

Devon Workforce Skills Survey 2017

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Executive summary

In 2017, Devon County Council commissioned Wavehill to conduct a representative survey of the business population in the area to better understand the patterns of vacancies, recruitment, skills demands and needs, and training provision, following on from the 2016 Devon Workforce Skills Survey (DWSS) also conducted by Wavehill. Overall, the survey engaged with 445 respondents across the Devon area, providing a snapshot of the county's vacancies, skills gaps and needs, training, and training provision. Key findings from the report include:

- Out of all the respondent businesses for 2017, just over two-thirds have had vacancies in the last twelve months. This is an increase from the 2016 DWSS, in which 62% stated that they had experienced vacancies in the last twelve months.
- There is an increase in the number of vacancies being reported by micro businesses, particularly in the Transport and Storage and Education sectors.
- We find that there is an increase in our business sample who are actively recruiting compared to 2016 and that the incidence of recruitment is higher in Devon than nationally.
- Hard to fill vacancy rates in Devon, measured by incidence, are relatively stable between 2016 and 2017.
- As in 2016, the impact of hard to fill vacancies are clear, with increased workloads for existing staff continuing to dominate the preoccupations of employers.
- The results in both 2016 and 2017 show that a lack of applicants generally is a very particular concern for Devon. In 2017, the proportion of respondents reporting this was more than twice the national average.
- We found that 10% of businesses within our sample have particular jobs in which they are experiencing difficulties retaining staff, which is a 53% increase on 2016.
- Recruitment has increased over the last year in Devon and is significantly higher than the UK 2015 average, with more than two-thirds reporting they recruited in the past year.
- We find that, across the two surveys, basic numerical skills and understanding was the most cited skill priority.
- Businesses surveyed appear to be increasing their capabilities in digital and technological skills as the amount of respondent businesses stating that it was very important that all or most of their employees have at least some basic knowledge of how to use everyday technology, has significantly declined in the 2017 DWSS.

- The general level of satisfaction for employers at the preparedness for work for recruits has remained high between 2016 and 2017.
- The type of training in Devon mirrors the national training picture with nine out of ten employers providing job specific training to their existing staff and 63% providing basic induction training. We also find that there has been a consistently high level of businesses who have staff that have undergone training in the last 12 months.
- We find that the vast majority of respondent businesses do not believe that Brexit will have an impact upon their skills needs.
- There is evidence that the skills landscape across Devon is indicative of (a) the predominance of the visitor economy and (b) smaller and more localised markets being served.

1 Introduction

In 2017, Devon County Council commissioned Wavehill to conduct a representative survey of the business population throughout Devon to better understand the patterns of vacancies, recruitment, skills demands and needs, and training provision. In this introduction, we describe the survey methodology and the analytical approach used to produce this report.

1.1 Methodology

The 2017 Devon Workforce Skills Survey builds upon the legacy of previous surveys, including the 2016 Devon Workforce Skills Survey carried out by Wavehill, that mapped skills demands and needs across a range of sectors. The current survey features a number of key questions important to local economic growth and draws on questionnaire tools utilised in previous national research into employer skills needs undertaken by the UK Commission for Employment and Skills (UKCES). In addition, the 2017 survey carries questions specific to European funding initiatives within the Devon area. Where possible, the wording structure was retained from previous iterations of the DWSS and the UKCES in order for direct comparisons to be drawn between them. The 2017 survey was stratified by size and sector, but also included a re-interview of a subsample of businesses contacted in 2016, which permits a unique insight at the firm level of the evolution of skills demands and needs.

The 2017 Devon Workforce Skills Survey reached 445 businesses located in the area using a telephone interview technique. All telephone interviews were undertaken by the Wavehill Research Team, based in Bristol and Aberaeron, Ceredigion, using an industry-standard CATI protocol. This provided a couple of key benefits over an online self-completion questionnaire:

- It allowed us to have a targeted approach towards the sampling in terms of business size and sector, rather than relying on self-selection; and
- There is less risk of misinterpretation of questions in a telephone survey as the interviewer is able to provide more guidance than can be done in an online survey.

Full details of the survey methodology are presented in Annex A of this report.

1.2 Analytical approach

The analytical approach used in this report mirrors reporting for previous iterations of this survey in order to maximise the ability to draw out longitudinal comparisons and to map the evolution of skills needs and demands over time. Data are analysed primarily according to:

- Business size (based on standard ONS-compatible bandings); and
- Primary sector of economic activity (based on Broad Industrial Groupings)¹

¹ There are two common approaches to analysing sectors of economic activity. The first is based on *sections*, which are contiguous and sequential with the first two digits of standard industrial classification of economic activity (SIC) codes, the second is based on *Broad Industrial Groupings* (BIG) that are non-contiguous and non-

Following an initial outline of business firmographics (i.e. the characteristics of businesses in terms of size, sector and primary markets) within the Devon area and the survey sample, we undertake the following analytical approach:

- We begin by mapping the pattern of vacancies across the Devon area, in particular identifying vacancies that may be classified as 'hard to fill' (HTFV).
- Within those HTFV, we then identify the proportion of vacancies that are caused by skills shortages (SSV).
- We then explore how businesses are attempting to both recruit for those vacancies and to retain their existing workforce and focus especially on the additional burdens imposed by hard to fill openings.
- Next, we turn to skills needs and priorities, and quantify the skills gaps that respondents have identified in their existing workforce.
- We then turn to training and skills provision and examine how employers are attempting to reduce those skills gaps through upskilling and external training provision.
- Finally, we explore apprenticeships and internships as an avenue for engaging a skilled workforce.

sequential, but which largely – but not wholly – mirror sections. BIG are preferable for policy purposes, as they better reflect the similarities between different clusters of economic activities (e.g. Wholesale and Retail).

2 Firmographics

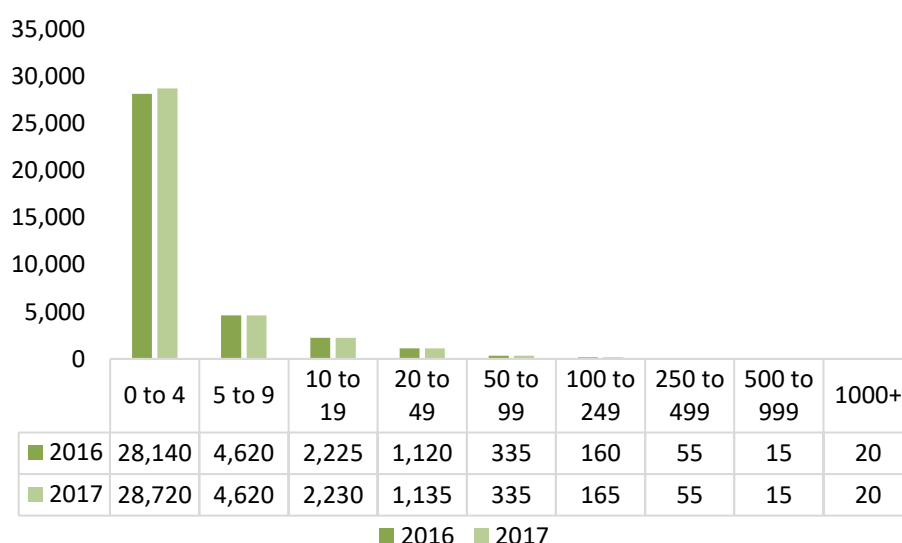
In this section of the report, we present data about: a) the business stock in Devon and b) firms in the sample of 445 businesses surveyed in the 2017 Devon Workforce Skills Survey, alongside the 420 businesses surveyed in the 2016 Devon Workforce Skills Survey.

2.1 Business size

The latest data from the Inter-Departmental Business Register shows a total of 37,295 VAT-registered enterprises currently operating in Devon compared to 36,690 for 2016, a net overall growth of 1.6%. We note that this is a rate of growth equivalent to the previous period for which data is available (2015), where the growth of the business stock, as measured by *(new) business births – business deaths* was also 1.0%. It is also noteworthy that Devon has (2015 latest figures) a 5-year business survival rate that, at 45.1%, is appreciably higher than the UK average of 41.4%.

Looking at the breakdown by size, shown in Figure 2.1, it can be seen that the bulk of those enterprises fall in the micro-business category (89.4%), which is slightly above the national average (84.5%). A further 10.4% are classified as SMEs, and the rest of them (0.2%) having more than 250 employees and thus being classified as large enterprises.

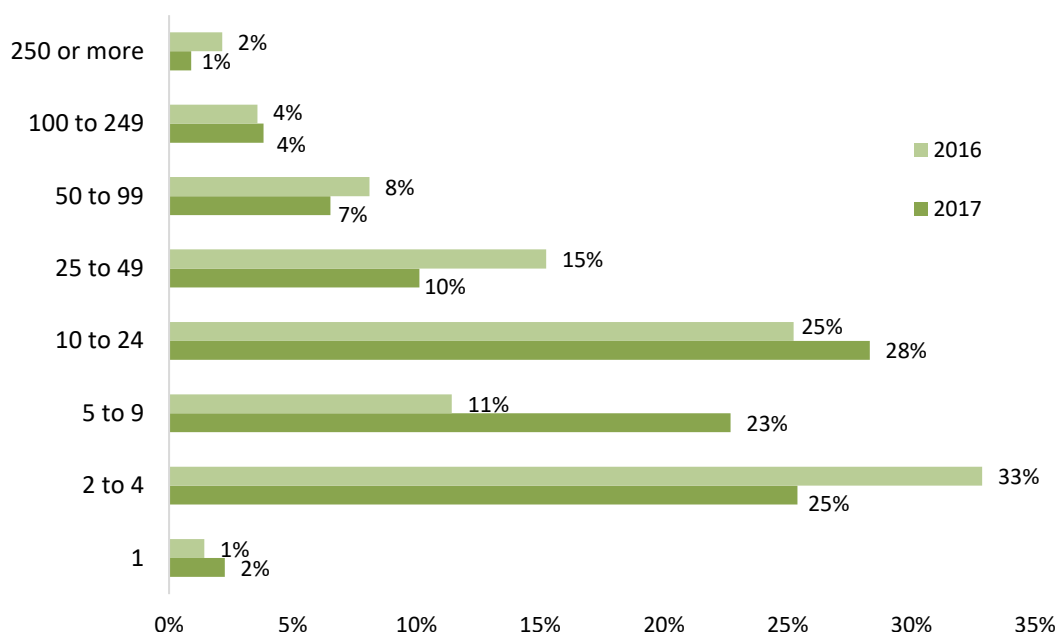
Figure 2.1: Enterprise stock in Devon (2016 and 2017)



Source: IDBR (2017)

Given the preponderance of micro-businesses as an overall proportion of the business stock, the survey sample was calibrated to ensure that micro-businesses (those with fewer than 10 employees) formed no more than half of the overall survey respondents and that there was an adequate representation of SMEs (10 to 249 employees) and large businesses (those with 250 employees or more), to ensure a comprehensive portrait of the skills demands and needs across the Devon County Council area.

Figure 2.2: How many people work at this specific site (including yourself)? (2016 and 2017)



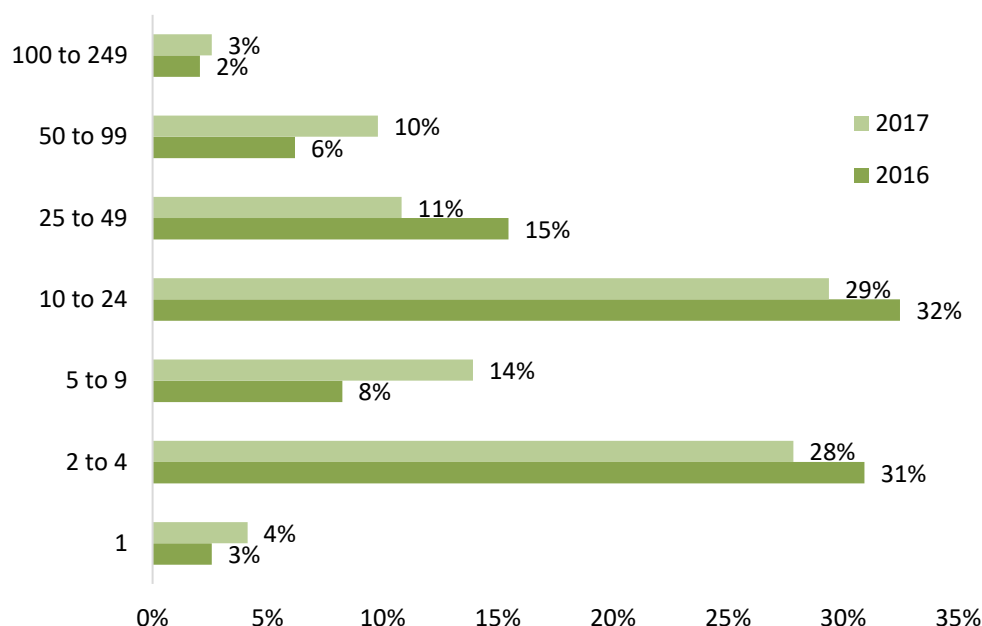
Base: All respondents (2016 N= 421, 2017 N = 445)

As can be seen in figure 2.2 above, 46% of respondents are classified micro-businesses in 2017 (versus 42% in 2016), 45% in the SME classification (versus 56% in 2016), and 4 businesses with 250 employees or more (9 in 2016). In total, the businesses surveyed employ approximately 15,990 people in Devon, and represent approximately 5.5% of the total workforce.

We were able to interview a sample of businesses (n=194) with whom we had previously engaged in 2016 for the DWSS and who agreed to take part in the 2017 survey. This comparison group gives us the ability to undertake a panel-type longitudinal analysis.

The data suggests that the businesses surveyed in both 2016 and 2017 have reduced slightly in size. Overall the number of businesses reporting themselves as 'Micro enterprises' (1-9 employees) increased from 81 (42%) in 2016 to 89 (46%) in 2017. This is consistent with the business stock data in Figure 2.1 which shows a slight increase in the smallest business size categories. This redistribution, therefore, shows a slight shift in the businesses sampled in 2017 than in 2016.

Figure 2.3: How many people work at the site? (Longitudinal comparison group²)



Base: all respondents (2017 N=194, 2016 N=194)

2.2 Industrial groups

The breakdown of businesses surveyed in Devon in 2016 and 2017 by Broad Industrial Groups³ (BIG) is displayed in figure 2.3. For 2017, sample sizes for three key sectors were set out at the beginning of the survey to ensure that those groups were sufficiently represented in the survey. The groups, the target number of interviews, and comparison of proportion of total interviews for 2016 and 2017 is displayed in table 2.1 below:

Table 2.1: Sampling targets for 2017 and comparison with 2016 survey

Sector	No. of interviews required	No. of interviews achieved	Percentage surveyed in 2017	Percentage surveyed in 2016
Construction	30 (Max. 50)	48	10.8%	4.0%
Manufacturing	40	56	12.6%	8.0%
Information and communication	20	28	6.3%	1.0%

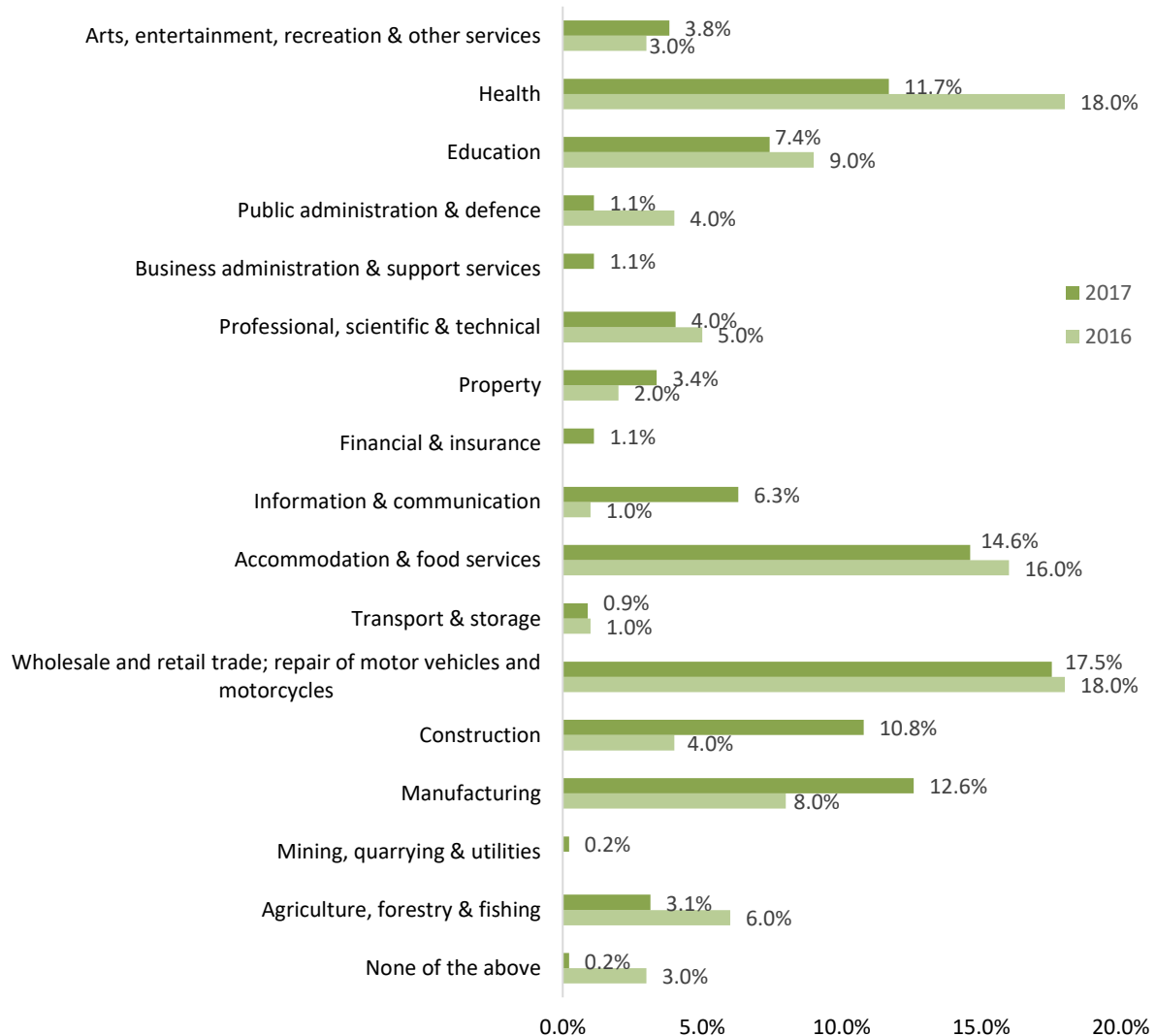
Near the end of the interviewing stage it was noted that Health sector businesses were under-represented in the sample, both in comparison to 2016 and to the quotas that were established for the 2017 survey. Therefore, an effort was made to target Health businesses and 52 interviews were achieved by the deadline. In total, the Health sector accounted for 11.7% of businesses surveyed in 2017 compared to 18% in 2016.

