



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Employer Skills Survey 2011: DEL Briefing

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Mr D Rogers: One thing that we can do is compare our results this time with those of previous surveys to see, for example, whether there has been any change since 2008. We can look at the experiences of employers of different sizes, sectors and occupational groups, and at employers in Northern Ireland, so it is quite a rich source of information. It can, of course, be compared with experiences in other parts of the UK.

As we know, most employers are small. Four fifths employ fewer than 10 people, but large organisations account for over two fifths of all employees. When we are doing the sampling, we need to ensure that we get enough large employers. If we did a purely random sample, we would not get enough large employers. The survey is stratified by sector and by size to make sure that we get adequate representation of all sectors. It covers not only the private sector but the public sector and the voluntary sector.

Belfast is the largest single region, but it is also where large firms predominate. The Belfast region has only one fifth of all employers, but it has one third of all workers. The corollary of that is that other areas are even more dominated by small establishments.

The first thing that the survey looks at is vacancies, or, in other words, situations in which employers need to replace staff who have left, or where they need to expand. An employer's ability to do that has quite an impact on their everyday business. Employers were asked about their vacancies at the time of the survey. The report found that the number of vacancies was slightly greater than at the time of the corresponding survey in 2008. It is worth bearing in mind that the 2008 survey took place in the late autumn of 2008, just as the recession was beginning to bite. If we think back to that time, we will recall that unemployment was beginning to rise. Employers had stopped recruiting, so it was in the recessionary period. I suppose, therefore, that a very slight rise in the number of vacancies is a good sign. However, the proportion of employers with a vacancy had fallen slightly from 12% in 2008 to 10% in 2011. Let us look at that per employee. Obviously, large employers had more vacancies because they are large. If it is averaged out per employee, small employers had more vacancies than larger companies. There were more vacancies in business services, transport and communications, hotels and restaurants, and, proportionately, there were more vacancies in the Belfast and northern regions.

In a sense, a vacancy is the starting point for examining skills shortages. If employers have a vacancy, they can find it easy or hard to fill. A vacancy can be hard to fill for a number of reasons. One reason that employers give is that the vacancies that they are offering have unsocial hours and are, therefore, difficult to fill. It is worth bearing in mind that, as I said, this information has come from employers. There are some reasons for having difficulty filling vacancies that employers are not likely to report, such as low wages, which employees might give as a reason for not applying. That gives this some context in so far as this is the world as seen by employers. Some reasons, however, relate to skills shortages: in other words, they cannot get staff with the right skills. We found that 4% of employers reported having a hard-to-fill vacancy.

I apologise for the next bullet point on my slide; I have worded it clumsily, and it could be misleading. Three per cent of all employers had vacancies that were hard to fill for skills reasons, which may not sound very much. You could say that that figure is OK because you could make the corollary that 97% of employers did not have skills shortage vacancies. That is technically true, but some employers would not have been recruiting at that time, or some might have recruited a few months earlier and have had difficulties filling skills shortage vacancies. So although the figure is only 3%, it is an important 3%. At that time, that translated to 5,500 vacancies that employers considered they could not fill, or were finding it difficult to fill, because they could not get people with the right skills.

It also meant that 28% of all vacancies — over one quarter — were hard to fill because of skills issues. That shows the skills shortage issue in a different context.

Mr Allister: Can you explain that correlation? How did you get to 28%?

Mr D Rogers: Twenty-eight of each 100 live vacancies that employers reported at the time of the survey were difficult to fill because of skills shortages.

Mr Allister: How does that fit with the finding that 3% of all vacancies were hard to fill for skills reasons?

Mr D Rogers: I apologise for that. That was my clumsy wording. Three per cent of employers had skills shortage vacancies. I did not word it particularly well.

Mr F McCann: Is it OK to come in with questions, as Jim has just done?

The Chairperson: I do not mind. Ask a question if you want to.

Mr D Rogers: I will try to answer.

Mr F McCann: With skills shortages, and the types of employment in which skills are required, is that information passed on so that the type of training required can be set up so that people can move into those jobs?

