



Northern Ireland  
Assembly

Committee for Employment and Learning

# OFFICIAL REPORT (Hansard)

Employer Skills Survey:  
Department for Employment and Learning Briefing

2 July 2014

# NORTHERN IRELAND ASSEMBLY

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**Members present for all or part of the proceedings:**

Mr Thomas Buchanan (Deputy Chairperson)  
Mr Sammy Douglas  
Mr David Hilditch  
Mr Chris Lyttle  
Mr Fra McCann  
Ms Bronwyn McGahan  
Mr Pat Ramsey  
Mr Alastair Ross  
Ms Claire Sugden

**Witnesses:**

Mr Victor Dukelow	Department for Employment and Learning
Mr Michael Gould	Department for Employment and Learning

**The Deputy Chairperson:** From the Department for Employment and Learning, I welcome Mr Michael Gould, the deputy director of skills and industry, and Mr Victor Dukelow, the deputy director of analytical services. We are glad to have you here today. You have 10 minutes to make your presentation, and then we will open up for questions.

**Mr Victor Dukelow (Department for Employment and Learning):** Thank you for your introduction and the invitation to present the Northern Ireland results of the latest UK employer skills survey. It is worth pointing out that, prior to this UK Commission for Employment and Skills (UKCES) survey being produced, each country of the UK had its own employer skills survey. In Northern Ireland, we had the Northern Ireland skills monitoring survey, which has been in existence since about 2003, and there are similar surveys in England, Wales and Scotland. In Northern Ireland, we were the catalyst for pushing for a more harmonised approach to all this. We felt that we would be able to get better comparability of where we sit in the broader context and also the possibility of economies of scale for conducting all that work. The UK-wide survey provides a significant evidence base on skills and adds to the stock of knowledge that we are able to derive from other sources, including, for example, labour market statistics and wider skills research.

If you are content, I plan to speak to a number of slides that we sent to the Committee, along with some background briefing papers, in advance of today's meeting. It contains a lot of information so we will try to push our way through it.

By way of background, the survey was conducted in quarter 2 of 2013. It was led by the UK Commission for Employment and Skills. Across the UK, it involves over 90,000 interviews with employers, and it lays claim to being the largest employer skills survey in the world. Around 4,000

employers in Northern Ireland participated, and the survey is designed to be representative of the economy, whether by sector, employer size or occupation. This is the second time that the UKCES survey has been conducted, the first being in 2011. It means that we can start to compare progress over time and how skills needs are developing from the employer perspective and how that picture unfolds. The survey provides a detailed picture of the skills landscape from the employer perspective, and it considers a number of things, including the extent to which employers have vacancies. Of those employers who do have vacancies, it asks which of the vacancies were difficult to fill because of skills shortages among the applicants; whether skills gaps exist amongst current employees; what employers are doing to upskill their employees where there are skills gaps; and how much they are investing in that drive. It also asks employers to rate their new recruits, particularly those who joined the labour market recently after leaving education and training, which, as you would imagine, is of particular interest to the Department.

I will move on to the actual results and how they relate to Northern Ireland. Slide 3 shows that about 10% of employers in Northern Ireland reported that they had vacancies at the time of the survey. The survey estimates that the vacancy rate in Northern Ireland equates to about 2.1% of total employment at the time of the survey. Therefore, there were about two vacancies for every 100 employees. The survey does not relate to an entire year but to a specific time within that year. Therefore, that equates to about 16,000 to 17,000 vacancies in Northern Ireland. That is broadly the same proportion of employers reporting vacancies as the last time the survey was conducted. If you look at the graph, you see that Northern Ireland employers were less likely to report vacancies than those in other parts of the UK. That is likely to reflect the very particular issues that we have been working our way through as a consequence of the economic downturn. We are aware that the economic news has been improving of late, but we also know that we have been slower than other parts of the UK to find our feet in the recovery.