² These are the employers who responded to both the 2016 and 2017 surveys

³ Using the Standard Industrial Classification (SIC) 2007 categories

Aside from these sampling adjustments, the sector breakdown of the survey sample is broadly similar for both 2016 and 2017 with Wholesale and Retail Trade (including the repair of motor vehicles) accounting for almost a fifth of interviews completed in both years (17.5% in 2017 and 18% in 2016). Accommodation & food services was also a common category as 14.6% of businesses surveyed were from this sector compared to 16% in 2016. The least frequent BIG identified in the Devon survey sample have remained similar between 2016 and 2017, with no Mining, quarrying and utilities businesses surveyed in Devon in 2016 and one in 2017.

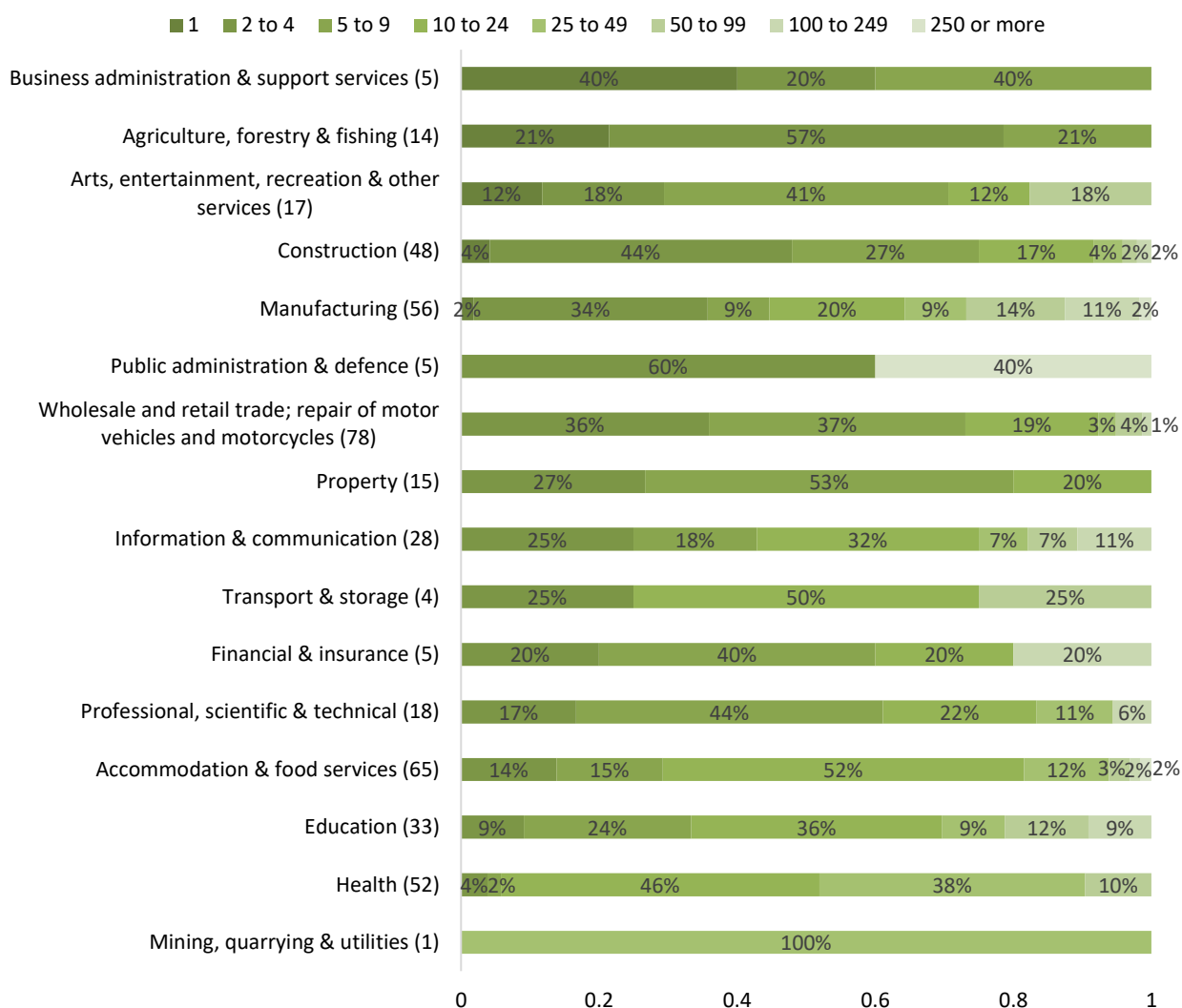
Figure 2.4: Breakdown of businesses surveyed by BIG (2016 and 2017):



Base: All respondents (2016 N= 421, 2017 N = 446)

In Figure 2.5, businesses have been broken down by size and BIG. The numbers in brackets after each Industrial Group title in the graph below are the number of businesses surveyed who were in that group.

Figure 2.5: Size by industrial group (2017)



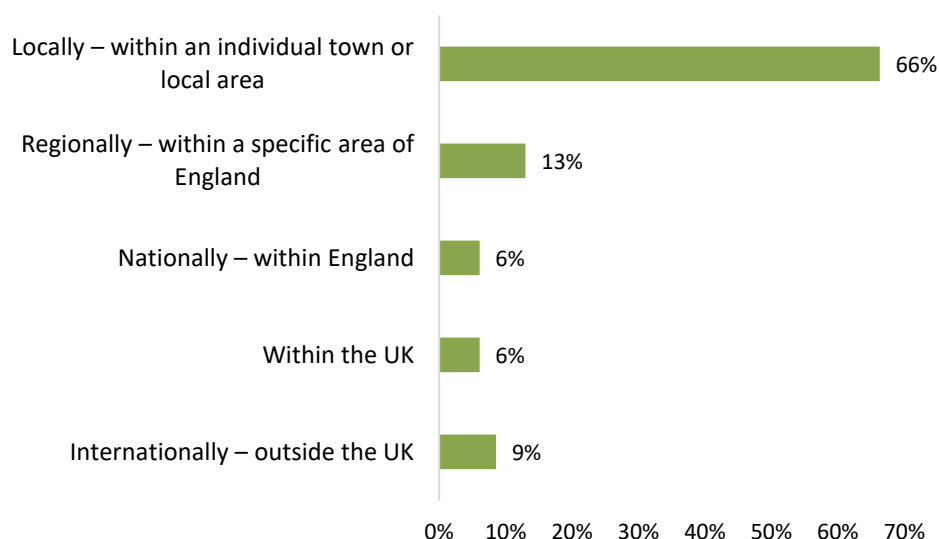
Base: all respondents (2017 N = 445)

As can be seen in the figure, there is a wide variation across the BIGs represented in the survey sample, with some groups, for example Public Administration and Defence, Agriculture and Fishing and Wholesale and Retail Trade made up, in the majority, of micro-businesses. This is in comparison to groups such as health which have larger average sized business.

2.3 Markets

We asked respondent businesses to tell us where they primarily sell their products or services or, in the case of non-private companies, where the establishment primarily serves the population. The survey results reveal that the Devon economy is predominantly locally focussed with almost two-thirds (66%; 240 respondents out of 362) citing their primary market is within their town or local area. This is particularly illuminating when placed in the context of other surveys conducted by Wavehill such as the 2016 West of England (WoE) Skills Survey where only 35% reported the same. In WoE, businesses were far more likely to report their primary market is across England or across the UK when compared to Devon (34% vs 12%). This finding potentially reflects the nature of the visitor economy within Devon, where there is an inflow of consumers spending locally, however, it may also indicate that the economy in Devon is simply characterised through smaller and more localised markets being served.

Figure 2.6: Primary markets or population served (2017)



Base: all respondents (2017 N=445)

We asked those that did not identify international markets as being their primary markers if they export at all; of the 329 businesses qualifying for the follow-up, 24 (7%) indicated that they do export some of their products or services. Of the non-private sector establishments surveyed (53), none say that they serve the population outside the UK.

3 Vacancies

In this section of the report, we explore vacancies in the Devon area, setting the context for a richer understanding of what is producing those vacancies, whether they are hard to fill, and what their impact is upon employers and businesses in the area.

3.1 Quantifying vacancies

In this first section, we quantify the vacancies reported by businesses responding to the 2017 Devon Workforce Skills Survey. In addition to analysing these figures in their own right, we also place them in comparison to two other large-scale surveys carried out by Wavehill which carry comparable question; the 2016 Devon Workforce Skills Survey, and the 2016 West of England Skills Survey (WoESS) as well as the national Employer Skills Survey (ESS).⁴

Throughout the analysis, we make a distinction between the *incidence* and the *density* of vacancies. Incidence is to be thought of as the proportion of establishments experiencing vacancies (thus it is unweighted by size of business), while density refers to the reported vacancies as a proportion of overall employment (i.e. weighted against the 15,990-people employed by the businesses and establishments reached in the survey).

In addition, we analysed vacancies by type, i.e. whether they are (were) hard to fill and whether they are occasioned by skills shortages (SSV). Hard to fill vacancies (HTFV) were identified by a single-response question to employers; if employers identified HTFV, they were asked, in a multiple response follow up, why those vacancies are hard to fill. Two items (lack of applicants with the required skills and lack of applicants with the required qualifications) are considered to be connected to the identification of SSV. The relationship between incidence, density, vacancies, HTFV, and SSV is summarised in Table 3.1.

⁴ We depart from the UK-wide employer skills survey in mapping vacancies, in that the ESS asks whether businesses *currently* have vacancies whereas we ask if businesses have experienced vacancies over the last 12 months. In doing so, we are able to provide a much more expansive and fine-grained dissection of local skills needs, as opposed to the ESS that serves primarily to establish current vacancy rates at national and regional level. This is because this question serves as a gateway into the subsequent questions about the *nature, causes, and consequences* of such vacancies.

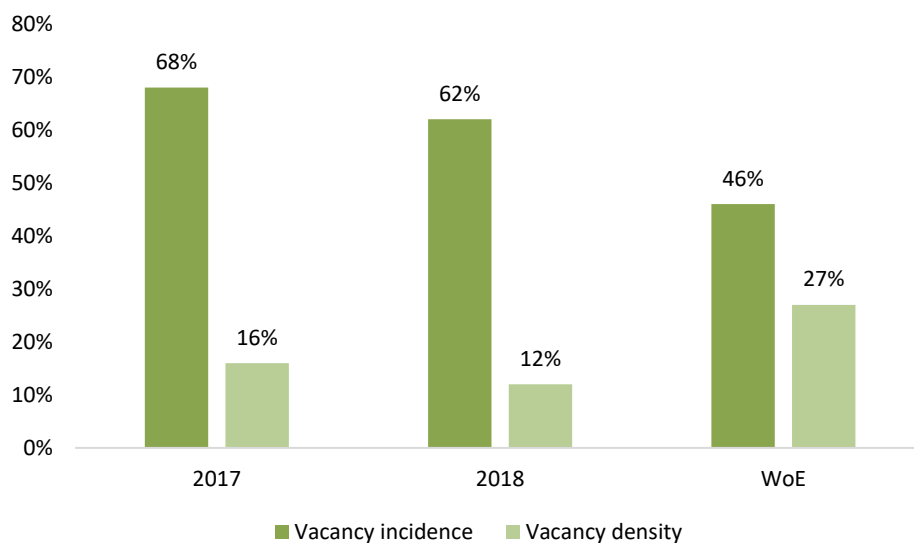
Table 3.1: Incidence and density of vacancies, by type

	Vacancies	Hard to fill vacancies (HTFV)	Skills shortage vacancies (SSV)
Incidence	Proportion of establishments experiencing at least one vacancy (2017 base=445)	Proportion of establishments experiencing at least one HTFV (2017 base=445)	Proportion of establishments experiencing at least one SSV (2017 base=445)
Density	Number of vacancies as a proportion of all jobs (2017 base=15,990)	Number of HTFV as a proportion of all reported vacancies (base calculated from question response)	Number of SSV as a proportion of all reported vacancies (base calculated from question response)

As shown in Figure 3.1, out of the all respondent businesses for 2017, just over two-thirds (68%) report having had vacancies in the last twelve months. This is an increase from the 2016 DWSS, in which 62% of the sample population stated that they had experienced vacancies in the last twelve months and is substantially higher than the year-total vacancy rate across the West of England Local Enterprise Partnership that stood at 46% in 2016. Whilst incidence rates are higher in Devon than in the West of England, density rates are, however, higher in the West of England (27% versus 16% in 2017 and 12% in 2016). We note that a higher rate of vacancies is typically associated with a seasonal visitor economy and that the visitor economy in Devon counts for 12% of all employment.

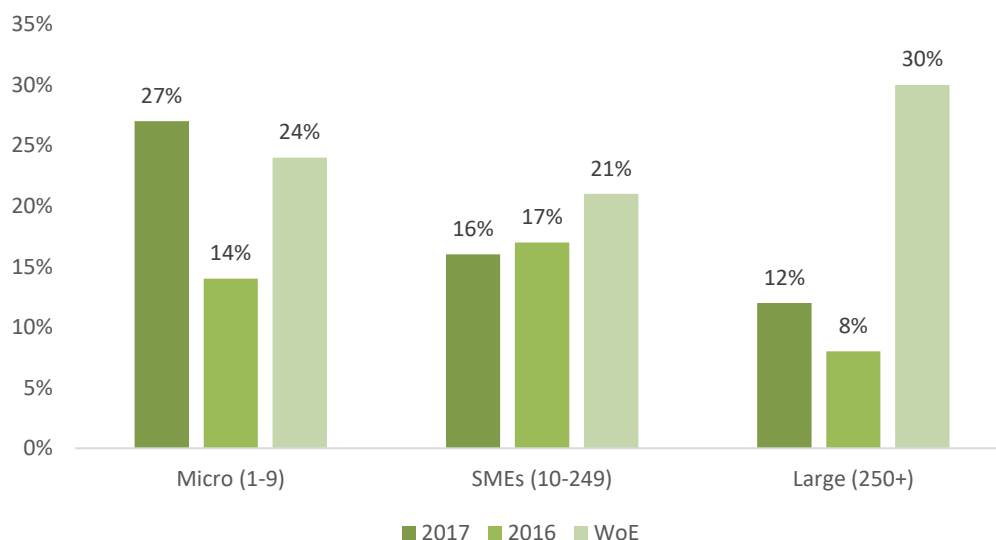
Results from the Longitudinal comparison group show that the exact same employers we surveyed in 2016 reported a greater volume of vacancies over the past twelve months than the previous year, although the incidence of vacancies had not changed.

Figure 3.1: Vacancy incidence and density, DWSS 2017, DWSS 2016 and WoESS 2016



The drivers of increased vacancy rates will be explored below. It is noteworthy that (with 32% reporting no vacancies in the previous twelve months), the modal number of vacancies is between 1 and 3 (39% of businesses) and only one in eight businesses (12%) reporting ten or more vacancies. In figure 3.2 we show the breakdown of vacancy density reported by business size for the three surveys.

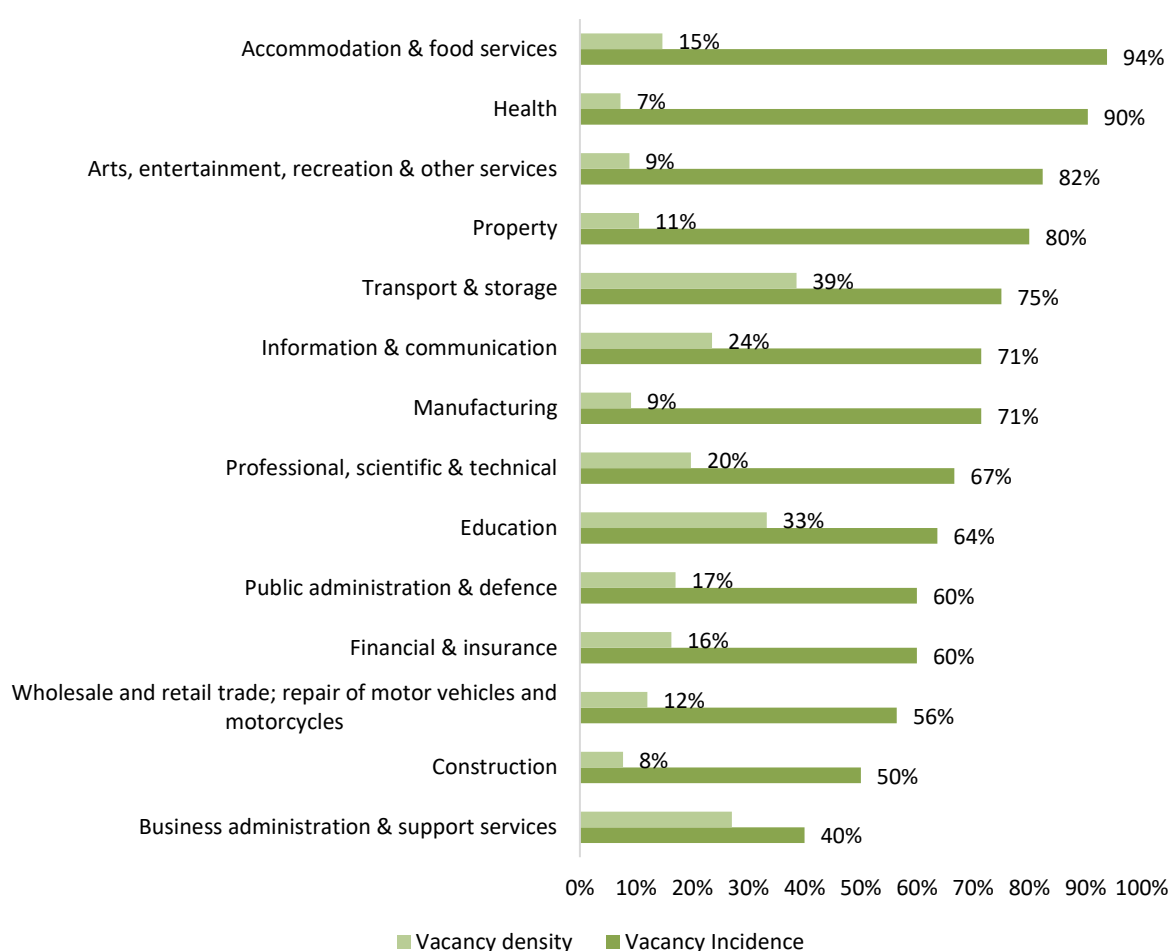
Figure 3.2: Vacancy incidence and density by size, DWSS 2017, DWSS 2016 and WoESS 2016



The data for business size reveals that the principal driver explaining both the scale and the increase in density rates in Devon is an increase in the number of vacancies being reported by micro businesses, whereas the main reason for higher density rates in the West of England is the high number of vacancies reported by large businesses. This observation is almost certainly related to the differences in the business demography and sectoral activity across the two geographies, with vacancy rates in the West of England reflecting the aerospace and advanced manufacturing sector, while the weight of vacancies in micro businesses in Devon being linked to the seasonality and churn among those businesses in the visitor economy.

