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**EMPLOYER DATA ON EMPLOYMENT AND SKILL ISSUES IN THE UK**

## **1. Introduction**

The CfES has asked for comments on the extent to which available employer data is fit for purpose as a source of consistent and comparable labour market information to contribute to policy deliberations.

In this paper I discuss a number of ways in which I think UK employer data on employment and skills could be improved. These improvements centre on the development of survey questions designed to gather information on:

- the skill improvement and updating needs of adult employees
- employer-funded training provision designed to meet such skill improvement needs
- training in recession conditions
- employer and worker involvement in uncertified education and training as well as certified provision

## **2. How helpful are data on skill-shortage vacancies and lack of proficiency in workers' current jobs?**

The first National Employer Skills Survey (NESS) was carried out in order to support the work of the National Skills Task Force. At the time great care was taken to design questions which would be able to distinguish between skill shortages arising from recruitment difficulties (skills-related hard-to-fill vacancies) and skill shortages reflecting gaps in skills among firms' existing workforces (internal skill gaps). These questions have been asked in successive versions of NESS and have found that at a given point in time approximately:

- 5-6% of establishments report having skills-related hard-to-fill vacancies
- 15-23% of establishments report having internal skill gaps (defined as having at least some members of staff who are not fully proficient in their jobs) <sup>1</sup>

These results are very sensitive to the specific wording of questions. For example, if NESS respondents were asked about their experience of filling vacancies over a period of time (say, 3, 6 or 12 months) rather than at the immediate time of the survey, the proportion of establishments reporting experience of skills-related hard-to-fill vacancies would undoubtedly exceed 5-6%. Arguably, it could be more useful to policy-makers to learn more about how many and what types of firms experience such vacancies over a period of time rather than continue to form views about the prevalence of skill-related external difficulties from the NESS-type ‘snapshots’ of firms’ current recruitment experiences. Therefore, an initial recommendation is that future surveys try, at least once, to find out how much difference it makes to the results if firms are asked about their recruitment experiences over a period of time.

Taken together, the two questions on skills-related hard-to-fill vacancies and internal skill gaps only identify a small proportion of establishments in any year (at most about one in three firms, often fewer than that) as having a skills ‘problem’ of any kind. Can we conclude from this that a large majority of establishments have all the skills they need to achieve their objectives? Not at all, according to a 2005 report we prepared for the SSDA which was based on a survey of employers in four very diverse sectors: telecoms services, vehicle maintenance and repair, mechanical engineering and textiles, clothing and footwear (Mason, Osborne and Rincon-Aznar, 2005; SSDA Research Report No. 9). This survey will be referred to here as the Skills Improvement Survey. It found that large majorities of establishments in each sector reported that the skills of ‘core groups’ of employees stood in need of improving and updating. As shown in Table 1, as many as 93% of telecoms service establishments in this survey reported that at least one type of skill needed improving. Of the four sectors covered in the survey, the proportion of establishments reporting skill improvement needs of some kind was lowest in textiles but it was still high in absolute terms at 67%.

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<sup>1</sup> See key headline findings for NESS at <http://researchtools.lsc.gov.uk/ness/home/home.asp#>



**Table 1: Types of skills that are expected to need improving among core groups of employees over the next 12 months**

	Telecoms services	Mechanical engineering	Vehicle maintenance / repair	Textiles, clothing and footwear	Total
<i>Percentage of establishments</i>					
<b>Types of skills that need improving</b>					
General IT or computing user skills	51	37	41	17	37
IT or computing professional skills	23	9	12	3	11
Communication skills	52	32	39	27	37
Customer handling skills	55	25	45	15	35
Team working skills	50	39	44	34	41
Foreign language skills	5	4	3	2	4
Problem solving skills	39	39	47	18	37
Leadership or supervisory skills	48	36	36	26	36
Numeracy skills	20	15	17	13	16
Literacy skills	13	13	20	9	14
Technical or practical skills	57	57	70	32	56
Other skills	1	1	0	1	1
None	7	18	10	33	17
<i>n =</i>	<i>82</i>	<i>134</i>	<i>137</i>	<i>99</i>	<i>452</i>

Source: Derived from Mason et al, SSDA Research report No.9, 2005.

Skill issues of this kind tend to be overlooked in the NESS which commits a large proportion of each questionnaire to examining the incidence of skill-related hard-to-fill vacancies and lack of full proficiency.

Detailed follow-up questioning in the Skill Improvement Survey shed considerable light on the nature of changing skill requirements. For example, the sought-after improvements in technical skills centred in vehicle maintenance on diagnostics, electronics and keeping up to date with new technology. In the other three sectors updating in the use of new technology also featured alongside sector-specific technical skills such as improved product knowledge and electrical installation and cabling in telecoms services; machine-setting and specialised programming in mechanical engineering; and use of standard programmes and adaptation to new software in textiles, clothing and footwear. In further questioning, this survey was

also able to probe whether and to what extent establishments had engaged in training designed to meet these skill improvement needs, and to pose questions about the barriers and incentives to undertake such training, and the extent to which firms' training needs were met by local FE colleges and training providers.<sup>2</sup>

It is hard to believe that regular collection of data of this kind would not be helpful to Sector Skills Councils, Regional Development Agencies and other organisations involved in training. It is also possible that data on trends in the extent of reported skill improvement needs and the willingness of employers to take action to meet those needs would be more informative than data on trends in the perennially low number of establishments reporting skill-shortage vacancies or lack of full proficiency.