The survey asked employers with vacancies about the extent to which they found those vacancies difficult to fill, at least in part because they could not source the skills needed to fill the post. Slide 4 shows that, in Northern Ireland, about one fifth of employers with vacancies, which is about one fifth of the 10% I spoke about earlier, identified that the post was vacant because of a skills shortage. That is lower than 2011, and it is now lower than other parts of the UK. In some respects, it reflects well on the interventions being delivered to meet skill needs here in Northern Ireland, but we also need to take into account that it is likely to be a reflection of the specific economic weaknesses that we have. In some areas, it remains somewhat of a buyers' market in the labour market. When we drill down a little bit, we find that our employers are finding it most difficult to fill skilled trades and associated professional occupations because of skill shortages. If you look at it by sector, you see that skill-shortage vacancies are reported to be most prevalent in the agriculture sector — although the sample size is a little bit small — hotels and restaurants, and the community and social activities sectors.

There is an opportunity in the survey for employers with skill-shortage vacancies to identify what skills they are finding difficult to source. If you have a difficult-to-fill vacancy because of a skills need, you are asked, "Why was that difficult to fill? What skills could you not find?". Slide 5 shows that top amongst the list is technical and practical skills. Those are often job-specific skills that will differ according to the occupation and sector that we are dealing with. Employers state a whole range of softer skills that they find lacking amongst applicants for jobs. Those are particularly things like planning and organisation, problem solving, communication, customer handling and team-working skills. You will be familiar with those softer skills areas. Skills providers are seeking to develop those areas via curricular development in Northern Ireland; maybe we will return to that in the questioning.

That is all about vacancies and skills shortages amongst applicants. We will turn now to thinking about the skills gaps amongst employees currently in the labour market. The survey asked employers about the skills that might be lacking amongst their current employees. Slide 6 shows that employers were less likely to report skills gaps amongst their employees. Indeed, around 86% of employers here consider that their entire workforce is fully proficient for the kind of work that it is required to undertake. However, the proportion of employers reporting skills gaps has increased slightly since the 2011 survey. Again, drilling down, employers report that skills gaps were most prevalent amongst sales staff, machine operatives and in skilled trades.

Slide 7 shows that, similar to before, employers are reporting that the type of skills lacking tend to be those job-specific ones, but also the softer skills. It is a similar message to that reported for skill-shortage vacancies. The survey also asked employers about investment in skills development. Encouragingly, the message about the importance of skills seems to be getting some traction in Northern Ireland. Slide 8 shows that employers here are more likely than those anywhere else in the UK to believe that skills have an impact on performance. That is a positive message; it suggests that

the concept of skills being important for the future is getting traction. However, when you set slide 9 against that picture, it shows that fewer employers here than elsewhere have taken steps to address skills gaps amongst their employees. While employers are investing a substantial amount of about £1.1 billion in training and development, which is more than twice the amount that those employers are investing in things like R&D, for instance — so, a big investment — we can nevertheless see from slide 10 that that equates to around £1,500 of skills investment per employee, which is about 6% less than the UK total. Employers see skills as important, yet they invest less in upskilling than other parts of the UK.

That is something of a conundrum, but one that may be answered by, again, reflecting on the type of economy that we have in Northern Ireland. It is really one — I think that we will be familiar with this — which is more of a low-value-added type than that to which we would aspire. In other words, perhaps employers are investing in skills development rationally here given the types of markets that they are competing in. You will know that the economic and skills strategies, working in partnership with stakeholders, are seeking to move us on as an economy, so that we can rebalance towards a higher-value export-orientated employer base.

Finally, moving on to the preparedness of young people entering the labour market for the first time and looking specifically at how employers find their skill sets — again, this is an area, as I said, of particular interest to the Department — slide 11 shows that it is clear that employers here are more likely than UK employers to say that they are satisfied with the skills of their recent recruits, especially those who have been recruited from higher education (HE) and further education (FE). Again, that is encouraging.

To conclude: clearly the employer skills survey is presenting us with a wealth of information about skills needs and employer engagement with the skills agenda. That information is being put to good use. It is being used to inform the ministerial skills action groups, for example, in ICT, agrifood and advanced manufacturing — areas that are important for rebalancing our economy. It has been used to craft industry fact sheets that aid the Careers Service and to shape people's career choices. It is being used to inform policy development, including the apprenticeship review. It has helped in the identification of priority skill areas in Northern Ireland.