Insights into the relationship between sector and vacancy incidence and density rates can be seen by comparing the two across sectors, as we do below.

Figure 3.3: Breakdown of vacancies reported by sector, DWSS 2017⁵



Base: Respondents who reported having one or more vacancies (2017 N = 301)

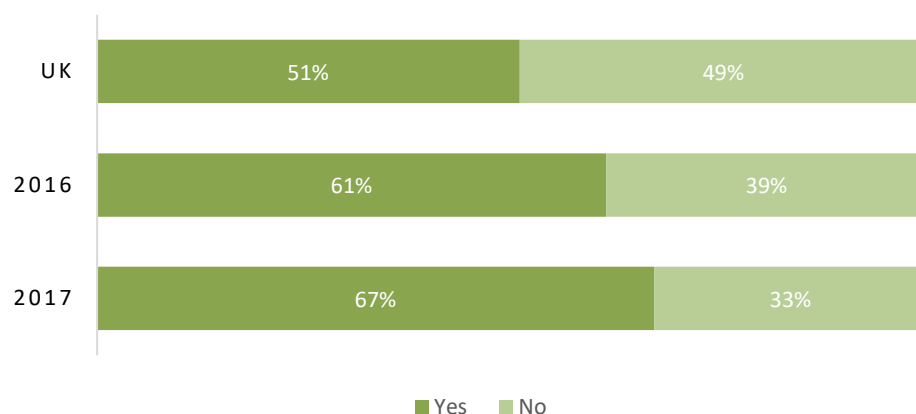
⁵ Mining, quarrying and utilities has been removed for this graph as the one business surveyed in this BIG reported having more than one vacancy and therefore the 100% vacancy rate is not reflective of the sector.

Vacancy incidence varies widely by sector, from 93% of all businesses surveyed in the Accommodation and Food services reporting vacancies in the last twelve months to just 40% of businesses in the Business Administration and Support sector. However, looking at the density of vacancies, rates are highest in the Transport and Storage (39%) and Education (33%) sectors. Linking this back to the data on business size, it is clear that sectors that have more large businesses tend to report higher vacancy density rates, as we would expect. It is also clear that businesses linked to the visitor economy, such as in Accommodation and Food services, Arts, Entertainment, Recreation, and Transport and Storage (directly affecting tourism through passenger transport), have higher rates of vacancies.

3.2 Hard to fill vacancies

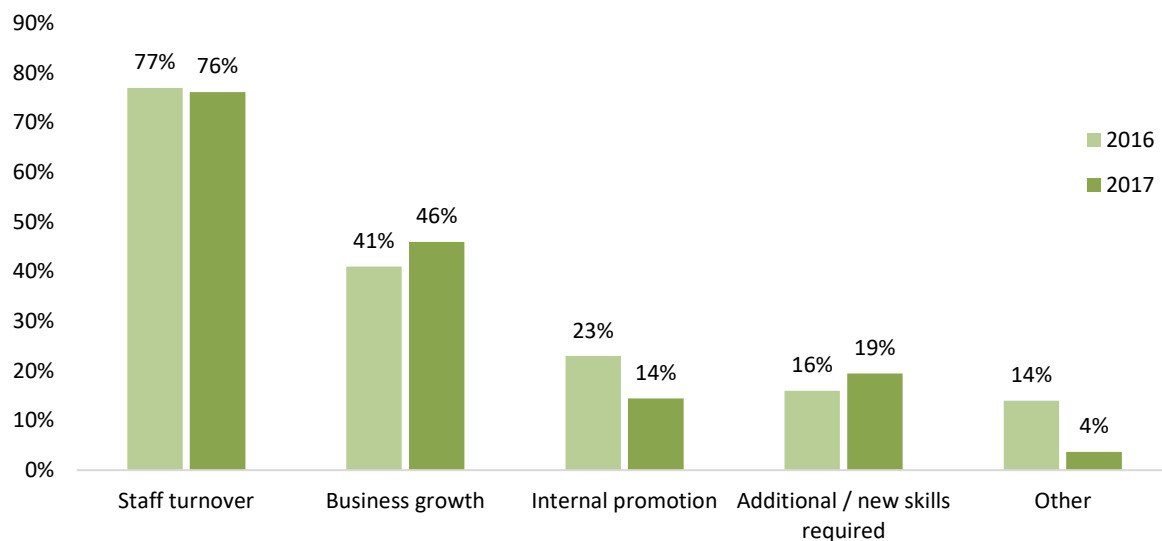
To determine whether vacancies are hard to fill, we asked businesses whether they had recruited for the vacancies that they reported above and asked a follow up question about whether vacancies were hard to fill. Figure 3.4 shows an increase in the proportion of our business sample who are actively recruiting (67% compared to 61% in 2016) and that the incidence of recruitment is higher in Devon than nationally.

Figure 3.4: Did your business recruit during this period? (2016, 2017 and 2015 ESS)



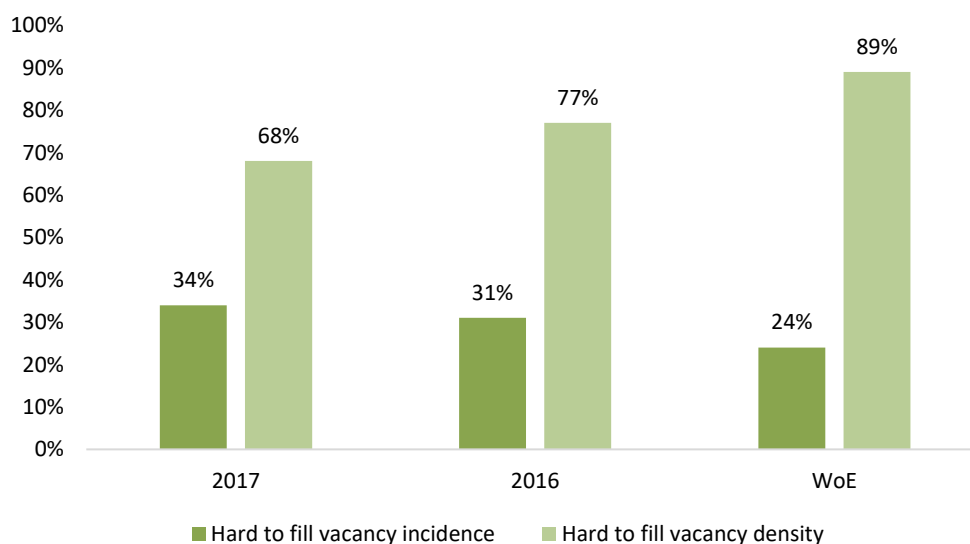
As part of the mapping of the relationship between vacancies, recruitment, and hard to fill vacancies, businesses were asked to tell us their principal reasons for recruitment, and these data are shown below. It is notable that the clear, key driver for vacancies relates to staff turnover (76%; 227 respondents out of 298) which, along with the above average recruitment rate, is likely to reflect the importance of the visitor economy in Devon which is characterised generally by a large rate of churn. Although Figure 3.5 shows only a very slight increase from 2016 to 2017, there was an increase of 73% to 80% reporting this among the Longitudinal comparison group.

Figure 3.5: Principal reasons for recruiting (2016 and 2017)



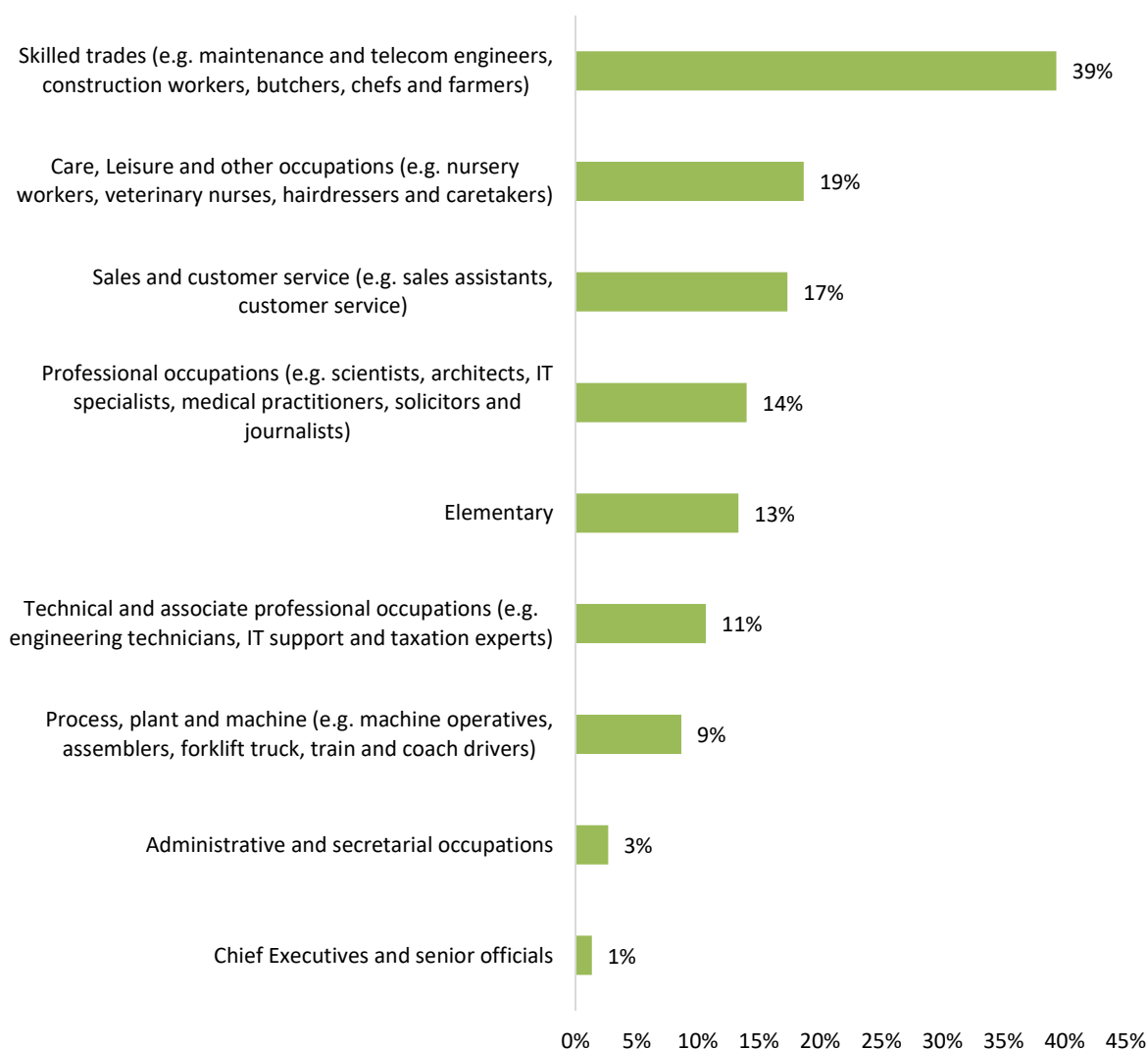
The increase in recruitment over the last year within our sample is almost certainly linked to the higher vacancy rates being reported by businesses. We note that this is, in the context of the increase in vacancy rates, a healthy sign, as it suggests that recruitment is not slowing down as a consequence of the macro-economic factors that lie beyond the scope of this survey.

Figure 3.6: Thinking back to your vacancies over the last 12 months, were any hard to fill? DWSS 2017, DWSS 2016 and WoESS 2016



We compare incidence and density rates for hard to fill vacancies across the three surveys above. Following the pattern from the previous data, it can be seen that hard to fill vacancy rates in Devon, measured by incidence, are relatively stable (34% in 2017 versus 31% in 2016), but remain higher than those reported in the West of England (24%). On the other hand, density rates were higher in the West of England (89% versus 68% in Devon in 2017 and 77% in 2016). It is encouraging that the density rate of hard to fill vacancies has fallen (within the boundaries of statistical significance) over the past year between surveys.

Figure 3.7: What type of professions were these in? (2017)

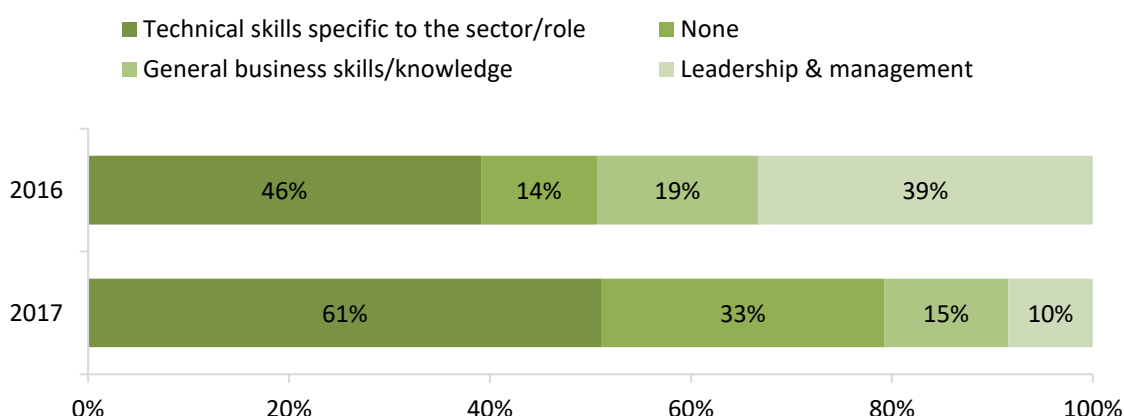


Base: all respondents who reported vacancies that were hard to fill ($N = 150$)

In Figure 3.7, the distribution of HTFV is mapped out by professional and occupational categories. This demonstrates that two out of five of the hard to fill vacancies are in skilled trade positions (39%, $n=59$) and one in five were care, leisure and other occupations (19%). The latter is likely to reflect UK-wide difficulties in health and social care recruitment, as well as high vacancy levels which is generally found in the tourism sector.

When exploring the question of HTFV, we asked surveyed businesses to identify, out of three skills, which they thought to be missing among applicants for the roles that they were trying to fill. The data in our sample shows that a lack of technical or sector-specific skills is an increasing issue for businesses in the area with more than six in ten (61%; 91 respondents out of 150) reporting this in 2017 compared to only 46% in 2016. This can be validated by looking at results for the longitudinal comparison group which also shows an increase in the lack of technical skills (from 33% to 42%). We would infer from this data that there is an increasing need for technical skills within the area.

Figure 3.8: Which of these skills, if any, were found to be lacking amongst applicants? (2016 and 2017)



Base: all respondents who had had vacancies in the past 12 months (2017 N = 150, 2016 N=132)

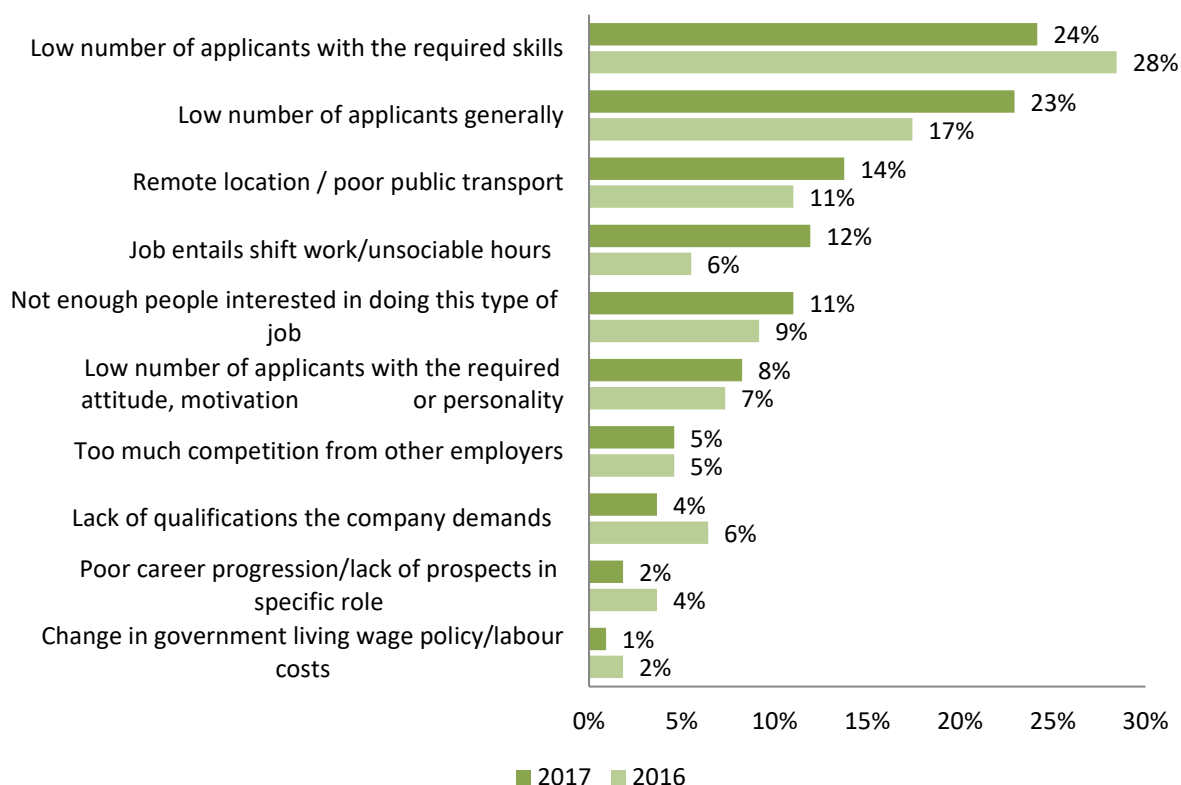
3.3 Skills shortage vacancies (SSV)

In order to better understand the patterns presented above, we asked respondents to identify what were the main reasons for their vacancies being hard to fill, including reasons relating to skills shortages. As illustrated by Figure 3.9 on the following page, a low number of applicants with the required skills and a low number of applicants generally remain the key concerns. It should also be noted that there has been a slight increase in the proportion reporting both of these issues from 2016 to 2017, suggesting that they are becoming more of a concern for businesses. In 2017, a lack of people with the required skills contributed to more than half of HTFV (52%, up from 45% in the previous year).