Mr D Rogers: I will come to that. However, one of the key groups of organisations with which we share this information is the sector skills councils. They use this information, and other information from their members, to look at training needs.

Mr F McCann: My reason for asking is that we are carrying out an inquiry on careers, and this would fit in neatly with what we are doing.

Mr D Rogers: We work with the Careers Service to produce the sector fact sheets. This is additional information that is fed into those fact sheets.

The Chairperson: A very good point has been raised, and we will come back to it, Fra. Please continue with your presentation, Dave.

Mr D Rogers: I have another bit of context. Employers say that they cannot get people with the right skills. However, if you ask employees, they will sometimes say that they have the skills but that employers are not using them, or they may say that they are not using their skills properly in the employment context. So there is also the concept of a mismatch of skills rather than simply a shortage of skills to consider.

Overall, the report concluded that, for the most part, labour markets can meet the requirements of employers. The conclusion was drawn —

The Chairperson: Are we all on the right page?

Mr D Rogers: Have I jumped two slides? It is my fault, I jumped one slide too many.

Larger employers are more likely than medium-sized or smaller employers to report skills shortage vacancies. However, small employers have the highest density of skills shortages: in other words, on a per employee basis, they were finding it more difficult than larger employers to recruit staff with the right skills. Medium-sized employers — those employing between 11 and 49 employees — were finding it most difficult.

There were higher than average skills shortage vacancies in sectors such as hotels and restaurants, and in public administration. Geographically, the north-west and northern regions were more likely to have skills shortage vacancies. If hotels and restaurants constitute a key sector and are finding it difficult to recruit, that will have implications down the line.

I will move on to the conclusions. The report's authors concluded that, overall, for the most part, the labour market can meet the requirements of employers, which, I suppose, is a good thing. However, they are also reporting that the rising incidence of vacancies that are hard to fill because of skills issues is a challenge for employers. They also point to what may appear to be a conundrum in that we should be in a position in which it is easier for employers to get employees because the labour market is in difficult times. On average, there should be more employees with the skills required and who can apply for jobs. That is not what we are finding. The authors state that that is a challenge for employers, but it is obviously a challenge for anybody working with employers to help them to meet that demand.

The authors point out that there are pockets of skills deficiency in the economy, and those tend to persist. There are the small employers who found problems in the last survey, and some employers

are really struggling to fill vacancies in some occupations because of the lack of skilled applicants. That may again be an area in which pay levels come in; I do not know, and it is speculation. With professional occupations, for example, over half the vacancies — 60% — were classified as skills shortage vacancies.

The Chairperson: You have a fair few slides, Dave, so I need you to motor on through.

Mr D Rogers: What is the impact of this? The information in the report is on hard-to-fill vacancies, but most of those were skills shortage vacancies, so it is reasonable to attribute similar impacts. The impacts of not being able to fill a vacancy include an increased workload for other staff and delays in developing new products: in other words, things that will offer a break on the whole.

The next area is the skills gap, whereby employers consider that their workforce is not fully proficient. The findings this time were that just over one tenth of establishments — 12% — had an employee with a skills gap. The figure was down from 22% in 2008, so it is a move in the right direction. The figure was broadly the same as that in the UK, which is 13%. If we look at that another way, employers are saying that about 5% of employees have a skills gap. Larger organisations are more likely to have employees with skills gaps. That makes sense as the more employees an employer has, the more likely that one of them will have a skills gap. If we look at the issue according to the number of employees, the rate is broadly consistent across the different sizes of employers, so it is not particularly worse with small or large employers. The rate, therefore, does not quite follow the same pattern as the skills shortage vacancies.

The highest proportion of employee skills gaps were found in elementary occupations, sales and customer services, occupational areas, hotels and restaurants, manufacturing, agriculture, wholesale and retail: in other words, we are finding a similar pattern. Why did employees have skills gaps? Some of them were new and had not yet had training, but some employers reported a lack of motivation, the fact that employees had been trained and were still not working properly — in which case, the conclusion is that training does not always work — and new working practices. The impacts are much the same. Skills gaps create a burden on other staff, but they are also a cost to employers and prevent employers and businesses from developing.