As regards dissemination, the findings are being shared widely by the UKCES. The UKCES launched a Northern Ireland tool kit earlier in June. It is an engaging product. I think that I have put a link to that in your packs. It gets the messages across to wider stakeholders. We also engaged with the UKCES to run a successful event in June, at which we discussed the findings of the survey with key stakeholders, including employers, providers and employee representatives. We are currently working with the UKCES to see how this source of information can be further developed and harnessed to cast further light on the skills landscape here.

That is really all that I wanted to say at this point unless there are any questions.

**Mr Michael Gould (Department for Employment and Learning):** I just want to reinforce what Victor has said. This is a very good snapshot at a time. Hopefully, the economy continues to recover. We recognise that there are skills needs with employers. We continue to work with them. Hopefully, we will show an improved picture in the years ahead.

**Mr Ross:** It is useful in providing that snapshot, as you said, to see where there are gaps at the moment. I suppose that economies change so rapidly now that perhaps where there are gaps now may not be the case in the future [*Inaudible.*] on an ongoing basis.

I have two questions. You mentioned the lack of companies taking steps to upskill their employees. You said that the reason was that some of them considered it not to be economically sensible in a low-value market. Is there also an explanation in Northern Ireland in that we have so many smaller companies that they just cannot afford to have their employees out for a time or cannot afford to do it? If that is the case, and there is evidence to suggest that, how do you help to support or encourage those companies to upskill their staff? We all appreciate the importance of that.

**Mr Dukelow:** There is evidence within the survey that smaller employers are less likely to invest in that per-head contribution. There is also evidence that suggests that the private sector is a little bit less likely to invest than the public sector. There is also evidence that suggests that those with the higher-level skills in the workforce are likely to get invested in most. There is potential market failure in increasing the skills of those in employment who have fewest skills.

Michael, do you want to take the question about the SMEs and engagement?

**Mr Gould:** You are absolutely right in your observation about small companies not being able to release people. We have seen that, through this recession, large companies also have not been able to release people. Since 2007-08, we have lost about 40,000 jobs in the Northern Ireland economy. Many of those were positions that were pared back, so companies are now efficient and lean and have not been able to release people for training. We have evidence of that.

For small and medium-sized enterprises, we have a skills solutions service that goes and works with companies with fewer than 250 employees and often with fewer than 10. Skills solutions will work with the company to develop a training plan, organise the training for it, and pay for that if the company is eligible. Since 2010, we have trained around 19,000 individuals in various aspects of business, technical skills and management and leadership skills.

**Mr Ross:** There were vacancies during even 2013, when we were still in difficult economic circumstances, for which the reason was the skills shortage. That sends a strong message. You identified job-specific skills as the number one shortage, but there is a range of soft skills, such as oral communication, planning and organisation, customer handling and teamworking. Has there been a lack of focus on soft skills because it is being looked down your nose at a little bit that soft skills are not as important? Is there going to be an increased focus on soft skills and their importance and teaching them to young people at even school level? At college level, there are courses on soft skills, but will you be making sure that all learning institutions are focusing on soft skills, particularly given the importance of hospitality and tourism to our economy? There is also the direct interface with call centres. Has there been a lack of focus on soft skills and will there be an increased focus on them?

**Mr Gould:** It is a common problem that is reported to us, by employers in particular. I have one anecdote of an employer who manages a mechanical and electrical engineering company, who received applications in text-speak for a job he had. Individuals nowadays do not recognise the need for good communication skills, as we would know them, in English. It is hard to see where the problem starts, whether at school or elsewhere.

From our experience in colleges and universities, there is a large effort put into developing employability skills, which we consider to be a combination of those soft skills identified in the commission's survey. It is done through things like work placement, where individuals not only are taught how to communicate and work in teams but have to get that experience. The evidence shows that those who had work experience and a work placement are likely to achieve higher in their academic work but also be more employable. That is one reason why the higher education strategy puts emphasis on all undergraduates being given an opportunity for a work placement during their university life. It was reassuring to hear the vice-chancellor say that he wants to encourage that. The new careers strategy is looking at the current review of careers, and one of the issues that have come up, particularly from employers, is about young people needing to get proper work experience to develop those employability skills.