These are both significantly higher than the national average and the results in both 2016 and 2017 show that a lack of applicants in general is a very particular concern for Devon. In 2017, the proportion of respondents reporting this was more than twice the national average (43% vs 18%). Additionally, data provided by the longitudinal comparison group shows an increase of businesses reporting HTFV due to a lack of applicants generally, from 30% in 2016 to 40% in 2017. Operating in a remote location is also a greater concern for Devon than reported nationally, while a lack of people interested in the job is less of an issue.

Overall, the issue around a lack of applicants generally could possibly be explained through the interaction of a number of factors; the sectoral make-up of the County, a lack of career progression opportunities, a lack of local competitors and agglomeration in some areas, lower pay and the nature of the visitor economy in the Devon area. All of which, alongside the peripheral nature of the County, is likely to lead to an outmigration of labour. Further research would be required to confirm this hypothesis.

Figure 3.9: What were the main reasons your vacancies were hard to fill? (2016, 2017 and 2015 ESS)



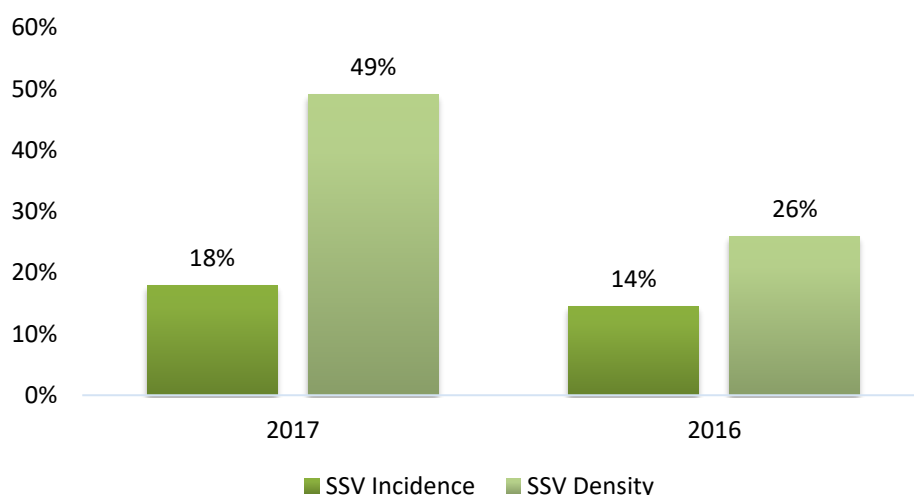
Base: all respondents who had vacancies in the past 12 months (2017 N = 150, 2016 N=132, UK ESS N= 134861)

Using the two items from the above chart (as explained in Section 3.1), we have determined the incidence and density of SSV in Devon in 2016 and 2017 (as displayed in Figure 3.10 below). This shows that in addition to the increase in incidence of businesses reporting HTFV from 2016 to 2017, there has also been an increase in the incidence and density of businesses reporting SSV.

According to the 2017 DWSS, 18% of Devon businesses have SSV and almost half (49%) of vacancies are due to skills shortages. These results are significantly above the 2015 UK average of 6% (incidence) and 23% (density). Notably, the incidence at a national level from 2011 to 2015 doubled from 3% to 6% and the density of SSV increased significantly from 16% to 23%. Therefore, if this trajectory continued from 2015 to 2017, we can expect higher still incidence and density levels in the 2017 ESS results which may be closer to the results recorded in the 2017 DWSS.

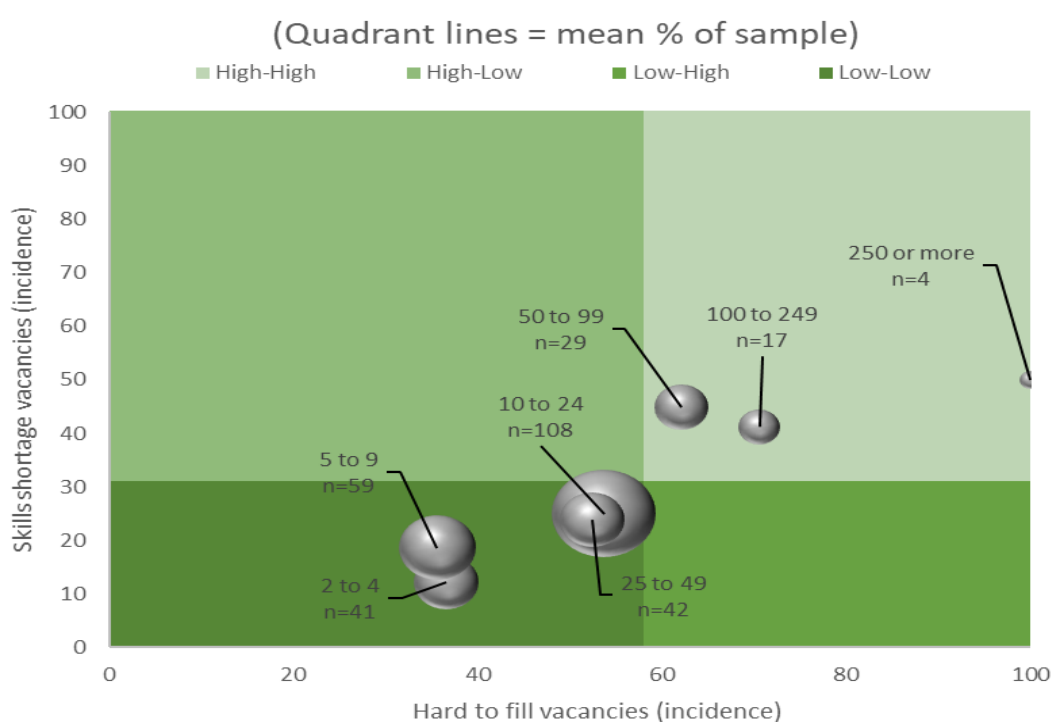
These increased trends in SSV is consistent with previous findings from this survey where there was a significant increase in the proportion of business respondents in Devon and nationally reporting a lack in technical skills specific to the role from 2016 to 2017.

Figure 3.10: Skills Shortage Vacancies (SSV) (2016 and 2017)



The data also reveals a clear relationship between the size of businesses, HTFV and SSV. Figure 3.11 shows the incidence of HTFV (Low-High from left to right) and SSV (Low-High from bottom to top) by business size which shows the larger the business, the greater the HTFV and SSV rates. It also shows an increase in the ratio of SSV to HTFV by business size i.e. the larger the business the more likely its HTFV are caused by skills shortages.

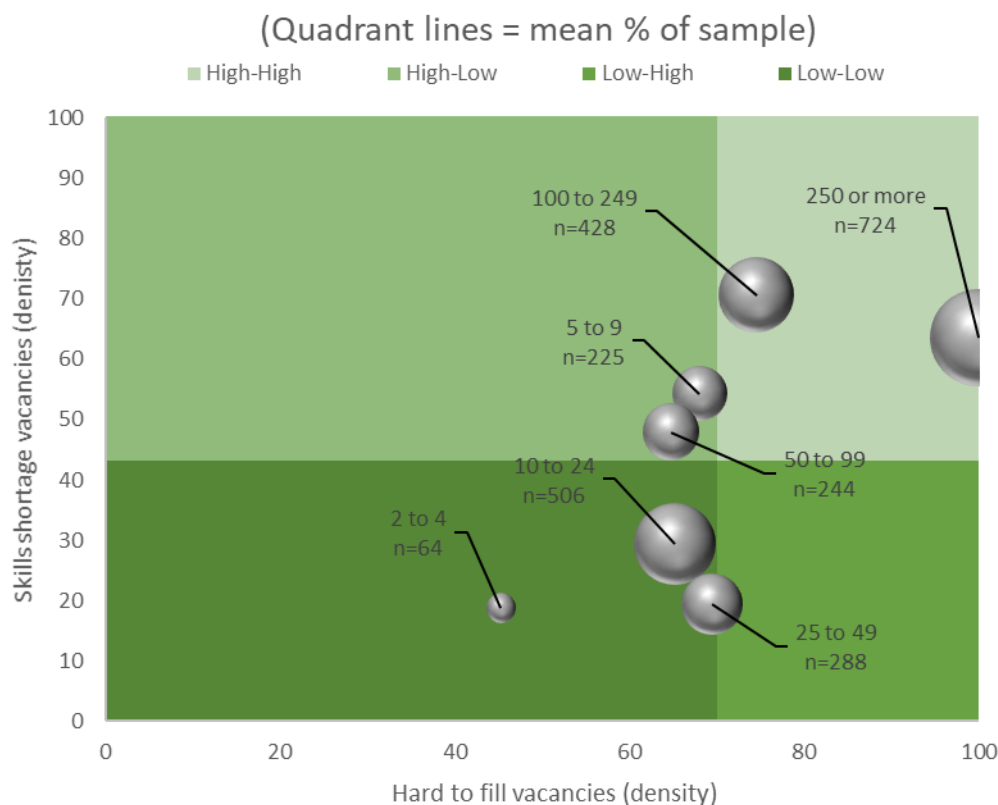
Figure 3.11: HTFV (Incidence) by business size (2017)



Base: Business size is by number of employees and n= number of respondents, all respondents (2017 N = 445)

Similar trends are evident in the density of HTFV and SSV by business size, ranging from businesses with two to four employees recording the lowest HTFV and SSV rates, to businesses with 250 or more employees recording the highest HTFV rate and businesses with 100 to 249 employees recording the highest SSV rates. However, these trends are not as clear-cut when looking at the densities – for example, businesses with only five to nine employees have above average SSV and close to average HTFV. This shows that while smaller businesses are less likely to have HTFV and SSV, those that do have a higher density of such vacancies.

Figure 3.12: HTFV (Density) by business size (2017)

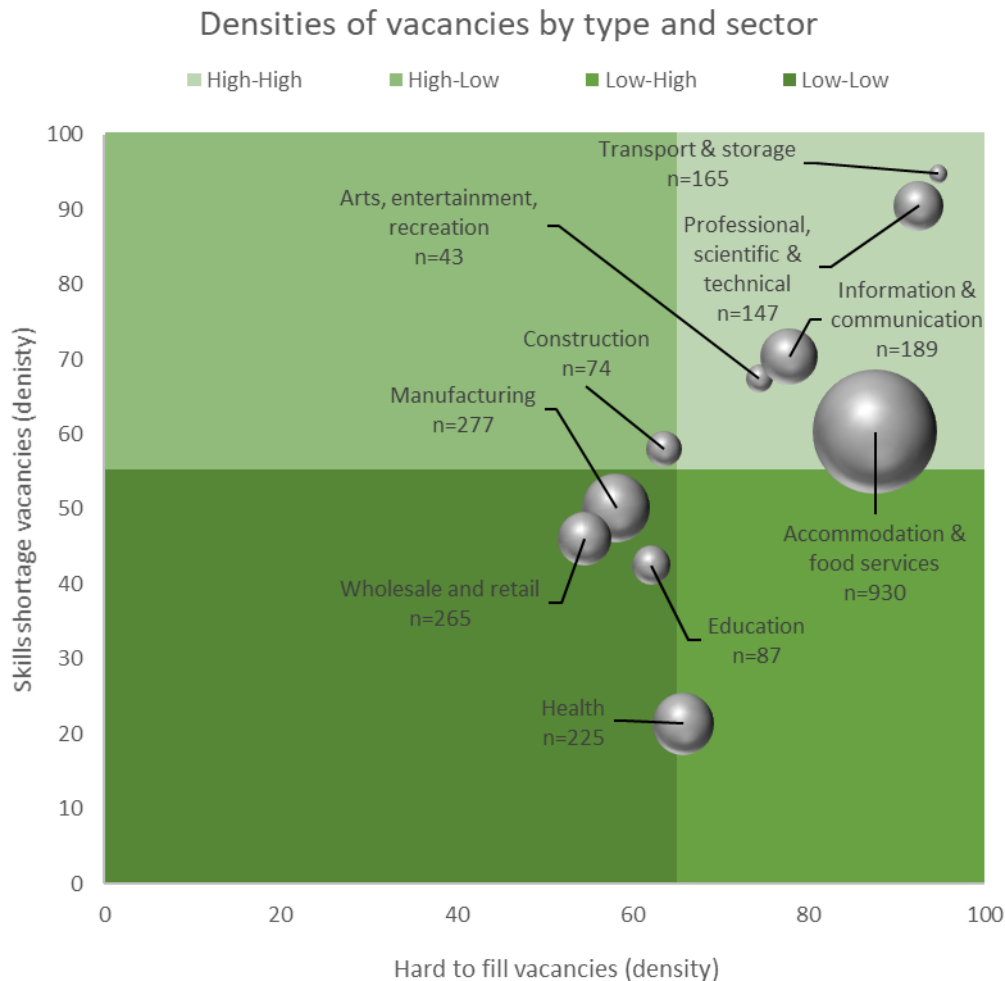


Base: Business size is by number of employees and n= number of respondents, all respondents (2017 N = 445)

The data also shows wide variance in the densities of HTFV and SSV when broken down by sector (see Figure 3.13 below). For example, in the health sector, businesses have above average levels of HTFV (66%) but significantly below average levels of SSV (around 20%). This means that only around one in three hard to fill vacancies in the Health sector are caused by skills shortages. There is a nation-wide challenge within the health and care sector to recruit people in entry level occupations, such as care workers. The fact that there are high rates of HTFV within the sector in Devon, but the vast majority aren't related to skills shortages, suggest that this issue is just as prevalent in Devon.

Conversely, the Transport and Storage sector includes the highest level of HTFV density (95%) but also the highest level of SSV density (also above 90%), meaning that almost all vacancies within the sector are due to skills shortages. The Accommodation and Food Services sector represents the highest grouping of vacancies (38% of all vacancies; 930 respondents out of 2,480), around nine in ten of which were HTFV (88%) and around six in ten were SSV, meaning that two in three HTFV were due to skills shortages.

Figure 3.13: Hard to fill vacancies by industrial grouping (2017)



Base: Business size is by number of employees and n= number of respondents, all respondents (2017 N = 445)

3.4 Mapping vacancies across the Devon geography

The inclusion of geolocator information in the survey data allows us to map the data for vacancies, hard to fill vacancies, and skills shortage vacancies in Devon. This section provides a series of GIS mapping illustrations which effectively visualise the geographic spread of vacancies, HTFV and SSV within Devon.

In order to provide additional analytical context, we have mapped this information against the Employment Domain (LSOA level, roughly equating to neighbourhood level) data that is one of the composite indicators for the Index of Multiple Deprivation (IMD). Employment domain, whilst an imperfect indicator, remains a good heuristic measure (yardstick) of issues of supply and demand in the labour market. In the maps below levels of employment deprivation are depicted with dark blue having the highest level of deprivation and white having the lowest.

As might be expected, there are clear clusters of vacancies (shown in orange) being reported by businesses located in the major towns; the urban areas of Exeter, Exmouth, the towns of Bideford, Barnstaple, Newton Abbot, the A38/M5 corridor, and on the periphery of the Plymouth area. There is a relatively even distribution of vacancies across the more rural parts of the Devon geography, that tends to be associated with LSOA that rank lower on the Employment Domain scale.

Figure 3.14: Vacancies by Employment Domain (ED) (2017)