The last area that I propose to cover is workforce development, so what we are talking about is training. The report found that more than two fifths of employers provided some training, which was slightly lower than the proportion in 2008 and that in the previous year but was higher than that in the UK as a whole. Large organisations were more likely to train some of their staff than small ones, which is perhaps not surprising, but the sectors in which there was less training on average were agriculture, manufacturing and construction. The rates in wholesale and retail, and hotels and restaurants, were average.

The key conclusions on training were that workforce development is not distributed evenly. Those in low-skilled occupations, small businesses and specific sectors were least likely to receive training. The incidence of training in 2011 was below the 2005 level, which is contrary to the need for Northern Ireland to move towards being a high-skill and value-added economy. The decrease in training, which is mirrored in other surveys such as the labour force survey, needs to be viewed in the context of increased skills shortage vacancies. A circle needs to be squared.

Finally, we touched earlier on uses for the research. The information from previous skills surveys has been used to identify priority skills areas, and it is used in discussions with further education colleges and training providers to see what training is provided. I also mentioned that it is used widely by the sector skills councils and in fact sheets, which I already mentioned.

The Chairperson: We get the general picture.

Mr F McCann: It would be interesting to find out how many vacancies there are at any one time. Can it be broken down into parliamentary constituencies? That would give a breakdown of skills shortages.

The Chairperson: Just hold that point. You still have the Floor. Can we do that, David?

Mr D Rogers: We can do it for vacancies that are notified to the employment service, which does not include all vacancies. However, up to a point, we know the sectors, occupational groups and areas that they are in, although some vacancies, especially with large employers —

The Chairperson: Can you provide that information to us by parliamentary constituency?

Mr F McCann: A lot of the vacancies are confined to certain parts of the North —

The Chairperson: To be clear: we want to know what the skills shortages are in local areas to guide what we should be doing to get information out.

Mr F McCann: I would have thought that people in DEL's various offices would be able to gear training towards skills shortages and point firms in the right direction.

Mr D Rogers: The information, as well as vacancies information, is available and disseminated through the jobcentre and jobs and benefits offices network. That information is —

The Chairperson: Are you confident that people actually take note of it? I looked at other key facts, and you would need a degree in statistics to be able to understand them.

Mr F McCann: This is the point that I am making: if the survey shows that there many vacancies in certain constituencies, you would have thought that people in DEL, or dole office workers, would be zeroing in on that to see that training budgets are targeted towards providing essential training, especially if employers are not providing the training required or are providing only partial training.

Mr D Rogers: I cannot speak for the policy side, but a key role of the employment service is not only to link jobseekers to jobs but, especially when they fall into DEL programmes, and if appropriate, to provide the right support —

The Chairperson: Fra, you will be able to ask our next witnesses a question, and they will be able to tell you. It would be useful, however, if we could get the information to see what that looks like.

Mr Buchanan: The skills gap has been identified, and you know what specific skills are now required to fill that gap. Where does it go from here? We have this information in front of us, and you have identified the skills shortages, but what action will there be? We need action now to fill the skills gap so that folk like you are not coming to the Committee in two months' time and telling us exactly the same thing. There could be increases here and there, or whatever, but we need you to come back to say that the figure had been 5%, 6% or 8%, and it has now reduced to 4% because of a particular action. Where will it go from here? We have the survey in front of us, and it will take a while to read and absorb. Statistics and papers are fine, but they do not fill the gap or take appropriate action to address the problem. How can the survey be actioned from here today?