**The Deputy Chairperson:** Now that the survey has thrown up the areas of skills shortages and the difficulties of retraining, what will the Department do to try to address the issue?

**Mr Gould:** We work with companies. If a company comes to us with a specific skills need, we will work with it — whatever its size, although, generally, it tends to be small and medium-sized enterprises — to develop a training plan, provide training and, if they are eligible, fund it.

**Ms McGahan:** Thank you for your presentation. Looking at slide 16, on the skill-shortage vacancies, I see hotels, restaurants and education. Could it be that it is to do not with skills shortages but with the terms and conditions of the contract, ie zero-hours contracts? When you refer to the education sector, could it be cleaning jobs, for example, that they find difficult to fill? Do you have any feedback on zero-hours contracts? I assume that, if you are trying to make up full-time hours, and you get a part-time job in a hotel and a part-time job cleaning in the education sector, you will be taxed on your second job. That would make it quite difficult for people to get a wage that they can live on.

**Mr Dukelow:** We have raised zero-hours contracts and conditions of employment with the UKCES to see whether we can build that into future surveys. It would be very interesting to see to what extent people on different forms of employment contracts benefit from the investment in upskilling by employers. Is it people on permanent contracts or people on less permanent contracts who benefit?

If they benefit less, by how much less? We have raised that issue and are keen to pursue it with the UKCES.

**Ms McGahan:** Are those roles full time or part time? It would be interesting to get that breakdown. It is obviously something that you are exploring.

**Mr Dukelow:** There is a meeting in September with the UKCES to further steer and look forward to the next version of the employer skills survey. We will raise the kinds of areas that we would like to see included the next time. We have already raised that issue as being one of those, so we will press the point again.

**Mr Hilditch:** My question is probably along the same lines, as it is about the rise in the likes of agency employment and temporary workers. Is there any evidence that employers are potentially less likely to invest in the temporary workforce?

**Mr Dukelow:** It is about drawing that evidence out in the survey, which is certainly something that we are keen to do. I do not have the answer to that currently, but it is something that we are exploring with the UKCES, to see whether we can get to the bottom of it the next time that the survey is conducted.

**Mr F McCann:** From what I have seen, the statistics certainly make interesting reading. I want to follow up on the question that Bronwyn asked. Slide 16 talks about the highest rate being in hotels, restaurants and education. That could cover a multitude of sins. It does not tell us what types of jobs are being talked about. Is it the people who are involved in cleaning or restaurant work, or is it the higher-level jobs? Is there a breakdown to tell us exactly what the jobs are?

**Mr Dukelow:** Occupational information is also captured in this. When you look at skills gaps amongst current employees, you will see that it tends to be that, for the higher-level jobs — professional and managerial jobs — employers are reporting fewer skills gaps than amongst the elementary-type professions, such as skilled trades and that kind of thing.

It is worth pointing out that about four fifths of skills gaps that employers identify can be seen as transitory skills gaps. They are people new to the job. They are in the process of learning the job and being trained for the job. That is interesting, particularly in terms of that piece around the softer skills. When an employer is engaging with a new recruit, there is a responsibility on the employer to understand that this is a person new to the job and to work with that employee to ensure that those skill needs are met. I think that that is recognised and reflected in the survey, so hopefully that is helpful.

**Mr F McCann:** If it is in it, I have not seen it, but is there a possibility that we could get a breakdown of that if the survey picked that up? One of the interesting things there is the whole question of construction. I know quite a lot of people in the construction industry who are out of work. They find it very difficult getting jobs, whether bricklayers, plasterers, electricians and the like. Even many labourers cannot get a job. So, I am quite surprised that that is there.

Another thing that I raised here before and was concerned about is that, with the economic downturn, many of the training facilities that usually trained people up to go into employment had moved away from construction because of the downturn in that sector and turned towards, for example, car mechanics. I was always concerned that there would be a falling down in the level of training provided there.

**Mr Dukelow:** I am wondering whether that is what is reflected in the figures. We need to be careful what we read into these figures and to do more exploration on some of these points. There is also the point about construction workers migrating from these shores. The question is, and given the figures that we see here about employers reporting skills shortages in those areas, to what extent have people left the industry as a consequence of the downturn?