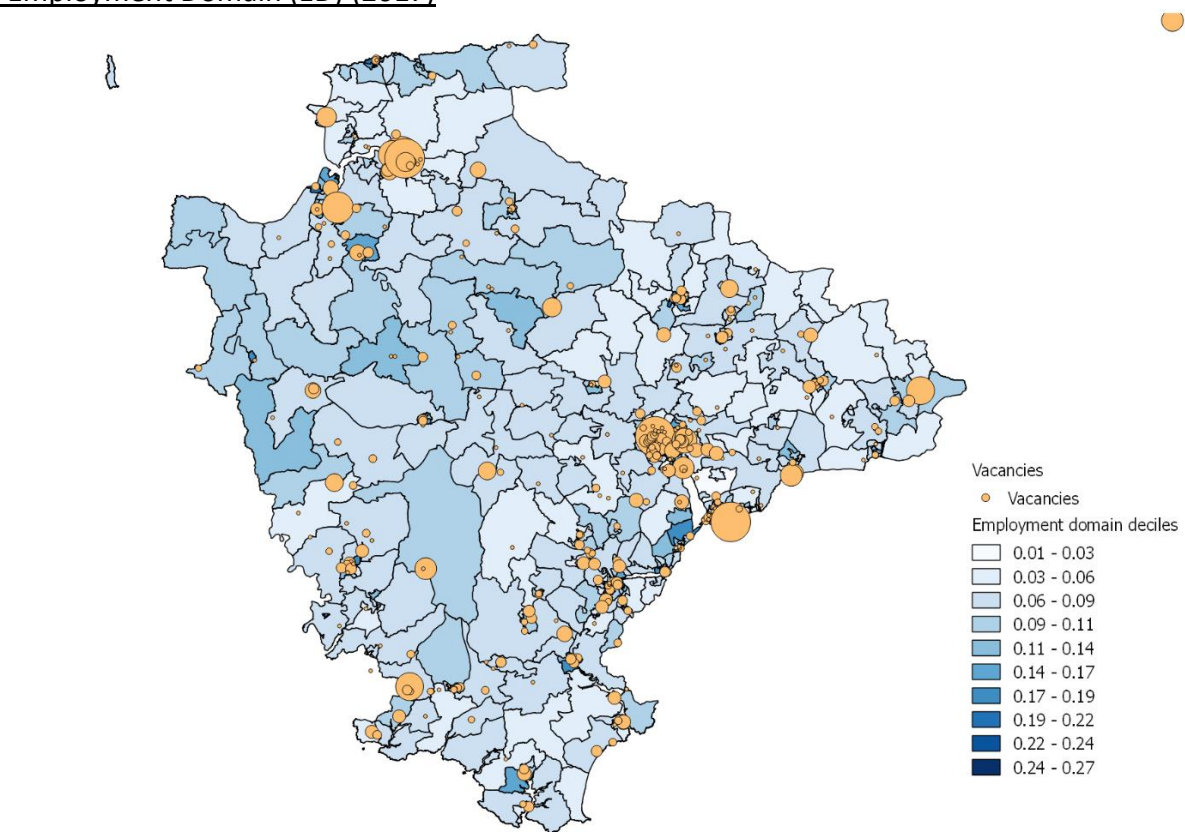
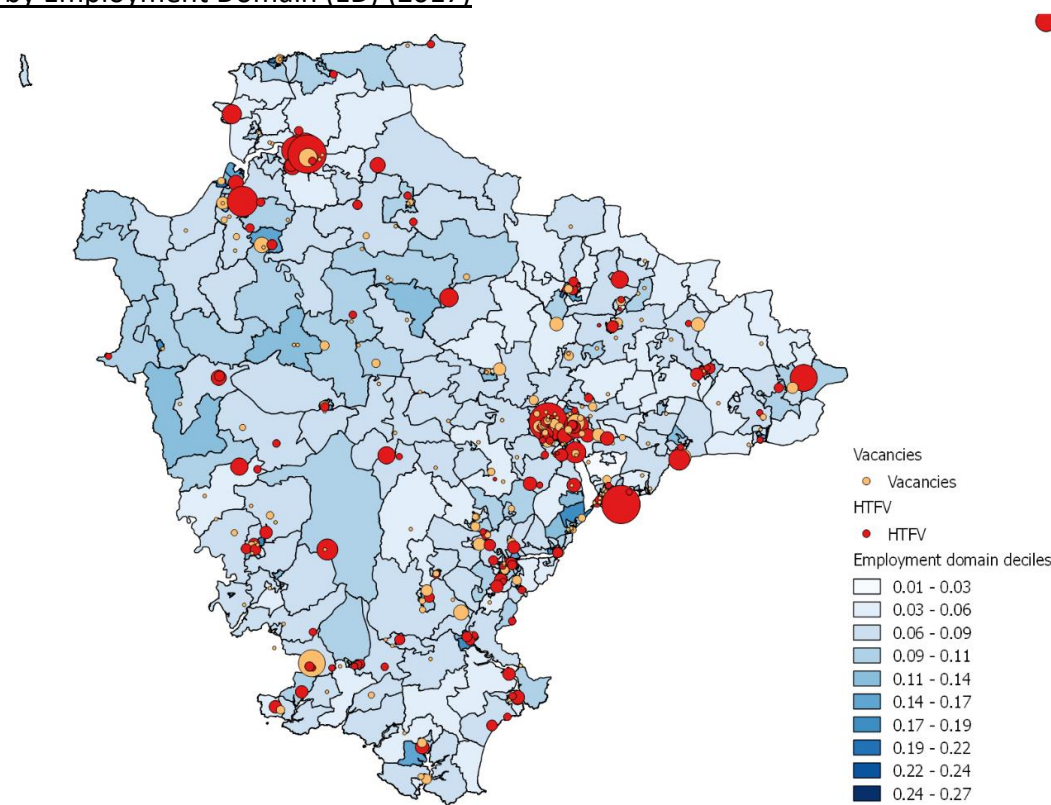
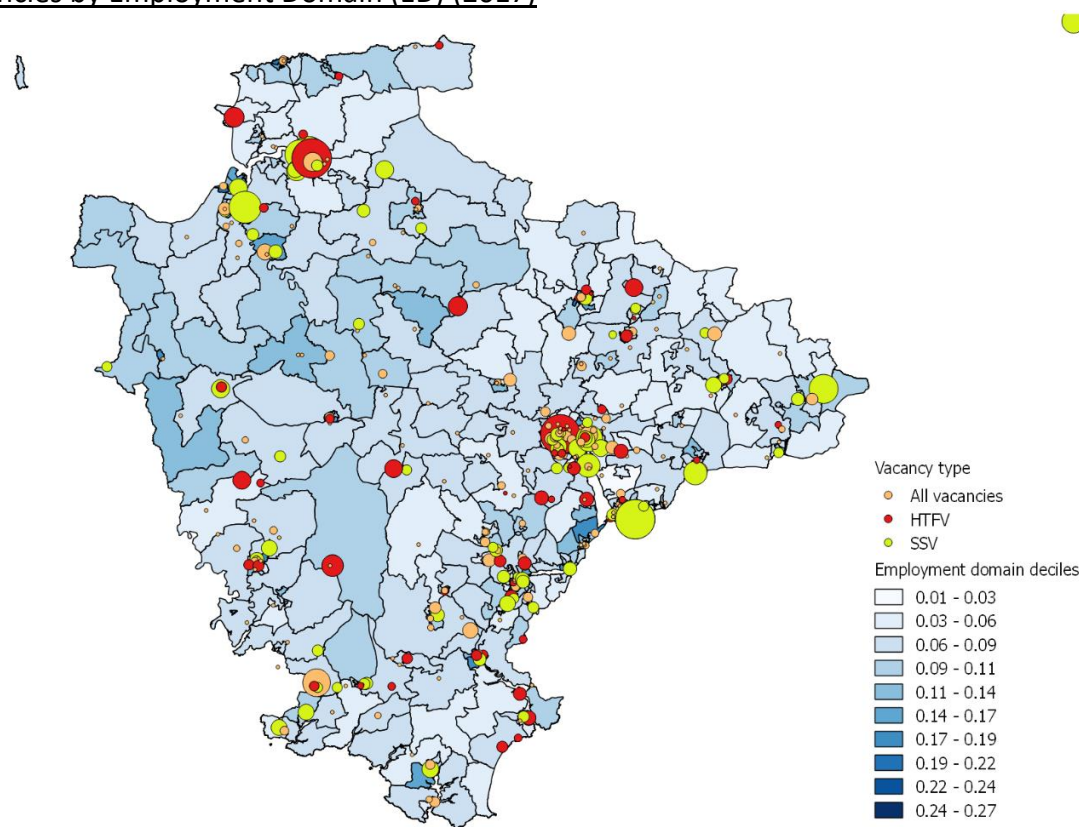


Figure 3.15: Hard to fill vacancies by Employment Domain (ED) (2017)



In Figure 3.15 we overlay HFTV on the previous data and distinguish between those that are reported as hard to fill (shown in red) and those for which businesses are able to recruit without difficulty (still shown in orange). In general, we note that HFTV appear to be more concentrated (a) in businesses that are reporting more vacancies, and (b) the more urban/populated areas identified above. The first of these observations is easily explained; businesses with more vacancies are probably larger businesses to begin with, and it is more likely that they may experience labour supply issues. The second is interesting, as it appears that smaller rural businesses, many of them located in LSOA with greater labour market challenges (as reflected in the higher ED rankings) are less likely to struggle to fill their vacancies; it is instructive to note the number of rural LSOA where there are either no vacancies reported or where there are vacancies but none of them are reported as hard to fill.

Figure 3.16: Skills Shortage Vacancies by Employment Domain (ED) (2017)



In the third element of this mapping, we add a layer that shows, of the vacancies and then the HTFV, which of them can be considered to be based on skills shortages (shown in lime). Clear clusters of SSV can be seen around Exeter and the Newton Abbot area; it is also interesting that Honiton emerges as having a high ratio of SSV to overall vacancies. We note that rural areas do not seem to be experiencing SSV in as high rates as urban areas; in part, this may be reflective of the business stock in those areas, and in part it may reflect differences in the pool of available labour. Regarding this last point, it is probable that – all things being equal – the higher ED statistics for many rural areas means that the labour market is more tilted in favour of employers seeking access to applicants with the requisite skills to fill their vacancies.

4 Retention

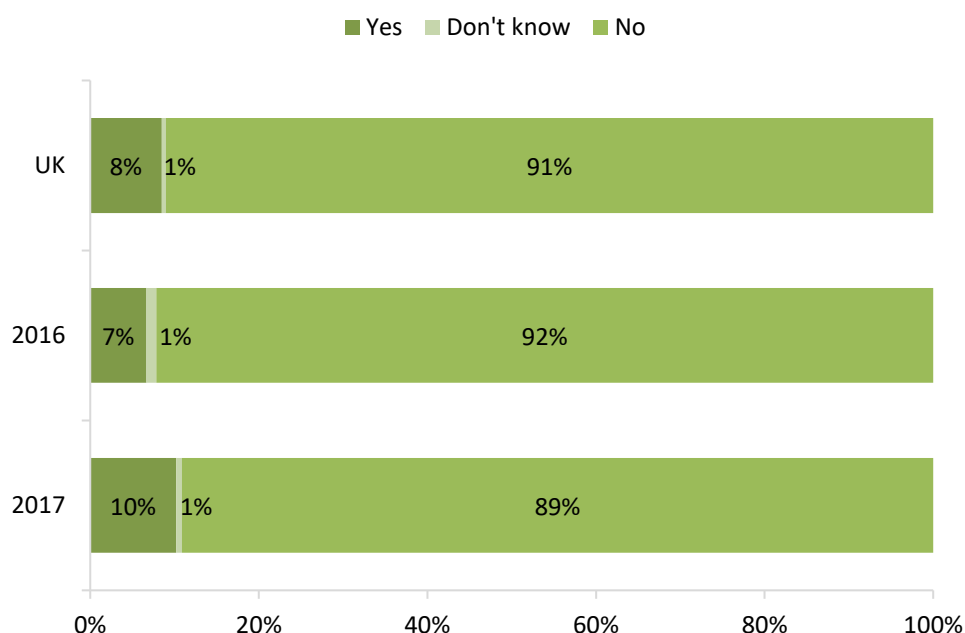
Retention is a big part of the HTFV picture, the impact of which will be exacerbated if employers experience difficulties retaining the staff that they have already recruited. Equally so, if an employer experiences persistent difficulty retaining staff, this may create long-term staff shortages if the business is experiencing recruitment difficulties.

4.1 Recruitment difficulties

We found that 10% (45 respondents out of 441) of businesses within our sample have particular jobs in which they are experiencing difficulties retaining staff, which is a 53% increase on 2016 (7% of the sample; 28 respondents out of 420). The longitudinal comparison group also shows an increase over the last year, from 7% reporting retention difficulties in 2016 to 12% in 2017.

It is also above the 2015 national average (8%) and is consistent with previous findings in this survey showing above average recruitment and vacancy levels, and a clear majority of those recruiting citing staff turnover as the driver. This is all indicative of an economy within the Devon area characterised by a high rate of churn.

Figure 4.1: Do you find it difficult to retain new employees? (2016, 2017 and 2015 ESS)



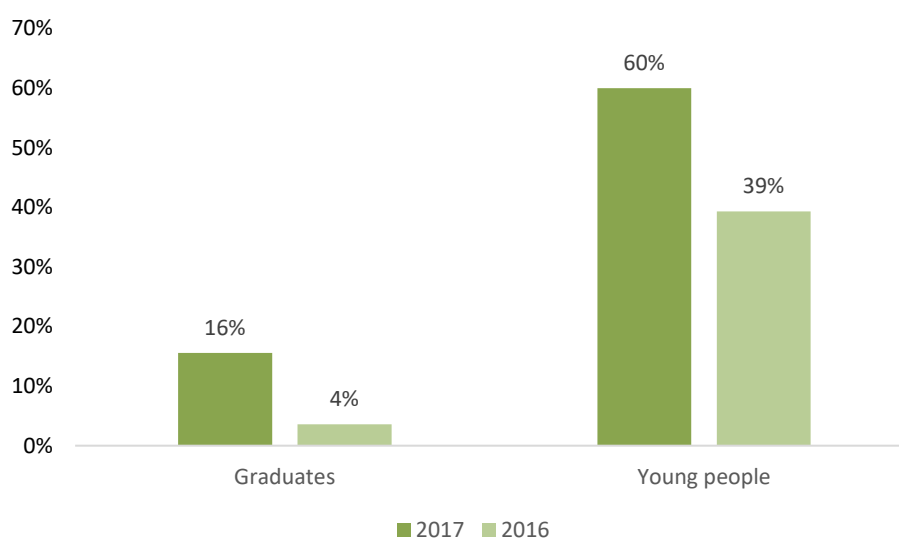
Base: all respondents (2017 N = 441, 2016 N=420, UK N= 1,767,144)

Business respondents who have experienced difficulties retaining staff were asked to identify what type of workers these were. Figure 4.2 shows that difficulties retaining graduates and young people have increased significantly from 2016 to 2017, with six in ten of these employers (60%; 27 respondents out of 45) reporting they find it difficult to retain young people compared to just 39% in 2016.

Earlier survey findings revealed that a large proportion of employers are experiencing difficulties recruiting people because of the lack of applicants generally. The increase in retention difficulties, and particularly for young people, reinforces the theory that these issues could be driven by an outmigration of labour caused by the relatively low wages offered in the Devon visitor economy. A breakdown of these results by sector further strengthens this hypothesis. The accommodation and food services sector, which is part of the visitor economy and characterised generally by a large rate of churn and is synonymous with lower than average wages, accounts for 38% (17 respondents out of 45) of respondents reporting retention difficulties and 35% (7 respondents out of 20) of respondents reporting difficulties retaining young people, despite only accounting for 15% of the overall sample.

The Health Sector is also overly represented by those reporting retention difficulties, accounting for 27% (12 respondents out of 45) of all those reporting retention difficulties despite only making up 12% of the sample. The survey results also reveal that retaining young people is a particular issue for the Health Sector in Devon accounting for almost half (45%; 9 respondents out of 20) of respondents reporting difficulties retaining young people. This reflects findings from the occupational and sectoral breakdown of HTFV where care occupations (including nursing and social care) were the second most prominent group, and the Health Sector had an above average rate of HTFV. It may also reflect widely publicised nation-wide challenges around recruitment and retention in health and social care.

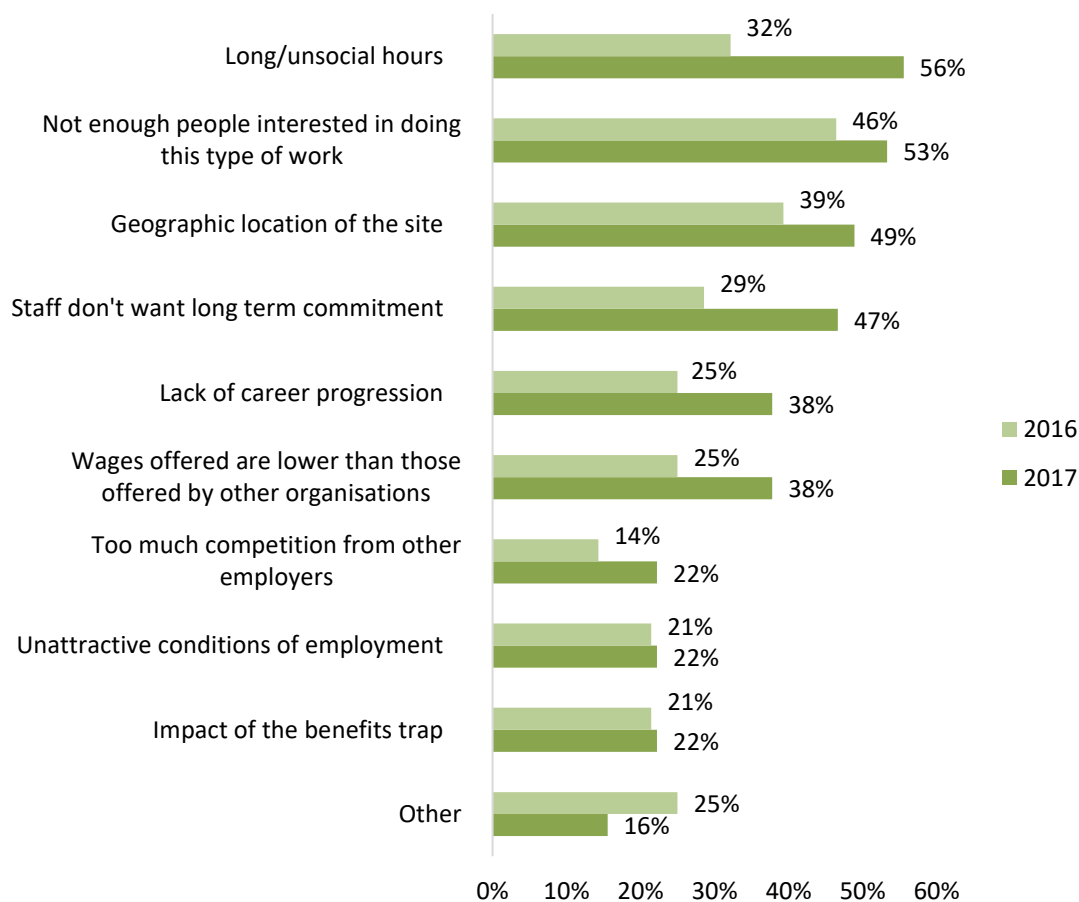
Figure 4.2: Do you find it difficult to retain any of the following? (2016 and 2017)



Base: respondents who reported difficulties retaining staff (2017 N=43, 2016 N= 28)

Following from this, respondents were asked to cite the main reasons for difficulties in retaining staff. Although response numbers were relatively low, there are clear issues emerging from these results. Most cited that retention difficulties were due to long or unsocial hours (56%; 25 respondents out of 45) and a lack of people interested in doing this kind of work (53%; 24 respondents out of 45). Interestingly, almost half (47%; 21 respondents out of 45) reported that staff do not want to commit long-term and this, along with long and unsocial hours, saw the greatest increases from the 2016 results. These issues, along with a lack of interest in doing that type of work, is again indicative of recruitment and retention challenges emanating from the local area's low wage visitor economy, thus encouraging an outward migration of labour and a high rate of churn.

