each occupation in which they reported skill-shortage vacancies, which skills were lacking.

3.26 Around seven in ten (69 per cent) of all skill-shortage vacancies were ascribed to a lack of technical, practical or job-specific skills.

3.27 Generic or “softer” skills such as planning and organisation, oral communication, customer handling, problem solving, written communication and numeracy skills were each cited in connection with between one-third and around two-fifths of all skill-shortage vacancies.

3.28 Figure 3.2 shows results based on the total number of skill-shortage vacancies (as opposed to establishments with skill-shortage vacancies).

Figure 3.2: Skills lacking among applicants (prompted)



Base : All establishments with skills shortage vacancies - up to 6 occupations followed up (269)

3.29 Results are broadly similar to 2011 although there has been an increase in the proportion of skill-shortage vacancies resulting from a lack of written Welsh language skills (15 per cent, up from nine per cent in 2011) and numeracy skills (33 per cent, up from 26 per cent in 2011)[7].

The impact of skill-shortage vacancies on employers

3.30 Although skill-shortage vacancies are only reported by a small minority of employers (four per cent), for those that have them the impact can be significant. In total, 97 per cent of employers that had difficulty filling their

[7] There has also been a marked *decrease* in the proportion of skill-shortage vacancies attributed to a lack of technical, practical or job specific skills. However, it should be noted that in 2011 there were separate codes for "technical/practical skills" and "job-specific skills". The extent to which the combining of these into one single "technical, practical or job specific skills" code has impacted on this decrease is difficult to tell.

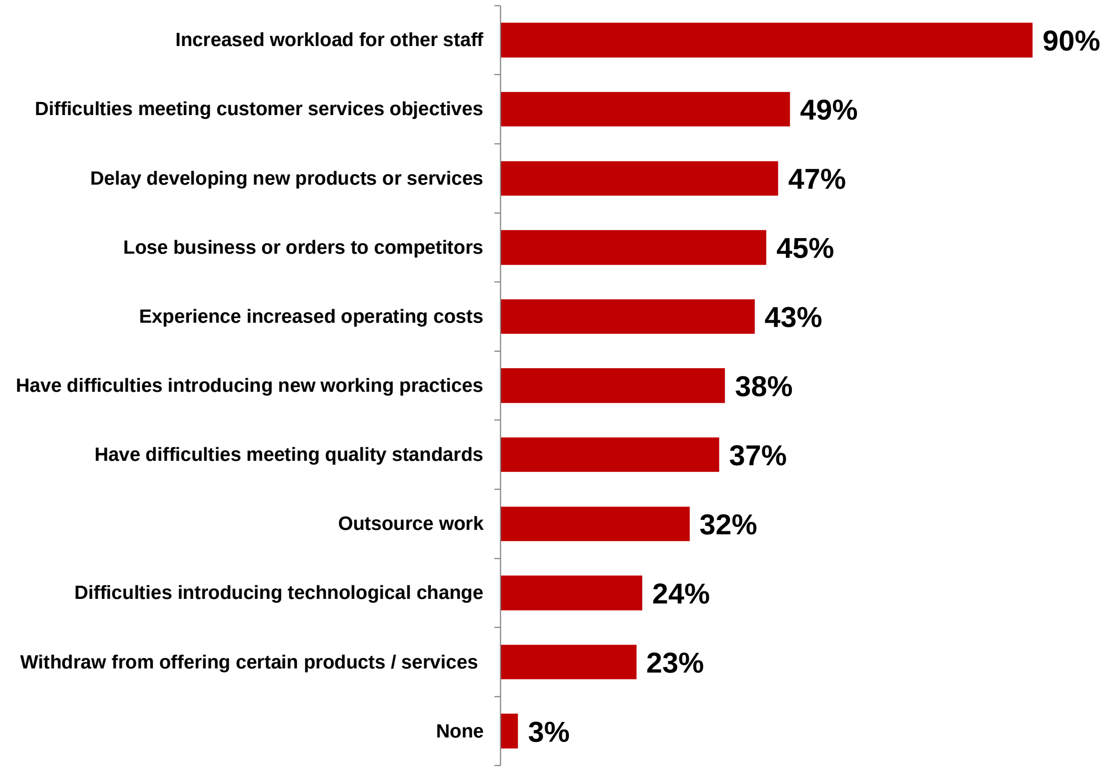
vacancies solely as a result of skill shortages[8] reported that these were having an impact on the establishment.

3.31 Most commonly the impact of skill-shortage vacancies was felt on other staff, with 90 per cent of these employers reporting that skill-shortage vacancies resulted in an increased workload for other staff (see Figure 3.3).

3.32 Approaching half of employers that had difficulty filling their vacancies solely as a result of skill shortages reported that they were having a more direct impact on the organisation in terms of causing difficulties in meeting customer service objectives (49 per cent), delays developing new products or services (47 per cent), a loss of business or orders to competitors (45 per cent) or increased operating costs (43 per cent).

3.33 The landscape has changed very little since 2011 in terms of the impact of skill-shortage vacancies and the relative prevalence of each of the impacts.

Figure 3.3: Impact of skill-shortage vacancies (prompted)



Base: All establishments where all hard-to-fill vacancies caused solely by skills related issues (253)

[8] The survey does not measure the impact of skill-shortage vacancies on employers specifically (i.e. it does not ask employers with skill-shortage vacancies what the impacts of these are on the establishment, only the impact of vacancies that are proving difficult to fill *as a whole*). However, we can 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, at least in part, by skills-related issues. Given the majority of establishments with hard-to-fill vacancies fall into this group (76 per cent) – in part reflecting that the majority have just a single vacancy that proved difficult to fill - this is a suitable sample from which we can gain a robust measurement.

Wider recruitment challenges and hard-to-fill vacancies

3.34 As discussed earlier, while recruitment difficulties are most commonly a result of skill shortages in the available labour market, employers can face other recruitment challenges and have difficulty filling their vacancies for non-skills-related reasons. These include a lack of applicants to the role, issues with the job role, terms, hours or location, or issues with applicants' attitude, personality or motivation. Often there can be a number of underlying factors and they can be inter-related (e.g. a lack of applicants as a result of the poor pay on offer).

3.35 The proportion of all vacancies that employers found hard-to-fill at least in part due to a shortage of skills in the labour market was 20 per cent, an increase from 18 per cent in 2011. This was not significantly different from the figure in the UK as a whole (22 per cent). A further eight per cent of vacancies in Wales have proved difficult to fill exclusively for reasons not related to skills, a decrease from 12 per cent reported in 2011.

3.36 Table A.3.5 in Annex A provides further detail by region, size of establishment and sector on the ratio of skill-shortage vacancies compared to vacancies that employers are having difficulty filling for entirely non-skills related reasons.

4 The Internal Skills Challenge

Chapter Summary

4.1 The majority of employers reported that they have a proficient workforce with no skills gaps. However 16 per cent had some staff who are not fully proficient, and these skills gaps account for six per cent of the overall workforce in Wales. Whilst the proportion of establishments affected by skills gaps has remained constant since 2011, the proportion of staff identified as having gaps has increased (from five per cent).

4.2 Skills gaps were particularly prevalent in north Wales, where eight per cent of employees were identified as lacking proficiency.

4.3 Skills gaps were more common among lower-skilled occupations, affecting nine per cent of staff working in Elementary occupations (up from six per cent in 2011). However there has also been an increase in skills gaps among those in Caring, Leisure and Other services occupations, from five per cent in 2011 to nine per cent in 2013.

4.4 Proficiency problems were commonly due at least in part to employees being new in their roles and/or still in training. These factors are both (predominantly) transient, and one would expect skills gaps resulting from these causes to be eliminated once staff have settled into their new roles and/or their training has been completed.

4.5 Employers tended to be challenged *either* in terms of having inadequate skills among some of their existing workforce *or* struggling to find new recruits with the skills that the vacant positions require. It is very rare for employers to be challenged from both directions; just one per cent of all employers experienced both skill-shortage vacancies and skills gaps. It is more common that employers are not fully utilising their workforces' skills. Half of employers in Wales (50 per cent) reported that they have staff who have both skills and qualifications beyond those needed for their job role, and 21 per cent of the workforce (rising to 35 per cent in north Wales) are reported as being over-skilled / having skills that are under-used.

4.6 Approaching three-quarters of employers (72 per cent) predicted that at least some of their employees will need to acquire new skills or knowledge over the next 12 months. The occupational groups most likely to be affected are Professional occupations and Caring, Leisure and Other services occupations, and the most common types of skills that are expected to need developing are job specific, technical and practical skills.

Introduction

4.7 In the previous chapter we looked at the extent to which employers are challenged in sourcing the skilled labour that they require, and the impact that shortages in the available labour market can have on business performance (either directly or through the knock-on impact on the existing workforce). In this chapter we look at skills challenges from an internal perspective, identifying and describing workplaces and job roles within which there is a mismatch. A ‘skills mismatch’ can occur as a result of either under- or over-skilling: some employees lack the skills required to be fully proficient in their job roles (a “skills gap”), whereas others do not fully utilise their existing skill set. The former may hinder establishments’ ability to function efficiently, which in turn may then impact negatively on productivity; the latter suggests a potential ‘missed opportunity’ for the employer to get the most out of their staff.

4.8 The chapter focuses predominantly on skills gaps, that is, where employees are regarded as lacking the requisite skills for their current job roles. It explores the prevalence, volume, profile and causes of such skills gaps, before considering the specific skills that employers report as lacking, the impact of these skills deficiencies and the actions taken in an attempt to overcome them.

4.9 The chapter then turns to the prevalence of skills under-use in the workplace.

4.10 Finally, the chapter explores the extent to which employers anticipate that staff will need to acquire new skills, the reasons underlying these upskilling needs, and the occupations where the need to upskill are likely to be most acutely felt.

4.11 The main measures used in this chapter are as follows:

	Skills gaps	Under-use of skills	Upskilling
Incidence	The proportion of establishments reporting employees not being fully proficient	The proportion of establishments reporting over-qualified and over-skilled staff	The proportion of establishments anticipating staff needing to acquire new skills or knowledge over the coming year
Density	Skills gaps as a proportion of employment	Proportion of staff reported as being over-qualified and over-skilled	

The prevalence of skills gaps

4.12 The vast majority of establishments in Wales (84 per cent) did not report having any skills gaps, and considered their entire workforce to be fully proficient. The remaining 16 per cent reported having at least one member of staff who is *not* fully proficient – these establishments are said to be experiencing "skills gaps". In total 67,400 employees in Wales are deemed not to be fully proficient, equal to six per cent of the workforce. These figures are similar to those seen in the UK as a whole, where 15 per cent of establishments report that five per cent of the workforce have skills gaps.

4.13 Whilst the number of establishments affected by skills gaps has remained constant since 2011 at 16 per cent, the proportion of employees with skills gaps has increased, from five per cent to six per cent. This is an increase of 13,500 workers who do not have the required skills to do their job.

4.14 The prevalence of skills gaps varies across Wales. Skills gaps were most frequently seen in north Wales, where 17 per cent of establishments and eight per cent of the workforce had skills gaps. Establishments in mid Wales, however, were less likely to report having staff who were not fully proficient, with 12 per cent of establishments and five per cent of the workforce affected. Table 4.1 shows the variation by region.

Table 4.1: Incidence, number and density of skills gaps by region (2011 vs. 2013)

Row percentages	*Unwtd. base 2011*	*Unwtd. base 2013*	**% of establishments with any skills gap** 2011	**2013**	**Number of staff not fully proficient (skills gaps)** 2011	**2013**	**Number of staff with a skills gap as a percentage of employment** 2011	**2013**
UK	*86,522*	*91,279*	17	15	1,485,500	1,409,900	5.5	5.2
Wales	***5,958***	***5,996***	**16**	**16**	**53,900**	**67,400**	**4.6**	**5.8**
Region								
North Wales	*1,420*	*1,580*	15	17	12,900	20,100	5.0	7.6
Mid Wales	*788*	*717*	13	12	4,800	4,100	6.1	5.1
South west Wales	*1,376*	*1,299*	14	15	10,500	12,600	4.2	5.0
South east Wales	*2,374*	*2,400*	18	17	25,700	30,500	4.5	5.3
ESF Region								
West Wales and the Valleys	*3,696*	*3,634*	15	16	31,600	47,100	4.6	6.3
East Wales	*2,262*	*2,362*	17	16	22,300	20,300	4.7	4.9

Base: All establishments
Percentages results in the final two columns are based on all employment, rather than all establishments; figures therefore show the number of skills gaps as a proportion of all employment in Wales and within each region.
Note: The number of employees not fully proficient has been rounded to the nearest 100.

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

4.15 Larger employers were far more likely to experience skills gaps than smaller ones (from eight per cent of those with 2-4 employees to 46 per cent of those with 100 or more employees). Larger employers were also more likely to have a higher proportion of staff who are not proficient; three per cent of employees working for establishments with 2-4 staff were not deemed to be fully proficient compared to seven per cent of staff working at establishments with 100 or more staff. This is contrary to patterns seen at the UK level, where the proportion of staff with skills gaps was broadly consistent across the size bands.

4.16 Establishments in the Public Administration sector were most likely to report having skills gaps (25 per cent), however the actual proportion of staff in this sector with skills gaps was far lower than the average at two per cent.

4.17 The Manufacturing sector stands out as having particularly high levels of skills gaps – over a fifth (21 per cent) of establishments reported having staff that were not fully proficient, and overall 10 per cent of staff working in Manufacturing were deemed to lack proficiency. Whilst the incidence of skills gaps has remained similar (in 2011 20 per cent of Manufacturing establishments reported gaps), the proportion of staff with skills gaps is far higher than in 2011 (six per cent of staff were not proficient).

4.18 Table A.4.1 in Annex A provides a detailed breakdown of the incidence, number and density of skills gaps by size of establishment and sector.

The occupational distribution of skills gaps

4.19 As seen in 2011, skills gaps were most common among people working in what are traditionally described as unskilled or semi-skilled occupations such as Elementary staff, where nine per cent of workers were not fully proficient in their roles (up from six per cent in 2011). There has also been a rise in the proportion of Caring, Leisure and Other services staff with skills gaps, from five per cent in 2011 to nine per cent in 2013.

4.20 Those in the most highly skilled occupations, namely Managers and Professionals, were the least likely to be described as having skills gaps (each at three per cent), which mirrors the findings seen in 2011.

Table 4.2: Number and density of skills gaps by occupation (2011 vs. 2013)

			Number of staff not fully proficient (skills gaps)		% of staff reported as having skills gaps	
			2011	2013	2011	2013
Row percentages	*Unwtd base 2011*	*Unwtd base 2013*			%	%
Wales	*5,958*	*5,996*	53,900	67,400	4.6	5.8
Occupation						
Managers	*5,658*	*5,692*	4,900	5,900	2.5	2.7
Professionals	*1,161*	*1,005*	2,300	3,700	1.8	2.8
Associate Professionals	*773*	*671*	2,700	1,600	4.1	3.5
Administrative and Clerical	*3,486*	*3,061*	6,100	6,700	4.0	4.8
Skilled Trades	*1,548*	*1,581*	6,400	5,100	5.8	6.1
Caring, Leisure and Other services	*969*	*831*	6,200	13,300	5.2	8.8
Sales and Customer Service	*1,614*	*1,587*	8,200	9,300	6.2	6.9
Machine Operatives	*950*	*855*	6,700	7,200	7.3	7.2
Elementary occupations	*2,238*	*1,953*	10,400	14,600	6.3	9.0

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.

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

4.21 Table A.4.2 in Annex A provides detailed breakdowns of skills gap density by occupation *within* region.

The causes of skills gaps

4.22 Approaching two thirds (63 per cent) of skills gaps were caused by an individual being new to their role, for example when they have recently started the job or have been promoted. This is much higher than it was in 2011, when it was cited as a contributing factor in just over half (54 per cent) of skills gaps, suggesting that the rise in skills gaps can be attributed in part to changing recruitment patterns in Wales: the previous chapter highlighted the increase in vacancies since 2011. Indeed, just over a third (35 per cent) of skills gaps were at least in part attributed to not being able to recruit staff with the required skills (up from 23 per cent in 2011).

4.23 Such skills gaps tended to be transient in nature, that is to say you would expect skills gaps resulting from this reason to be eliminated once staff have settled into their new roles. Similarly a skills gap may be considered transient in nature if the cause is that initial training has not been completed, as once the training is completed the skills gap will (hopefully) be eliminated. Around half (47 per cent) of skills gaps were at least partially attributed to this cause. In all, almost three-quarters (74 per cent) of skills gaps were attributed at least partially to these transient issues[9].

4.24 Two other factors relating to training, namely training proving ineffective and staff not receiving the appropriate training, were also relatively common causes, explaining at least in part 47 per cent and 27 per cent of skills gaps respectively.

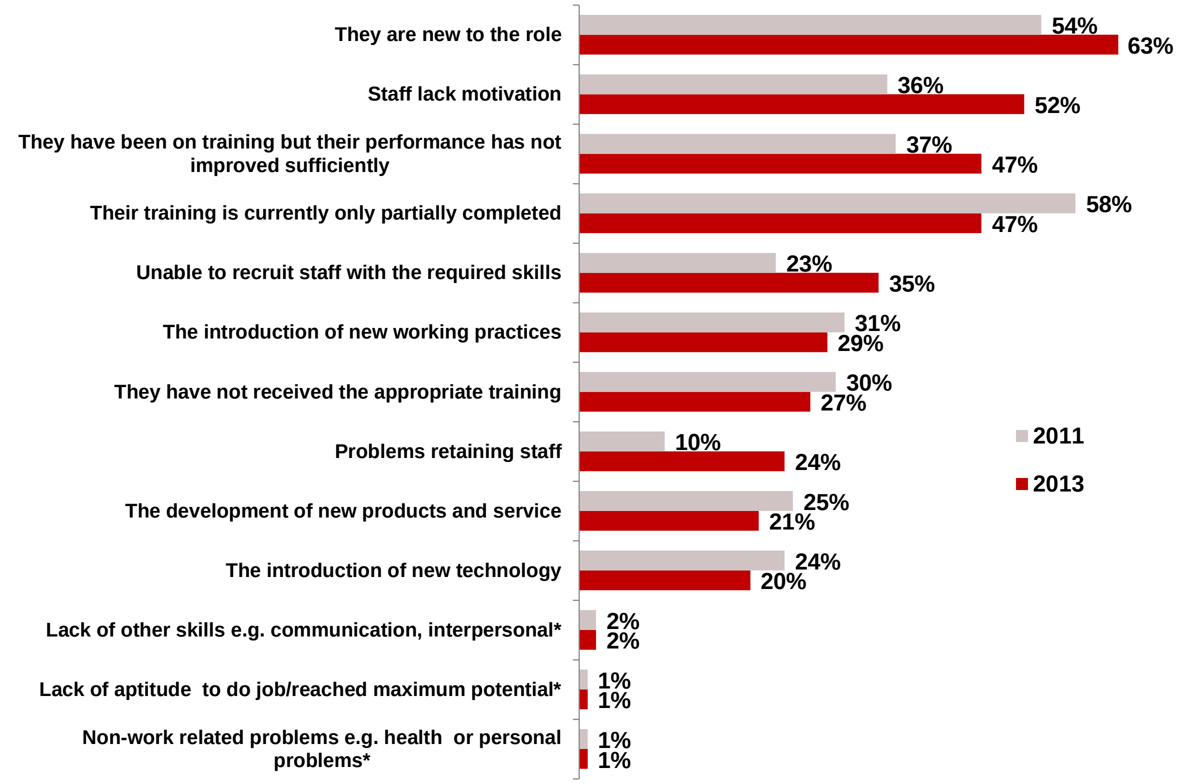
4.25 A perceived lack of staff motivation was another commonly cited issue, named as a factor in just over half (52 per cent) of skills gaps, a significant increase from just over a third (36 per cent) in 2011.

4.26 The main causes of staff not being fully proficient are presented in Figure 4.1. The figures show what proportions of skills gaps are caused by the various factors reported by employers. Respondents could give more than one cause for skills gaps within each occupation.

4.27 Table A.4.3 in Annex A shows the causes of skills gaps broken down by occupation.

[9] It should be noted that employers were able to give multiple responses to this question. As such, although 74 per cent of skills gaps were *at least in part* due to transient issues, this does not imply that just 26 per cent relate to longer-term issues.

Figure 4.1: Main causes of skills gaps (prompted, unless asterisked)



Percentages are shown as a proportion of all skills gaps; up to two skills gaps followed up per respondent
Base: All establishments with skills gaps (2011: 1,354; 2013: 1,219)
Note that 2011 figures may differ from the 2011 report due to reweighting.

Skills lacking internally

4.28 Employers reporting skills gaps were read a list of types of skills and asked, for each occupation where they reported that some staff lacked full proficiency, which skills were lacking. Figure 4.2 shows results based on the total number of skills gaps (as opposed to establishments).

4.29 The most common skills reported to be lacking among staff were planning and organisational skills, cited as an issue in 57 per cent of all skills gaps. This was particularly the case in the Financial Services sector (86 per cent of gaps involved a lack of proficiency in these skills) and the Education sector (81 per cent).

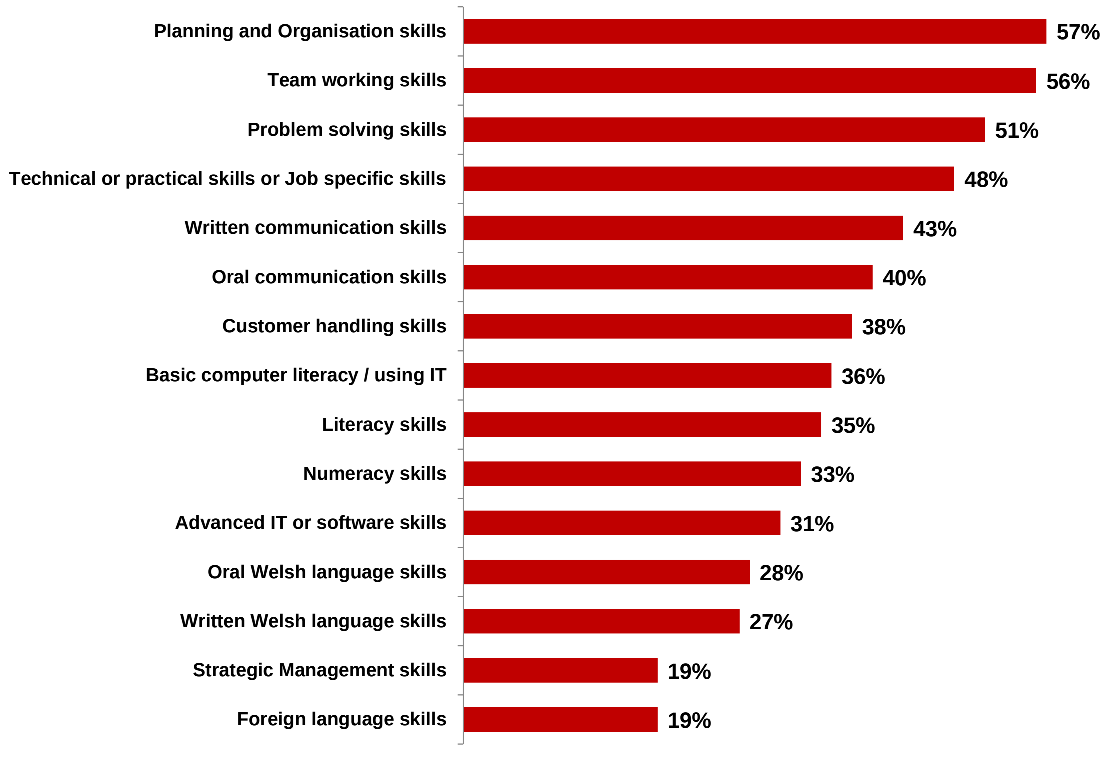
4.30 Team working skills were also lacking in over half of staff with skills gaps (56 per cent), particularly in the Manufacturing and Health and Social work sectors (74 per cent of skills gaps in both).

4.31 Oral and written Welsh Language skills were an issue in just over a quarter of all skills gaps (28 per cent and 27 per cent respectively). This was particularly the case in north Wales (48 and 50 per cent respectively) and mid Wales (45 per cent for each); but less so in south west Wales (21 per cent for each) and south east Wales (11 per cent for each).

4.32 The hierarchy of skills lacking is similar to that seen in 2011 with the exception of technical, practical or job-specific skills. In 2011 these were asked as separate entities (technical and practical skills, job specific skills) and so we cannot compare the results directly. The proportion of skills gaps caused by a lack of Welsh language skills (written (27 per cent) and oral (28 per cent)) has increased since 2011 (where they were 12 per cent and 13 per cent respectively) due to more large employers citing this as a reason for larger numbers of staff than in 2011. As a result, the overall number of employers reporting Welsh language skills as an issue has actually remained relatively stable between the two surveys (15 per cent for each in 2011, 17 per cent for each in 2013), but the number of staff they report this affects has increased.