We were engaged with the Construction Industry Training Board-Construction Skills only last week listening to its take on the future for the construction industry. They are pointing out that we are not likely to be on the upward curve that is being experienced in other parts of the UK but we are starting to steady the ground and are slowly moving into recovery within construction. Even with that lighter recovery, if people had moved out of the sector because they feel that it is a boom/bust sector, skills

gaps can start to emerge quite quickly as a consequence. That is something that we will need to keep our eye on.

**Mr F McCann:** I notice new terminology, such as soft skills. What is the definition of "soft skills"?

**Mr Gould:** We would define them as such things as teamworking, problem solving, communication skills and being able to write and be numerate. I suppose that it is also about getting on with others in the workplace.

**Mr Douglas:** Paragraph 7.2 talks about training and workforce development and us having the lowest proportion in the United Kingdom in relation to workforce development and training. It is actually down from 2011. During your research, did you look at other areas of Europe or, say, the Republic of Ireland and get comparable figures? Is there anything to learn from any other countries, including parts of the United Kingdom?

**Mr Dukelow:** I think that there is. One of the other complementary bits of work that we did, and I spoke to you about it before, is the international survey of adult skills, which looks more from the individual's perspective than the employer's perspective. That is a helpful perspective to get to complement and contrast with what we are hearing through this survey.

There were positive messages in that international survey of adult skills. We have improved internationally. We have closed the gap with the OECD average in terms of the skills of our people, yet we have a huge way to go in closing the gap with some of the top performers. There are issues within this survey and within the international survey of adult skills that show, not just where skills gaps and skills shortages exist, but where skills have been developed but are not being fully utilised in the labour market. In Northern Ireland, that is an issue as well, and, certainly, it is as much of an issue here as it is in other parts of the UK, and maybe more so than in some parts of Europe. A drive is required — this is reflected in the skills strategy — to encourage high performance working practices and better skills utilisation once those skills are developed. It is only by making full use of the skills set that we have and that we are developing that we can hope to realise the vision of our economic strategy and the social agenda as well.

**Mr Douglas:** Just following on from that, Victor, obviously you would have some sort of relationship with Invest Northern Ireland, and the report published yesterday suggested that things are changing with inward investment, in that, rather than just giving cash, there might be other aspects, including workforce training. Have you had any recent discussions with Invest?

**Mr Gould:** Yes, as of even this morning. The assured skills team works for me, and that team works specifically with Invest NI and has been involved in assuring inward investors that we will have the skills that they need here for them when they arrive. We are involved in things like pre-employment training and helping with selection and recruitment, and then, once the investors are here, they seamlessly move into the Invest suite of programmes for them: the skills accelerator fund. So we work very closely with Invest NI; my team works with it on a daily basis.

**The Deputy Chairperson:** Fra, during his questions, asked for a breakdown of the different sectors. Can you provide that information to the Committee?

**Mr Dukelow:** We will look into that. UKCES published a wealth of Northern Ireland data in June. Just this week, we received the underpinning data set for all of that. We are keen to look into that to see what we can derive from it in occupation against sectoral composition to see whether each of the sectors can be broken down to show the kinds of occupations within those and where the skills shortages are. That will be possible, potentially, in some areas but, because of sample size issues, it may not be possible in all. So we will explore what we can do with that information.

**Mr F McCann:** I have a small question to add to that: when the survey is being done, does it ask each of the employers what the annual rate of pay is? Does it ask whether people are paid the minimum wage?

**Mr Dukelow:** It does not capture information on pay. It captures information on occupation, meaning, I suppose, if someone is in a professional occupation, some stuff about their pay can be deduced. It asks for other reasons why employers find vacancies difficult to fill, and there is an opportunity for employers to say that a vacancy is for a low-paid occupation or job. We question the information, I

suppose, because it is from employers, and will employers say, "Yes, we are paying too little for the job"? So we need to be considered when we analyse those responses.

**The Deputy Chairperson:** No one else has indicated that they want to ask a question. Michael and Victor, thank you for coming today to share your presentation with us and take our questions.