Figure 4.3: Which of the following are the main reasons why it is difficult to retain staff...? (2016 and 2017)



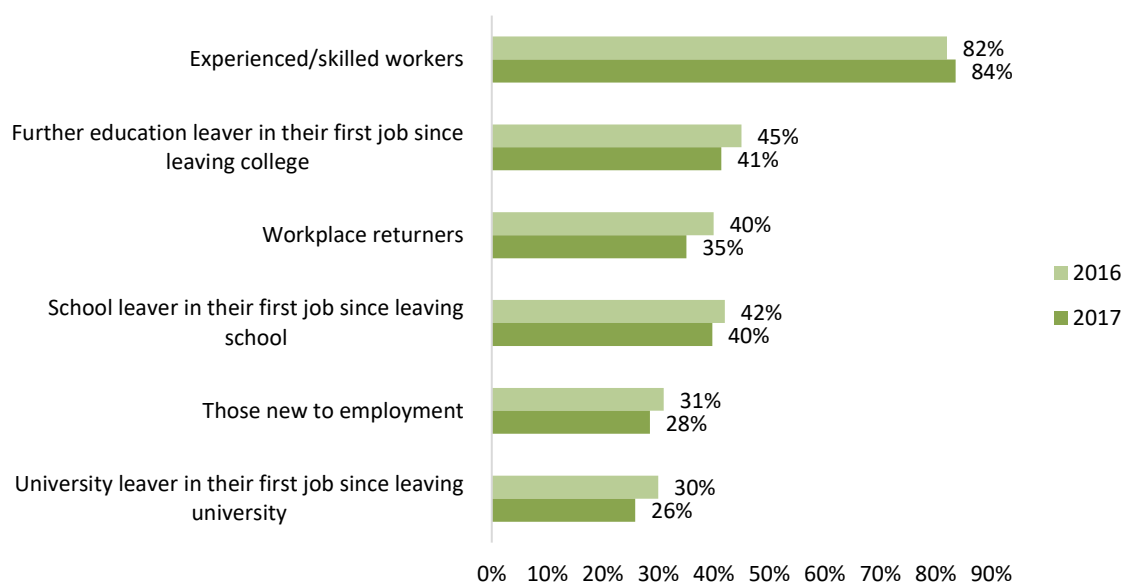
Base: respondents who reported difficulties retaining staff (2017 N=45, 2016 N = 28)

4.2 Recruitment patterns

Survey results presented earlier in this section show that recruiting has increased over the last year in Devon and is significantly higher than the UK 2015 average, with more than two-thirds (67%; 298 respondents out of 444) reporting they recruited in the past year. When asked about the last three years, more than eight in ten (83%; 368 respondents out of 444) reveal that they have employed someone.

In terms of the type of people recruited, Figure 4.4 highlights that over the last three years employers most commonly tried to recruit experienced or skilled workers (84%; 305 respondents out of 365). The data shows very similar results and that the same trend has continued between 2016 and 2017, in which university leavers in their first job still form the smallest group targeted for recruitment (we note, however, that they form a smaller pool within the overall labour market). This group of people are the most likely to leave the area in search of higher salary opportunities and is therefore further evidence of Devon facing a challenge around retaining the local workforce and talent.

Figure 4.4: Of those who you employed in the last three years, have any been (per cent who said yes) (2016 and 2017):

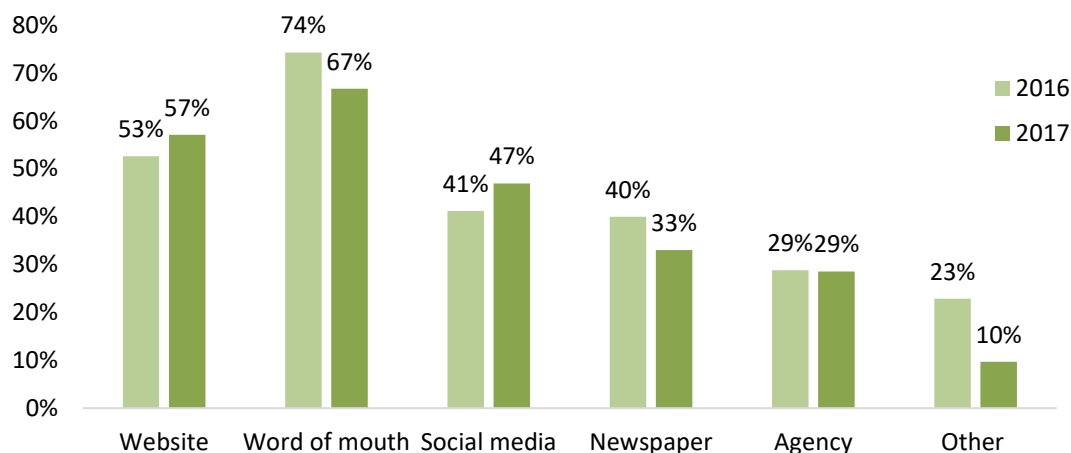


Base: respondents who had employed someone in the past three years (2017 N=368, 2016 N = 322)

In Figure 4.5, we present data showing the kinds of recruitment strategies that Devon businesses are typically using to reach the workforce populations described above; for the businesses that have not recruited in the last three years, we asked them what strategies they might employ were they to engage in recruitment activities.

The open-ended responses provided here have been coded into six categories and reveals that recruitment through word of mouth remains the key strategy (67% in 2017 and 74% in 2016), followed by website recruitment (57% in 2017 and 53% in 2016) and social media (47% in 2017 and 41% in 2016). The fact that most businesses rely on informal means of recruitment (i.e. through word of mouth) is indicative of the local economy (i.e. rural and a higher propensity of smaller businesses).

Figure 4.5: Do you, or would you, use any of the following methods to recruit? (2016 and 2017)



Base: all respondents (2017 N = 445, 2016 N=420)

4.3 Business impact of hard to fill vacancies

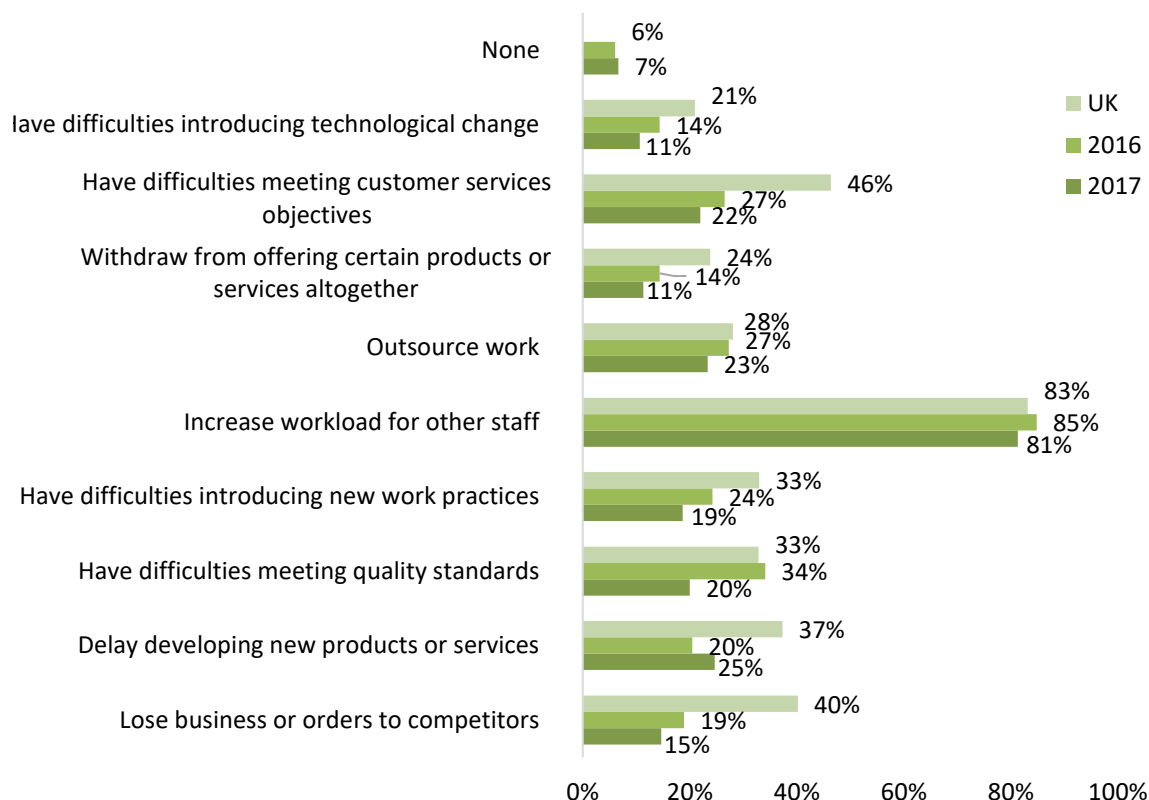
In the 2017 survey, respondents with hard to fill vacancies were asked to identify the key impacts upon their business. The data shows a continuation from the 2016 survey which yielded similar results, as can be seen in Figure 4.6.

When asked to select impacts from a list read out by interviewers, the 150 respondents to this question in 2017 identified that an increased workload for other staff was the most important impact (81%). This is reflected in both the 2016 survey and the UK ESS in which the increased workload for staff is also the most common impact (in 2016 85% and in the UK ESS 83%).

The results do also show some significant differences between DWSS and the ESS, with HTFV causing less adverse impacts for Devon in some areas of activity when compared to the national survey. Businesses in Devon, as a result of HTFV, are far less likely to:

- lose business (only 15% reported this compared to 40% throughout the UK);
- experience difficulties with customer service (22% vs 46%);
- and suffer from delays to product/service development (25% vs 37%).

Figure 4.6: Are hard to fill vacancies causing this establishment to...? (2016, 2017 and 2015 ESS)

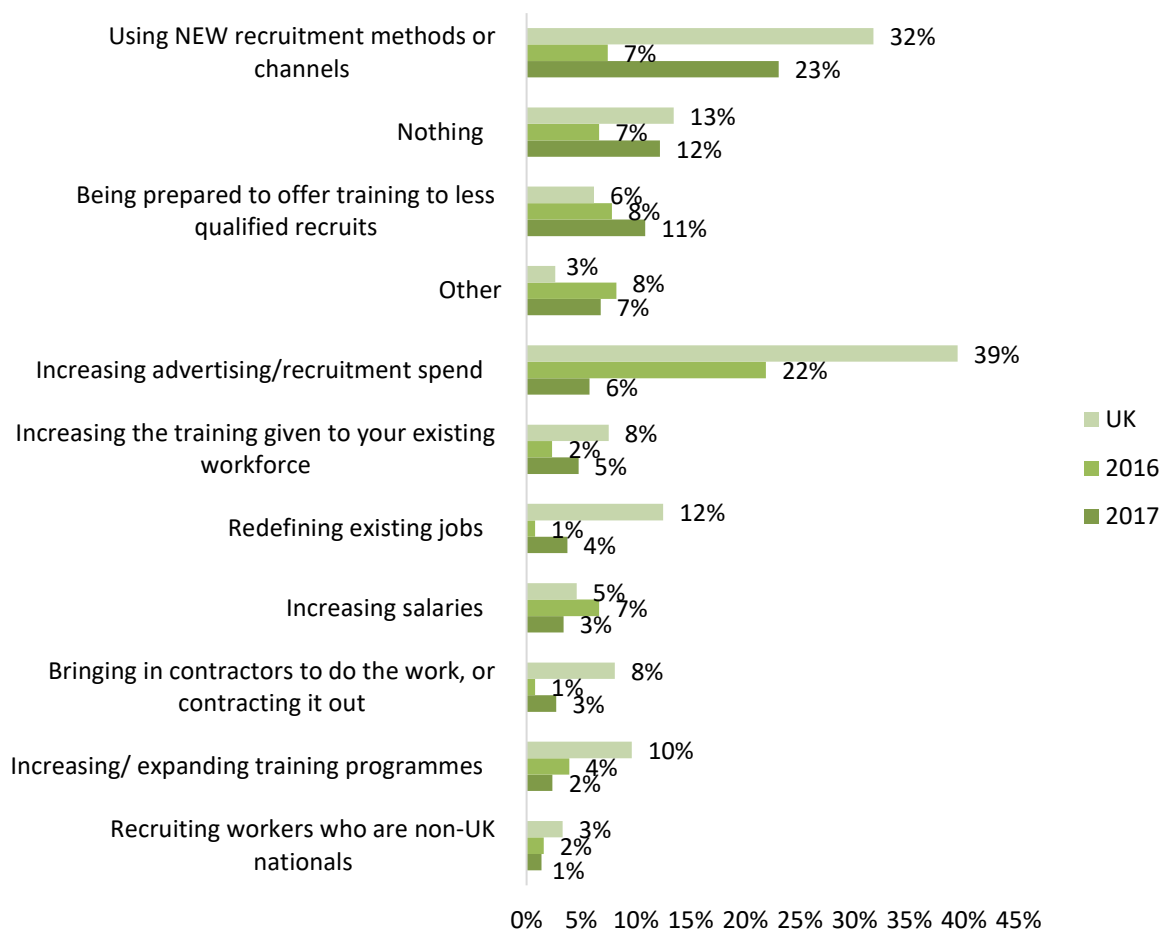


Base: all respondents who had vacancies in the past 12 months (2017 N = 150, 2016 N=132, UK ESS N= 134861)

As part of the understanding of the labour market and business landscape in Devon, respondents with HTFV were asked what they were doing to overcome difficulties that they reported having in filling positions. In Figure 4.7, results from the 2017 and 2016 DWSS survey, and the UK ESS are presented.

Whilst the respondents to the UK ESS and 2016 DWSS most commonly state that they increase advertising and or recruitment spend, this same pattern is not demonstrated in the 2017 DWSS. This represents a significant change in the 2017 DWSS compared to the previous year (only 6% in 2016 compared to 22%) and an even larger difference with the 2015 national survey (39%). Instead, in 2017 the most common action to overcome recruitment difficulties is to adopt a new method or channel (23%; 68 respondents out of 295) which is significantly higher than the previous year (7%) but below the national average (32%). This suggests that the previously preferred strategy, highlighted in the 2015 UK ESS and 2016 DWSS, has fallen out of favour with businesses, who are now exploring new avenues and methods of recruitment. Data provided by the longitudinal comparison group confirms this shift in approach where 41% cited increasing advertising spend in 2016 but only 10% in 2017, and only 12% cited using a new method in 2016 compared to 32% in 2017.

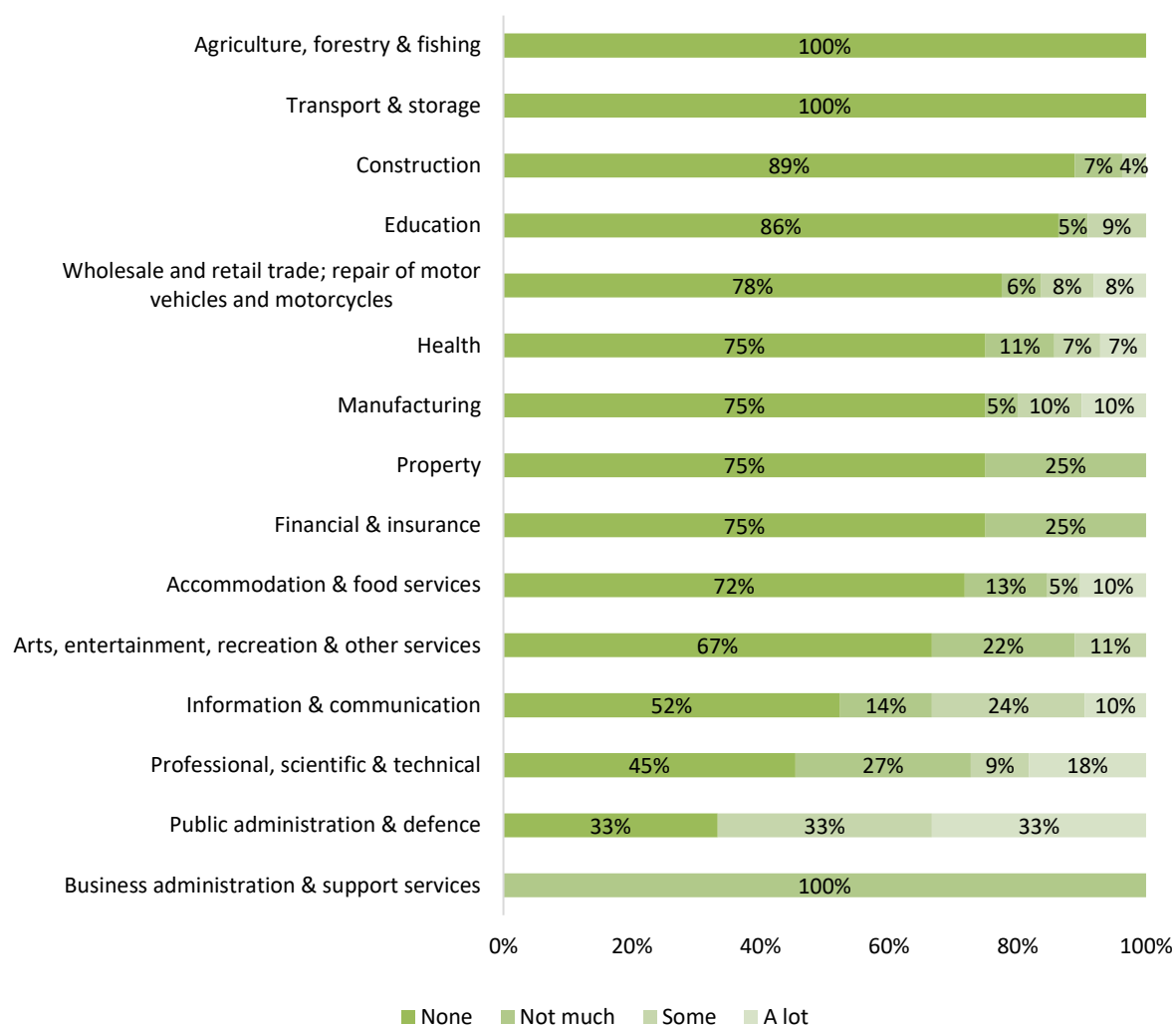
Figure 4.7: What are you doing to overcome any difficulties in recruitment? (2016, 2017 and 2015 ESS)



Base: all respondents who had hard to fill vacancies in the past 12 months (2017 N = 150, 2016 N=132, UK ESS N= 134861)

Respondents were asked if they had difficulty recruiting young people which was then broken down by sector as is shown in Figure 4.8. As the graph demonstrates, the majority, regardless of BIG, did not find this to be a problem.