Mr D Rogers: I cannot speak directly for the policy side, but the development of the skills strategy, Success through Skills, was based on evidence. The review of the priority skills areas was based on evidence, some of which — not all — was derived from previous skills surveys. Look at what the sector skills councils are doing, which is supported by the Department. They will base their interventions on evidence. Much is based on information that comes directly from employers. Statistical information offers a double check to see whether we are on the right track. We think that we are doing the right thing, but are we? It is very difficult for me to be definitive and say what happens in individual circumstances. I probably should have stressed that this is a sample survey. It does not cover all employers but is representative of employers. It is fixed at a moment in time, and you could argue that it is already —

The Chairperson: On the Deputy Chairman's point, I understand that your role is only part of it, but what you are usefully able to do for us is explain, as a statistician, what is important and what is not. As you rightly pointed out, 3% seems an awfully small number, but, actually, it may be significant. It would be useful for the Deputy Chairman if you were able to take out the bones of your presentation — a one-page survey of the key themes that the Committee ought to look at. I am surprised that there is a problem in tourism and hospitality, and I am also surprised that there is a problem in public administration. I thought that we were the world champions in public administration. Can you help us to see the wood from the trees by showing us the key points and bring those back to us? The Deputy Chairman will then be able to talk to the other Departments and see who is picking that up.

Mr Buchanan: Over at least the past nine months, the Committee has been talking to businesses, and the problem is that they have a skills gap. Businesses cannot get the employees because they do not have the right skills. That has been going on and on for at least the past nine months, yet what has been done to address the issue? We can get all the statistics we want, but we need to take action to address the issue.

The Chairperson: Tom, the next folk up are from the employment service, and you will have the Floor then. Dave is a statistician, and they do not allow him to think about anything. *[Laughter.]* You will be first up.

Mr Hilditch: My question is probably on the same theme. You have been able to break the survey down by sector, but are you able to identify the individual businesses involved? Are the businesses that had problems five years ago, for instance, having the same problems today?

Mr D Rogers: The short answer is that we cannot identify the businesses because the survey is confidential. If some of the information were released, it might viewed by businesses as —

Mr Hilditch: No, I am not asking for it to be released. I am just asking whether you see that from your own gleaning of the information.

Mr D Rogers: No, we do not know what the businesses are. The only people who know that are the people who conduct the interviews, and that is to guarantee confidentiality to the individuals. Obviously, there is nothing to stop individual companies coming to DEL for advice. They may or may not be the same companies that were interviewed in the previous survey because we are looking for a representative sample. It may just be that if you have been lucky or unlucky as a business, depending how you look at it, you will have been called both times.

Mr Hilditch: In the same context, we cannot identify businesses that use a large number of agency workers against those who use permanent staff and look at whether there is better training for permanent staff while agency workers are cast to the side.

Mr D Rogers: I know that the UKCES is looking for questions that the survey could not answer that could be included in the next survey. The issue of agency workers has gone up the agenda. This survey refers mostly to direct employees of a business. It depends precisely on employment status. An agency worker could fall into a survey if the agency were picked as a business.

Mr Hilditch: If an agency worker does not have the skills, they are shipped out the door and someone else is brought in.

The Chairperson: Mr Hilditch has a really good point that you might address, with agency workers taking up so much of the employment numbers. That is an issue to do with skills, which I do not think that we are tackling. In response to Mr Hilditch, you might come back and tell us how we might look at the skills shortage and skills availability of agency workers. Although it is not dealt with in the survey particularly, could you address the concern that Mr Hilditch raised?

Mr D Rogers: Yes; although agency workers can be used to fill skills shortages as well.

Mr Hilditch: Yes, but employers would get through three or four of them before they find that person. I am finished. Thank you.

The Chairperson: Perhaps you could do that for us as soon as you can.

Mr G Robinson: My concerns are about the north-west and northern regions, where the rates are 9% and 7% respectively. Is there a reason for that? What can someone like me, an elected representative, do to help?

Mr D Rogers: I do not know the specific reasons, although I could have a look. I do not know whether that differs from the experience elsewhere. It is just that it is a bigger, different proportion in those regions.

The Chairperson: I think that you should look at that. When it is that sort of figure, you start to say that that is actually a significant number. If you are saying that close to 10% of people in the north and the north-west have skills issues, 10% of the workforce is quite significant, whereas 3% is not so much, although I am not saying that it is not important. Could you have a look for Mr Robinson and see whether it is possible to identify why there is a particular problem? Some analysis is all that we are asking for, David.