4.33 Table A.4.4 in Annex A shows the breakdown of skills lacking by occupation.

Figure 4.2: Skills lacking among staff with skills gaps followed up (prompted)



Percentages are shown as a proportion of all skills gaps; up to two skills gaps followed up per respondent
Base: All establishments with skills gaps (1,219)

The impact of skills gaps

4.34 Just over a third of employers with skills gaps (36 per cent) reported these as having no tangible impact on the establishment's performance. However, almost two-thirds (64 per cent) said they either have a *major* impact on performance (15 per cent) or a *minor* impact (50 per cent)[10]. These figures are in line with 2011, when overall 63 per cent of employers with skills gaps reported these impacting upon performance. The 2013 results equate to 10 per cent of *all* employers having skills gaps at the time of the interview which were negatively affecting their business performance.

4.35 These findings are in line with the figures seen in the UK as a whole, where 63 per cent of all establishments with skills gaps were negatively affected.

4.36 The most common impact of skills gaps was to increase the workload for other staff; over half of employers with skills gaps report this is an issue for them (54 per cent).

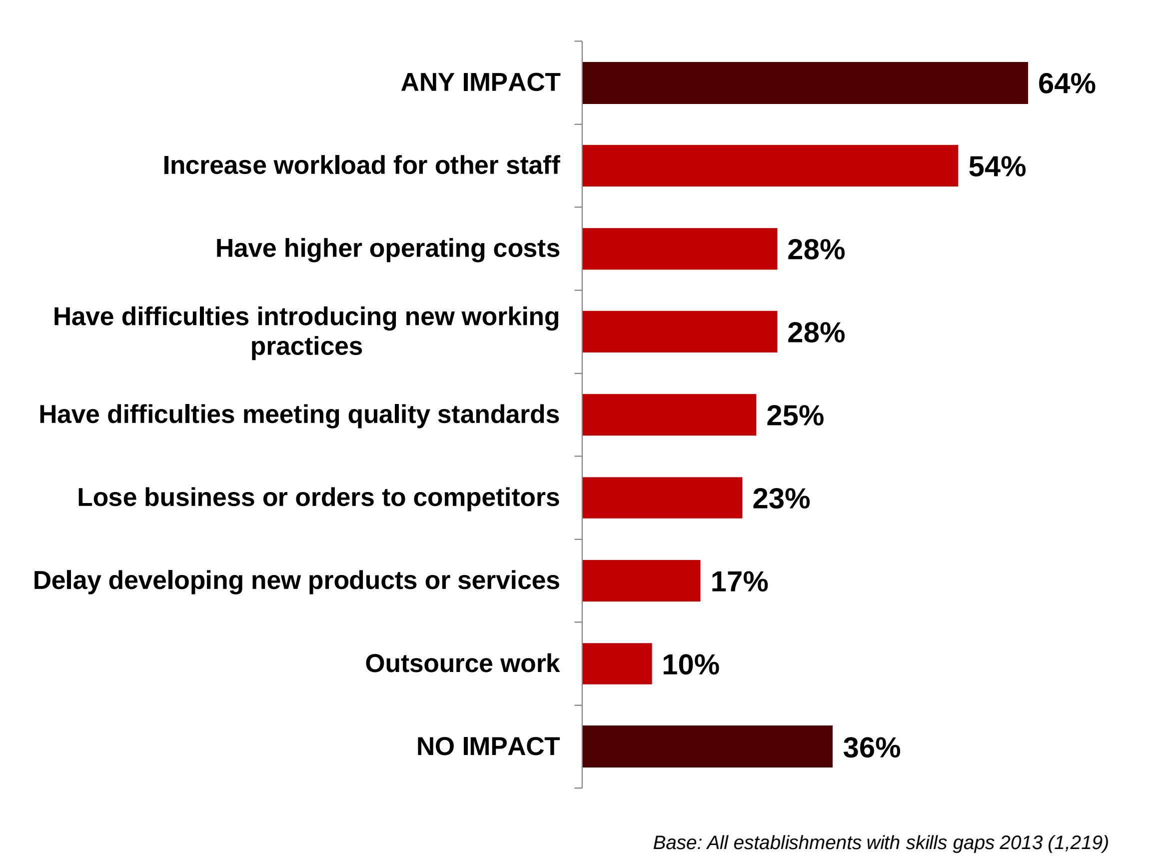
4.37 There is also evidence that skills gaps are impacting on employers' ability to run efficiently and profitably: over a quarter (28 per cent) of employers with skills gaps reported that they were causing difficulties in introducing new working practices and the same proportion (28 per cent) said they were causing the establishment to have higher operating costs (for example, bringing in temporary staff to cover workloads or having to pay for extra training). Almost a quarter (23 per cent) were losing business or orders to competitors – this rises to almost two-fifths (39 per cent) among employers with fewer than five staff that have skill gaps.

4.38 For a quarter the skills gaps were having a direct impact on the service they were able to offer their customers – 25 per cent said they were having difficulties meeting quality standards. Around one in six (17 per cent) indicated that they were having to delay developing new products and services as a result of their skills gaps.

4.39 There were no significant differences in the impact of skills gaps by region or by sector.

[10] Due to rounding the percentages for the individual codes (major and minor impact) will not add to the summary code

Figure 4.3: Impact of skills gaps (prompted)



Employer response to skills gaps

4.40 The majority of employers (86 per cent) who identified skills gaps among their workforce had taken measures to improve the proficiency of these employees, with a further five per cent planning to do so in the future. The remaining nine per cent had taken no action and had no plans in place to tackle these issues. These figures are in line with findings in the UK as a whole.

4.41 Encouragingly, since 2011, there has been a marked rise in the proportion of employers with skills gaps that have taken action to tackle the issue (86 per cent in 2013 in contrast to 76 per cent in 2011).

4.42 Most commonly the action involved either increasing the amount of training employers provide or increasing the amount they spend on training (65 per cent). This is similar to levels seen in 2011, however there has been a marked increase since 2011 in the proportion using more “one-to-one” techniques to improve proficiency of their employees. This includes more supervision of staff (61 per cent of those with skills gaps, compared to 49 per cent in 2011), increasing staff appraisals or performance reviews (49 per cent compared to 40 per cent in 2011) or implementing a mentoring scheme (49 per cent compared to 39 per cent in 2011). These techniques may be relatively lowcost, as they utilise the skills and experience of existing staff to oversee and assist those lacking the skills they need.

4.43 Tied in to the finding that skills gaps impacted on the workload of other staff, almost two-fifths (39 per cent) of employers with skills gaps said they dealt with these by reallocating work to other staff.

Figure 4.4: Actions taken to overcome skills gaps (prompted)

Base: All establishments with skills gaps (2011: 1,354; 2013: 1,219)

4.44 Table A.4.5 in Annex A provides a breakdown of actions taken to tackle skills gaps by region.

Skills deficiencies among existing staff and when recruiting

4.45 The previous chapter examined skill shortages encountered when recruiting and this one has explored skills gaps among the existing workforce.

4.46 The reality of the labour market is that there may be a good deal of 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.

4.47 Overall, 18 per cent of establishments were suffering from *either* form of skills deficiency (the same proportion as in 2011), including one per cent suffering from *both* (also unchanged from 2011). As previously, establishments that experience both are more likely to be larger and reporting a larger number of vacancies. This is in line with findings across the UK as a whole.

4.48 Patterns by size, sector and region are driven by the prevalence of skills gaps, as these are far larger than the proportion affected by SSVs. It is worth noting however that employers in mid Wales were less likely to experience either type of skills deficiency (14 per cent), and that sector Public Admin employers were most likely to experience either (28 per cent).

4.49 Table A.4.6 in Annex A details the proportion of employers who reported having either a skill-shortage vacancy or skills gaps amongst their present workforce.

Under-use of skills

4.50 As well as shortages of skills in the available labour market and/or among the existing workforce, employers can experience a skills imbalance when the skills held by individuals are not fully deployed in the workplace. We refer to this in this report as 'under-use of skills' (though the phenomenon is sometimes referred to elsewhere as 'over-skilling', 'over-qualification' and/or 'under-employment'). In UKCESS 2013, 'under-use of skills' was measured by asking employers[11] how many staff, if any, had *both* qualifications *and* skills that are more advanced than required for their current job role.[12]

4.51 Half of all establishments in Wales (50 per cent) reported having some employees with *both* qualifications *and* skills that are more advanced than required for their current job role. In volume terms, 241,500 workers or 21 per cent of the workforce had under-utilised skills. That is to say, the under-use of skills affects a considerably larger proportion of employers and of the workforce than skills deficiencies do.

4.52 These findings are slightly (though statistically significantly) higher than those seen across the UK as a whole, where 48 per cent of establishments reported under-utilised staff, accounting for 16 per cent of the workforce.

[11] For the 2013 study, this was a modular question and was only asked to half of the survey sample.

[12] Caution should be exercised when drawing conclusions from this question. The research cannot determine why a person is in a job that they are over-qualified and over-skilled for – for example this may be for reasons of convenience due to personal circumstances and the person may be content with this – and cannot split those over-skilled from those over-qualified.

4.53 As Table 4.3 illustrates, levels of under-use of skills in Wales in 2013 represent an increase compared with 2011, when 45 per cent of establishments reported skills under-use and there were 157,000 workers with *both* qualifications *and* skills at a more advanced level than demanded by their job role (13 per cent of the workforce).

4.54 The proportion of staff reported as over-qualified and over-skilled was higher in north Wales (35 per cent) than mid Wales (13 per cent) or south east Wales (14 per cent). Looking at ESF region the proportion was higher in West Wales and the Valleys (22 per cent) than East Wales (18 per cent).

Table 4.3: Incidence, number and density of staff who are both over-qualified and over-skilled by region (2011 vs. 2013)

			% of establishments reporting skills under-use		**Number and % of staff reported as being over-qualified and over-skilled**			
Row percentages	*Unwtd base 2011*	*Unwtd base 2013*	**2011**	**2013**	**2011**		**2013**	
			%	%		%		%
UK	*86,522*	*45,644*	48	48	4,168,300	15	4,282,800	16
Wales	***5,946***	***3,026***	**45**	**50**	157,000	**13**	241,500	**21**
Region								
North Wales	*1,415*	*795*	40	52	34,400	13	92,700	35
Mid Wales	*787*	*360*	42	48	12,600	16	10,700	13
South west Wales	*1,373*	*630*	50	47	34,200	14	56,200	22
South east Wales	*2,371*	*1,241*	46	50	75,800	13	81,900	14
ESF Region								
West Wales and the Valleys	*3,689*	*1,818*	45	49	94,600	14	167,800	22
East Wales	*2,257*	*1,208*	44	50	62,300	13	73,600	18

Base: 2011 all establishments; 2013 all establishments in Module 2
Columns three and four are shown as a percentage of all employment, based on the responses given by all establishments.

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

4.55 Reflecting patterns witnessed in 2011, the incidence of skills under-use is broadly consistent by establishment size. However, the proportion of staff described as being over-qualified and over-skilled was considerably higher amongst smaller establishments, notably those with 2-4 employees, where over a quarter (29 per cent) of staff are considered over-skilled and over-qualified. This is likely to reflect the more ‘hands-on’ roles that many senior staff take on in smaller establishments and fewer formal opportunities for progression and promotion, as well as a greater awareness of qualifications and skills levels in establishments with fewer staff. The proportion of establishments in north Wales with staff classified as overqualified increased significantly from 13 per cent in 2011 to 35 per cent in 2013.

4.56 Table A.4.7 in Annex A provides a detailed breakdown of the incidence, number and density of staff who are both over-qualified and over-skilled by size of establishment and by sector.

Upskilling

4.57 Upskilling refers to the situation where employers anticipate that staff will need to acquire *new* skills over the coming year, as a result of a variety of internal and external factors.

4.58 Note, these questions were part of a modularised section of the questionnaire asked of half the overall sample.

The prevalence of upskilling needs

4.59 Just over seven in ten employers (72 per cent) expected that at least some of their staff will need to acquire new skills or knowledge over the next twelve months. This is in line with the figure for the UK as a whole (71 per cent).

4.60 Although in some cases this is likely to reflect a dynamic environment of fast-changing skills needs (i.e. while current skill levels may be sufficient, over the next 12 months these skills will become outdated), it is often likely to reflect that, for many employers, staff that they classify as proficient still have plenty of scope to add to their skill set. Whilst those employers with skills gaps were more likely than average to anticipate a need for upskilling staff (84 per cent), the majority (70 per cent) of employers whose staff are all considered fully proficient still anticipate a need to increase these skills over the coming 12 months.

4.61 The larger the establishment the more likely they were to anticipate an upskilling need over the next 12 months, rising from two-thirds (66 per cent) of those with fewer than five staff to nearly all (94 per cent) of those with at least 100 employees.

4.62 Around a half of all employers reported a need to upskill because of new legislative or regulatory requirements (51 per cent). This was particularly the case among establishments in Public Administration (73 per cent), Business Services (64 per cent), Education (63 per cent) and Financial Services (61 per cent).

4.63 Other common reasons for employees to require new skills included the introduction of new technologies/equipment (46 per cent), the introduction of new working practices (45 per cent) and/or the development of new products and services (45 per cent). Approaching a third also felt that the need to upskill would arise as a result of increased competitive pressure (31 per cent).

4.64 As illustrated in Table 4.4, there were relatively few differences by region, though employers in mid Wales were less likely to require upskilling as a result of new developments in technology, working practices or new products and services.

Table 4.4: Whether expect employees will need to acquire new skills or knowledge in the next 12 months, and the reasons for this by region (prompted)

	UK	Wales	North Wales	Mid Wales	South west Wales	South east Wales	West Wales & the Valleys	East Wales
Base:	*45,644*	*3,026*	*795*	*360*	*630*	*1,241*	*1,818*	*1,208*
	%	%	%	%	%	%	%	%
Expect employees to need to acquire new skills / knowledge	71	**72**	74	68	73	72	73	71
New legislative or regulatory requirements	46	**51**	54	47	52	49	51	50
The introduction of new technologies or equipment	44	**46**	47	38	47	47	47	44
The introduction of new working practices	42	**45**	47	37	46	46	45	45
The development of new products and services	43	**45**	44	38	46	46	45	44
Increased competitive pressure	31	**31**	32	27	31	31	29	33

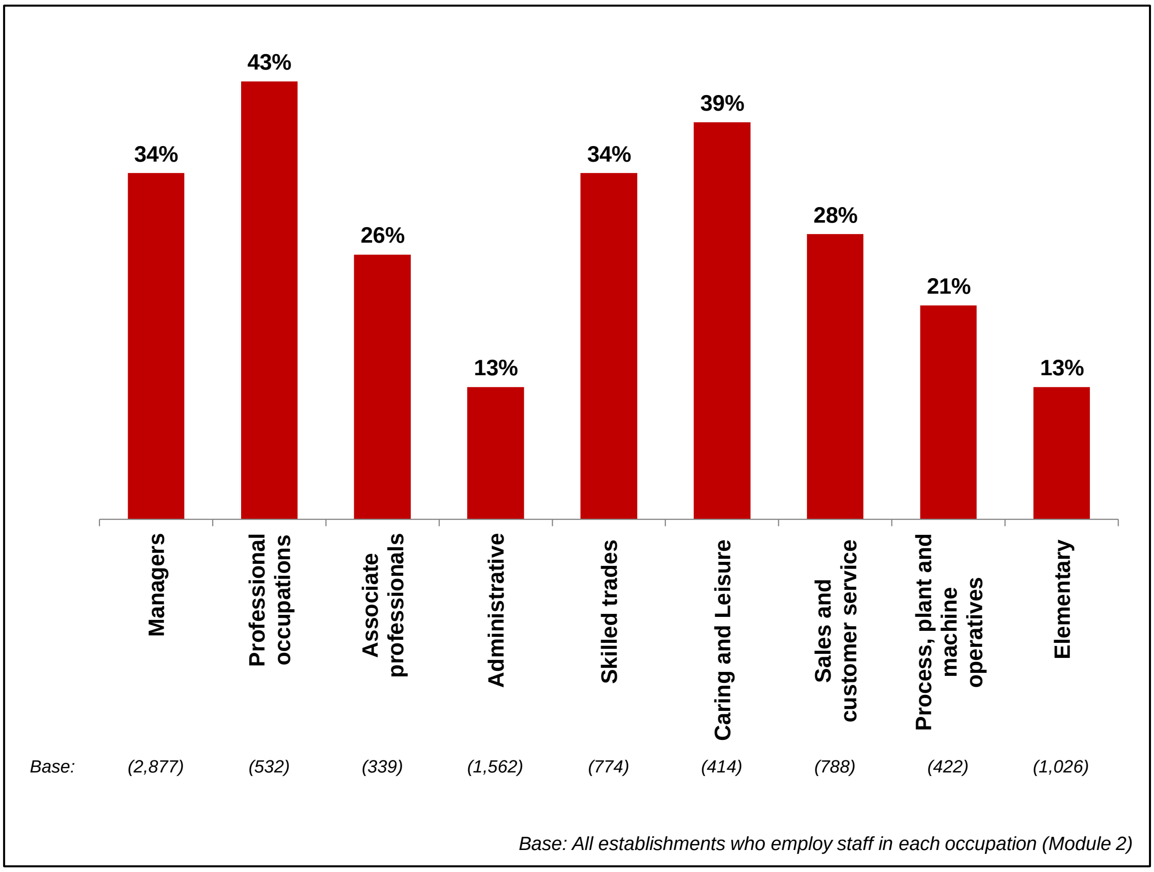
Base: All establishments in Module 2

Occupations most affected by the need for upskilling

4.65 Employers anticipating the need for staff to acquire new skills or knowledge were asked which single occupation would be most affected. Among those that employed each occupation, it was Professional occupations that were most commonly affected by the need for upskilling: over four in ten establishments that employ staff in these occupations (43 per cent) anticipate Professionals being their priority in terms of the need to acquire new skills in the next 12 months. A similar proportion (39 per cent) anticipated that their Caring, Leisure and Other services staff are their priority for acquiring new skills.

4.66 In contrast, just 13 per cent of establishments employing Administrative and Clerical staff and Elementary staff foresaw a priority need for these staff to acquire new skills or knowledge in the coming year.

Figure 4.5: Single occupation most affected by the need for upskilling among those employing each occupational group



Note figures add to more than 100 per cent because many employers only employ staff in a small number of occupational groups (if all employers had staff in all nine groups and all had upskilling needs, then results would add to 100 per cent).

Upskilling: skills that need improving or updating

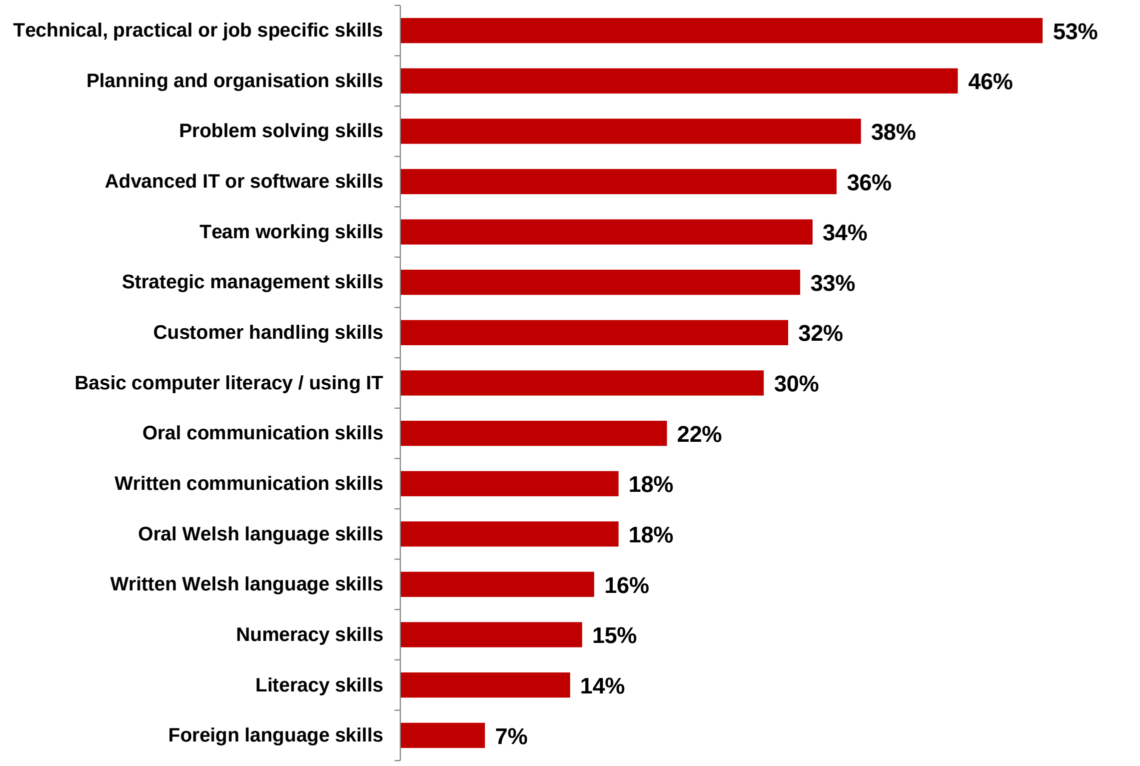
4.67 Across all occupational groups, the skills that were most likely to need improving or updating within the single occupation most affected by the need to acquire new skills or knowledge were technical, practical and job-specific skills: this was identified by just over half (53 per cent) of employers who said that they needed to upskill over the next 12 months.

4.68 Planning and organisation skills were reported by almost half (46 per cent) of employers needing to upskill staff over the coming year – it is worth noting these were the skills most commonly lacking in the workforce currently. A number of other skill areas were then mentioned by around a third of those needing to upskill: problem solving skills (38 per cent), advanced IT skills (36 per cent), team working skills (34 per cent), strategic management skills (33 per cent), customer handling skills (32 per cent), and basic computer literacy (30 per cent).

4.69 Welsh language skills (written and oral) were mentioned as a skill needing updating or improving within the single occupation most affected by the need to acquire new skills or knowledge for approaching a fifth of establishments identifying upskilling needs (16 per cent for written, 18 per cent for oral). This was particularly the case in north Wales: around a quarter identified each as a priority for development (24 per cent for written skills and 27 per cent for oral Welsh language skills) - this ties in with the higher proportion of skill gaps in north Wales being for written and / or oral Welsh language skills, as reported earlier in this chapter. Welsh language skills were also particularly important for those working in the Education sector (33 per cent of establishments in this sector who needed to upskill identified a need to increase written Welsh skills, and 41 per cent their oral Welsh skills) and in Health and Social Work (27 per cent written and 34 per cent oral).

4.70 Figure 4.6 shows the skills cited as needing improving or updating in the next 12 months by employers. Broadly speaking the order of the skills needing improving over the coming 12 months is similar to that for where employers report existing skill gaps (see Figure 4.2).

Figure 4.6: Skills which need improving or updating in the next 12 months (prompted)



Base: All establishments who anticipate a need to upskill staff in next 12 months excluding those where main occupation is not known (2,227)

4.71 Table A.4.8 in Annex A provides an occupational breakdown of the skills cited in connection with upskilling needs.

5 Training and workforce development

Chapter Summary

5.1 Most employers in Wales fund or arrange training for their staff: just over three-fifths had done so over the previous 12 months (62 per cent), a figure in line with 2011 (63 per cent), but in both years fewer employers in Wales trained than in any other country of the UK (in 2011 65 per cent trained UK-wide and in 2013 this was 66 per cent). This was more common in south east Wales (67 per cent), and among establishments which operate in the public sector (89 per cent) and third sector (82 per cent). Employers in mid Wales were the least likely to train (51 per cent).

5.2 While most employers in Wales could be described as being in 'training equilibrium' having been able to provide all the training that they wanted over the previous 12 months, over two-fifths of all employers (43 per cent, including non-trainers that had not delivered any) wanted to provide more training than they had been able to do. By far the most common reason why employers do not provide training is that they believe all their staff to be fully proficient in their roles.

5.3 The proportions of each type of training activity conducted in Wales were similar to those found in 2011. The same proportion of employers arranged off-the-job training but the proportion providing on-the-job training has fallen significantly since 2011 (from 50 per cent to 48 per cent). The proportion of staff trained over the previous 12 months had risen substantially from 56 per cent to 62 per cent. North Wales and south west Wales saw the largest increase in staff trained.

5.4 Welsh employers as a whole provided 4.8 days training per member of staff, up from 4.2 days in 2011 a trend not mirrored in the UK as a whole, where the number of training days per person was unchanged.

5.5 The proportion of establishments training an employee to a nationally recognised qualification increased significantly from 29 per cent in 2011 to 33 per cent in 2013, a larger increase than that seen across the UK. Employers in Wales were slightly but significantly more likely to train staff to nationally recognised qualifications than employers in the UK as a whole (31 per cent). This was the case for all levels of qualification – training employers in Wales were more likely than all other UK nations to train staff to Level 1 (12 per cent compared to nine per cent in the UK as a whole), Level 2 (21 per cent vs. 17

per cent), Level 3 (22 per cent vs. 18 per cent) and Level 4+ (17 per cent vs. 15 per cent).