Figure 4.8: Difficulty recruiting young people, by industrial group (2017)



Base: all respondents (N = 445)

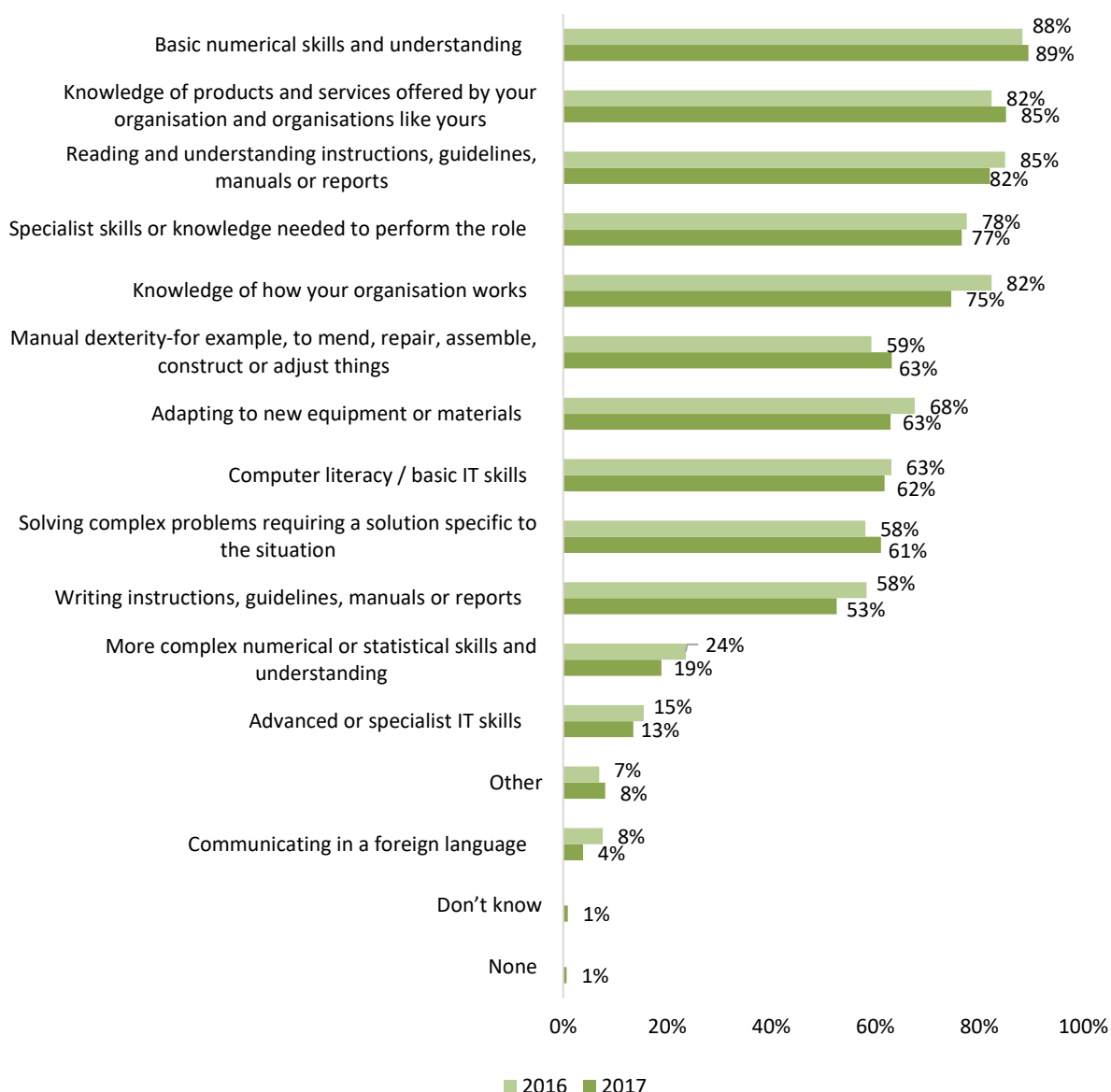
5 The Skills Challenge

This section explores which skills are most important to businesses in the area; whether these skills needs are met; implications on skills from the UK's decision to leave the EU; and how prepared the labour force is for work.

5.1 Demand

In the 2017 and 2016 DWSS, respondents were asked which priority skills were required in their business. In both surveys, there was a list of specific skills which might be required, from a list read out by the interviewers. These data are presented in figure 5.1 below.

Figure 5.1: Thinking of the skills required in your business, please indicate your priorities (2016 and 2017)

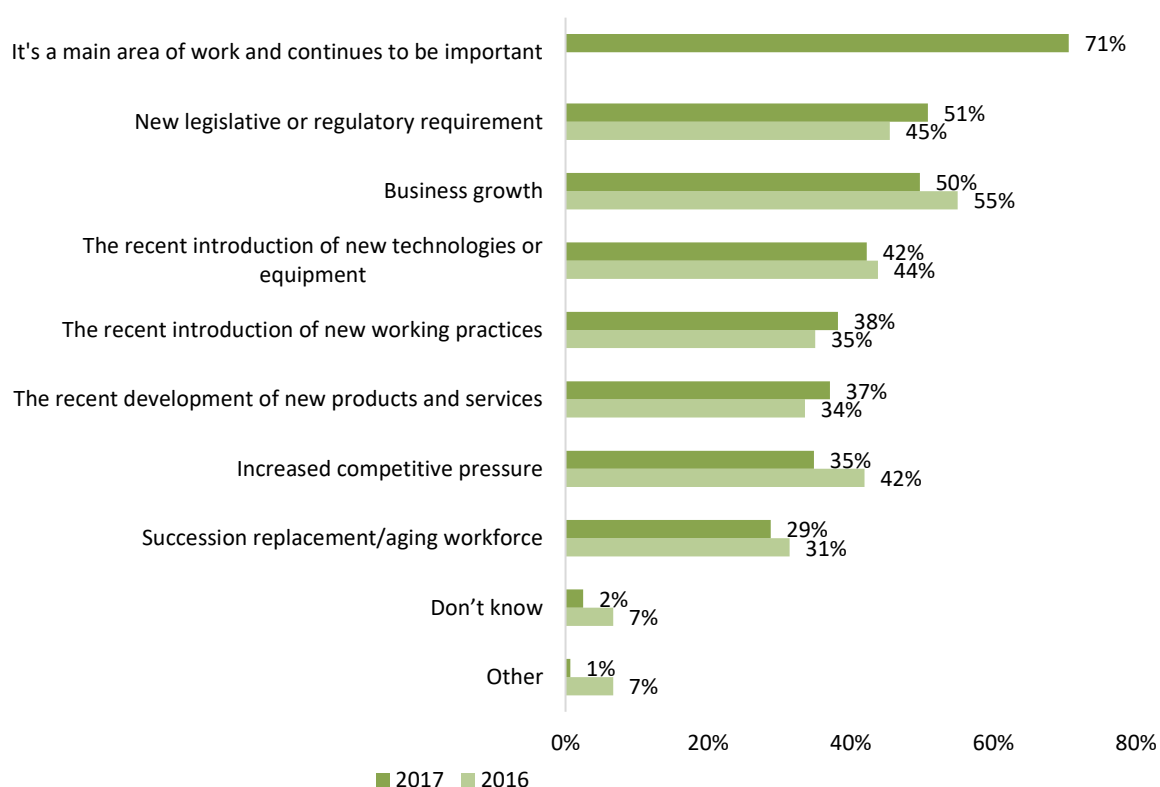


Base: all respondents (2017 N=445, 2016 N = 420)

Across the two surveys, basic numerical skills and understanding was the most cited skill (89% in 2017 and 88% in 2016); the data do not reflect any significant shift in the skills priorities of employers.

To delve deeper into this area, respondents were asked why they had the skills priorities they have, in a multiple response question. It must be noted that the most common answer for 2017, that it is a main area of work and continues to be important, was not a survey option in 2016, having been added to better align with the changes in the national ESS between 2013 and 2015. Outside of this anomaly, the 2017 and 2016 DWSS present similar patterns in their identification of skills priorities.

Figure 5.2: Are the main reasons for the priorities that you mentioned above due to any of the following? (2016 and 2017)

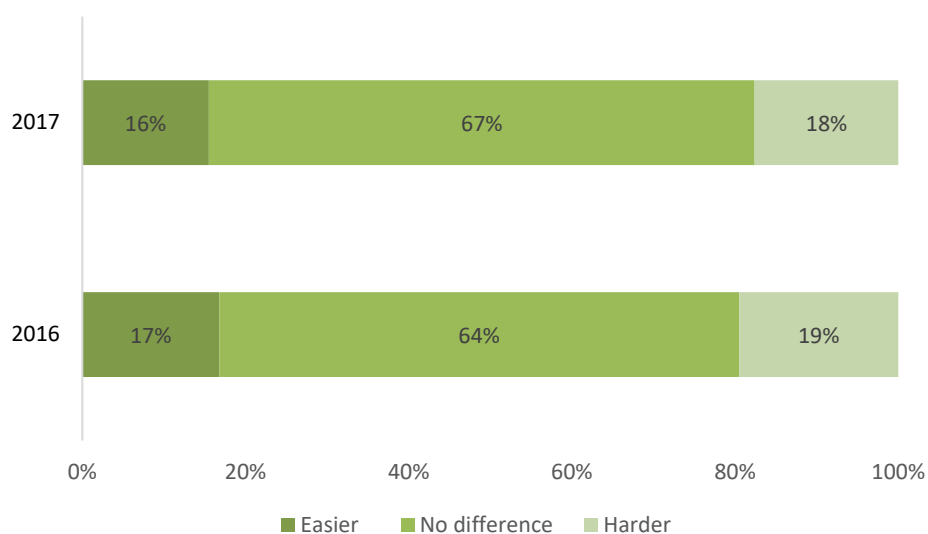


Base: all respondents (2017 N=445, 2016 N = 420)

5.2 Difficulties addressing skills needs

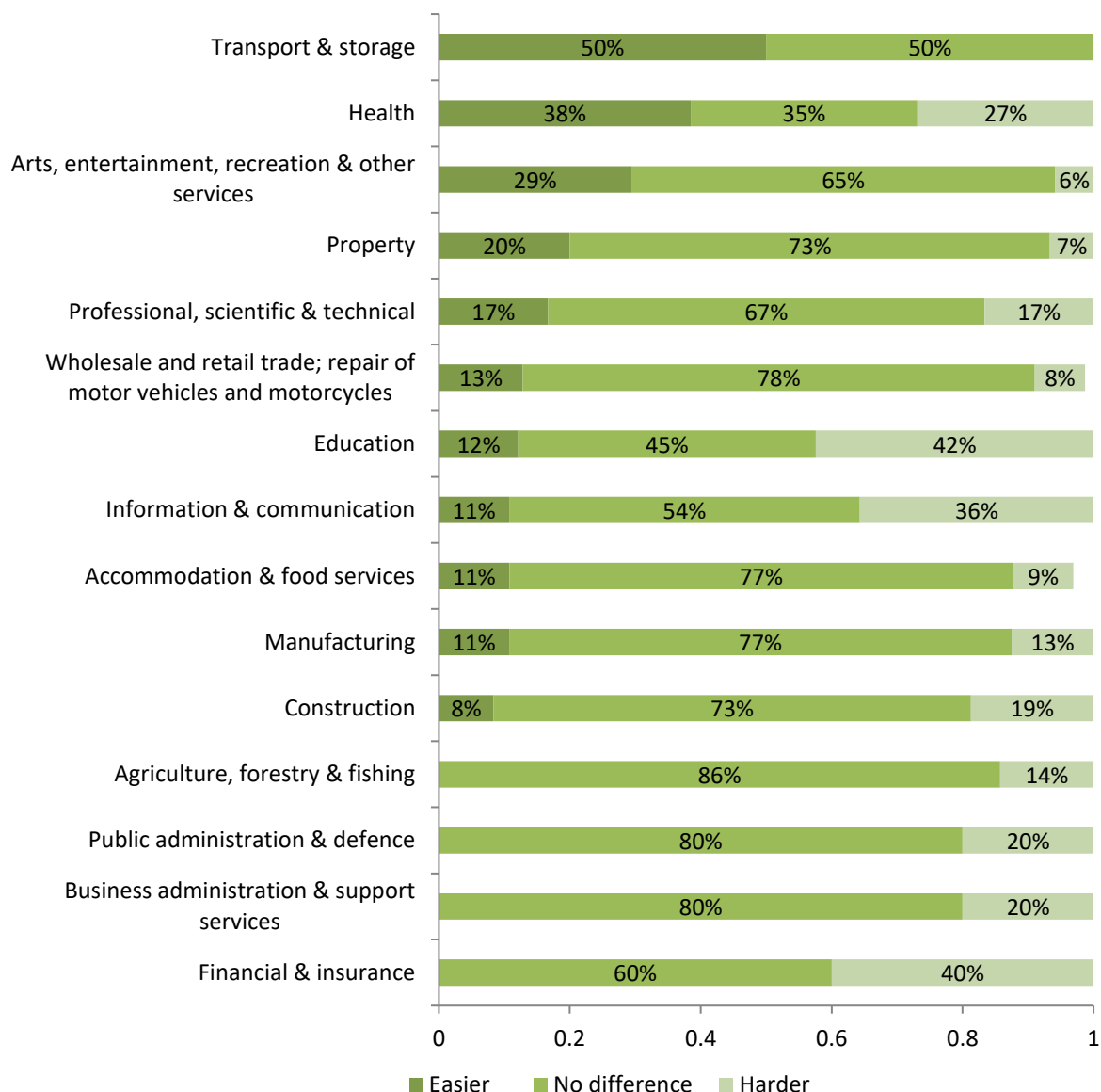
To understand whether skills gaps identified by employers are a product of the labour market situation in Devon, or a result of business-specific factors e.g. the business is a start-up or has relocated, respondents were asked if they had been located in Devon for more than two years. This question acts as a proxy for those who have significant labour market experience in the area. Almost all of our respondents in both surveys (98% in 2017 and 99% in 2016) have been based in the Devon area for more than two years.

Figure 5.3: Is it easier for your business to address skills needs now than it was two years ago? (2016 and 2017)



Respondents were then asked if they find skills needs easier or harder to address than two years ago; again, there is remarkable stability across the data. Two-thirds (67% in 2017 and 64% in 2016) of respondents said that there is no difference in their ability to address skills needs.

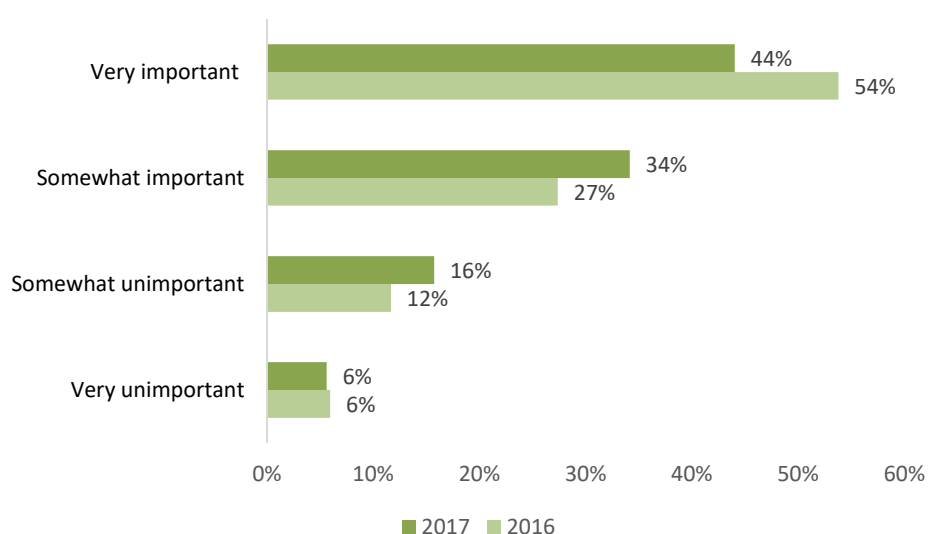
Figure 5.4: Easier to address skills than two years ago, by sector (2017)



Four sectors are worthy of highlighting where skills needs are above the survey mean; Education (42% of sector respondents), Financial and Insurance (40%), Information and Communications Technology (36%), and Health (27%). All of these are sectors where there is demand for intermediate and higher-level skills – especially so in the first three where the inability to meet demand is most acute – and where skills shortages in many firms may result in sub-optimal business performance and productivity.

In a specific sub-class of skills (digital) that is a topical importance to the Devon County Council/HotSW LEP, the 2016 DWSS found that over half (54%) of all respondent businesses stated that it was very important that all or most of their employees have at least some basic knowledge of how to use everyday technology. Business employees within those firms surveyed appear to be increasing their capabilities in digital and technological skills (at least at a basic level) as that number has declined in the 2017 edition of the DWSS by a significant amount (outside of the survey margin of error), although there is a shift towards those who see those skills as somewhat important. This demonstrates the increasing importance businesses are placing on digital skills.

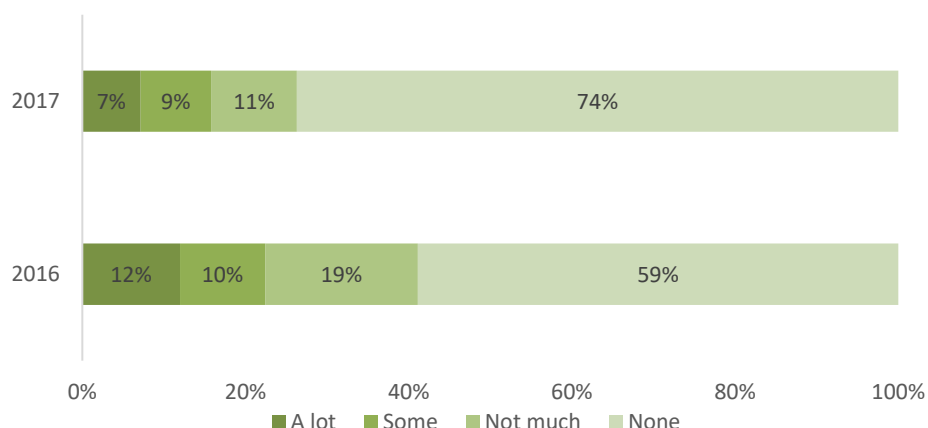
Figure 5.5: As an employer, how important is it that all or most of your employees have at least some basic knowledge of how to use every day technology? (2016 and 2017)



Base: all respondents (2017 N=445, 2016 N = 420)

We then asked if businesses are able to access these skills through the recruitment of young people (preparedness for work), and three-quarters of the sample told us that they have no difficulty in doing so. Comparing with the 2016 data, it appears that this is an area in which there is progression, and that the preparedness for work of young people in terms of their digital skills is improving in the Devon area.