Mr D Rogers: I do not know whether it is a reason, but you could posit that there are many more potential employees in the Belfast region. That may or may not be a reason.

The Chairperson: It has an impact on what we will talk about next. When we talked to employment services about contracts that will go out for the successor to Steps to Work, and so on, I thought that there was a rural issue at play. Your statistics would be helpful — *[Interruption.]* — if we could get some analysis. Would that be all right, George?

Mr G Robinson: Yes.

The Chairperson: Perhaps you could just shed some light on it. We are not asking you to get a Nobel prize in economics, but we would just like somebody to tell us whether there are issues on which local representatives could usefully ask some questions. Perhaps, you could do that. Are there any other questions for Mr Rodgers?

Mr Anderson: Thank you for your presentation. The slide that deals with skills shortages states that 28% of all vacancies are difficult to fill due to skills shortages, which rose by 10% in 2008. Dave, with so many people being laid off, surely skills must be there in many places? Why do we have a 10% rise? I cannot get my head round that.

Mr D Rogers: That is one of the conundrums. To be honest, you would expect that, in times of difficulty, the beneficiaries would be employers because they should be able to find workers and skill them more easily. That is a worrying finding. Even more worrying is that it is suggested that if — when — the economy takes off eventually, employers will find it even more difficult because they will be hindered by workers not having the necessary skills.

Mr Anderson: I thought that employers would have a wide range of choice. I find that difficult to understand.

Mr D Rogers: The report's authors pointed to that conclusion, which seems counter-intuitive. Why are skills shortage vacancies rising at a time when you would expect the supply to be greater?

Mr Anderson: You do not know the answer?

Mr D Rogers: I am afraid that I do not.

Mr Allister: How representative is the sample? How many employers are sampled?

Mr D Rogers: I think that 4,000 employers took part in the sample, Mr Allister. The sample was devised to be as representative as possible.

Mr Allister: Is there any way of verifying the answers?

Mr D Rogers: On one level, we can check whether the employers are representative. In other words, we can check whether the profile of the employers matches the Northern Ireland economy, and, broadly speaking, it did. Is there verification in the sense of an external check? No.

Mr Allister: Are you getting answers stating that a skills shortage is the problem when the real problem might be the wage levels offered?

Mr D Rogers: That is an issue. There is a mechanism devised to identify skills shortages. The survey does not ask, "What is the reason for your shortage?"

Mr Allister: It could be self-serving.

Mr D Rogers: It could be; employers could do that. As I mentioned earlier, employers can have a very different perception to a potential employee on why a job is difficult to fill. The only thing that I can say is that, at a UK level, a great deal of thought was given to how to design the survey to minimise such risks.

Mr Allister: There seems to be no measures to verify any of it.

Mr D Rogers: As is the case with any survey, one has to rely on the honesty, integrity and good faith of respondents, to a certain extent.

Mr Allister: There is no verification as to what is the real answer to that key issue of whether a vacancy exists because of an actual skills shortage or because the employer is not prepared to pay the rate that would attract staff.

Mr D Rogers: It would be impossible to be definitive.

Mr Allister: Therefore, there is no verification.

The Chairperson: Jim, you have made a fair enough point, but Dave is a statistician. You might want to put the question to those who use the information. You might want to ask them whether there is a problem between the rate that is paid for the job and the supposed skills shortage. Those are things that we could ask someone else. I think that you have established the point from the statistician that he cannot tell you the answer.

Mr Allister: OK.

Mr D Rogers: As I said earlier, we do similar surveys of employees. By definition, an employee is somebody who has a job, but they have been without a job at some time. Therefore, it is at a different stage. A considerable number of employees say that their skills are not fully utilised. That is a conundrum that —

The Chairperson: You have something there, and I know that it might mean a bit more work, but Mr Allister has asked the key question about the impact of the rate of pay with the perception of a skills shortage. Could you look at the Hansard report to see whether you could pull together from different sources how you might reassure people? Or would you say that it is something that we have to find from other sources? Could we do that? Would that be satisfactory, Jim?