5.6 Wales also saw an increase in overall investment in training, contrary to the decrease seen in the UK as a whole. Employer investment in training rose from £1.5 billion in 2011 to £1.6 billion in 2013. This increase was driven by increased investment amongst smaller establishments. Among those with less than 25 employees, there was a 24 per cent increase in training spend.

Introduction

5.7 Training is widely recognised as a key means to improving skills and thereby to maintaining and improving competitiveness and stimulating economic growth. Indeed in the previous chapter, we saw that increasing training activity was the most common employer response to tackling skill gaps among their workforce. This chapter examines trends in employer training activity since 2011. It examines which employers fund or arrange training and development for their employees, the types of training provided and which employees they provide it for. It also explores the reasons employers give for not providing training and development for their staff, and the barriers to employers providing more training than they currently do. The final section of the chapter looks at employer expenditure on training: results for this aspect of the research are derived from the Investment in Training follow-up study with a proportion of the ESS 2013 sample (see the Technical Report for details of the methodology[13]).

5.8 Throughout the chapter we discuss the training or development provided by employers in terms of:

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

5.9 Although most of this chapter looks at training and development in terms of off- or on-the-job training, we also explore the extent to which employers

[13] Technical report published with UK report and data release by UKCES, January 2014 www.gov.uk/government/publications/ukces-employer-skills-survey-2013

provide **wider activity to aid the development of staff**. This covers three specific activities:

- supervision to guide employees through their job role;
- providing staff with opportunities to spend time learning through watching others perform their role;
- and allowing staff to perform tasks that go beyond their strict job role and providing feedback on how well they have done.

Incidence of training and workforce development

5.10 Just over three-fifths of employers in Wales (62 per cent) had arranged or funded off- or on-the-job training or development for any of their staff in the previous 12 months, very similar to the proportion in 2011 (63 per cent).

5.11 The proportion providing training in 2013 is significantly lower than the figure across the UK as a whole (66 per cent), and as in 2011, Wales is the country with the lowest proportion of employers providing any training (figures among the other countries ranged from 63 per cent in Northern Ireland to 70 per cent in Scotland).

5.12 Similar proportions had provided off-the-job as on-the-job training (47 per cent and 48 per cent respectively), with a third providing both (33 per cent of all employers). The proportion providing off-the-job training is unchanged from 2011, but the proportion providing on-the-job training has fallen significantly compared with 2011 (when the figure stood at 50 per cent).

5.13 As shown in Table 5.1, the likelihood of providing training increases with employer size, and is almost universal in establishments with 25 or more staff. Among the very smallest sites employing 2-4 staff just under half had provided any training (46 per cent, significantly lower than found across the UK as a whole for this size of establishment (52 per cent)), rising to just over three-quarters (78 per cent) among those with 5-24 staff until almost all (98 per cent) employers with 100 or more staff provided training.

5.14 Training was also more common in south east Wales (67 per cent), and among establishments which operate in the public sector (89 per cent) and third sector (82 per cent). Employers in mid Wales were the least likely to train (51 per cent). By ESF region employers in East Wales (65 per cent) were more likely to provide training than those in West Wales and the Valleys (60 per cent).

5.15 There were also wide variations by sector, from 31 per cent in Agriculture to 93 per cent in Education. Along with Agriculture, those in Construction (55 per cent) and Wholesale and Retail (58 per cent) were the sectors significantly less likely to train than average.

5.16 These differences are largely a product of the size make-up of each region and sector: regions and sectors with a higher proportion of large employers had the highest proportion of employers training, and those made up of predominantly smaller employers had a lower incidence of training.

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

Table 5.1: Training and workforce development in the last 12 months, by region, size and type of establishment

Row percentages	*Base: All (Unweighted)*		**Any training**	**Any off-the-job**	**Any on-the-job training**	**Both off- and on-the-job**
UK 2013	*91,279*	%	66	49	52	35
Wales 2011	*5,958*	%	63	47	50	34
Wales 2013	***5,996***	**%**	**62**	**47**	**48**	**33**
Region						
North Wales	*1,580*	%	61	47	48	33
Mid Wales	*717*	%	51	40	37	26
South west Wales	*1,299*	%	61	48	46	33
South east Wales	*2,400*	%	67	49	53	35
ESF Region						
West Wales and the Valleys	*3,634*	%	60	46	47	32
East Wales	*2,362*	%	65	49	51	35
Size						
2-4	*1,847*	%	46	32	31	18
5-24	*3,229*	%	78	60	63	45
25-49	*512*	%	95	78	84	67
50-99	*236*	%	97	86	90	79
100+	*172*	%	98	90	96	88
Type of establishment						
Profit seeking	*4,971*	%	59	44	45	30
Public	*482*	%	89	78	80	68
Third sector	*520*	%	82	65	63	46

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

Other wider activity to aid the development of staff

5.18 In addition to ‘formal’ on- or off-the-job training, employers can develop their staff in more informal ways. Employers were asked whether they had undertaken three specific activities in the last 12 months to aid the development of employees: supervision to guide employees through their job role; providing staff with opportunities to spend time learning through watching others perform their role; and allowing staff to perform tasks that go beyond their strict job role and providing feedback on how well they have done.

5.19 The vast majority of employers in Wales had provided at least one of these wider development opportunities for their staff in the last 12 months (81 per cent, significantly lower than the 85 per cent found UK-wide). As with more formal training, employers with fewer than five staff were less likely to have undertaken such activity (69 per cent), but among those with five or more staff nearly all had (94 per cent). There was also wide variation by region, with those in mid Wales the least likely to provide this development activity (67 per cent) and those in south east Wales the most likely (86 per cent).

5.20 Data on how provision of wider development activities differs by region, sector and size of employer both in 2013 and 2011, and the nature of the development activity, is provided in Table A.5.2 in Annex A.

5.21 While most of the employers providing any of these wider development opportunities also provided more formal training, almost a quarter of all employers (23 per cent) did not provide formal training but did provide some of these wider development opportunities. Overall approaching nine in ten employers (85 per cent) offered at least some development to their staff, either through funding or arranging on- or off-the-job training or providing wider development opportunities.

5.22 Although there has been no significant change in the incidence of training in 2013 compared to 2011, the proportion offering any of the three wider development activities in 2013 (81 per cent) has increased compared to 2011 (79 per cent): it has increased significantly for each of the three individual activities (in each case by three percentage points from 2011 to 2013).

Barriers and limits on training

5.23 Some employers choose not to provide any workforce development for their staff. This section explores the extent to which such decisions relate to demand (such as there being no perceived need) and the extent to which they reflect issues of supply (pricing, availability, accessibility etc.).

5.24 By far the main reason for employers not providing any training over the previous 12 months was low perceived demand, particularly the view that all their staff are fully proficient (68 per cent). Low demand is also reflected in non-trainers saying training is not or has not been a priority for the organisation (10 per cent). Managers being too busy to organise training, employees being too busy to attend training and employees being too busy to deliver training (each three per cent) were also responses indicative of low demand to the extent that training is clearly treated as a lower priority than more pressing day-to-day issues.

5.25 One in ten non-trainers said the reason for not training was their having no money available for training (10 per cent).

5.26 Perceived poor supply of training was infrequently given as the reason for not training:

- Five per cent of non-trainers said training was not available in the subject area they wanted;
- One per cent described external training courses as too expensive;
- One per cent of non-trainers said the courses they were interested in were not available locally.

5.27 More data on the reasons for not providing training can be found in Table A.5.3 in Annex A.

5.28 Half of employers (50 per cent) that train would have liked to provide more training over the last 12 months than they were able to fund or arrange. This rose to three-fifths (61 per cent) among establishments with 100 or more staff.

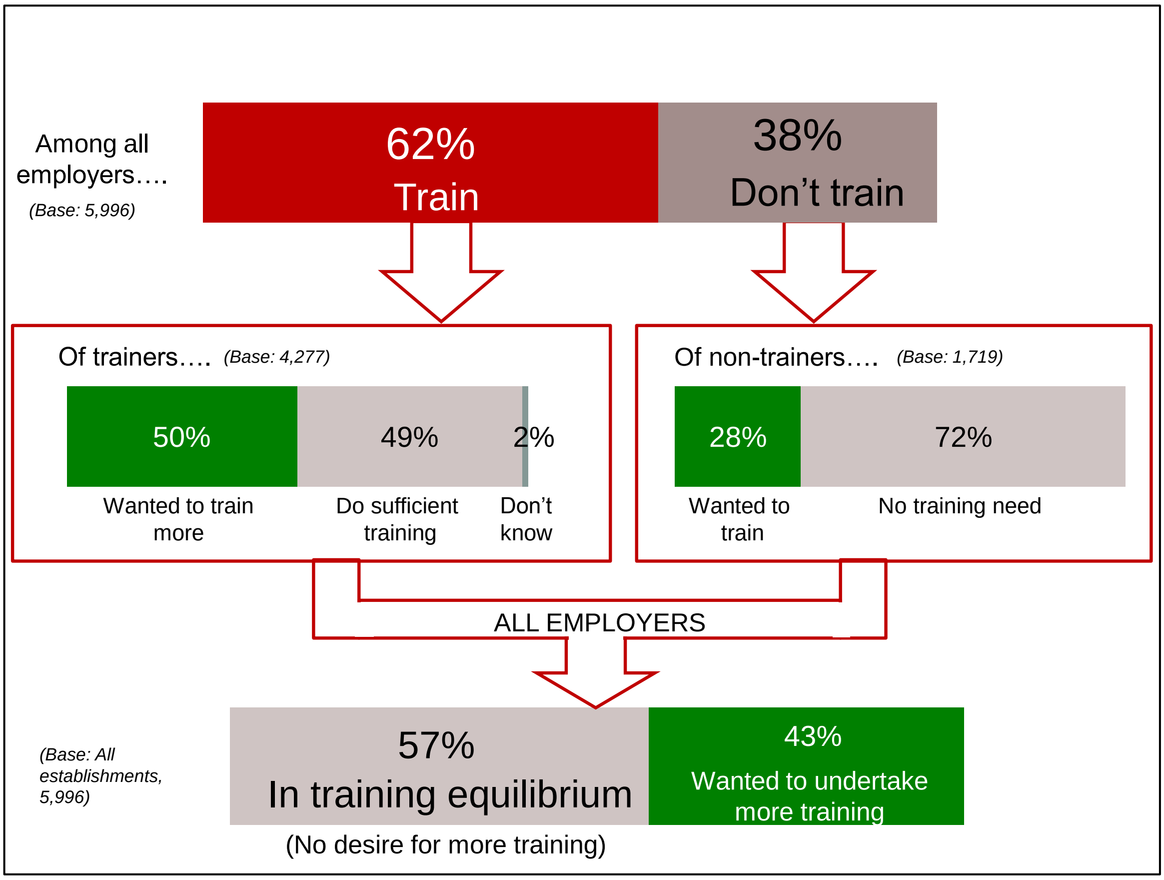
5.29 The reasons these employers gave for being unable to deliver the amount of training they would have liked generally related to internal issues, in particular not having the funds to provide more training (mentioned by 62 per cent of these employers) or not being able to spare the time for staff to have more time training (51 per cent). Both statements could be read as relating to the supply of training in the sense that less expensive, better value training or training requiring less time away from the workplace would lead to more training being undertaken. Issues explicitly relating to the supply of training were infrequently mentioned as barriers to further training: six per cent mentioned a difficulty finding training providers that can deliver training where or when they want it, and four per cent a lack of appropriate training / qualifications in the subject areas needed.

5.30 More data 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 by region, size and sector can be found in Table A.5.4 in Annex A.

5.31 Figure 5.1 summarises results on the proportion of all employers that would have liked to have undertaken more or, in the case of non-trainers any training, over the previous 12 months[14] compared with the proportion that are in 'training equilibrium' (having no wish to have undertaken more training). Overall just over two-fifths of all employers (43 per cent) would have liked to have undertaken more training over the previous 12 months than they were able to provide, similar to the proportion UK-wide (42 per cent). The likelihood of wanting to have undertaken more training over the previous 12 months increases with establishment size (from 35 per cent among those with 2-4 staff, to 51 per cent among those with 5-99 staff, to 64 per cent among those with 100 or more staff).

[14] 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.

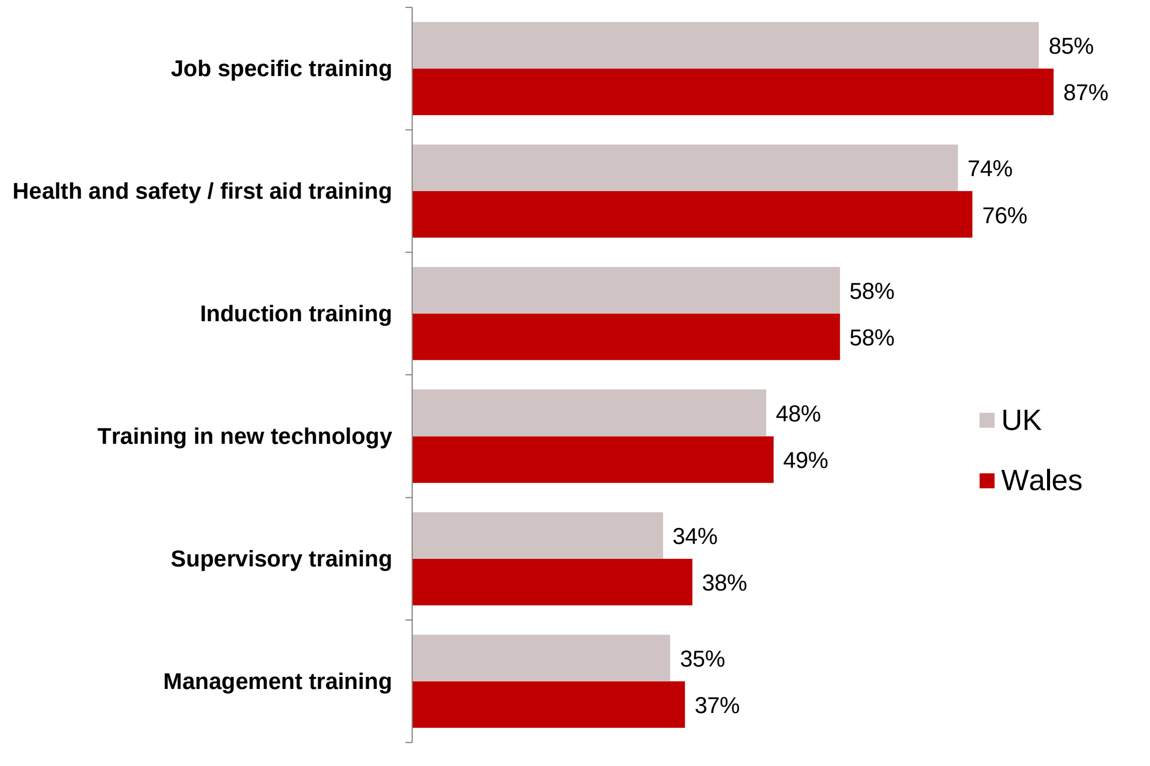
Figure 5.1: Employer interest in undertaking more training over the last 12 months than they were able to provide



Types of training provided

5.32 Job-specific training aimed at developing the skills of a particular occupation or job role was the most common type of training provided by employers (arranged by 87 per cent of those that train). A majority of trainers had also funded or arranged health and safety training including first aid (76 per cent) and / or induction training (58 per cent). The types of training provided by employers in Wales for the 2013 survey were very similar to those reported in Wales in 2011 (all within two percentage points), and, as shown in Figure 5.2, similar to the proportion across the UK as a whole in 2013 (though more in Wales report providing supervisory training).

Figure 5.2: Types of training provided over the last 12 months by employers that train (prompted)



Base : All establishments that train (UK: 69,842; Wales: 4,277)

5.33 Large establishments (with 100 or more staff) that train were far more likely than average to have provided each type of training, indeed more than 95 per cent of these employers had provided job-specific training, health and safety training and / or induction training.

5.34 Public sector establishments that train were also significantly more likely than other employers to provide each type of training listed in Figure 5.2. The difference was particularly marked for training in new technology (67 per cent) and management training (54 per cent).

5.35 More details of results by region, sector and establishment size are provided in Table A.5.5 in Annex A.

Numbers trained

5.36 Although the proportion of employers providing training was largely unchanged from 2011 to 2013, the proportion of staff receiving training[15] has increased significantly from 56 per cent of the workforce in 2011 to 62 per cent

[15] The figure 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 2013. This almost exactly matches the pattern found UK-wide (as shown in Table 5.2).

5.37 Most of the increase in 2013 has come about through larger employers with 50 plus staff training more of their staff than they did in 2011. North Wales and south west Wales have seen the largest increase in staff trained.

Table 5.2: Number of staff trained over the last 12 months and the proportion of staff trained, by region and establishment size

	2011			2013		
	Unwtd Base	**Number trained**	**% of staff trained**	*Unwtd Base*	**Number trained**	**% of staff trained**
UK	*86,522*	14.7m	55	*91,279*	16.8m	62
Wales	***5,958***	**0.7m**	**56**	***5,996***	**0.7m**	**62**
Region						
North Wales	*1,420*	155k	59	*1,580*	182k	69
Mid Wales	*788*	40k	51	*717*	36k	44
South west Wales	*1,376*	111k	45	*1,299*	156k	62
South east Wales	*2,374*	349k	60	*2,400*	349k	61
ESF Region						
West Wales and the Valleys	*3,696*	377k	54	*3,634*	472k	63
East Wales	*2,262*	278k	59	*2,362*	252k	60
Size						
2-4	*1,162*	48k	41	*1,847*	41k	36
5-24	*3,474*	165k	56	*3,229*	161k	55
25-49	*750*	93k	65	*512*	98k	67
50-99	*324*	94k	67	*236*	106k	75
100+	*248*	255k	54	*172*	318k	67

Base: All establishments.

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

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

5.38 There were wide differences in the proportion of staff trained by sector. Employers in Education, Electricity, Gas and Water, and Health and Social Work trained the highest proportion of staff (81, 79 and 78 per cent respectively). Employers in Agriculture trained by far the lowest proportion (21 per cent). Across the UK as a whole Agriculture trained the lowest proportion of its workforce, but at a higher level than found in Wales (41 per cent). Results for the number and proportion of staff trained by sector, both in 2013 and 2011, are provided in Table A.5.6 in Annex A.

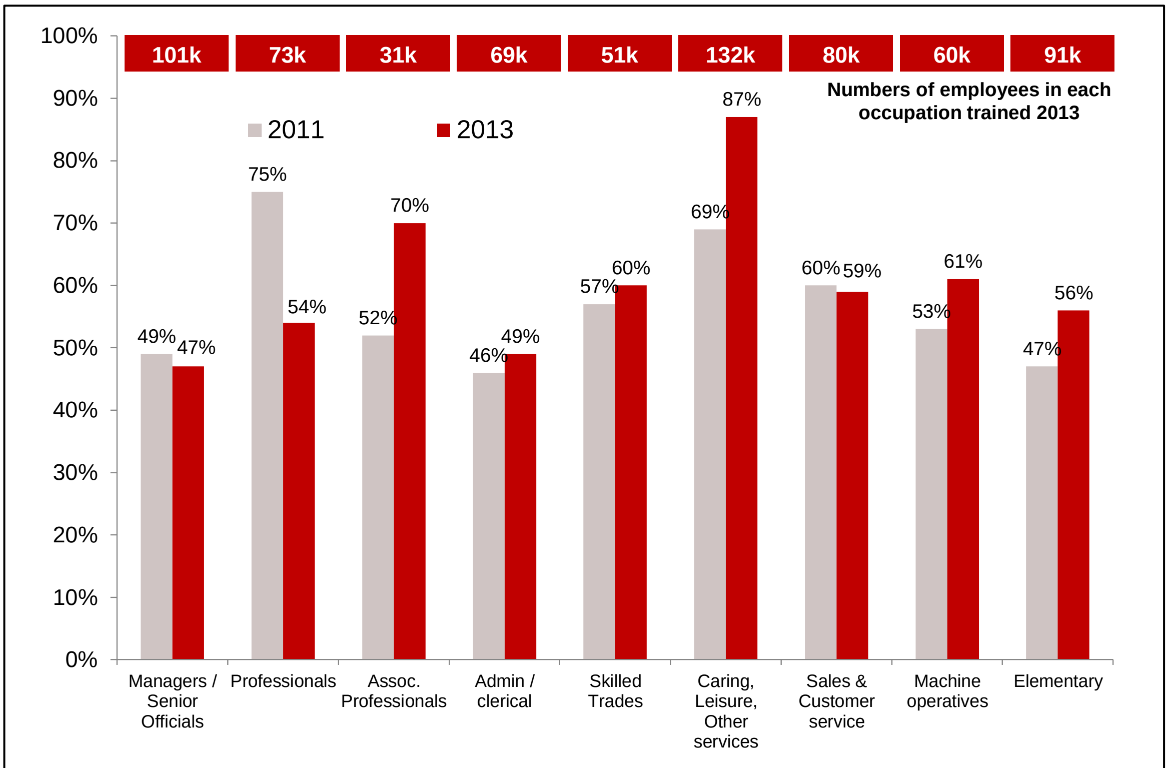
5.39 Mid Wales was the region with the lowest proportion of its workforce trained over the previous 12 months (44 per cent). Whilst the dominance of

Agriculture establishments (who were less likely to provide training than those in other sectors) plays a part in this difference, the lower figures were seen across the region as a whole.

5.40 By occupation, staff in Caring, Leisure and Other services roles were the most likely to receive training (87 per cent of all staff in these roles were trained in the last 12 months). The proportion was also higher than average among Associate Professionals (70 per cent), Machine Operatives (61 per cent), Skilled Trades (60 per cent), and Sales and Customer Services occupations (59 per cent). Those employed as Managers and Senior Officials were the least likely occupational group to receive training in the previous 12 months (47 per cent). These patterns reflect those found UK-wide.

5.41 We have seen that for the 2013 survey, more staff had been trained over the previous 12 months than was the case in 2011. As shown in Figure 5.3 this increase was particularly marked among those employed in Caring, Leisure and Other services roles and those working as Associate Professionals.

Figure 5.3: Proportion and numbers of staff trained over the last 12 months by occupation (2011 vs. 2013)



Base : All establishments with staff in each occupation

2011:	*(5,658)*	*(1,161)*	*(773)*	*(3,486)*	*(1,548)*	*(969)*	*(1,614)*	*(950)*	*(2,238)*
2013:	*(5,692)*	*(1,005)*	*(671)*	*(3,061)*	*(1,581)*	*(831)*	*(1,587)*	*(855)*	*(1,953)*

Percentages are based on all employment and show the proportion of all staff trained in each subgroup.

Note: the figures for the proportion of staff trained have been calculated excluding those respondents unsure of the exact number of people trained and who did not know the number trained by occupation.

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

Training days

5.42 Employers varied quite widely in terms of the average number of days training they provided. Overall 11 per cent of employers that trained said on average each member of staff trained received one day or less training over the previous 12 months, while a similar proportion (eight per cent) said the typical person trained received more than 20 days. In 2013 significantly more trainers provided minimal training of a day or less per trainee than was found in 2011 (nine per cent).

5.43 Table A.5.7 in Annex A provides detailed findings on the range of days training provided by region, size and sector of employer.

5.44 The average number of days training provided over the last 12 months to each person trained is similar in 2013 (7.7 days) to 2011 (7.5 days). This is in contrast to the situation across the UK where there was a fall from 2011 to 2013 (from 7.8 days in 2011 to 6.7 in 2013, caused mainly by a reduction among employers in England). Results are shown in Table 5.3.

5.45 In Wales there has been an increase from 2011 to 2013 in the total number of training days (from 4.9m in 2011 to 5.6m). The increase is largely a result of large employers providing more training days for their staff than in 2011. Across the UK as a whole, however, the overall number of training days reported by employers in 2013 was slightly lower than in 2011 (113.2m training days compared with 114.6m in 2011).

Table 5.3: Total training and development days, and days per person trained and per employee, by size (2011 vs. 2013)

	2011				2013			
	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*	114.6m	7.8	4.2	*69,842*	113.2m	6.7	4.2
Wales	***4,653***	**4.9m**	**7.5**	**4.2**	***4,277***	**5.6m**	**7.7**	**4.8**
Size								
2-4	*579*	0.5m	11.2	4.6	*858*	0.4m	9.8	3.5
5-24	*2,818*	1.3m	8.1	4.5	*2,537*	1.3m	8.3	4.6
25-49	*703*	0.7m	7.4	4.8	*484*	0.7m	7.6	5.0
50-99	*310*	0.6m	6.8	4.6	*230*	0.7m	6.3	4.7
100+	*243*	1.7m	6.7	3.6	*168*	2.4m	7.6	5.1

Base: All establishments that train (though 'days per employee' is based upon employment across all establishments).