Note that the detailed probing of skill improvement needs and related training issues was only possible in the Skill Improvement Survey because it did not try to cover all major occupational groups as in the NESS but instead asked employers to define 'core groups' of employees in the following way:

**I'd now like to ask you about a group of employees that we will call 'core employees'. By this we mean the group of employees at this establishment - *excluding managers* - whose skills and knowledge you feel make the greatest contribution to the success of your business.**

**Which broad job title describes your 'core employees'?**

In each case questions about the training needs of this core group were backed up by questions about the training needs of each establishment's largest single occupation group where this differed from the identified core group. However, there was not sufficient time in the 20-minute telephone surveys to ask detailed questions about all occupation groups. Hence there is a classic trade-off between breadth and depth which I believe warrants substantial discussion in this consultation phase.

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<sup>2</sup> In research related to the Skills Improvement Survey, our study found that the majority of FE college departments and other training providers funded by public money were not well placed to commit resources to the preparation of training needs analyses and training plans for local employers or indeed to deliver much of the training that was apparently needed (Mason, Osborne and Rincon-Aznar, 2005). Similar conclusions about mismatches between employers' skill requirements and local VET provision were identified in another SSDA-supported research project which adopted aspects of our research methodology and focused on Scotland and Northern Ireland (McQuaid et al, 2007).

## **2. Other neglected training issues?**

There are a number of important education- and training-related issues which, in my view, are not sufficiently covered by the NESS or other surveys. Even if it proves that I am wrong in this assessment, I still think it would be valuable for the CfES to assemble all available evidence on these issues.

*(1) The extent to which employers do (or do not) support employees who are studying in their own time at FE and HE level*

My understanding of evaluation evidence on Train to Gain and similar training programmes is that, for many employers, a major constraint on training is not so much the costs of training as concerns about employees being absent during work time for training or study purposes. However, a sizeable number of firms are willing to support employees who study part-time in their own time, eg, by paying course fees, paying for books and materials and allowing small amounts of paid time off for examinations and study leave prior to examinations. This is potentially rich territory where some harmony can be established between individuals' self-investment in education and training and employers' interests in their employees managing to update and improve their skills. There is also a debate to be had about whether employer support for part-time study of this kind helps those firms to retain valued employees or whether (as some employers fear) it might just help those individuals gain new qualifications which will make it easier for them to leave their current employment. Available evidence on this issue (especially for the United States) is quite positive: the labour retention argument seems to predominate [references to follow].

Question for CfES: Do you feel that existing surveys provide you with sufficient information on this important type of employer support for education and training? For instance, do we know enough about the extent to which employers insist that education and training courses must be work-related in order to qualify for support?

*(2) Employer and worker involvement in uncertified education and training as well as certified provision*

In our SSDA report referred to above, we presented evidence that the bulk of skill upgrading needs in several sectors in England and Wales related, firstly, to adult employees and, secondly, to gaps in skills which could be filled through reasonably short courses of training. This contrasts with the main thrust of current Learning and Skills Council (LSC) funding systems which motivate colleges and training providers to focus their efforts on 16-20 year olds at the beginning of their careers and on provision of courses, usually 12 months or more in duration, that lead to accredited qualifications. This kind of training provision is important but – from the perspective of employers -- it is questionable whether the right balance has been achieved between beginning-of-career training and adult updating training (Mason, Osborne and Rincon-Aznar, 2005).

Question for CfES: Do you feel that existing surveys provide you with sufficient information on the value attached by employers and employees to uncertified short-duration training?

*(3) What effects will the current recession have on employer training provision?*

Most of our knowledge about the effects of the last (early 1990s) recession on training comes from the Labour Force Survey. In brief, Felstead and Green (1995) show that by many measures training held up quite well, partly because of the recession coinciding with new regulatory requirements in some sectors, partly because of the impact of customers' expectations re quality training at the time (eg, to meet the requirements of British Standard 5750), and partly because in some firms training levels were maintained in order to help them cope with markets subject to rapid technological change.<sup>3</sup>

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<sup>3</sup> Alan Felstead and Francis Green (1996), Training implications of regulation compliance and business cycles, in Alison Booth and Dennis Snower (eds), *Acquiring Skills: Market Failures, their Symptoms and Policy Responses*, pp. 257-283, Cambridge: Cambridge University Press.

However, very importantly, there was a sharp decline in skilled workers *jobs* even while training for workers still in their jobs was maintained to some extent.

Furthermore, off-the-job training courses did become shorter during the recession (suggesting reduced depth of content).

Question for CfES: The LFS provides valuable information from an individual perspective. Do you feel that existing surveys will provide you with sufficient information on employers' perceptions of and reactions to the recession so far as training and retention of skilled workers is concerned?

### **3. To what extent should the NESS be modified?**

Even if it is agreed that the NESS does not cover some important training issues in sufficient depth, it is an open question how far the NESS questionnaire should be revised to try and cover those additional issues and how far the NESS should be complemented by additional employer surveys.

If NESS is to be modified, my advice is that it should be redesigned to consist of two modules:

- Module (1) to contain standard questions which are always asked to ensure continuity of data series
- Module (2) to contain questions on a selected theme or themes which will vary from one year to the next