Mr Allister: Yes.

Mr F McCann: Chair, I have one point on what Jim was saying. Would it be possible to have one or two other questions in other surveys that deal with the rate of pay and whether it is above or below?

The Chairperson: Could you consider how we might do it with extra questions, David? We will look at that.

Mr Flanagan: Dave, may I ask a very simple question? When you talk about a skills shortage, what do you mean?

Mr D Rogers: It relates to whether the employee or prospective employee has the necessary proficiency to do the job. In other words, does the employee have the characteristics, knowledge and ability to do the job?

Mr Flanagan: Is that based on what is set out in a job description, personal specification and such things?

Mr D Rogers: Ideally, yes. However, in reality, we are talking about the perception of an employer at the time at which they are unable to fill a vacancy. Let us say that I am an employer with a vacancy for which nobody is applying. That might suggest that there is a labour shortage, or it may be a pay issue, or I may be interviewing people, who, in my opinion, do not have the necessary skills. They may not have the qualifications that the job requires, while others will have a qualification as a proxy

for a skill level. However, I cannot get the people because, in my opinion, they do not have the skills. In an ideal world, yes, it relates to a written job description. However, not all employers will work like that, especially smaller employers. There will be a subjective element, or, if you want to be more generous, a more experiential element, from employers.

Mr Flanagan: You are a statistician, and we will let you go at this, but there are percentages and figures running throughout this presentation. We understand that. The first one that sticks out is that 28% of all vacancies were hard to fill due to skills shortages. Have you any indication of what quantity of that 28% could have been addressed by minor induction training?

Mr D Rogers: I do not know the answer to that. I am putting myself in a thought experiment and into the mind of an employer. If I had a vacancy that I needed to fill and I thought that the situation could be corrected by a small amount of training, I am not sure that I would not employ somebody because of that. Do you see what I am getting at?

Mr Flanagan: It is still a skills shortage?

Mr D Rogers: However, it would not necessarily be a vacancy. That is the point I am getting at. I am positing an argument here, but my gut feeling is that if a rational employer had a very good candidate who did not quite have the skills but that a small amount of training would get them over the line, the employer would employ that person and give them the training. In other words, the vacancy would be filled.

Mr Flanagan: However, it would be hard to fill.

Mr D Rogers: You could argue that it would be hard to fill. In a sense, the successes are not counted here. If I am an employer with a vacancy and I fill it very quickly, I am less likely to be "caught". That vacancy will be closed very quickly, but a vacancy that is hard to fill will exist for weeks and weeks and, therefore, is much more likely to fall into the scope of the survey. Technically, it would be a skills shortage vacancy, but it would be a skills shortage vacancy for a much shorter period, on average. Therefore it is less likely to be caught.

The Chairperson: OK, we have got the point.

Mr D Rogers: Do you see what I am driving at?

Mr Flanagan: I do.

Mr D Rogers: The world is a complicated place.

The Chairperson: Dave, I have a couple of brief questions from our research paper on employment law. You may not be able to answer them, particularly, but you might tell me whether you could help us with it. The paper says that recent research has found that the relationship between labour market flexibility and employment may not be as clear as previously thought. The Department is looking to see whether changing employment legislation would have an impact. Could you shed any light on that? I do not mean that you do it now, but will you look at the research? Are you aware of how that would impact on skills shortages?

Mr D Rogers: I could certainly follow up on it.

The Chairperson: There are a couple points, and you will see where we are going on it. This paper, which we are happy to share with you, is a minor version of what the Department will be doing. It mentions that regions such as Northern Ireland that have a large small and medium-sized enterprise sector will have difficulties absorbing regulation, compared with area such as the south-east of England that have larger companies. We are worried that in addressing skills shortages, we will put increased bureaucracy on smaller companies because that might be stopping them filling vacancies. If we send you this paper, will you have a look at those issues and come back to us with a view that might help us?

Thank you very much, Dave. I am sorry that we have asked you to do the entire policy work for the whole of DEL. You have been very kind to come and share your information. I would like to see bullet points so that we can send them to members.