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

5.46 In nearly all sectors the average number of annual training days per person trained fell in the 6-9 days range. More generally, public sector establishments reported an average of 11 days training per person trained compared with seven days per person in the private sector.

5.47 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.5.8 in Annex A.

Training to qualifications

5.48 As well as enabling an assessment of the quantity of training provided (the number receiving any training and the number of days provided), the survey also provides an assessment of the quality of the training being provided, in particular whether the training provided by employers is leading to nationally recognised qualifications.

5.49 Just over half of employers that trained over the last 12 months had funded or arranged any training intended to lead to a nationally recognised qualification (53 per cent, equivalent to 33 per cent of all employers). The figure is slightly higher than in 2011, when 47 per cent of employers that trained had arranged any training leading to nationally recognised qualifications, equivalent to 29 per cent of all employers. Employers in 2013 that train in Wales were more likely than any other country of the UK to train to qualifications (the UK-wide figure was 47 per cent). Results are shown in Table 5.4.

5.50 Size is a key determinant of whether or not employers that train use nationally recognised qualifications. Just over two-fifths of the smallest employers with 2-4 staff did so (43 per cent), rising to over half among trainers with 5-24 staff (55 per cent), two-thirds of those with 25-49 staff (67 per cent), around three-quarters of those with 50-99 staff (76 per cent) and the vast majority of those with 100 or more staff (85 per cent).

5.51 As shown in Table 5.4 use of Level 1 qualifications was far less common than use of those at Levels 2 to 4. This is the same pattern as found across the UK as a whole.

Table 5.4: Training to nationally recognised qualifications over the previous 12 months

	2011	2013	2013	2011	2013	2013
	All employers			Employers that train		
	Wales	Wales	UK	Wales	Wales	UK
Unweighted Base:	*5,958*	*5,996*	*91,279*	*4,653*	*4,277*	*69,842*
	%	%	%	%	%	%
Establishments training any staff to a qualification	29	33	31	47	53	47
Trained any to Level 1	5	8	6	9	12	9
Trained any to Level 2	10	13	11	17	21	17
Trained any to Level 3	12	13	12	19	22	18
Trained any to Level 4 or above	9	11	10	14	17	15
Number that had received training intended to lead to a qualification	0.2m	0.2m	3.6m	0.2m	0.2m	3.6m
Of staff trained, the % receiving training leading to a qualification over the last 12 months	24%	30%	21%	24%	30%	21%
Of all employees, the % receiving training leading to a qualification over the last 12 months	13%	18%	13%	13%	18%	13%

Base: First three columns 'All establishments', remainder 'Establishments that train';
Note that 2011 figures may differ from the 2011 report due to reweighting.
Note: the row 'number that had received training intended to lead to a qualification' shows how many individuals had undertaken training leading to nationally recognised qualifications in the 12 months prior to interview, not how many staff had achieved these qualifications.

5.52 Overall around 215,000 staff benefited from training aimed at achieving a nationally recognised qualification over the last 12 months. This is higher than in 2011 (156,000). Three in ten staff trained in the 12 months preceding the survey received training intended to lead to a nationally recognised qualification (30 per cent), equivalent to 18 per cent of all employees. These percentages are significantly higher than found in Wales in 2011 (24 per cent and 13 per cent respectively).

5.53 Findings on the incidence and extent of provision of training leading to qualifications by region, size and sector can be found in Table A.5.9 in Annex A. This shows that although larger employers that train were more likely to have trained any staff to a nationally recognised qualification over the previous 12 months, the proportion of the workforce trained to a qualification varied relatively little by size of establishment other than being lower in the very smallest establishments with fewer than five staff (12 per cent). By sector, Public Administration, Health and Social Work and Education employers that trained were the most likely to have trained any staff to a qualification (72, 69, 69 per cent respectively). Health and Social Work employers trained the highest proportion of their workforce to nationally recognised qualifications (35 per cent, compared to the average across Wales of 18 per cent).

Investment in Training

5.54 Employer expenditure on training and development in Wales over the previous 12 months was £1.6bn, equivalent to around £2,180 per person trained and £1,350 per employee. This expenditure includes the wages of staff while being trained, and of staff delivering training; Table 5.6 provides a breakdown of total expenditure into constituent parts. Spend per person trained and per employee is a little lower than found UK-wide (see Table 5.5), although the difference between the two has narrowed since 2011.

5.55 The pattern of training spend per person trained and per employee is inversely correlated with establishment size: the larger the employer the less is spent (Table 5.5). This appears to reflect economies of scale for larger employers. The smallest employers with fewer than five staff provided more training days per person trained than those with 100 or more employees (9.8 days per annum compared with 7.6 days respectively) and spent many times more per person trained per annum.

5.56 Results are shown in Table 5.5, with comparisons with 2011. *It is worth noting that here, and throughout this chapter, training expenditure figures for 2011 were as reported at the time of the 2011 survey and have not been adjusted for inflation.*

Table 5.5: Total training expenditure and spend per person trained and per employee, by size (2011 vs. 2013)

	2011				2013			
	Unwtd Base	Total	Spend per person trained	Spend per employee	*Unwtd Base*	Total	Spend per person trained	Spend per employee
UK	*11,027*	£45.3bn	£3,080	£1,680	*12,522*	£42.9bn	£2,550	£1,590
Wales	***1,483***	**£1.5bn**	**£2,280**	**£1,280**	***1,361***	**£1.6bn**	**£2,180**	**£1,350**
Size								
2-4	*232*	£220m	£4,570	£1,890	*271*	£320m	£7,800	£2,790
5-24	*914*	£495m	£3,010	£1,680	*854*	£568m	£3,540	£1,950
25-49	*199*	£235m	£2,540	£1,650	*146*	£226m	£2,300	£1,530
50-99	*83*	£210m	£2,240	£1,500	*58*	£181m	£1,720	£1,290
100+	*55*	£331m	£1,300	£700	*32*	£281m	£880	£590

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.
Figures in grey should be treated with caution due to the low base size.
Note that 2011 figures may differ from the 2011 report due to reweighting.

5.57 Across the UK, total expenditure on training fell between 2011 and 2013, driven mainly by a fall among employers in England (from £38.6bn in 2011 to £36.0bn). In contrast expenditure has increased slightly in nominal terms in Wales (by £0.1bn).

5.58 Data on total investment in training, spend per person trained and spend per employee by region for both 2011 and 2013 can be found in Table A.5.10 of Annex A. As in 2011, employers in mid Wales spent more per person trained than establishments in other regions of Wales (£3,050 per trainee). Establishments in the East Wales ESF region spent more per trainee than in West Wales and the Valleys (£2,910 vs. £1,790).

5.59 Since 2011 there has been a slight change in the composition of overall training expenditure. In 2011, on-the-job training accounted for just over half of overall training expenditure (53 per cent). In 2013 there was a reversal in this in expenditure between on- and off-the-job training, with off-the-job training accounting for just over half (51 per cent). The fact that off-the-job training accounts for a larger proportion of total investment in training in 2013 than in 2011 reflects the fall in the proportion providing on-the-job training discussed earlier in the chapter.

Table 5.6: Total training expenditure broken down by individual components (2011 vs. 2013)

	Wales 2011		Wales 2013		UK 2013	
Unweighted Base:	*1,483*		*1,361*		*12,522*	
	£	%	£	%	£	%
Total training expenditure	**£1.5bn**	**100**	**£1.6bn**	**100**	**£42.9bn**	**100**
Off-the-job training: total	*£699m*	*47*	*£801m*	*51*	*£21.3bn*	*50*
Off-the-job training: Course-related: total	*£576m*	*39*	*£705m*	*45*	*£17.9bn*	*42*
Trainee labour costs	£142m	10	£158m	10	£5.2bn	12
Fees to external providers	£93m	6	£77m	5	£2.4bn	6
On-site training centre	£75m	5	£174m	11	£2.7bn	6
Off-site training centre (in the same company)	£19m	1	£17m	1	£0.5bn	1
Training management	£240m	16	£269m	17	£6.5bn	15
Non-training centre equipment and materials	£17m	1	£18m	1	£0.4bn	1
Travel and subsistence	£20m	1	£15m	1	£0.4bn	1
Levies minus grants	-£31m	-2	-£22m	-1	-£0.2bn	-1
Off-the-job training: other (seminars, workshops etc.): total	*£123m*	*8*	*£95m*	*6*	*£3.4bn*	*8*
Trainee labour costs	£86m	6	£66m	4	£2.5bn	6
Fees to external providers	£37m	2	£30m	2	£0.9bn	2
On-the-job training: Total	*£793m*	*53*	*£775m*	*49*	*£21.6bn*	*50*
Trainee labour costs	£493m	33	£451m	29	£13.9bn	32
Trainers' labour costs	£300m	20	£325m	21	£7.7bn	18

Base: Establishments completing the Investment in Training study

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

5.60 A large component of the overall training expenditure figure presented in Table 5.6 is the wages of staff being trained, indeed this accounts for just over two-fifths (43 per cent) of all training expenditure (similar to the 48 per cent in 2011, but much lower than the 50 per cent found UK-wide). The wages / salaries of those providing on-the-job training also account for around a fifth (21 per cent) of all training expenditure. In comparison relatively little is spent on payments to external training providers (seven per cent of total investment in training, similar to the nine per cent in 2011).

5.61 Table 5.7 summarises results by size of establishment.

Table 5.7: Training expenditure by 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	*12,522*	£42.9bn	50	%	50	18	8	24
Wales	***1,361***	**£1.6bn**	**51**	**%**	**43**	**21**	**7**	**30**
Size								
2-4	*271*	£320m	56	%	36	19	6	39
5-24	*854*	£568m	55	%	41	18	9	32
25-49	*146*	£226m	53	%	42	19	5	35
50-99	*58*	£181m	38	%	58	21	4	16
100+	*32*	£281m	42	%	44	29	8	20

Base: Establishments completing the Investment in Training study.

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

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

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

5.62 As the size of establishment increases the proportion of total training expenditure spent on off-the-job training decreases.

5.63 By sector the proportion of expenditure spent on off-the-job training was higher than average in Agriculture (68 per cent, though a low base of 36 respondents should be noted), Education (64 per cent), and Community, Social and Personal Services (61 per cent), and was much lower than average in Financial Services (24 per cent, though a relatively low base of 42 respondents should be noted), Hotels and Restaurants (34 per cent), and Construction (34 per cent).

5.64 There was also wide variation by sector in the proportion of total training expenditure accounted for by the wages/salaries of people being trained. This was highest in Construction (57 per cent), and lowest in Agriculture (26 per cent, though again the low base should be noted).

5.65 Details of total training expenditure by region and how this breaks down by individual key elements is shown in Table A.5.11 in Annex A. The proportion of expenditure spent on off-the-job training was higher in mid Wales (62 per cent) and in south west Wales (58 per cent) than the Wales average; in south east Wales the proportion was lower than average at 45 per cent.

5.66 A new question for the 2013 survey asked respondents what proportion of their fees to external providers were paid to FE (Further Education) colleges or to Universities or other Higher Education institutions. Around £15m was spent by employers in Wales in the previous 12 months on fees to FE colleges and HEIs, equivalent to 14 per cent of total fees to external providers (very similar to the 13 per cent found UK wide). Among those paying any fees to external providers the smallest establishments with fewer than five staff pay the highest proportion to FE colleges and HEIs (19 per cent). By sector, a higher than average proportion of fees to external providers was spent on FE colleges and HEIs by employers in Wholesale and Retail and in Health and Social Work (each 19 per cent).

5.67 Details of fees paid to FE colleges or to Universities or other Higher Education institutions for training by region and size is shown in Table A.5.12 in Annex A.

6 Young People in the labour market

Chapter Summary

6.1 The majority of recruiting employers in Wales, meaning employers who recruited anyone over the previous two to three years, recruited at least one person during this time under the age of 25 (74 per cent). This equates to 45 per cent of Welsh establishments as a whole.

6.2 Recruitment of education leavers is a major channel through which Welsh employers recruit young people. Of establishments in Wales, 27 per cent recruited someone into their first job after leaving education. The overwhelming majority of these were young people, i.e. under the age of 25. The majority of these education leavers were found to be well prepared for entering the labour market in Wales. Around a fifth of employers only recruited a young person with previous work experience.

6.3 Among Welsh employers hiring new staff, the main obstacle to more young people getting new jobs was competition in the labour market from older cohorts. Where young people applied for positions but did not end up getting the job, they were in the main considered to have met the requirements needed but older candidates were considered to be better. The most common reason for recruiting employers not to have taken on a young person, however, was a lack of young applicants (55 per cent).

6.4 In the minority of incidences where young applicants did not meet the requirements this was most likely to be because they lacked the necessary skills and/or experience, cited by 61 per cent. These reasons are also similar to the primary attributes deemed lacking in education leavers perceived to be ill-prepared for the workplace.

Introduction

6.5 The steady increase in youth unemployment in the last decade has become a major social and economic issue for Wales and the UK as a whole, and the challenging economic conditions since the recession of Q2 2008 are widely believed to have disproportionately affected those that have recently entered or are about to enter the labour market. That said recent ONS data published in May 2014[16] has shown improvements over the latest year on employment and economic activity among 16-24 year olds in Wales.

6.6 This chapter aims to develop understanding of the recruitment of young people through measuring how many employers recruit people directly from school, FE colleges or Higher Education into their first job, and examining how well prepared these new labour market entrants have been. However for the first time this year the survey looked at the more general recruitment of adults under 25, including those for whom the position was not their first job after leaving education. The recruitment of young people was covered by the UKCES Employer Perspectives Survey 2012; UKCESS13 builds on these questions and allows for a larger sample size. The questions regarding the recruitment of young people (under 25) were modular questions in ESS 2013 and as such were only asked to half of the sample. Questions on the recruitment of education leavers were asked to the whole sample.

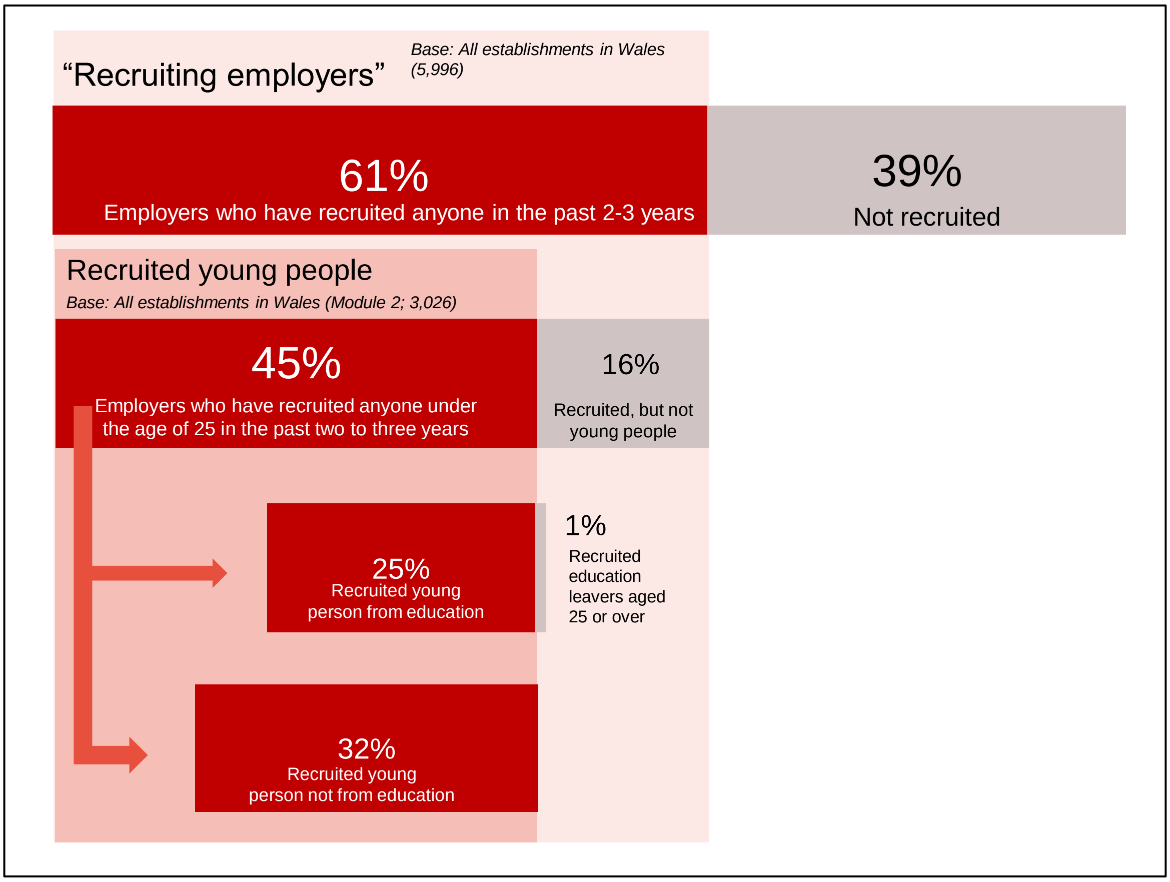
6.7 To summarise these two measures amongst Welsh employers:

- **45 per cent of all employers in Wales had recruited a young person aged under 25 in the last 2-3 years**, similar to the figure found UK wide (44 per cent). This is equivalent to almost three-quarters (74 per cent) of employers in Wales that had recruited at all in the last 2-3 years having recruited a young person. This is significantly higher than found in the other three countries of the UK, the UK-wide figure being 70 per cent.
- **Over a quarter (27 per cent) of Welsh employers had recruited an education leaver into their first job in the last 2-3 years.** Employers tended to recruit from later stages of education: 13 per cent of all employers had taken on at least one HEI leaver compared to eight per cent taking on 16 year old school leavers.
- **Employers in Wales were more likely to take on young people aged under 25 who were not entering their first job after education than those entering the labour market straight from education (32 per cent compared with 25 per cent respectively).** A fifth (19 per cent) of all employers had only taken on under 25s with experience in the labour market whereas 13 per cent had only taken on education leavers. The same proportion, 13 per cent, had recruited both groups in the last 2-3 years.

[16] http://www.ons.gov.uk/ons/rel/subnational-labour/regional-labour-market-statistics/may-2014/index.htmll

6.8 Results are summarised in Figure 6.1.

Figure 6.1: Employer recruitment of young people in Wales



Recruitment of Education Leavers

6.9 Over a quarter of establishments in Wales (27 per cent) had recruited someone directly into their first job after leaving education in the past 2-3 years. The vast majority of these (25 per cent of all employers) took on an education leaver who was under the age of 25 (one per cent had recruited a leaver from Higher Education aged 25 or over).

6.10 The patterns of education leaver recruitment varied across region, size and sector, as shown in Table 6.1.

Table 6.1: Summary recruitment of education leavers in Wales by region, size and sector

	% recruited any education leavers		% recruited any education leavers	
		2011		2013
Row percentages	*Unwtd Base (All):*	%	*Unwtd Base (All):*	%
UK	*86,522*	29	*91,279*	27
Wales	*5,958*	28	*5,996*	27
Region				
North Wales	*1,420*	29	*1,580*	27
Mid Wales	*788*	26	*717*	21
South west Wales	*1,376*	25	*1,299*	26
South east Wales	*2,374*	30	*2,400*	30
ESF Region				
West Wales and Valleys	*3,696*	27	*3,634*	27
East Wales	*2,262*	29	*2,362*	28
Size				
2-4	*1,162*	16	*1,847*	13
5-24	*3,474*	38	*3,229*	38
25-49	*750*	57	*512*	57
50-99	*324*	65	*236*	68
100+	*248*	70	*172*	79
Sector				
Agriculture	*101*	17	*492*	8
Mining & Quarrying	*22*	**	*13*	**
Manufacturing	*467*	29	*401*	29
Electricity, Gas & Water	*110*	29	*84*	20
Construction	*498*	25	*467*	22
Wholesale & Retail	*1,062*	29	*1,109*	27
Hotels & Restaurants	*666*	31	*618*	37
Transport & Comms.	*435*	22	*419*	26
Financial Services	*173*	26	*127*	25
Business Services	*789*	27	*736*	28
Public Administration	*129*	22	*67*	40
Education	*391*	50	*394*	47
Health & Social Work	*571*	34	*602*	35
Community, Social & Personal Services	*544*	35	*467*	32

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

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

6.11 Employers located in south east Wales were significantly more likely to have taken on an education leaver in the last 2-3 years (30 per cent), whilst those in mid Wales had the lowest incidence of education leaver recruitment (21 per cent).

6.12 Incidence of education leaver recruitment was higher among larger employers, who are more likely to recruit in general (and in larger numbers). The majority of establishments with 25-99 employees had taken on an education leaver (61 per cent) and among those with 100 or more staff, nearly four-fifths (79 per cent) had done so.

6.13 Nearly half of Welsh employers in the Education sector (47 per cent) had taken on a recruit direct from education, the sector most likely to have done so. The figure was also much higher than average among employers in Public Administration (40 per cent), Hotels and Restaurants (37 per cent) and Health and Social Work (35 per cent). Establishments in Agriculture were least likely to have taken on an education leaver in the last 2-3 years (eight per cent). Also significantly lower than average were employers in Electricity, Gas and Water (20 per cent) and Construction (22 per cent).

6.14 In comparison to 2011, recruitment of education leavers in Wales has seen a very slight decrease, albeit not a statistically significant one (in contrast to the slight but significant decrease seen across the UK in general). However, there were some significant changes by region, size and sector within Wales.

6.15 Amongst employers in mid Wales, the proportion employing a person directly from education fell from 26 per cent in 2011 to 21 per cent in 2013.

6.16 Of those Welsh establishments with 100 or more employees, the proportion recruiting an education leaver rose from 70 per cent in 2011 to 79 per cent in 2013.

6.17 By sector, there were noticeable falls in the recruitment of education leavers among employers operating in the Agriculture sector (from 17 per cent in 2011 to eight per cent in 2013) and in the Electricity, Gas and Water sector (from 29 per cent in 2011 to 20 per cent in 2013). Employers in the Hotels and Restaurants sector showed an increased incidence of recruitment of education leavers, rising from 31 per cent in 2011 to 37 per cent in 2013.

Recruitment from different stages of education

6.18 Young people can enter the labour market at a number of different stages and from a number of different institutions. UKCESS13 asked employers in Wales, England and Northern Ireland[17] whether they had recruited people into their first job from four possible stages; at age 16 from school, at age 17-18

[17] Employers in Scotland were asked a different set of questions on this issue focusing on recruiting from Scottish institutions only.

from school, at age 17-18 from an FE college, or people of any age (including over 25) from a Higher Education Institution.

6.19 Table 6.2 presents findings from this question, highlighting the regional variations in Wales and comparisons with 2011 data.

Table 6.2: Incidence of recruitment of education leavers in the last 2-3 years in Wales into their first jobs by region (2011 v 2013)

	Wales		North Wales		Mid Wales		South west Wales		South east Wales	
	2011	2013	2011	2013	2011	2013	2011	2013	2011	2013
Unweighted base	*5,958*	*5,996*	*1,420*	*1,580*	*788*	*717*	*1,376*	*1,299*	*2,374*	*2,400*
	%	%	%	%	%	%	%	%	%	%
Recruited any education leaver	**28**	**27**	**29**	**27**	**26**	**21**	**25**	**26**	**30**	**30**
16 year old school leaver	9	8	10	8	6	6	10	8	8	8
17-18 year old school leaver	10	11	10	11	9	9	8	10	11	13
17-18 year old college leaver	11	11	11	13	10	9	11	10	12	12
HEI leaver	12	13	12	12	11	9	10	13	14	15

Base: All establishments.

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

6.20 Overall eight per cent of all employers had recruited a 16 year old school leaver into their first job, whilst 11 per cent had taken on a 17-18 year old school leaver, and the same proportion had taken on a 17-18 year old college leaver. In comparison 13 per cent had employed a graduate from an HEI.

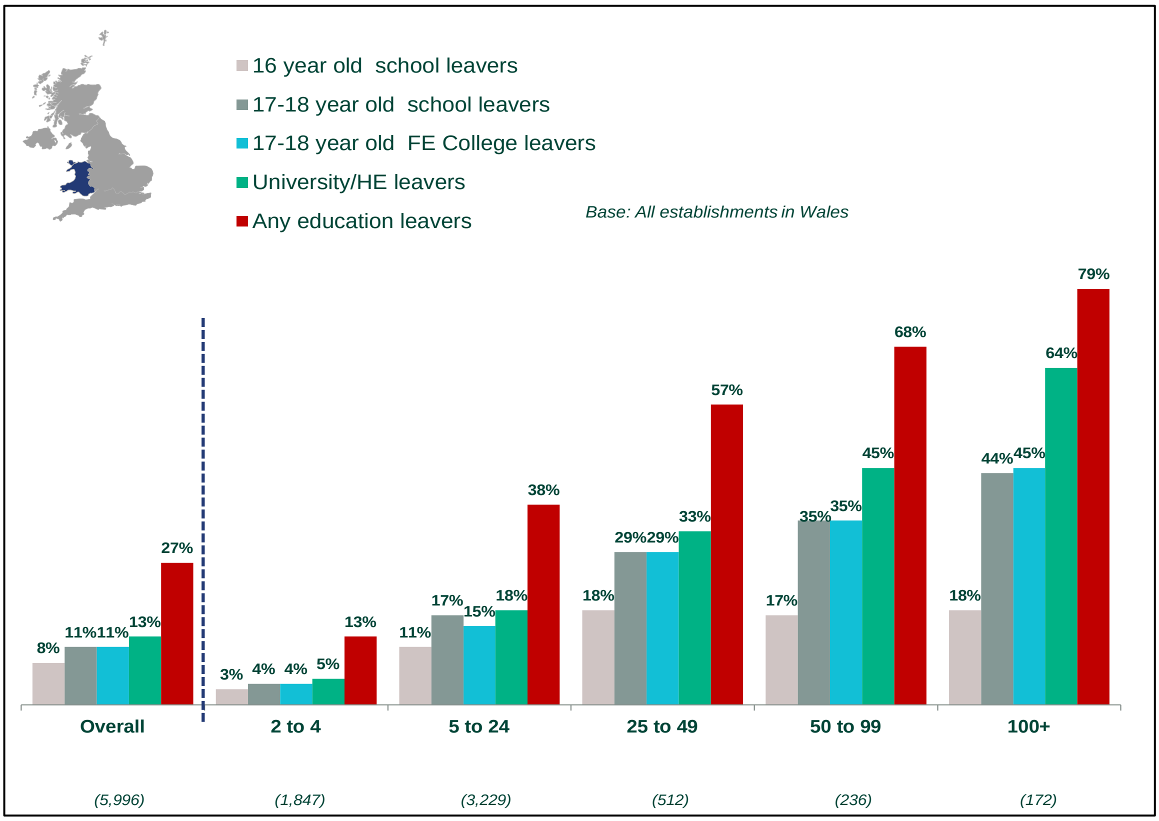
6.21 Graduate recruitment saw the most regional variation with employers in mid Wales the least likely to have recruited an HEI leaver over the last 2-3 years (nine per cent) and those in south east Wales the most likely (15 per cent doing so).

6.22 On the whole, incidence of education leaver recruitment by region was similar to 2011. However the most noticeable change was seen amongst employers in south west Wales, who were more likely to have taken on an HEI leaver in 2013 than in 2011 (13 per cent and 10 per cent respectively).

6.23 In line with recruitment trends in general, larger employers were more likely to recruit an education leaver, particularly from FE and HE institutions. This trend is consistent across all four groups of education leavers, as shown in

Figure 6.2. The results in Wales are very similar to those found in England and Northern Ireland.

Figure 6.2: Incidence of recruitment in the last 2-3 years of education leavers into their first jobs by size of establishment



6.24 Alongside size and regional variation, there were considerable differences in rates of recruitment of education leavers across different sectors of the economy. Full details by sector are shown in Table A.6.1 in Annex A.

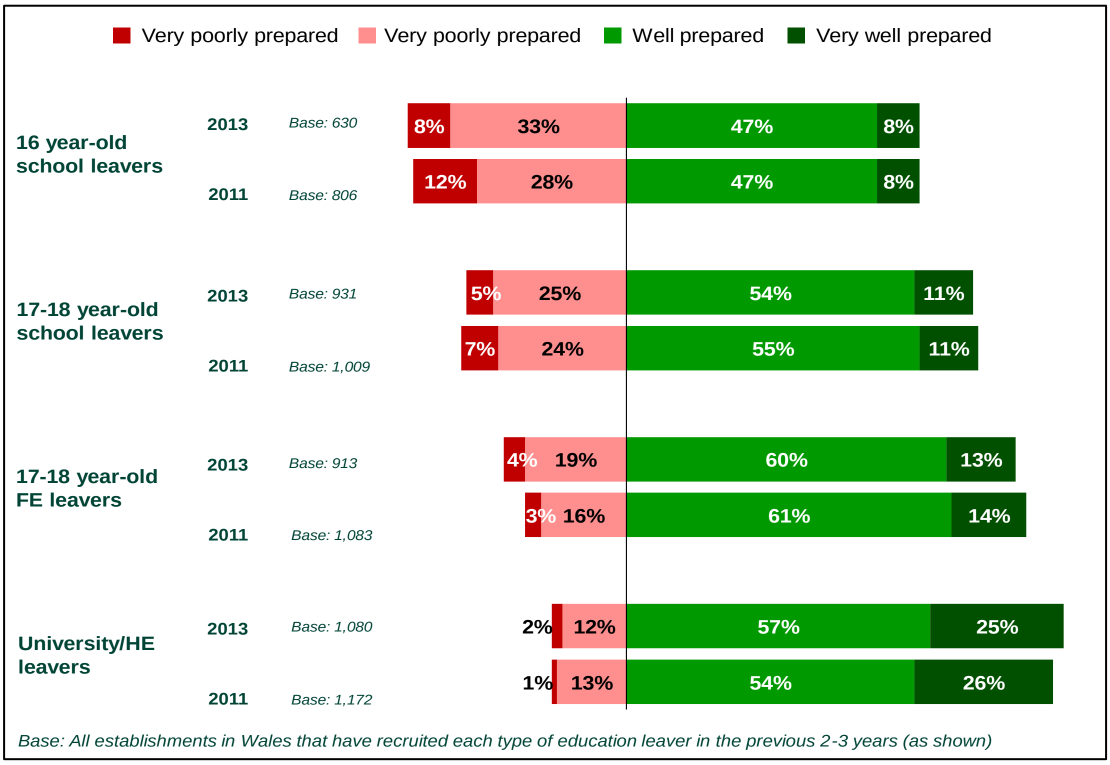
Perceived work readiness of education leavers

6.25 It is often argued that the UK's education system does not do enough to prepare young people for the world of work. UKCESS 2013 asked employers how prepared for work they had found their recruits joining directly from education. In line with the 2011 findings, the majority of employers in Wales found most education leavers were well prepared for the workplace.

6.26 The longer recruits had been in education the more likely employers were to think their recruits well prepared. Just over half (55 per cent) of employers felt that their 16 year old school leaver recruits were very well or well prepared. This rises to around two-thirds (65 per cent) of employers who had recruited 17-18 year old school leavers, three- quarters (74 per cent) of those recruiting

17-18 year olds directly from FE colleges and just over four-fifths of those taking on HE graduates (82 per cent).

Figure 6.3: Work readiness of those recruited straight from education (2011 vs. 2013)



Note that 2011 figures may differ from the 2011 report due to reweighting. 2013 is shown by the higher of each pair of bars.

6.27 For all four groups of education leavers, the proportions of establishments perceiving their recruits to be well prepared for work were similar to 2011.

6.28 There were no marked differences in the proportion of employers considering recruits from education to be well prepared within region or size of establishment. However some patterns were evident between sectors of the economy:

- Employers operating in the Education sector were more likely to feel 17-18 year old recruits from school or FE college, and HEI recruits were well prepared for the workplace (71, 87 and 93 per cent respectively) than the average for Wales as a whole (65, 74 and 82 per cent respectively)
- Those recruiting 17-18 year olds from school into the Manufacturing sector were significantly more likely to deem their recruits poorly or very poorly prepared for the workplace (48 per cent) than the Welsh economy average (30 per cent).

Skills and attributes lacking in education leavers

6.29 Where establishments had indicated that their new recruits were poorly prepared for work, employers were asked what specific skills or attributes they perceived their education leavers to be lacking.

6.30 Findings are summarised in Table 6.3. Findings in this table are based on all establishments recruiting each education leaver and the base includes those who considered their recruits to be well prepared in order to give a measure of what proportion of employers taking on each type of education leaver experienced the issues.

6.31 The most commonly cited reason for education leavers of all types being poorly prepared for work was that the new recruits lacked maturity and experience of the working world or of life in general. There was a marked difference in the proportion of establishments citing this by type of education leaver. Over a quarter (26 per cent) of those recruiting 16 year old school leavers felt this was at least part of the reason for them being poorly prepared falling to only one in ten (10 per cent) among establishments who had recruited HEI leavers. Among those recruiting 17-18 year old education leavers, school leavers were more likely to be found to lack working world experience (18 per cent) than FE College leavers (13 per cent).

6.32 Another common reason for education leavers being poorly prepared was that they had a poor attitude, personality or lacked motivation. Again the proportions citing this varied by type of education leaver, and was far more likely to be given as a reason for 16 year old school leavers being poorly prepared (23 per cent) than for HEI leavers (seven per cent).

6.33 Around one in ten establishments recruiting school leavers or college leavers perceived their new recruits to lack the required skills or competencies necessary for the role. Only five per cent of those taking on HE graduates felt this way.

6.34 Differences by region were relatively slight. Although the results shown in Table 6.3 suggest that in mid Wales school and college leavers were less likely than elsewhere to be criticised for lacking experience of working life or of life in general, and more likely to be criticised for lacking the skills or competencies required for their job role, low base sizes mean these differences are not statistically significant.

Table 6.3: Main skills and attributes lacking in education leavers by region (Prompted)

Row percentages	*Unwtd base*		Lack of working world, life experience or maturity	Poor attitude, personality or lack of motivation	Lack of required skills or competencies	Lack of common sense	Literacy/numeracy skills	Poor educational attainment
Wales								
16 year old school leavers	*630*	%	26	23	11	5	6	4
17-18 year old school leavers	*931*	%	18	16	9	4	3	3
FE College Leavers	*913*	%	13	11	9	3	3	1
University/HE Leavers	*1,080*	%	10	7	5	2	*	*
Region:								
North Wales								
16 year old school leavers	*163*	%	26	21	11	5	4	4
17-18 year old school leavers	*239*	%	17	13	12	2	2	2
FE College Leavers	*262*	%	16	13	11	4	3	1
University/HE Leavers	*270*	%	11	7	5	2	*	*
Mid Wales								
16 year old school leavers	*76*	%	18	19	18	8	9	4
17-18 year old school leavers	*96*	%	13	23	15	11	6	9
FE College Leavers	*92*	%	7	11	12	2	1	4
University/HE Leavers	*111*	%	5	4	4	2	1	1
South west Wales								
16 year old school leavers	*143*	%	27	19	8	3	3	4
17-18 year old school leavers	*184*	%	22	15	8	2	2	3
FE College Leavers	*185*	%	18	8	6	2	4	*
University/HE Leavers	*229*	%	11	7	7	3	*	*
South east Wales								
16 year old school leavers	*248*	%	26	27	10	4	7	5
17-18 year old school leavers	*412*	%	18	17	8	5	3	1
FE College Leavers	*374*	%	9	11	8	2	3	2
University/HE Leavers	*470*	%	8	7	5	2	*	*
ESF Region								
West Wales and Valleys								
16 year old school leavers	*381*	%	26	24	11	5	6	5
17-18 year old school leavers	*568*	%	19	16	8	3	2	2
FE College Leavers	*566*	%	14	11	7	3	4	1
University/HE Leavers	*629*	%	10	6	5	2	*	*
East Wales								
16 year old school leavers	*249*	%	24	20	11	5	5	3
17-18 year old school leavers	*363*	%	16	16	11	6	5	4
FE College Leavers	*347*	%	12	11	12	3	2	2
University/HE Leavers	*451*	%	9	7	5	2	1	1

Base: All establishments (NB Figures based on all recruiting each type of education leaver so rows do not add to 100%).

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

Recruitment of young people

6.35 Overall 45 per cent of employers in Wales had recruited a young person under the age of 25 in the two to three years prior to the interview, independent of whether they were recruited straight from education or not.

6.36 There was marked regional variation in the proportion taking on a young person. Employers in south east Wales were the most likely to have recruited someone under 25 (49 per cent), and those in mid Wales significantly less likely than average (36 per cent).

6.37 As with recruitment of education leavers, there was considerable variation by size of employer. A quarter of establishments with between 2 and 4 employees (25 per cent) had recruited a young person in the last two to three years compared with 94 per cent of establishments with 100 or more employees. This reflects that not only are large employers more likely to recruit in general, they also recruit in greater numbers and therefore it is more likely within these recruits are people under the age of 25.

6.38 The likelihood of having recruited a young person in the last 2-3 years also varied by sector, and was particularly high in Education (65 per cent) and in the Hotels and Restaurants sector (60 per cent). Conversely, a minority of employers in Agriculture reported having recruited a young person in the last two to three years (14 per cent).

6.39 Figures by region, size and sector can be seen in Table A.6.2 in Annex A.

Barriers to recruitment of young people

6.40 Of those employers in Wales who had recruited over the last two to three years, just over a quarter (26 per cent) had not taken on a young person, equating to 15 per cent of all Welsh employers. These employers were asked whether it was because they had simply not received any applications from young people or because they had made a choice not to recruit young applicants. Around half of these employers (55 per cent) said it was the former reason i.e. there were no applications received from young people, though in addition 11 per cent could not recall or did not know if they had applications from this age group.

6.41 A third of employers (34 per cent) not recruiting young people had received applications from young people but had not recruited any such recruits. There were two main explanations for not doing so. Around half (53 per cent) of these employers said that although at least some young applicants had the required skills and experience, other applicants were just better suited for the role.

6.42 A small minority (four per cent of employers who had not taken on any of their young applicants) said that a young person was offered the position but decided not to take the job.

6.43 However approaching half (45 per cent) that had received applications from young people said that the young person(s) did not meet the requirements of the role advertised. This was far more commonly because candidates lacked the necessary skills (61 per cent) or the necessary work experience (61 per cent) than them lacking the qualifications required (33 per cent) or the desired attitude or motivation (29 per cent).

Skills deficiency and training among employers who recruit young people and those that do not

6.44 In the final section of this chapter we compare the extent to which employers in Wales who recruit young people experience skills deficiencies and train their workforce, and compare this against employers that had recruited but not someone under 25 years old.

6.45 Table 6.4 highlights these differences in terms of some of the key UKCESS measures; prevalence of skills gaps, vacancies and training activity.

Table 6.4: Skills deficiencies and training activity among recruiting employers who recruited young people and education leavers vs. those who had not

	Recruited a Young Person	Recruited school leaver	Recruited FEC leaver	Recruited HE leaver	Recruited but not a Young Person
	%	%	%	%	%
Unweighted base	*1,655*	*1,174*	*913*	*1,080*	*485*
Have vacancies	24	25	29	30	14
Have skill-shortage vacancies	7	8	9	7	5
Skill-shortage vacancies as % of all vacancies	19	21	20	13	29
Have skill gaps	27	35	34	33	12
Skills gap density	7	8	7	7	4
Train at all	80	84	87	89	71
% of staff trained	69	66	70	70	56

6.46 Employers in Wales who had recruited a young person in the last 2-3 years were more likely to have vacancies at the time of the survey (24 per cent) than recruiting employers who had only recruited 25 and overs (14 per cent). The latter were also more likely to have skill shortage vacancies (29 per cent) than those recruiting young people (19 per cent). Another marked difference across these two groups was the incidence of skills gaps. Over a quarter (27 per cent) of employers recruiting young people reported members of their workforce not being fully proficient, compared to one in eight (12 per cent) among those who recruited but had not taken on a young recruit. Those recruiting young people were also significantly more likely to fund or arrange training for their staff than those that had not (80 per cent vs. 71 per cent respectively), and they also trained a larger proportion of their workforce (69 per cent vs. 56 per cent).

6.47 The results do not enable us to tell causality here, for example if recruiters of young people are more likely to experience skill gaps because they have taken on young people (who will in all probability be more likely to lack skills than older recruits until their training is completed), or whether they have taken on young people in response to their having skill gaps.

7 High performance working practices and product market strategies

Chapter Summary

7.1 High Performance Working (HPW) is defined 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’ (Belt and Giles 2009).

7.2 The survey identifies a minority of employers – 10 per cent – who are “High Performance Working employers” in the sense that they adopt a number of specific work practices.

7.3 Such employers are considerably more active in the recruitment market than average: twice as many have a vacancy as non-HPW employers (26 per cent compared to 12 per cent). The evidence suggests that they find it easier to fill the vacancies they have than non-HPW employers do: under a fifth of HPW employers’ vacancies were proving hard-to-fill (17 per cent) compared to around a third (32 per cent) among non-HPW employers.

7.4 HPW employers are also considerably more likely to experience skills gaps than non-HPW employers (25 per cent compared to 15 per cent), although there is no notable difference in the proportion of their workforce that lacks proficiency. HPW employers are more likely to train and to train a higher proportion of their workforce.

7.5 Product Market Strategies (PMS) are defined within UKCESS 2013 by aggregating responses to a series of questions exploring pricing strategies, approaches to innovation and the nature of the product market (the extent to which the market attracts a “premium” and the extent of customisation of products and services in the market).

7.6 Aggregating these responses classifies around two in five (41 per cent) private sector employers in Wales as having a high or very high product market strategy indicating that their competitive success is not dependent on price, they pursue innovation, they compete on quality and/or that they offer customised goods or services.

7.7 Compared to employers operating at the ‘very low’ end of the PMS scale, the higher an employer’s product market positioning, the more likely it is that they will: have a vacancy, hard-to-fill vacancy or skill-shortage vacancy; identify skill gaps (but the proportion of their workforce that lacks proficiency is no higher); and fund or arrange training for their staff.

Introduction

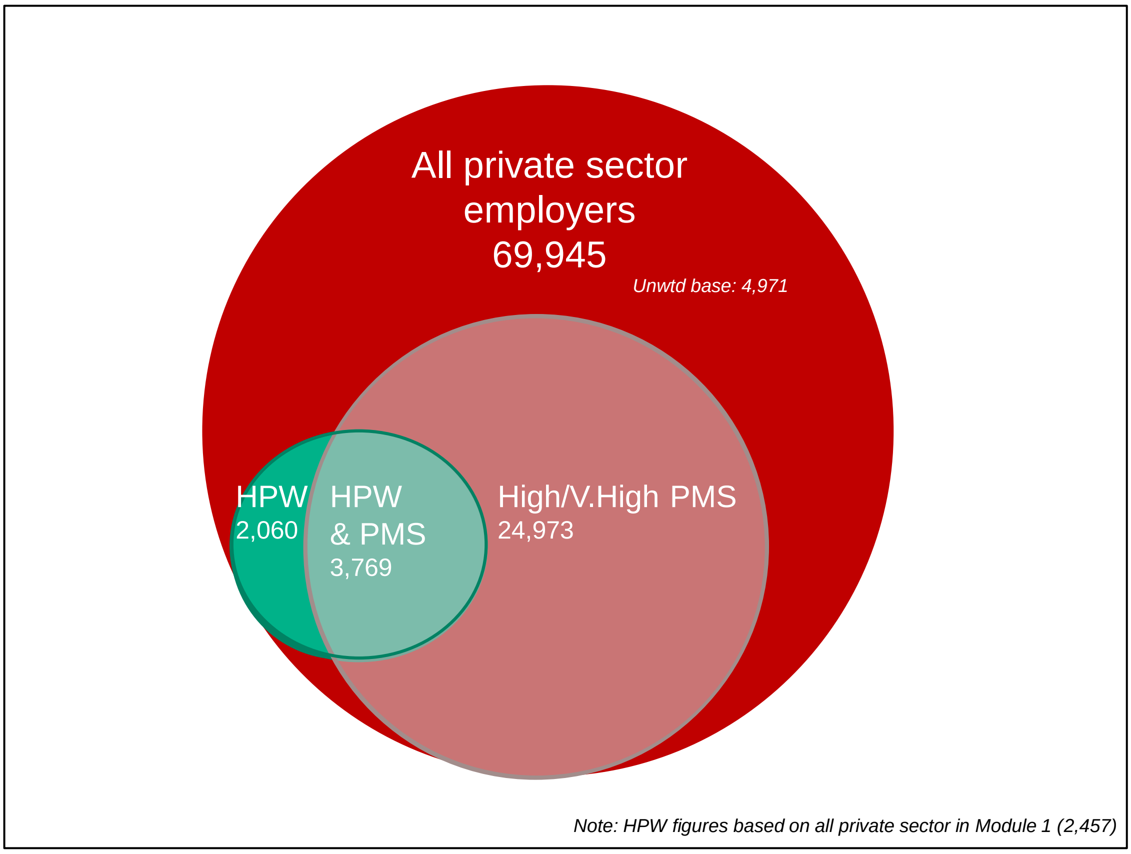
7.8 In previous chapters, this report has looked at employers' practice in funding and arranging training and at their experience of skills deficiencies (both skill shortages in the available labour market and gaps between the skills employers require and those which their employees currently possess), and considered how these challenges affect employers in Wales.

7.9 There are of course other ways of grouping employers to understand commonalities and differences between them; and in this chapter we use two categorisations based on combinations of responses to a number of survey questions to try to better understand what might underlie or influence employers' experiences of skill shortages 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

7.10 For context when interpreting the findings of this chapter it is useful to understand the level of crossover between HPW employers and employers operating at the higher end of the PMS scale. In terms of the relationship between the two categorisations presented in this chapter, just five per cent of private sector employers are both HPW employers and operate at the high end of the PMS scale. As illustrated in Figure 7.1, whilst there is some level of crossover between HPW employers and high PMS employers, when discussing these two groups of employers within this chapter we are talking about two relatively distinct groups of employers.

Figure 7.1: Number of HPW and high PMS employers



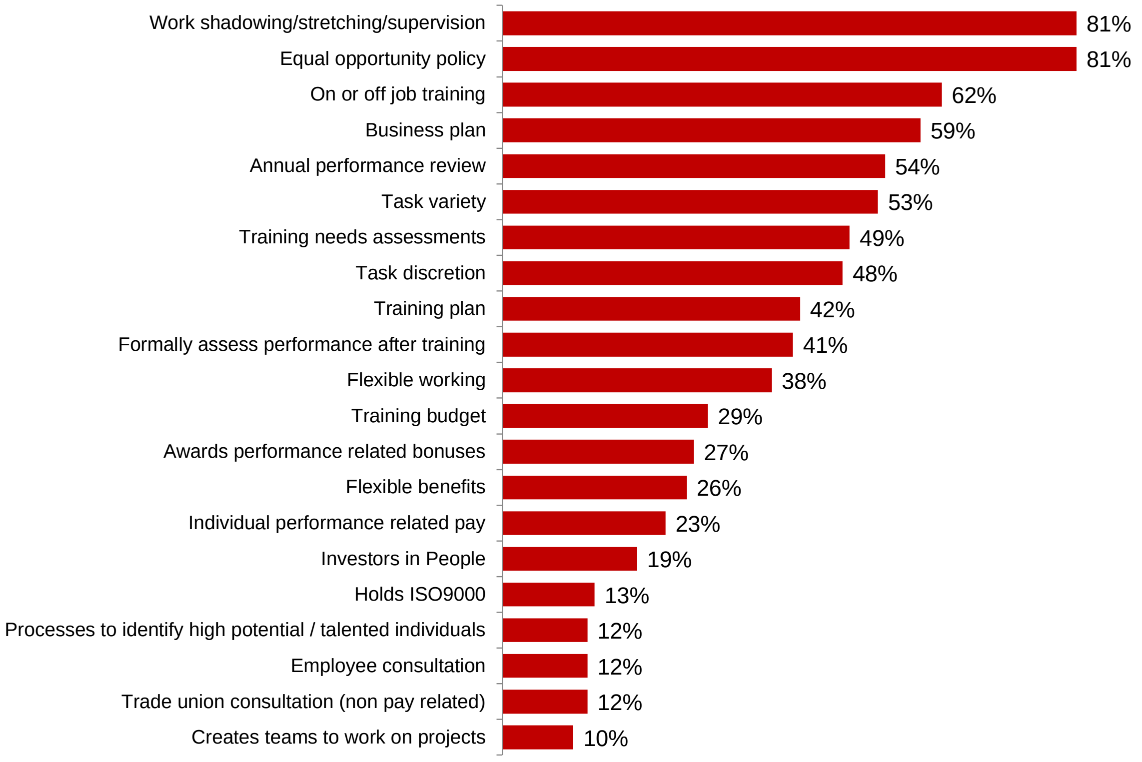
High Performance Working

7.11 High Performance Working (HPW) is defined 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' (Belt and Giles, 2009). There exists a considerable body of evidence showing that wider adoption of HPW practices can deliver improved business productivity and enhanced competitiveness. Reflecting this evidence, the wider adoption of HPW practices has been encouraged by government and by labour market and business theorists as a means of augmenting economic growth (Stone et al., 2012).

7.12 UKCESS 2013 included a series of questions relating to a set of recognised HPW practices[18]. These practices are illustrated in Figure 7.2 which shows the proportion of employers who adopt each practice. One in ten employers in Wales (10 per cent) are classified as being High Performance Working employers (HPW employers): defined as adopting at least 14 of the 21 HPW practices. This is slightly lower (though the difference is statistically significant) than the 12 per cent of employers across the UK that are HPW employers.

[18] For the 2013 study, these were modular questions and were only asked to half of the survey sample.

Figure 7.2: Employer adoption of High Performance Working Practices



Base: All establishments in Module 1 (2,970)

7.13 As one might expect there are considerable differences in the proportions of employers adopting each practice, and in the total number of HPW practices that different types of employers adopt (see Table A.7.1 in Annex A). The key features are that:

- **larger employers are more likely to be HPW organisations than smaller employers,** although most HPW employers are nonetheless small. This is a result of the overall profile of employers, which is overwhelmingly geared towards smaller establishments (66 per cent of all HPW employers had fewer than 25 employees, compared to 12 per cent with 100 or more employees);
- **there is considerable variation by sector:** as many as 27 per cent of employers in the Education sector were HPW employers, compared to only one per cent of employers in Agriculture and three per cent in Construction. These sectoral differences are similar to those across the UK;
- **there are also differences by region:** 15 per cent of employers in south east Wales were HPW employers compared to five per cent in

mid Wales, seven per cent in south west Wales and nine per cent in north Wales.

The relationship between HPW and recruitment difficulties

7.14 It was reported in chapter three that 14 per cent of all establishments in Wales had at least one vacancy at the time of their interview (in Spring-Summer 2013). HPW employers are considerably more active in the recruitment market than average, with around twice as many of them having a vacancy (26 per cent) compared to non-HPW employers (12 per cent).

7.15 In line with this greater propensity to recruit, HPW employers were more likely to have at least one hard-to-fill vacancy (six per cent) compared to non-HPW employers (four per cent). However, when considered in volume terms, the data suggests that HPW employers find it easier to fill their vacancies. Specifically, 17 per cent of all vacancies among HPW employers were hard-to-fill compared to 32 per cent of all vacancies among non-HPW employers.

The relationship between HPW and skills gaps

7.16 HPW employers are also considerably more likely than other employers to experience skills gaps, although similar proportions of the workforce lack proficiency across both types of employers (see Table 7.1).

Table 7.1: Incidence and density of skills gaps by HPW classification

	HPW employers	Non-HPW employers
Unweighted Base	*405*	*2,565*
	%	*%*
% of establishments with a skills gap	25	15
% of workforce with skills gaps	4.9	5.4

Base: All establishments in Module 1 by HPW classification.

Percentage of workforce with skills gaps' is shown as a proportion of all employment

7.17 The greater incidence of skills gaps among HPW employers may reflect that HPW employers are – by definition – more likely to engage in activities that are 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. Almost all HPW employers with skills gaps (97 per cent) had taken action to address those gaps compared to 83 per cent of non-HPW employers with skills gaps, and they did this most commonly by increasing supervision and/or training for staff (83 and 81 per cent of HPW employers with skills gaps respectively compared to 58 and 61 per cent of non-HPW employers).

The relationship between HPW and training

7.18 As previously shown in Figure 7.2, funding or arranging training is considered as a high performance working practice. It is unsurprising, therefore, that HPW employers are more likely to train than non-HPW employers (more than 99 per cent did so at the time of the survey, compared to only 57 per cent of non-HPW employers). On average, HPW employers also trained a much higher proportion of their workforce (69 per cent, compared to 53 per cent within non-HPW employers).

7.19 However it is not just volume of training, HPW employers are also associated with practices likely to lead to more targeted training: 94 per cent had a training plan in place, compared to 36 per cent of non-HPW employers, and 97 per cent conducted training needs assessments compared to only 43 per cent of non-HPW employers (both of these being considered High Performance Working practices).

Product market strategies

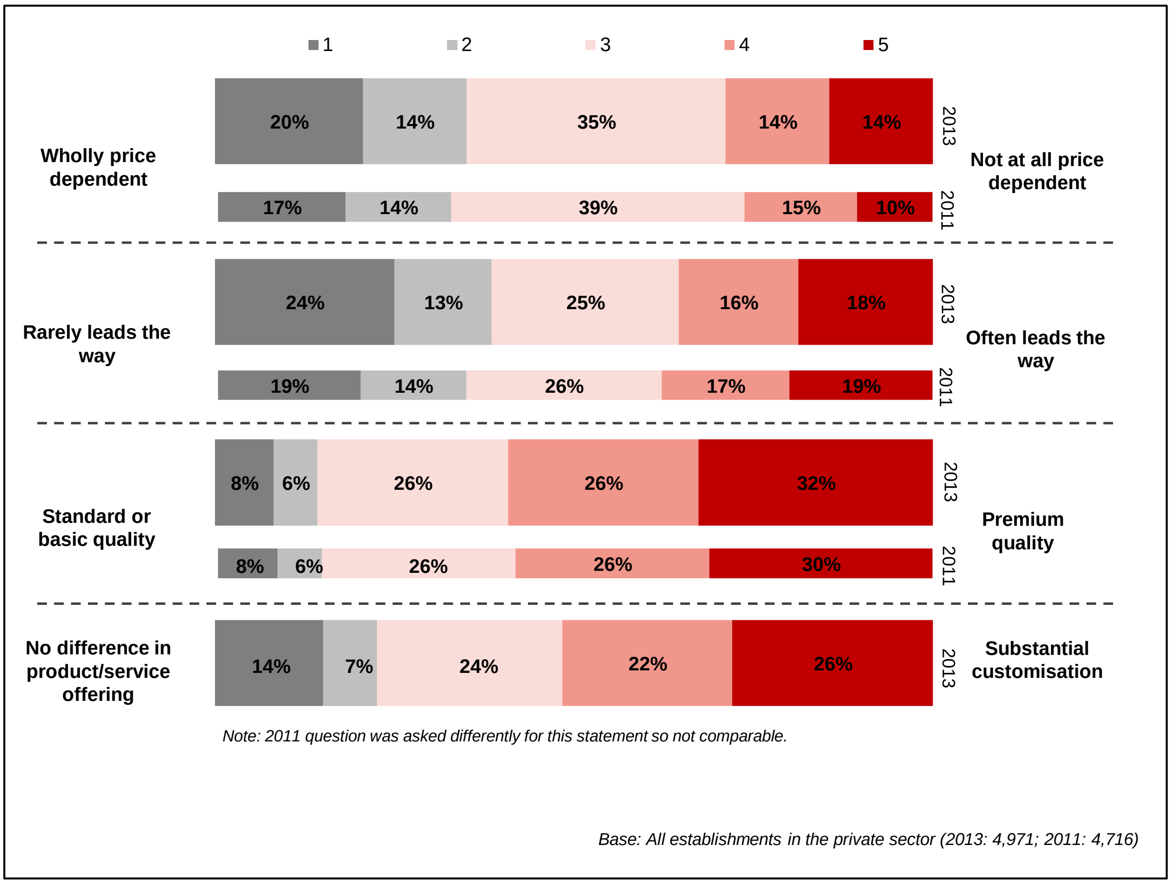
7.20 Product market strategies (PMS) describe the ways in which establishments choose to differentiate and position the products and services they provide within the markets in which they operate. It is thought that employers operating ‘higher’ product market strategies offer greater opportunity for sustainable business growth which should, in turn, place a greater demand on skills (see, for example, High Performance Working in the Employer Skills Surveys, UKCES 2013). The inter-relationship between PMS and workforce skills is a theme of key 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).

7.21 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 depends on price;
- the extent to which the establishment tends to lead the way in their industry in terms of the development of new products, materials or techniques;
- the extent to which the establishment competes in a 'premium quality' or 'standard or basic quality' product market; and
- the extent to which they offer goods or services with a substantial amount of customisation according to customer requirements[19].

7.22 Figure 7.3 illustrates the overall responses to each of these individual product market 'position statements' in both 2013 (the broader bars) and in 2011 (the thinner bars), including the score attributed to each response.

Figure 7.3: Product Market Strategy positions



7.23 Employers' responses to the first two product market 'position statements' – relating to price dependency and innovation – distributed more or less normatively across the five points of the scale as they did in 2011 (i.e. in both years, roughly equal numbers of employers said they rarely led the way as

[19] Responses to the "no difference – substantial customisation" position statement were recorded on a three point scale in UKCESS 2011 and was switched to a 5 point scale in UKCESS 2013 in order to align it with the other 'position statement' questions.

said they always did, and roughly equal numbers said their products / services were wholly price dependent as said they were not at all price dependent).

7.24 A larger proportion of employers described their offer as at the premium quality end of the scale than described their offer as "standard" or "basic" in quality. Again, responses very closely mirrored those recorded in 2011.

7.25 Similarly, a greater proportion of employers described their product / service offering as allowing customisation than said it was standardised.

Deriving a composite Product Market Index

7.26 In order to discern the overall Product Market Strategies of different establishments, 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', as detailed in Table 7.2. A high composite score indicates that the employer tends to lead the way in innovation in its sector, tends not to compete on price and/or tends to offer a premium and/or highly customised product or service. A low composite score indicates that the employer tends not to do any of these things.

Table 7.2: Overall composite Product Market Strategy scores

Aggregate PMS score		% of private sector establishments	% of private sector employment
1 to 7	Very low	6	3
8 to 10	Low	16	11
11 to 13	Medium	26	22
14 to 16	High	28	28
17 to 20	Very high	14	17

Base: All establishments in the private sector (4,971).

Columns do not sum to 100 per cent due to the proportion of establishments giving a "don't know" answer to any one of the questions that feed into the measure.

7.27 Overall, a greater proportion of establishments are classified as operating at the higher end of the PMS scale than at the lower end with over a fifth of establishments (22 per cent) categorised as having a 'low' or 'very low' product strategy compared to around two-fifths (41 per cent) categorised as having a 'high' or 'very high' product strategy. Whilst these proportions are similar to those reported at a UK level, a significantly greater proportion of private sector establishments in Wales operated at the lower end of the PMS scale (22 per cent) compared to the UK overall (18 per cent). Moreover, the proportion of establishments in Wales operating at the higher end of the PMS scale (41 per cent) is significantly lower than the UK overall (44 per cent).

7.28 It should be noted that due to the different ways in which the PMS questions were asked in 2011, the potential for accurate time series comparisons by PMS positioning is limited and have not been presented in this chapter.

Profiling employers operating higher and lower Product Market Strategies

7.29 Employers operating at the higher end of the PMS scale tended to be larger, on average, than those operating at the lower end, although the differences are marginal, reflecting that the overwhelming majority of all establishments are small establishments with fewer than 25 employees (see Table 7.3). When one is talking about employers with a high PMS rating, one is predominately talking about smaller establishments and if we pick up on differences between PMS groupings, it is unlikely that these will have been driven (solely) by size.

Table 7.3: Overall composite Product Market Strategy classification, by size

	Very Low	Low	Medium	High	Very High
Unweighted Base:	*252*	*747*	*1,260*	*1,408*	*740*
	%	%	%	%	%
Size					
2-4	75	62	58	53	49
5-24	23	34	34	38	40
25-49	2	3	5	5	6
50-99	*	1	2	2	3
100+	*	1	1	2	3

Base: All establishments in the private sector by PMS classification.

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

7.30 Table A.7.2 in Annex A provides further detail on the characteristics of employers in each PMS category in terms of region and sector. In short:

- Establishments operating in south east Wales were more likely to fall at the 'high' or 'very high' end of the PMS scale (44 per cent); those in mid Wales were least likely to (31 per cent). Moreover, establishments in the Education (59 per cent) and Health and Social Work sectors (52 per cent) were more likely to fall at the higher end of the PMS scale.
- At the other end of the scale, employers operating at the 'low' or 'very low' end of the PMS scale are most commonly found in mid Wales (28 per

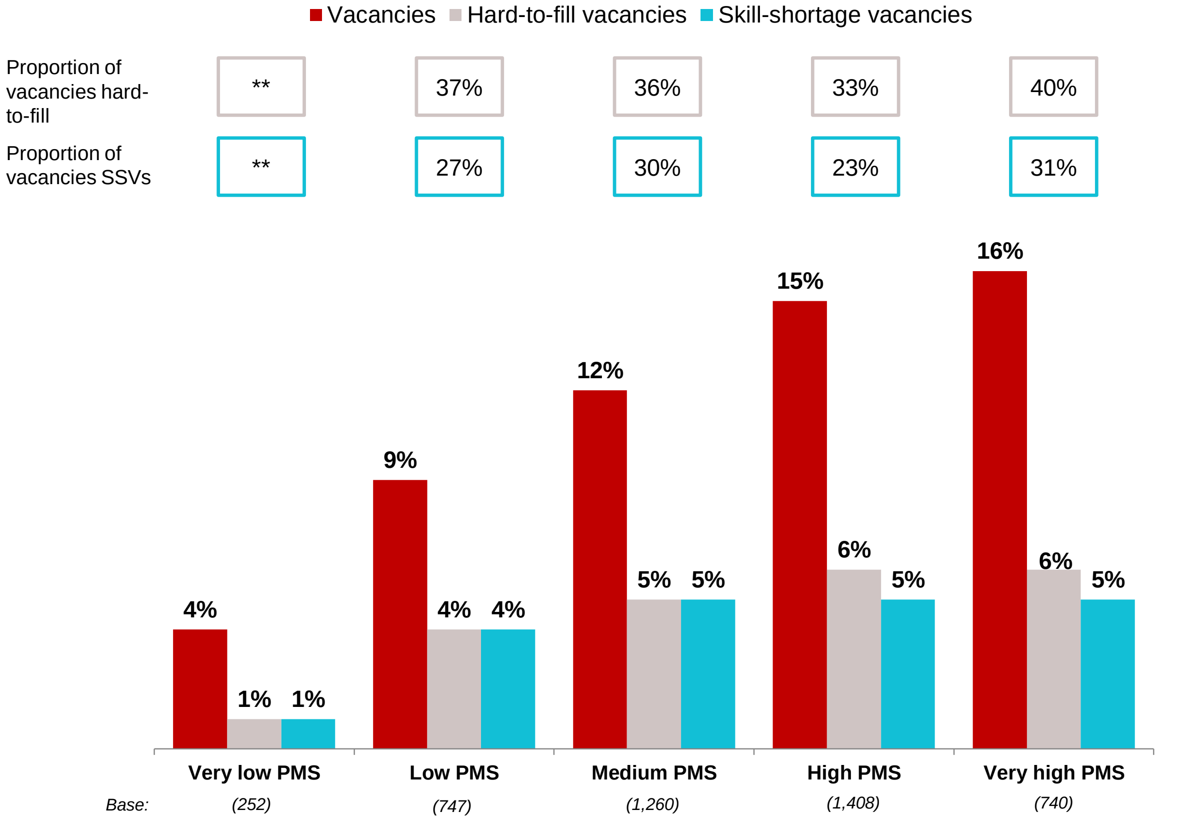
cent, compared to 22 per cent of all establishments in Wales) and to be engaged in Agriculture (37 per cent compared to 22 per cent overall).

Relationship between PMS and skills shortages

7.31 As discussed in chapter three, 14 per cent of all establishments in Wales had at least one vacancy at the time of the survey, a figure that falls to 12 per cent if one considers only those operating in the private sector. Private sector employers with a higher PMS score are more active in the recruitment market: 16 per cent of those with a 'very high' score had a vacancy at the time of interview, compared with only four per cent of establishments with a 'very low' score.

7.32 In line with this, establishments with vacancies at the higher end of the PMS scale were also more likely to report both hard-to-fill vacancies and skill-shortage vacancies compared to those at the lower end of the scale (see Figure 7.4). This is similar to the pattern seen in the UK as a whole; however, unlike the UK as a whole, the relationship is not so clear when considering the proportion of all vacancies which are hard-to-fill.

Figure 7.4: Incidence of vacancies, hard-to-fill vacancies and skill-shortage vacancies by Product Market Strategy classification



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

Base: All establishments in the private sector in each PMS group

The relationship between PMS and skills gaps

7.33 It was detailed in chapter four that 16 per cent of all private sector employers in Wales identifed at least some skills gaps amongst their employees. This section examines the incidence and prevalence of skills gaps among private sector establishments with differing Product Market Strategies.

7.34 As detailed in Table 7.4, the relationship between an establishment's product market positioning and the incidence and density of skills gaps is not entirely linear (though the incidence and density of skills gaps was lowest among employers operating at the 'very low' end of the PMS scale compared to the other PMS categories).

Table 7.4: Incidence and density of skills gaps by Product Market Strategy classification

	Very low	Low	Medium	High	Very high
Unweighted Base	*252*	*747*	*1,260*	*1,408*	*740*
	%	*%*	*%*	*%*	*%*
% of establishments with a skills gap	9	16	18	17	16
% of workforce with skills gaps	2	6	5	7	6

Base: All private sector establishments in each PMS classification.

'Percentage of workforce with skills gaps' is shown as a proportion of all private sector employment

7.35 When considering the causes of skills gaps, there appears a trend for establishments operating at the 'very high' end of the PMS scale to attribute their skills gaps to staff being new to the role and, related to this, training only being partially complete (see Table 7.5). This perhaps reflects the fact that employers at the higher end of the PMS index are more likely to be active in the recruitment market than those with a lower PMS rating. It can take time for new staff to reach full proficiency and so it could be that the skills gaps within higher PMS establishments are more transient than those in the lower PMS categories (although this relationship is not linear).

Table 7.5: Main causes of skills gaps (prompted), by Product Market Strategy

	Very low	Low	Medium	High	Very high
Unweighted Base	*30*	*157*	*302*	*295*	*158*
	%	%	%	%	%
Staff are new to the role	49	56	57	52	78
Their training is currently only partially completed	43	57	62	46	71
Staff lack motivation	25	49	39	56	29
They have been on training but their performance has not improved sufficiently	16	48	35	46	38
The introduction of new working practices	23	44	31	22	35
Staff have not received the appropriate training	39	37	26	27	30
Unable to recruit staff with the required skills	12	37	29	18	38
The introduction of new technology	7	23	20	14	25
The development of new products and service	12	22	18	16	31
Problems retaining staff	10	11	14	14	23
Summary: New to role and/or training incomplete	56	72	75	59	86

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

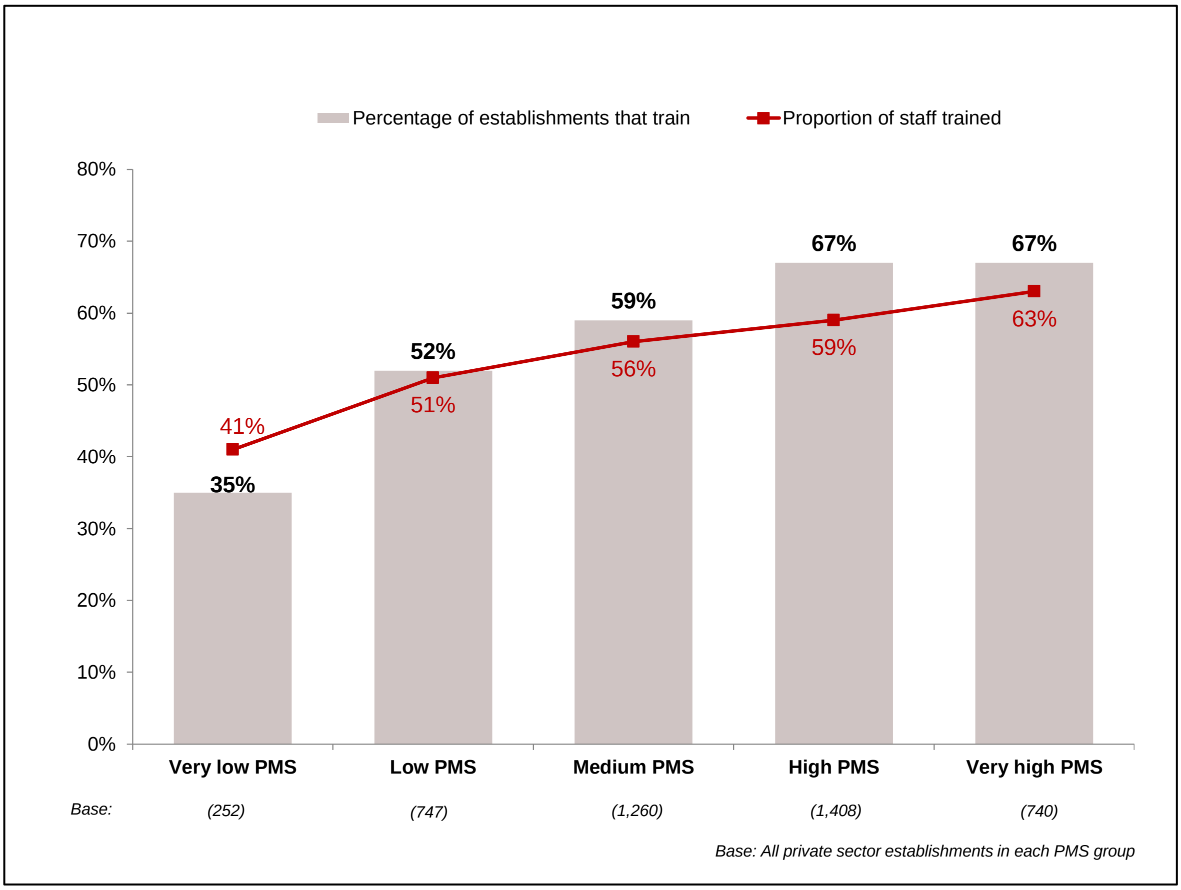
Percentages shown as a proportion of all skills gaps followed up.

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

The relationship between PMS and training

7.36 Figure 7.5 illustrates a linear relationship between an establishment's product market strategies and their level of training activity. That is, as the PMS index increases the proportion of establishments that train also increases (from 35 per cent of establishments in the 'very low' group to 67 per cent in the 'very high' group) as well as the proportion of staff that are trained within each establishment (from 41 per cent in establishments in the 'very low' group to 63 per cent in the 'very high' group).

Figure 7.5: Incidence of training by Product Market Strategy classification



7.37 This pattern of increasing proportions of employers training and an increasing proportion of the workforce being trained as one moves through the composite PMS score groupings mirrors the pattern of training activity by size of establishment that was presented in chapter five. However, the pattern here does appear to be driven by PMS position rather than by establishment size or by other characteristics. If one looks at employers with different composite PMS scores within each size band it is invariably the employers with the higher PMS score who are most likely to train. Similarly, within size band the proportion of staff trained is greater for those operating at the higher end of the PMS index (see Table A.7.3 in Annex A). So, like for like, employers operating higher product market strategies appear to identify a greater need for skill development among their staff.

8 Conclusions

8.1 **The survey findings indicate that Wales is continuing to emerge from the recession and economic downturn**: more employers had vacancies at the time of interview in 2013 than in 2011 and the number of vacancies as a proportion of the workforce had also increased. This increase in the incidence and density of vacancies is a result of increases in recruitment activity in north Wales and south west Wales.

8.2 **There is potential for skill shortages in the labour market to act as a brake on economic recovery**. Although only a small minority of establishments (four per cent) were affected by skill-shortage vacancies at the time of the interview, one in five vacancies across Wales were proving hard to fill due to skill shortages among applicants.

8.3 **There was wide variation in skill shortages in the labour market across Wales**: they were much more frequently reported in south east Wales (where 23 per cent of vacancies were hard to fill because of skill shortages) than in north Wales (14 per cent).

8.4 **Skill shortages are concentrated in particular occupations**, and were particularly likely to be found where employers were recruiting for Skilled Trades roles (this was also the case in 2011, suggesting persistent skill shortages in this occupation). There has been a heightened challenge regarding recruiting suitably skilled Caring, Leisure and Other services, Skilled Trades, and Administrative occupations compared with 2011, suggesting these are areas where the labour market is facing growing challenges in meeting employer demand.

8.5 **The number of employees regarded as not being fully proficient has increased compared with 2011.** Around 67,400 employees were regarded as not being fully proficient in their job roles, equating to 5.8 per cent of the total workforce in Wales, up from 4.6 per cent in 2011.

8.6 **Skills gaps continue to be more prevalent in certain occupations**, **particularly in Elementary and in Caring, Leisure and Other services occupations.** In both, nine per cent of staff were regarded as not being fully proficient (higher than the proportion with skills gaps in 2011).

8.7 **Increased recruitment explains much of the increase in reported skills gaps among staff.** Approaching two-thirds of skills gaps were caused by individuals being new to their role and just over a third by not being able to recruit staff with the required skills: both were significantly more likely to be mentioned as causes of skill gaps than in 2011.

8.8 **There has been little change in the incidence of training in Wales, and it remains the case that fewer employers in Wales train than in the rest of the UK**. Just over three-fifths of employers in Wales (62 per cent) had arranged training for at least some of their staff in the previous 12 months, a figure in line with 2011, but in both years fewer employers in Wales trained than in any other country of the UK (66 per cent of UK employers had provided training in 2013).

8.9 **Training in Wales has shown more resilience than found across the UK as a whole**.

- The proportion of staff in Wales trained over the previous 12 months rose substantially from 56 per cent in 2011 to 62 per cent in 2013 (it increased by a similar amount UK wide).
- The average number of days training per person trained (7.7 days) was little changed compared with 2011, despite a fall across the UK as a whole (from 7.8 to 6.7 days). While across the UK there was a slight fall in the total number of training days provided, in Wales the number increased (from 4.9m to 5.6m days).
- The proportion of establishments training an employee to a nationally recognised qualification increased significantly from 29 per cent in 2011 to 33 per cent in 2013, a larger increase than that seen across the UK.
- Overall investment in training in Wales increased slightly from 2011 to 2013 (from £1.5bn to £1.6bn), contrary to the decrease seen across the UK as a whole. This increase was driven by increased investment amongst establishments with fewer than 25 employees.

8.10 **The proportion of staff in Wales with skills that are under-utilised is much higher than the number with skills gaps, has increased compared with 2011, and is higher than found across the UK.** Around 241,000 workers were felt to have under-utilised skills (where employers regard staff as having both skills and qualifications that are more advanced than required in their current job role). This is equivalent to just over a fifth (21 per cent) of the workforce in Wales, up from 13 per cent in 2011, and higher than the 16 per cent found UK wide in 2013.

8.11 **Harnessing these latent capabilities could yield wide ranging benefits for the Welsh economy**. Further research is needed to understand what these skills are and what occupations they fall among in order to identify whether and how these skills could be better used, what level of benefits this might bring, and how employers might be encouraged to make use of them.

8.12 **Most employers taking on recruits from education found them to be well prepared for work and were more likely to do so the longer the recruit had spent in education.** Eight per cent of employers had taken on a 16 year old school leaver in the last 2-3 years: 40 per cent of these felt they were poorly prepared for work. In comparison, 14 per cent of employers that had taken on at least one higher education leaver in the last 2-3 years found them poorly prepared for work. The longer recruits had been in education the more likely employers were to think their recruits well prepared.

8.13 **The main obstacle to (more) young people getting new jobs is competition in the market place rather than perceptions that young applicants do not have the capability to perform in the job role**.

8.14 Overall the findings from the Employer Skills Survey 2013 make an important contribution to wider debates about skills and the labour market in Wales and across the UK. The survey provides valuable insights into the nature and severity of the skills issues employers are facing, and their responses to these challenges, and raises questions for potential further research. The findings highlight some positive developments that support indications of economic recovery, but they also identify some areas for action that need to be addressed if businesses are to realise their full potential. Whilst the survey findings show that skills shortages and skills gaps affect different employers in varied ways, looking to the future, the survey also finds that the majority of employers expect their staff to need to acquire new skills or knowledge over the next year. If the Welsh economy is to remain competitive in the global context it is vital to ensure that employers are able to make full use of the skills and talents of their people to drive business performance and growth.

Appendix A: Supplementary Tables

Table A.3.1 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 with vacancies
UK	*91,279*	15	655,000	2.4	2.5
Wales	***5,996***	**14**	**25,700**	**2.2**	**2.3**
Region					
North Wales	*1,580*	14	6,400	2.4	2.1
Mid Wales	*717*	11	1,500	1.8	1.3
South west Wales	*1,299*	14	6,500	2.6	2.5
South east Wales	*2,400*	14	11,400	2	2.5
ESF Region					
West Wales and Valleys	*3,634*	14	16,700	2.2	2.4
East Wales	*2,362*	13	9,000	2.2	2.1
Size					
2-4	*1,847*	9	5,300	4.6	1.4
5-24	*3,229*	15	7,300	2.5	1.6
25-49	*512*	29	2,700	1.9	2.2
50-99	*236*	47	3,700	2.6	3.8
100+	*172*	51	6,700	1.4	8.2
Sector					
Agriculture	*492*	4	400	1.3	1
Mining and Quarrying	*13*	**	**	**	**
Manufacturing	*401*	17	1,500	1.1	2
Electricity, Gas and Water	*84*	17	500	2.6	4.5
Construction	*467*	9	1,300	2.2	1.8
Wholesale and Retail	*1,109*	12	3,400	1.7	1.6
Hotels and Restaurants	*618*	17	3,100	3.8	2.2
Transport and Communications	*419*	12	1,100	1.9	2.2
Financial Services	*127*	15	400	1.4	1.9
Business Services	*736*	13	3,400	2.6	2.3
Public Administration	*67*	32	2,000	2.3	4.6
Education	*394*	27	2,300	2	3
Health and Social Work	*602*	21	4,400	2.3	3
Community, Social & Personal Service Activities	*467*	18	2,000	4.1	2

*Base: All establishments Percentages in Column 3 are shown as a proportion of all employment. Number of vacancies rounded to the nearest 100. '**'* denotes *figure not shown because of a low base (fewer than 25).*

Table A.3.2 Incidence, number and density of vacancies by occupation (2011 vs. 2013)

	% of establishments with vacancies who have a vacancy in occupation	Number of vacancies	Vacancy density	
	Unwtd Base:	Rounded to nearest 100	*Base:*	%
2011	*1,095*			
Managers	6	700	*69*	0.3
Professionals	15	2,900	*179*	2.2
Associate Professionals	13	2,400	*148*	3.7
Administrative and Clerical	17	2,600	*174*	1.7
Skilled Trades	15	2,400	*163*	2.2
Caring, Leisure and Other services	12	3,500	*152*	2.9
Sales and Customer Service	16	3,400	*164*	2.5
Machine Operatives	8	1,400	*86*	1.5
Elementary occupations	16	3,200	*209*	2.0
TOTAL		**22,500**		**1.9**
2013	*1,016*			
Managers	5	700	*52*	0.3
Professionals	14	3,000	*166*	2.2
Associate Professionals	17	4,600	*166*	10.3
Administrative and Clerical	15	2,100	*145*	1.5
Skilled Trades	16	2,700	*159*	3.2
Caring, Leisure and Other services	14	4,200	*151*	2.8
Sales and Customer Service	15	3,000	*143*	2.2
Machine Operatives	7	1,300	*79*	1.3
Elementary occupations	16	3,600	*172*	2.2
TOTAL		**25,700**		**2.2**

Base: Column 1: all establishments with vacancies; Column 2: all establishments; Column 3: all establishments with vacancies in each occupation.

Column 4 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.

Note: Vacancies are rounded to the nearest 100. Vacancy total is higher than the sum of vacancies by occupation as only six occupations per establishment were followed up.

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

Table A.3.3 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	*91,279*	4	146,200	*18,959*	22
Wales	***5,996***	**4**	**5,100**	***1,016***	**20**
Region					
North Wales	*1,580*	4	900	*294*	14
Mid Wales	*717*	3	300	*101*	21
South west Wales	*1,299*	4	1,300	*216*	20
South east Wales	*2,400*	4	2,600	*405*	23
ESF Region					
West Wales and Valleys	*3,634*	4	3,300	*616*	20
East Wales	*2,362*	4	1,800	*400*	20
Size					
2-4	*1,847*	3	1,400	*156*	27
5-24	*3,229*	4	2,200	*508*	30
25-49	*512*	4	300	*153*	13
50-99	*236*	8	400	*111*	10
100+	*172*	15	800	*88*	12
Sector					
Agriculture	*492*	2	200	*20*	**
Mining and Quarrying	*13*	**	**	*2*	**
Manufacturing	*401*	6	400	*76*	25
Electricity, Gas and Water	*84*	4	*	*16*	**
Construction	*467*	3	300	*50*	21
Wholesale and Retail	*1,109*	3	600	*158*	17
Hotels and Restaurants	*618*	6	700	*146*	21
Transport and Communications	*419*	4	300	*55*	29
Financial Services	*127*	5	100	*22*	**
Business Services	*736*	4	1,000	*113*	30
Public Administration	*67*	8	500	*21*	**
Education	*394*	6	300	*98*	13
Health and Social Work	*602*	2	600	*139*	14
Community, Social & Personal Service Activities	*467*	3	200	*100*	11

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 a figure larger than zero but smaller than 50. '**' denotes figure not shown because of a low base (fewer than 25).*

Table A.3.4 Density of skill-shortage vacancies by region, size and sector (2011 vs. 2013)

	% of vacancies which are SSVs			
		2011		2013
	Base:	%	*Base:*	%
UK	*17,093*	16	*18,959*	22
Wales	***1,095***	**18**	***1,016***	**20**
Region				
North Wales	*245*	17	*294*	14
Mid Wales	*151*	32	*101*	21
South west Wales	*254*	16	*216*	20
South east Wales	*445*	16	*405*	23
ESF Region				
West Wales and Valleys	*666*	16	*616*	20
East Wales	*429*	21	*400*	20
Size				
2-4	*90*	26	*156*	27
5-24	*567*	25	*508*	30
25-49	*189*	22	*153*	13
50-99	*115*	7	*111*	10
100+	*134*	8	*88*	12
Sector				
Agriculture	*4*	**	*20*	**
Mining and Quarrying	*3*	**	*2*	**
Manufacturing	*85*	23	*76*	25
Electricity, Gas and Water	*16*	**	*16*	**
Construction	*38*	29	*50*	21
Wholesale and Retail	*187*	12	*158*	17
Hotels and Restaurants	*150*	22	*146*	21
Transport and Communications	*89*	21	*55*	29
Financial Services	*22*	**	*22*	**
Business Services	*137*	24	*113*	30
Public Administration	*25*	4	*21*	**
Education	*94*	5	*98*	13
Health and Social Work	*126*	13	*139*	14
Community, Social & Personal Service Activities	*119*	18	*100*	11

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 low base (fewer than 25 respondents); Figures in grey show base is below 50 and figures should be treated with caution.*

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

Table A.3.5 Ratio of skill-shortage vacancies to vacancies that are hard-to-fill for other non-skills-related reasons by region, size and sector

	Base	Number of skill-shortage vacancies	Number of 'other' hard-to-fill vacancies	% of hard-to-fill vacancies that are a result of skill-shortages
	Base	Rounded to nearest 100	Rounded to nearest 100	%
UK	*6,133*	146,200	43,100	77
Wales	***341***	**5,100**	**2,100**	**71**
Region				
North Wales	*97*	900	700	57
Mid Wales	*38*	300	300	48
South west Wales	*71*	1300	500	73
South east Wales	*135*	2600	600	81
ESF Region				
West Wales and Valleys	*202*	3400	1,100	75
East Wales	*139*	1800	1,000	65
Size				
2-4	*62*	1,400	600	69
5-24	*182*	2,200	500	82
25-49	*39*	300	300	51
50-99	*26*	400	200	62
100+	*32*	800	400	66
Sector				
Agriculture	*13*	**	**	**
Mining and Quarrying	*0*	**	**	**
Manufacturing	*29*	400	50	88
Electricity, Gas and Water	*4*	**	**	**
Construction	*22*	**	**	**
Wholesale and Retail	*49*	600	200	72
Hotels and Restaurants	*62*	700	300	71
Transport and Communications	*21*	**	**	**
Financial Services	*8*	**	**	**
Business Services	*47*	1,000	200	83
Public Administration	*8*	**	**	**
Education	*28*	300	100	80
Health and Social Work	*24*	**	**	**
Community, Social & Personal Service Activities	*26*	200	400	36

Base: Establishments with hard-to-fill vacancies.

Percentages are based on all hard-to-fill vacancies, rather than all establishments with hard-to-fill vacancies; proportions therefore show the percentage of hard-to-fill vacancies within each occupation caused by skill shortages.

*'**' denotes figure not shown because of a low base (fewer than 25 respondents) Figures in grey show base is below 50 and figures should be treated with caution.*

Chapter 4: The Internal Skills Challenge

Table A.4.1: Incidence, number and density of skills gaps by size and sector (2011 vs. 2013)

Row percentages	2011				2013			
	Unwtd Base	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps	*Unwtd Base*	% of establishments with any skills gaps	Number of staff not fully proficient (skills gaps)	% of staff reported as having skills gaps
UK	*86,522*	17	1,485,500	5.5	*91,279*	15	1,409,900	5.2
Wales	***5,958***	**16**	53,900	4.6	***5,996***	**16**	**67,400**	**5.8**
Size								
2-4	*1,162*	9	4,500	3.9	*1,847*	8	3,900	3.4
5-24	*3,474*	21	15,200	5.1	*3,229*	22	15,000	5.1
25-49	*750*	31	6,300	4.4	*512*	35	8,300	5.6
50-99	*324*	35	7,100	5.0	*236*	41	7,600	5.4
100+	*248*	41	20,800	4.4	*172*	46	32,600	6.9
Sector								
Agriculture	*101*	6	1,000	3.5	*492*	6	800	2.9
Mining and Quarrying	*22*	**	**	**	*13*	**	**	**
Manufacturing	*467*	20	8,500	6.1	*401*	21	13,400	10.3
Electricity, Gas and Water	*110*	17	1,000	6.7	*84*	15	300	1.8
Construction	*498*	12	2,100	3.3	*467*	15	2,500	4.6
Wholesale and Retail	*1,062*	19	10,200	5.4	*1,109*	18	10,000	5.2
Hotels and Restaurants	*666*	19	5,900	7.5	*618*	19	8,200	10.2
Transport and Communications	*435*	20	2,400	3.8	*419*	16	2,300	3.9
Financial Services	*173*	19	1,100	3.7	*127*	20	1,500	5.2
Business Services	*789*	14	6,300	5.0	*736*	15	5,800	4.4
Public Administration	*129*	18	1,600	1.8	*67*	25	1,500	1.8
Education	*391*	18	4,100	3.5	*394*	21	6,300	5.3
Health and Social Work	*571*	18	7,700	4.2	*602*	20	12,800	6.6
Community, Social and Personal Services activities	*544*	14	2,100	4.6	*467*	12	1,900	4.0

Base: Columns one and four all establishments; remainder all employment.
Note: The number of employees not fully proficient has been rounded to the nearest 100.
Percentages in columns 3 and 6 are based on all employment, rather than all establishments; proportions therefore show the percentage of staff with a skills gap.

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

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

Table A.4.2: Proportion of each occupation lacking full proficiency within region

Cell percentages	UK	Wales	North Wales	Mid Wales	South west Wales	South east Wales	West Wales and the Valleys	East Wales
	%	%	%	%	%	%	%	%
Managers	3.0	2.7	2.0	*2.8*	3.1	2.8	3.1	2.3
Professionals	3.8	2.8	**	**	**	3.0	3.4	1.9
Associate Professionals	5.3	3.5	**	**	**	2.1	3.8	3.0
Administrative / clerical staff	4.9	4.8	4.5	9.5	4.5	4.0	5.7	3.5
Skilled trades occupations	5.5	6.1	4.6	6.8	6.6	6.6	7.0	4.6
Caring, leisure and other services	4.8	8.8	12.5	**	5.2	5.9	9.4	6.5
Sales and customer services staff	7.8	6.9	8.7	10.2	5.6	6.7	6.0	8.7
Machine operatives	5.4	7.2	**	**	**	9.3	4.9	12.0
Elementary staff	7.3	9.0	12.4	8.7	7.0	8.4	10.3	6.3

Base: All establishments with staff in each occupation (see below)
Percentages are based on all employment, rather than all establishments; proportions therefore show the percentage of staff with a skills gap.

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

Table A.4.2a: Base sizes for A.4.2

All establishments with staff in each occupation	UK	Wales	North Wales	Mid Wales	South west Wales	South east Wales	West Wales and the Valleys	East Wales
Managers	4,252	259	62	32	50	115	142	117
Professionals	1,782	86	23	9	15	39	52	34
Associate Professionals	1,572	79	20	7	19	33	43	36
Administrative / clerical staff	4,510	248	73	25	39	111	136	112
Skilled trades occupations	3,378	226	60	25	52	89	136	90
Caring, leisure and other services	2,503	149	52	14	28	55	101	48
Sales and customer services staff	5,337	282	70	28	59	125	169	113
Machine operatives	1,676	88	22	3	22	41	54	34
Elementary staff	5,282	302	91	40	58	113	180	122

Table A.4.3: Causes of Skills Gaps, by occupation

	Managers	Professionals	Associate Professionals	Administrative and Clerical	Skilled Trades	Caring, Leisure and Other services	Sales and Customer Service	Machine Operatives	Elementary occupations
	%	%	%	%	%	%	%	%	%
Base:	*228*	*71*	*71*	*219*	*206*	*141*	*268*	*79*	*286*
They are new to the role	34	73	54	75	56	91	61	33	55
Staff lack motivation	21	27	25	53	31	76	38	62	57
Their training is currently only partially completed	56	61	62	48	69	35	65	30	40
They have been on training but their performance has not improved sufficiently	36	19	26	24	24	74	44	64	44
Unable to recruit staff with the required skills	33	29	31	13	34	74	28	15	20
The introduction of new working practices	49	35	24	51	25	16	28	9	34
They have not received the appropriate training	34	43	26	57	35	19	30	16	16
Problems retaining staff	8	8	*	2	8	59	18	4	27
The development of new products and service	39	30	17	42	19	6	33	12	13
The introduction of new technology	30	44	30	49	26	3	22	10	14
Summary: New to role / training not complete (transient factors)	**63**	**81**	**70**	**85**	**76**	**96**	**74**	**38**	**64**

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.
** denotes a figure greater than zero but lower than 0.5 per cent.*

Table A.4.4: Skills lacking among staff with skills gaps followed up, by occupation

	Managers	Professionals	Associate Professionals	Admin and Clerical	Skilled Trades	Caring, Leisure and Other services	Sales and Customer Service	Machine Operatives	Elementary occupations
	%	%	%	%	%	%	%	%	%
Base:	*228*	*71*	*71*	*219*	*206*	*141*	*268*	*79*	*286*
Planning and Organisation skills	73	72	65	56	57	83	54	19	41
Team working skills	56	21	42	43	40	79	47	74	50
Problem solving skills	57	45	37	31	49	79	51	21	43
Technical or practical skills or Job specific skills	41	70	61	62	63	27	62	36	52
Written communication skills	22	28	38	38	32	78	26	67	25
Oral communication skills	31	20	29	25	29	21	46	74	60
Customer handling skills	32	40	26	49	32	27	73	16	36
Basic computer literacy / using IT	25	11	16	24	25	69	26	67	13
Literacy skills	12	20	14	11	26	71	16	72	20
Numeracy skills	16	4	4	10	19	67	19	70	21
Advanced IT or software skills	32	69	41	46	20	58	20	8	5
Oral Welsh language skills	16	27	4	50	15	67	13	5	8
Written Welsh language skills	18	27	5	50	17	64	11	5	7
Strategic Management skills	50	48	41	28	20	10	18	4	10
Foreign language skills	7	21	5	10	9	59	8	1	7

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.4.5: Actions taken to overcome skills gaps (prompted), by region

	UK	Wales	North Wales	Mid Wales	South west Wales	South east Wales	West Wales and the Valleys	East Wales
Base	*20,228*	*1,219*	*333*	*126*	*251*	*506*	*727*	*492*
	%	%	%	%	%	%	%	%
Increased training activity / spend or increase / expand trainee programmes	68	65	64	62	64	66	65	64
More supervision of staff	60	61	67	56	57	62	62	61
Implementation of mentoring / buddying scheme	47	49	51	41	45	53	48	52
More staff appraisals / performance reviews	51	49	46	49	44	53	48	50
Reallocating work	37	39	39	38	42	38	40	37
Changing working practices	31	31	34	29	29	32	32	30
Increasing recruitment activity / spend	16	15	15	16	14	16	15	15
Recruiting workers who are non-UK nationals	10	8	7	8	8	8	7	9
Any action taken	**86**	**86**	**88**	**84**	**83**	**86**	**86**	**85**

Base: All establishments will skills gaps

Table A.4.6: Skills gaps and skill-shortage vacancies, by region, size and sector

Row percentages	*Unwtd Base*	**% of establishments with any skills gaps**	**% of establishments with a skill-shortage vacancy**	**% of establishments with either**
UK	*91,279*	15	4	18
Wales	*5,996*	16	4	18
Region				
North Wales	*1,580*	17	4	19
Mid Wales	*717*	12	3	14
South west Wales	*1,299*	15	4	17
South east Wales	*2,400*	17	4	19
ESF Region				
West Wales and the Valleys	*3,634*	16	4	18
East Wales	*2,362*	16	4	19
Size				
2-4	*1,847*	8	3	10
5-24	*3,229*	22	4	24
25-49	*512*	35	4	37
50-99	*236*	41	8	46
100+	*172*	46	15	51
Sector				
Agriculture	*492*	6	2	7
Mining and Quarrying	*13*	**	**	**
Manufacturing	*401*	21	6	24
Electricity, Gas and Water	*84*	15	4	16
Construction	*467*	15	3	17
Wholesale and Retail	*1,109*	18	3	19
Hotels and Restaurants	*618*	19	6	22
Transport and Communications	*419*	16	4	19
Financial Services	*127*	20	5	23
Business Services	*736*	15	4	18
Public Administration	*67*	25	8	28
Education	*394*	21	6	24
Health and Social Work	*602*	20	2	21
Community, Social and Personal Services activities	*467*	12	3	15

Base: All establishments

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

Table A.4.7: Incidence, number and density of staff who are both over-qualified and over-skilled by size and sector (2011 vs. 2013)

Row percentages	2011 Base	2011 % of establishments reporting skills under-use (%)	2011 Number of staff over-qualified and over-skilled	2011 % of staff reported as being over-qualified and over-skilled (%)	2013 Base	2013 % of establishments reporting skills under-use (%)	2013 Number of staff over-qualified and over-skilled	2013 % of staff reported as being over-qualified and over-skilled (%)
UK	*86,522*	48	4,168,300	15	*45,644*	48	4,282,800	16
Wales	*5,946*	45	157,000	13	*3,026*	50	241,500	21
Size								
2-4	*1,159*	44	32,300	28	*898*	48	33,400	29
5-24	*3,466*	45	47,600	16	*1,653*	51	62,800	22
25-49	*750*	52	16,500	12	*283*	53	24,700	17
50-99	*323*	49	15,700	11	*108*	46	13,900	10
100+	*248*	50	44,900	10	*84*	57	106,700	22
Sector								
Agriculture	*100*	41	6,000	21	*248*	40	6,500	24
Mining and Quarrying	*22*	**	200	**	*6*	**	**	**
Manufacturing	*467*	35	9,800	7	*187*	49	12,900	10
Electricity, Gas and Water	*110*	40	1,200	8	*40*	37	1,100	6
Construction	*497*	38	7,700	12	*233*	45	13,500	24
Wholesale and Retail	*1,059*	48	27,300	14	*561*	50	33,900	18
Hotels and Restaurants	*665*	56	17,800	23	*325*	64	19,200	24
Transport and Communications	*434*	45	7,800	13	*216*	48	13,100	22
Financial Services	*173*	50	3,100	10	*68*	53	3,400	11
Business Services	*785*	37	19,900	16	*365*	45	18,800	14
Public Administration	*129*	44	9,800	11	32	61	5,600	7
Education	*391*	56	21,500	18	*213*	60	31,200	26
Health and Social Work	*570*	48	16,000	9	*297*	51	71,300	37
Community, Social and Personal Services activities	*544*	50	9,000	19	*235*	52	11,100	23

Base: 2011 : All establishments 2013: All establishments in Module 2
Percentages in columns 3 and 6 are based on all employment, rather than all establishments; proportions therefore show the percentage of staff who are over-qualified and over-skilled
Note: The number of employees reported as being over-qualified and over-skilled has been rounded to the nearest 100.

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

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

Table A.4.8: Skills which need improving or updating in the next 12 months, by the single occupation most affected by upskilling need

	Managers	Professionals	Associate Professionals	Administrative and Clerical	Skilled Trades	Caring, Leisure and Other services	Sales and Customer Service	Machine Operatives	Elementary occupations
	%	%	%	%	%	%	%	%	%
Base:	*848*	*236*	*92*	*181*	*246*	*156*	*232*	*98*	*138*
Technical, practical or job specific skills	44	63	66	53	71	56	53	69	52
Planning and organising skills	42	48	44	49	41	61	54	53	46
Problem solving skills	32	38	34	40	40	45	52	47	42
Advanced IT or software skills	38	56	41	53	25	19	28	23	18
Team working skills	28	31	25	31	37	58	46	40	52
Strategic management skills	40	36	27	33	17	26	31	16	22
Customer handling skills	26	24	24	34	30	44	58	32	48
Basic computer literacy / using IT	28	25	14	34	27	41	36	25	38
Oral communication skills	17	18	18	20	23	35	34	30	33
Written communication skills	16	17	16	21	20	35	18	21	19
Oral Welsh language skills	19	30	24	16	11	33	9	9	11
Written Welsh language skills	17	27	21	15	9	22	10	7	8
Numeracy skills	14	19	11	16	13	16	17	14	27
Literacy skills	12	18	9	12	16	20	14	20	22
Foreign language skills	9	8	6	8	5	4	3	4	6

Base: All establishments who anticipate an upskilling need in next twelve months (Module 2)

Chapter 5: Training and workforce development

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	*91,279*	%	66	49	52	35
Wales	***5,996***	**%**	**62**	**47**	**48**	**33**
Sector						
Agriculture	*492*	%	31	25	16	10
Mining and Quarrying	*13*	%	**	**	**	**
Manufacturing	*401*	%	62	48	47	33
Electricity, Gas and Water	*84*	%	72	61	55	43
Construction	*467*	%	55	43	39	27
Wholesale and Retail	*1,109*	%	58	38	46	27
Hotels and Restaurants	*618*	%	59	39	47	27
Transport and Communications	*419*	%	63	45	44	26
Financial Services	*127*	%	85	52	71	39
Business Services	*736*	%	70	56	54	40
Public Administration	*67*	%	89	83	80	74
Education	*394*	%	93	83	83	72
Health and Social Work	*602*	%	89	74	73	58
Community, Social and Personal Services activities	*467*	%	66	51	52	38

Base: All establishments

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

Table A.5.2 Incidence of wider development activities (2013 and 2011)

	2013 Unwtd Base	2011 Unwtd Base		2013 Supervision guiding employees through their job role	2013 Opportunities for staff to watch others carry out their roles	2013 Allowed to perform tasks beyond job roles	Any 2013	Any 2011
UK	*91,279*	*86,522*	%	74	69	66	85	82
Wales	***5,996***	***5,958***	**%**	**71**	**66**	**62**	**81**	**79**
Region								
North Wales	*1,580*	*1,420*	%	73	66	61	81	82
Mid Wales	*717*	*788*	%	58	56	48	67	67
South west Wales	*1,299*	*1,376*	%	68	65	61	80	78
South east Wales	*2,400*	*2,374*	%	77	70	66	86	83
ESF Region								
West Wales and the Valleys	*3,634*	*3,696*	%	70	65	60	80	78
East Wales	*2,362*	*2,262*	%	73	67	64	82	81
Size								
2-4	*1,847*	*1,162*	%	58	52	51	69	68
5-24	*3,229*	*3,474*	%	86	80	72	93	92
25-49	*512*	*750*	%	93	93	79	99	97
50-99	*236*	*324*	%	96	91	76	99	96
100+	*172*	*248*	%	96	90	83	98	99
Sector								
Agriculture	*492*	*101*	%	37	41	33	52	50
Mining & Quarrying	*13*	*22*	%	**	**	**	**	**
Manufacturing	*401*	*467*	%	75	71	61	83	82
Electricity, Gas & Water	*84*	*110*	%	80	67	59	88	90
Construction	*467*	*498*	%	65	56	52	73	75
Wholesale & Retail	*1,109*	*1,062*	%	76	72	68	85	84
Hotels & Restaurants	*618*	*666*	%	76	67	67	84	74
Transport & Comms.	*419*	*435*	%	71	63	59	80	80
Financial Services	*127*	*173*	%	90	76	74	93	90
Business Services	*736*	*789*	%	72	62	63	83	84
Public Administration	*67*	*129*	%	89	82	78	99	97
Education	*394*	*391*	%	84	89	77	96	93
Health & Social Work	*602*	*571*	%	89	82	74	95	94
Community, Social & Personal Services	*467*	*544*	%	76	68	65	84	86

Base: All establishments

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

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

Table A.5.3 Reasons for not funding or arranging training over the last 12 months (unprompted)

		2011		2013
	UK	Wales	UK	Wales
Unweighted Base	*19,363*	*1,253*	*20,704*	*1,678*
	%	*%*	*%*	*%*
All our staff are fully proficient / no need for training	64	67	69	68
No money available for training	11	10	10	10
Training is not a priority for the establishment	9	10	7	10
No training available in relevant subject area	7	4	5	5
Managers have lacked the time to organise training	3	2	3	3
Employees are too busy to undertake training	2	3	2	3
Employees are too busy to give training	1	2	2	3
External courses are too expensive	2	2	2	1
Learn by experience/as you go	3	2	2	1
Business not operating long enough/New business	1	1	1	1
Small firm/training not needed due to size of establishment	1	1	1	1
Trained staff will be poached by other employers	1	1	1	1
Courses interested in not available locally	1	*	1	1
No particular reason	5	4	5	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.5.4 Whether trainers would have liked to provide more training, and if so the main barriers (prompted), by region, size and sector

	Unwtd Base	% Would have liked to provide more training	Unwtd Base		Main barriers among those wanting to provide more training: 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	*69,842*	47	*34,140*	%	60	48	13	4	4
Wales	***4,277***	**50**	***2,176***	**%**	**62**	**51**	**15**	**6**	**4**
Region									
North Wales	*1,131*	52	*612*	%	63	52	15	5	4
Mid Wales	*477*	49	*219*	%	61	42	16	8	4
South west Wales	*906*	49	*451*	%	62	50	15	7	5
South east Wales	*1,793*	49	*894*	%	62	53	16	5	4
ESF Region									
West Wales and Valleys	*2,540*	49	*1,283*	%	62	52	15	5	4
East Wales	*1,737*	50	*893*	%	62	49	16	7	4
Size									
2-4	*1,847*	46	*389*	%	62	50	16	7	4
5-24	*3,229*	51	*1,309*	%	61	50	15	5	4
25-49	*512*	54	*261*	%	65	58	20	7	4
50-99	*236*	52	*118*	%	64	53	15	5	3
100+	*172*	61	*99*	%	76	54	15	-	2

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 low base (fewer than 25 respondents). Figures in grey denote base size smaller than 50: figures should be treated with caution*

'-' denotes a figure of zero

	Unwtd Base	% Would have liked to provide more training	Unwtd Base		Main barriers among those wanting to provide more training: 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
Sector									
Agriculture	*492*	42	*66*	%	40	51	15	11	3
Mining & Quarrying	*13*	**	*5*	%	**	**	**	**	**
Manufacturing	*401*	47	*122*	%	58	54	27	9	7
Electricity, Gas & Water	*84*	44	*28*	%	69	47	18	-	3
Construction	*467*	45	*139*	%	64	48	14	3	3
Wholesale & Retail	*1,109*	49	*379*	%	51	50	17	5	5
Hotels & Restaurants	*618*	53	*248*	%	67	54	16	3	2
Transport & Comms.	*419*	49	*136*	%	62	49	23	2	3
Financial Services	*127*	39	*42*	%	50	45	11	6	2
Business Services	*736*	51	*292*	%	66	55	15	5	4
Public Administration	*67*	54	*33*	%	54	57	16	10	4
Education	*394*	56	*209*	%	82	48	8	5	5
Health & Social Work	*602*	48	*271*	%	66	47	11	9	7
Community, Social & Personal Services	*467*	59	*206*	%	78	50	15	10	5

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 low base (fewer than 25 respondents). Figures in grey denote base size smaller than 50: figures should be treated with caution*

'-' denotes a figure of zero

Table A.5.5 Types of training provided over the last 12 months, by region, size and sector (prompted)

	Unwtd Base		**Job specific**	**Health & Safety**	**Induction**	**New technology**	**Supervisory**	**Management**
UK	*69,842*	%	85	74	58	48	34	35
Wales	***4,277***	**%**	**87**	**76**	**58**	**49**	**38**	**37**
Region								
North Wales	*1,131*	%	87	77	57	47	37	36
Mid Wales	*447*	%	84	74	57	48	32	33
South west Wales	*906*	%	84	73	55	48	37	36
South east Wales	*1,793*	%	88	77	61	50	40	40
ESF Region								
West Wales and the Valleys	*2,540*	%	86	76	58	48	37	37
East Wales	*1,737*	%	87	76	58	50	39	38
Size								
2-4	*858*	%	82	63	38	47	25	23
5-24	*2,537*	%	88	81	66	47	39	39
25-49	*484*	%	95	95	84	55	56	62
50-99	*230*	%	97	97	89	61	67	69
100+	*168*	%	98	98	96	69	81	85
Sector								
Agriculture	*155*	%	83	56	21	38	21	13
Mining & Quarrying	*12*	%	**	**	**	**	**	**
Manufacturing	*261*	%	85	80	64	49	34	29
Electricity, Gas & Water	*65*	%	93	87	72	34	41	39
Construction	*299*	%	81	84	60	37	37	27
Wholesale & Retail	*758*	%	87	76	63	55	45	43
Hotels & Restaurants	*448*	%	84	84	64	31	42	36
Transport & Comms.	*271*	%	86	66	47	59	24	24
Financial Services	*104*	%	93	53	57	51	45	42
Business Services	*583*	%	88	61	50	61	27	33
Public Administration	*61*	%	92	84	67	55	48	59
Education	*366*	%	91	90	67	67	44	60
Health & Social Work	*549*	%	89	90	72	39	49	50
Community, Social & Personal Services	*345*	%	86	78	56	46	33	32

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

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

Table A.5.6 Number employed and trained over the last 12 months by sector, and the proportion of the workforce trained

	2011		2013			
	Unwtd Base	% of staff trained	*Unwtd Base*	Number employed (000s)	Number trained (000s)	% of staff trained
Sector						
Agriculture	*40*	30	*155*	27	6	21
Mining & Quarrying	*20*	**	*12*	**	**	**
Manufacturing	*354*	55	*261*	130	67	52
Electricity, Gas & Water	*81*	67	*65*	18	14	79
Construction	*335*	45	*299*	56	31	56
Wholesale & Retail	*782*	57	*758*	192	99	51
Hotels & Restaurants	*465*	48	*448*	81	45	56
Transport & Comms.	*318*	51	*271*	59	30	52
Financial Services	*143*	59	*104*	30	17	58
Business Services	*655*	59	*583*	130	82	63
Public Administration	*120*	57	*61*	85	53	62
Education	*379*	74	*366*	119	96	81
Health & Social Work	*528*	52	*549*	194	152	78
Community, Social & Personal Services	*433*	64	*345*	48	29	61

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.

'Percentage of staff trained' shown as a proportion of all employment across all establishments, not just those establishments that train.

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

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

Table A.5.7 Average training days over the last 12 months per person trained, by region, size and sector

	Unwtd Base		Average days training per person trained: 1 day or less	2	3-4	5-6	7-10	11+
UK	*69,842*	%	12	15	20	18	18	18
Wales	***4,277***	**%**	**11**	**14**	**21**	**19**	**18**	**17**
Region								
North Wales	*1,127*	%	8	15	22	19	18	17
Mid Wales	*555*	%	8	13	29	18	17	14
South west Wales	*1,047*	%	10	16	21	16	18	19
South east Wales	*1,924*	%	9	14	20	18	21	20
ESF Region								
West Wales and Valleys	*2,847*	%	9	15	21	17	20	18
East Wales	*1,806*	%	8	14	22	19	18	18
Size								
2-4	*858*	%	12	14	21	18	7	10
5-24	*2,537*	%	9	15	22	18	9	10
25-49	*484*	%	9	14	21	24	9	8
50-99	*230*	%	10	14	21	23	11	8
100+	*168*	%	17	14	20	23	10	6
Sector								
Agriculture	*155*	%	12	24	26	19	4	5
Mining & Quarrying	*12*	%	**	**	**	**	**	**
Manufacturing	*261*	%	11	16	22	19	6	10
Electricity, Gas & Water	*65*	%	4	18	20	15	9	12
Construction	*299*	%	11	15	20	19	7	8
Wholesale & Retail	*758*	%	16	13	17	14	7	12
Hotels & Restaurants	*448*	%	14	17	17	14	10	10
Transport & Comms.	*271*	%	13	17	22	20	4	8
Financial Services	*104*	%	4	12	17	22	13	9
Business Services	*583*	%	8	12	23	20	9	11
Public Administration	*61*	%	3	15	24	31	5	5
Education	*366*	%	7	13	29	28	7	6
Health & Social Work	*549*	%	6	9	23	25	13	11
Community, Social & Personal Services	*345*	%	13	14	25	14	6	10

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

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

Table A.5.8 Total training and development days, and days per person trained and per employee by region and sector (2011 vs. 2013)

	2011				2013			
	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
Wales	***4,653***	**4.9m**	**7.5**	**4.2**	***4,277***	**5.6m**	**7.7**	**4.8**
Region								
North Wales	*1,127*	1.4m	9.3	5.5	*1,144*	1.3m	7.2	4.9
Mid Wales	*555*	0.3m	8.0	4.1	*570*	1.0m	29.1ǂ	12.9 ǂ
South west Wales	*1,047*	1.0m	9.3	4.2	*915*	0.9m	5.8	3.6
South east Wales	*1,924*	2.1m	6.1	3.7	*1,995*	2.3m	6.6	4.0
ESF Region								
West Wales and Valleys	*2,847*	3.1m	8.1	4.4	*2,789*	3.0m	6.3	4.0
East Wales	*1,806*	1.9m	6.7	3.9	*1,835*	2.6m	10.3	6.2
Sector								
Agriculture	*40*	56k	6.6	2.0	*155*	30k	5.3	1.1
Mining & Quarrying	*20*	**	**	**	*12*	**	**	**
Manufacturing	*354*	0.6m	7.4	4.1	*261*	0.4m	5.9	3.1
Electricity, Gas & Water	*81*	36k	3.7	2.5	*65*	50k	3.5	2.7
Construction	*335*	0.2m	8.1	3.7	*299*	0.2m	6.8	3.8
Wholesale & Retail	*782*	1m	8.7	5.0	*758*	0.7m	7.5	3.9
Hotels & Restaurants	*465*	0.3m	9.2	4.4	*448*	0.4m	9.2	5.2
Transport & Comms.	*318*	0.2m	5.8	3.0	*271*	0.2m	5.8	3.0
Financial Services	*143*	0.1m	8.2	4.8	*104*	85k	4.9	2.8
Business Services	*655*	0.4m	5.7	3.4	*583*	0.6m	7.6	4.8
Public Administration	*120*	0.4m	7.3	4.1	*61*	1m	19.3	12.0
Education	*379*	0.5m	5.7	4.2	*366*	0.6m	6.5	5.2
Health & Social Work	*528*	0.9m	9.2	4.8	*549*	0.9m	6.1	4.8
Community, Social & Personal Services	*433*	0.2m	8.1	5.2	*345*	0.2m	8.4	5.1

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

'Days per employee' is based upon employment across all establishments.

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

ǂ denotes figures should be treated with caution due to outliers having undue influence on the figures

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

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	*69,842*	47	3.6m	21	13
Wales	***4,277***	**53**	**0.2m**	**30**	**18**
Region					
North Wales	*1,131*	57	70k	38	26
Mid Wales	*447*	52	9k	25	11
South west Wales	*906*	52	42k	27	17
South east Wales	*1,793*	52	94k	27	16
ESF Region					
West Wales and the Valleys	*2,540*	54	155k	33	21
East Wales	*1,737*	51	61k	24	15
Size					
2-4	*858*	43	14k	35	12
5-24	*2537*	55	48k	30	16
25-49	*484*	67	29k	30	20
50-99	*230*	76	28k	26	20
100+	*168*	85	0.1m	30	20
Sector					
Agriculture	*155*	51	2k	39	8
Mining & Quarrying	*12*	**	**	**	**
Manufacturing	*261*	47	20k	29	15
Electricity, Gas & Water	*65*	63	2k	11	9
Construction	*299*	59	10k	32	18
Wholesale & Retail	*758*	43	19k	19	10
Hotels & Restaurants	*448*	56	12k	25	14
Transport & Comms.	*271*	47	10k	33	17
Financial Services	*104*	36	2k	12	7
Business Services	*583*	46	20k	24	15
Public Administration	*61*	72	17k	32	20
Education	*366*	69	24k	25	20
Health & Social Work	*549*	69	69k	45	35
Community, Social & Personal Services	*345*	56	10k	35	21

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).

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

Table A.5.10 Training expenditure per employee and per person trained by region

	2011				2013			
	Unwtd Base	Total	Spend per person trained	Spend per employee	*Unwtd Base*	Total	Spend per person trained	Spend per employee
UK	*11,027*	£45.3bn	£3,080	£1,680	*12,522*	£42.9bn	£2,550	£1,590
Wales	***1,483***	**£1.5bn**	**£2,280**	**£1,280**	***1,361***	**£1.6bn**	**£2,180**	**£1,350**
Region								
North Wales	*380*	£368m	£2,370	£1,410	*337*	£402m	£2,200	£1,520
Mid Wales	*187*	£165m	£4,110	£2,100	*155*	£110m	£3,050	£1,350
South west Wales	*335*	£291m	£2,620	£1,170	*288*	£329m	£2,110	£1,310
South east Wales	*581*	£768m	£2,200	£1,330	*582*	£739m	£2,120	£1,290
ESF Region								
West Wales and the Valleys	*921*	£885m	£2,350	£1,280	*795*	£845m	£1,790	£1,120
East Wales	*562*	£707m	£2,550	£1,500	*567*	£734m	£2,910	£1,790

Base: Establishments completing the Investment in Training study.

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

Table A.5.11: Training expenditure by region, 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, by region

	Unwtd Base	Expenditure on training	% spent on off-the-job training		Wages of trainees	Wages of trainers	Fees to external providers	Other
UK	*12,522*	£42.9bn	50	%	50	18	8	24
Wales	***1,361***	**£1.6bn**	**51**	**%**	**43**	**21**	**7**	**23**
Region								
North Wales	*337*	£402m	52	%	48	16	5	31
Mid Wales	*155*	£110m	62	%	40	17	7	36
South west Wales	*288*	£329m	58	%	40	17	6	38
South east Wales	*582*	£739m	45	%	42	25	8	25
ESF Region								
West Wales and the Valleys	*795*	£845m	50	%	44	20	6	30
East Wales	*567*	£734m	49	%	42	21	8	30

Base: Establishments completing the Investment in Training study.

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

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	*12,522*	£3.3bn	£440m	13
Wales	***1,361***	**£0.1bn**	**£15m**	**14**
Region				
North Wales	*337*	£26m	£3m	13
Mid Wales	*155*	£8m	£1m	12
South west Wales	*288*	£19m	£6m	29 ‡
South east Wales	*582*	£59m	£6m	9
ESF Region				
West Wales and the Valleys	*795*	£50m	£9m	18
East Wales	*567*	£58m	£6m	10
Size				
2 to 4	*2,317*	£18m	£4m	19
5 to 24	*6,953*	£49m	£7m	14
25 to 49	*1,722*	£11m	£2m	15
50 to 99	*928*	£9m	£1m	10
100+	*452*	£22m	£2m	9

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 figures should be treated with caution due to outliers having undue influence on the figures*

Chapter 6: Young people in the labour market

Table A.6.1 Recruitment of education leavers in past 2-3 years, by sector

	Unwtd Base	**Any education leaver**	**16 year old school leaver**	**17-18 year old school leaver**	**17-18 year old FEC leaver**	**University/ HE graduate**
		%	%	%	%	%
Wales	*5,996*	27	8	11	11	13
Sector						
Agriculture	*492*	8	2	3	4	2
Mining & Quarrying	*13*	**	**	**	**	**
Manufacturing	*401*	29	9	12	13	12
Electricity, Gas & Water	*84*	20	4	7	9	14
Construction	*467*	22	11	8	7	4
Wholesale & Retail	*1,109*	27	10	14	13	11
Hotels & Restaurants	*618*	37	17	21	19	18
Transport & Comms.	*419*	26	5	7	8	13
Financial Services	*127*	25	2	5	6	15
Business Services	*736*	28	4	9	8	17
Public admin	*67*	40	3	18	21	30
Education	*394*	47	6	13	15	37
Health & Social Work	*602*	35	4	12	15	22
Community, Social & Personal Services	*467*	32	12	11	13	14

Base: All establishments in Wales

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

Table A.6.2 Recruitment of young people in past 2-3 years, by region, size and sector

	Unwtd Base	**Any young person** %
UK	*45,644*	44
Wales	***3,026***	**45**
Region		
North Wales	*795*	45
Mid Wales	*360*	36
South west Wales	*630*	42
South east Wales	*1,241*	49
ESF Region		
West Wales and the Valleys	*1,818*	45
East Wales	*1,208*	44
Size		
2-4	*898*	25
5-24	*1,653*	61
25-49	*283*	80
50-99	*108*	93
100+	*84*	94
Sector		
Agriculture	*248*	14
Mining &Quarrying	*6*	**
Manufacturing	*187*	52
Electricity, Gas & Water	*40*	54
Construction	*233*	35
Wholesale & Retail	*561*	50
Hotels & Restaurants	*325*	60
Transport & Comms.	*216*	36
Financial Services	*68*	51
Business Services	*365*	43
Public admin	*32*	52
Education	*213*	65
Health & Social Work	*297*	55
Community, Social & Personal Services	*235*	46

Base: All establishments in Wales in Module 2

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

Chapter 7: High Performance Working

Table A.7.1 Incidence of HPW employers

	Unwtd Base	**Proportion classified as HPW employer**
		%
Region		
North Wales	*785*	9
Mid Wales	*357*	5
South west Wales	*669*	7
South east Wales	*1,159*	15
ESF Region		
West Wales and the Valleys	*1,816*	9
East Wales	*1,154*	12
Size		
2-4	*949*	*4*
5-24	*1,576*	13
25-49	*229*	23
50-99	*128*	45
100+	*88*	58
Sector		
Agriculture	*244*	1
Mining &Quarrying	*7*	**
Manufacturing	*214*	9
Electricity, Gas & Water	*44*	11
Construction	*234*	3
Wholesale & Retail	*548*	12
Hotels & Restaurants	*293*	8
Transport & Comms.	*203*	9
Financial Services	*59*	18
Business Services	*371*	10
Public admin	*35*	*34*
Education	*181*	*27*
Health & Social Work	*305*	*18*
Community, Social & Personal Services	*232*	*9*

Base: All establishments in Module 1

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

Table A.7.2 Product Market Strategy classification within the private sector, by region and sector

	Unwtd base	Very Low %	Low %	Medium %	High %	Very High %
Region						
North Wales	*1,285*	6	16	25	28	12
Mid Wales	*602*	9	19	25	23	8
South west Wales	*1,102*	7	16	23	28	15
South east Wales	*1,982*	5	14	27	29	15
ESF Region						
West Wales and the Valleys	*2,999*	7	16	26	26	14
East Wales	*1,972*	5	15	25	30	13
Sector						
Agriculture	*491*	13	24	22	15	5
Mining and Quarrying	*13*	**	**	**	**	**
Manufacturing	*401*	5	11	29	28	19
Electricity, Gas and Water	*77*	9	12	30	36	10
Construction	*464*	5	16	31	26	13
Wholesale and Retail	*1,069*	8	14	24	31	12
Hotels and Restaurants	*591*	7	16	24	29	13
Transport and Communications	*393*	6	20	26	27	12
Financial Services	*121*	3	16	31	28	16
Business Services	*691*	2	14	30	29	18
Public Administration	*15*	**	**	**	**	**
Education	*117*	3	6	20	33	26
Health and Social Work	*282*	2	5	20	32	21
Community, Social & Personal Service Activities	*246*	3	18	20	29	17

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

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

Table A.7.3 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	*135*	28	25
5-24	*107*	54	32
25-49	*8*	**	**
50-99	*0*	**	**
100+	*2*	**	**
Low PMS			
2-4	*293*	40	29
5-24	*393*	69	44
25-49	*36*	95	49
50-99	*12*	**	**
100+	*13*	**	**
Medium PMS			
2-4	*421*	43	33
5-24	*666*	78	53
25-49	*104*	93	55
50-99	*45*	98	70
100+	*24*	**	**
High PMS			
2-4	*416*	54	43
5-24	*792*	79	54
25-49	*112*	92	64
50-99	*50*	94	72
100+	*38*	98	60
Very high PMS			
2-4	*195*	49	38
5-24	*412*	81	56
25-49	*69*	96	66
50-99	*35*	*100*	81
100+	*29*	*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 grey denote base size smaller than 50: figures should be treated with caution*

Appendix B: Industry coding

Each establishment was allocated to one of 14 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 did), a verbatim response was collected to find out what they do (question A7). At the analysis stage this was coded to a four-digit SIC which was then used as the basis for allocation into sector.

The table below shows the 14 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 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

Sector	SIC 2007
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. 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
8. Transport and Communications	H - Transport and storage (49-53) J - Information and communication (58-63) Including land, water and air transport (passenger and freight), warehousing and support activities for transportation, postal and courier activities, 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)
9. 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, insurance and reinsurance
10. 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,

Sector	SIC 2007
	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
11. 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
12. Education	P - Education (85) Including pre-primary, primary, secondary and higher education, other education (such as sports, driving schools, cultural education), educational support activities
13. Health and Social work	Q - Human health and social work activities (86-88) Including Hospitals, medical and dental practices, residential care, social work activities
14. Other Community, Social and Personal Services	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, professional), personal services (hairdressing, beauty, textile cleaning, well-being activities, funeral activities)
NOT COVERED IN THE SURVEY	T - Activities of households as employers; undifferentiated goods and services producing activities of households for own use (97-98) U - Activities of extraterritorial organisations and bodies (99) Including households as employers of domestic personnel, private households producing goods for own use

Appendix C: 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) this information was collected verbatim and then coded at the analysis stage, where possible to a four-digit level SOC.

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 D: 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.

Appendix E: Bibliography

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