Figure 5.6: How much difficulty have you experienced recruiting young people with the right technology skills for your business? (2016 and 2017)

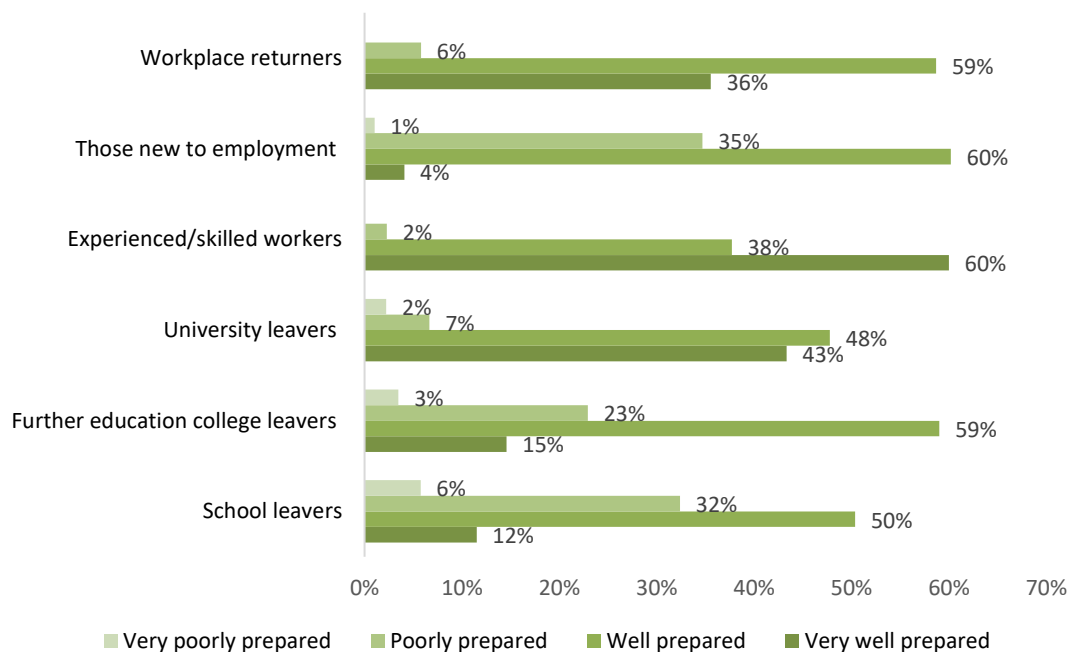


Base: respondents who had employed someone within the last three years and felt that the question was applicable (2017 N=196, 2016 N = 192)

5.3 Preparedness for work

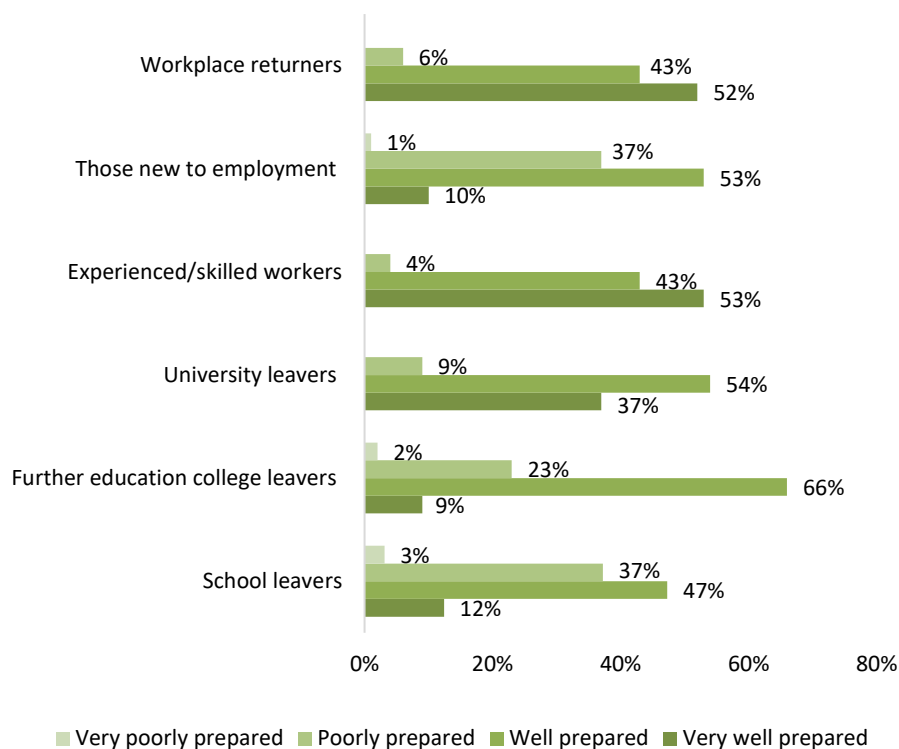
We further explored the preparedness for work of the labour force in Devon by asking employers to report how various categories of workers that they have recruited are prepared to enter the labour market.

Figure 5.7: Preparedness for work by vacancy type (2017)



Around one in three employers who responded to this survey item identified those new to employment (36%) and school leavers (38%) as being poorly or very poorly prepared. These numbers show a remarkable stability with 2016, indicating that there is no great change in the perception among employers of the preparedness for work and that it remains high among these groups.

Figure 5.8: Preparedness for work by vacancy type (2016)



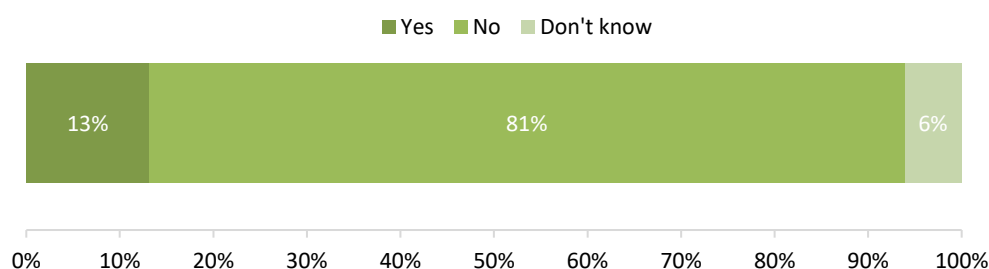
(School leavers $N=139$, Further education college leavers $N=144$, University leavers $N=90$, Experienced/skilled workers $N=305$, Those new to employment $N=98$, Workplace returners $N=121$).

Of some concern is the perception held by one in four employers (26% in 2017 and 25% in 2016 respectively) that FE college leavers are poorly or very poorly prepared for work. It flows from this finding that FE colleges may still have some work to do in better aligning their training to the demands of the local business community. It is worth noting however, this is only reflective of FE college leavers going straight from college into employment as some FE college leavers choose other pathways, for example, university.

5.4 Skills impact of Brexit

As part of this year's Devon's Workforce Skills Survey, businesses were asked if they anticipate any impacts on their organisation changing due to the UK's decision to leave the EU and whether this would have an effect on their recruitment and skills needs.

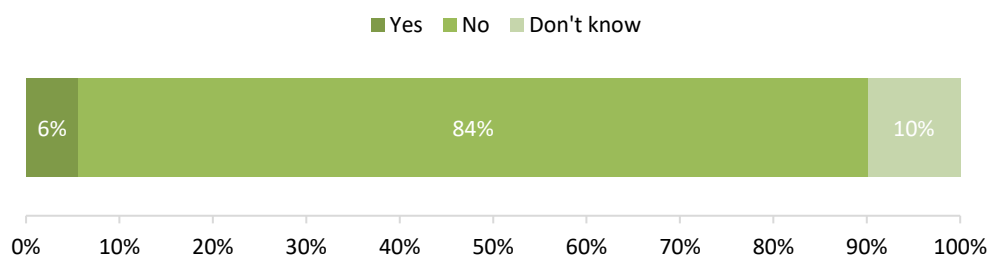
Figure 5.9: Do you expect any impact upon recruitment from the UK's decision to leave the EU? (2017)



The majority of employers (81%) report that they do not anticipate any change in their recruitment as a result of Brexit, although more than one in ten do expect adverse impacts (13%, 58 respondents out of 441). If this perception was realised among 13% of the total business stock, it would mean that around 5,000 businesses in Devon will be adversely affected, in their recruitment, by Brexit.

We were keen to understand whether this is linked to any concerns that Brexit may be causing about changes to skills needs, and these data are shown in figure 5.10.

Figure 5.10: Do you anticipate that the skills needs of your organisation may change as a result of the UK's decision to leave the EU? (2017)



Only 6% of those responding believe that Brexit will have an impact upon their skills needs, with a substantial majority (84%) indicating that they think it will have no impact. Again, applying that proportion to the total business stock would mean an adverse impact on the skills needs of more than 2,000 Devon businesses.

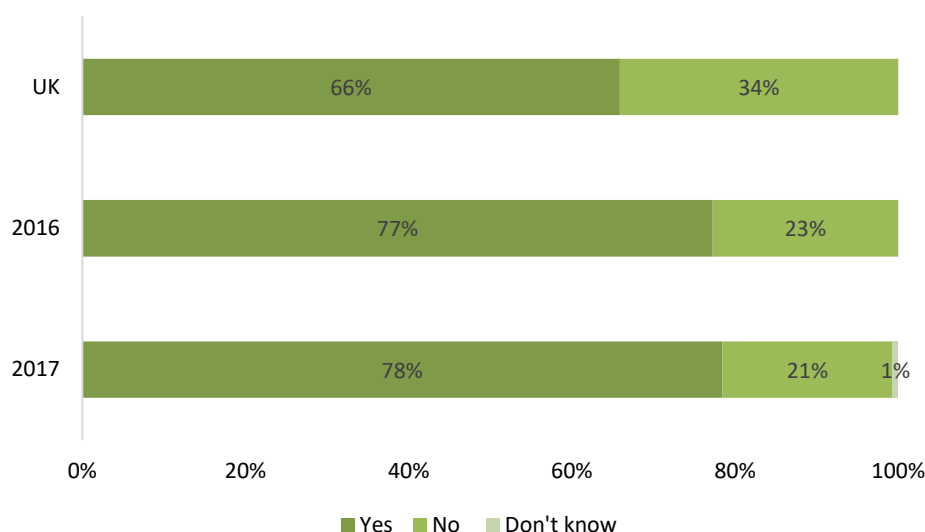
We note that these figures mirror the findings from research that we have recently undertaken in a completely different geography (the Liverpool City Region) that has a very different business demography and skills and employment landscape. We conclude that the decision to leave the European Union is not currently a major driver in the concerns that businesses have about their skills needs and gaps.

6 Training

6.1 Training demand and budgets

We were interested in the demand for training and the upskilling of the existing workforce as the principal route to bridging skills gaps and shortages experienced by employers.

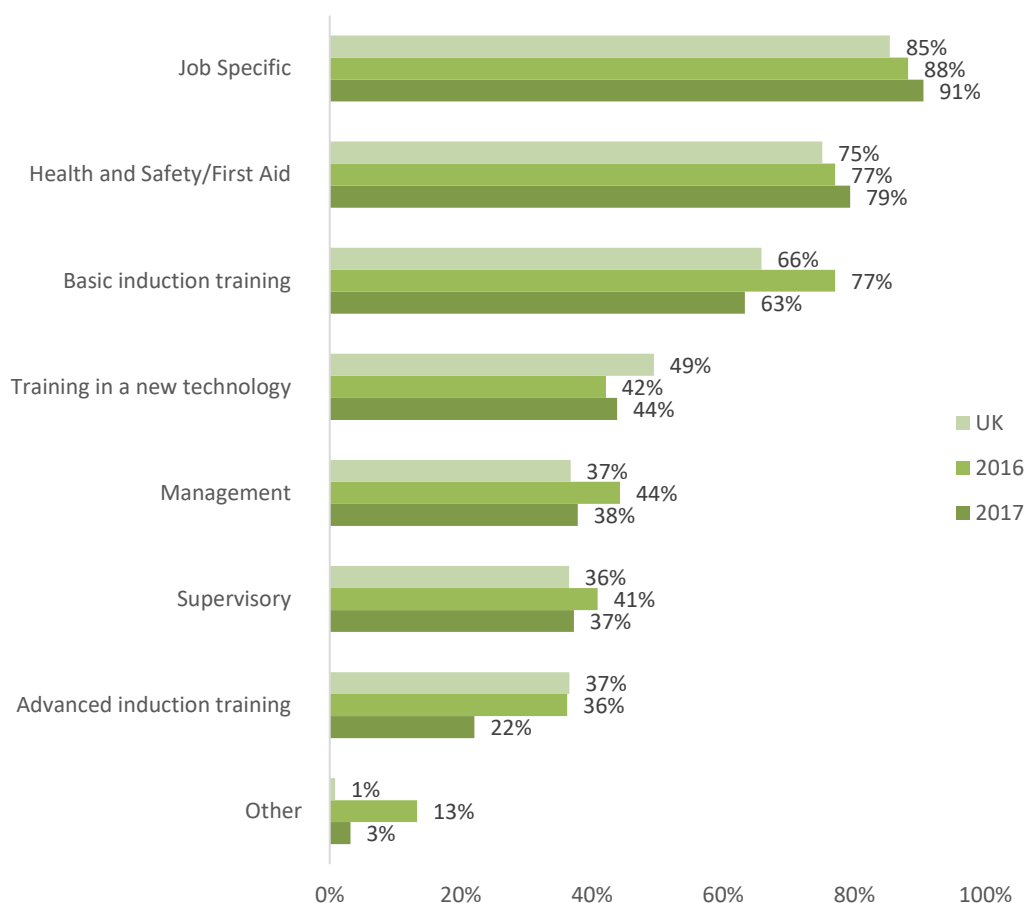
Figure 6.1: Have any of your staff undergone any form of training during the last 12 months? (2016, 2017 and 2015 ESS)



Base: all respondents (2017 $N=445$, 2016 $N=420$, UK)

As displayed in Figure 6.1, in 2016 and 2017, there has been a consistently high level of businesses who have staff that have undergone training in the last 12 months (78% in 2017 and 77% in 2016). Workforce training is more prevalent in Devon than in the UK as a whole (benchmarked against the 2015 national ESS), again outside the margin of survey error.

Figure 6.2: Which of all the following types of training have you arranged for staff in the past 12 months? (2016, 2017 and 2015 ESS)

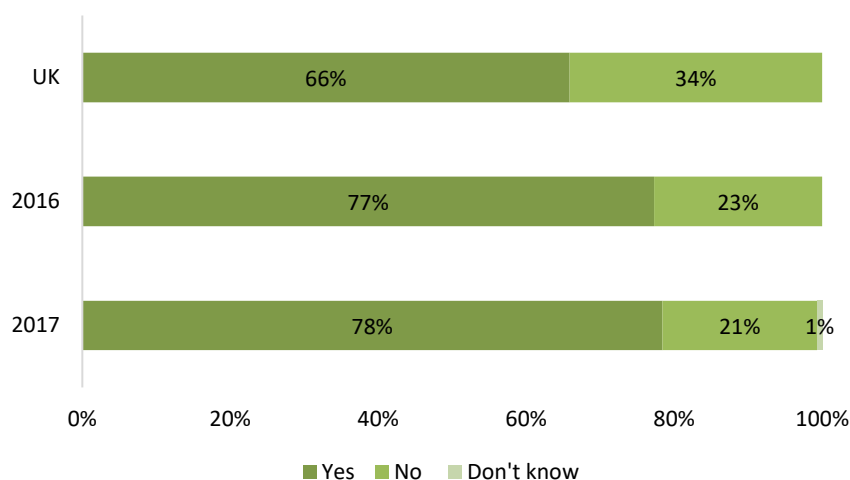


Base: all respondents who had arranged training, (2017 N=349, 2016 N=323)

The type of training in Devon mirrors the national training picture closely – benchmarked in figure 6.2 -, with nine out of ten employers providing job specific training to their existing staff and 63% providing basic induction training (down from 77% in 2016). We note that the decline in basic induction training (falling below the national benchmark) is paralleled by a similar drop in advanced induction training (down from 36% in 2016 to 23% in the 2017 survey).

To enhance our understanding of said training, respondents were then asked if their staff had been on training delivered by external companies.

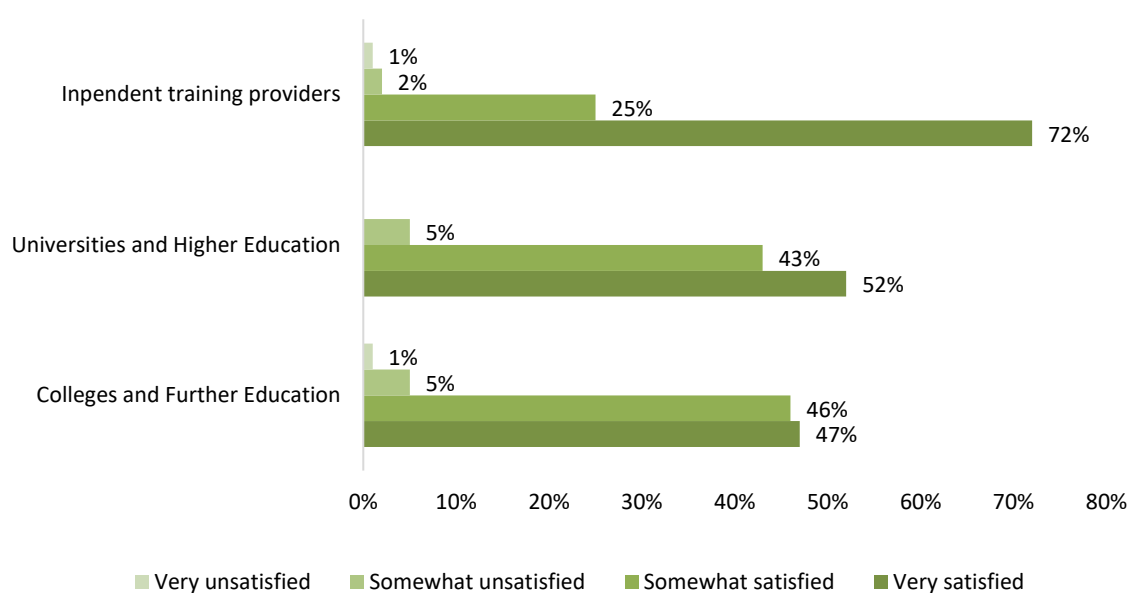
Figure 6.3: Have any of your staff been on training delivered by external companies, agencies, or organisations in the last 12 months (including government training)? (2016, 2017 and 2015 ESS)



Base: all respondents who had arranged training, (2017 $N=349$, 2016 $N=323$)

In this regard, it is notable that the rates of external training provision in Devon are significantly higher (76%) than UK-wide, as reported in the 2015 national ESS (49%). We believe that this is not an artefact of the survey, given that the reported rate for Devon has remained stable from 2016 to 2017. Reconnecting with a point made earlier about preparedness for work of FE leavers, we believe that the high rates of external training provision encountered in Devon are both an opportunity for FE colleges, but also confer the burden of ensuring that this provision matches the expectations of the business beneficiaries.

Figure 6.4: Overall, how satisfied are you with the quality of the training provided by: (2017)



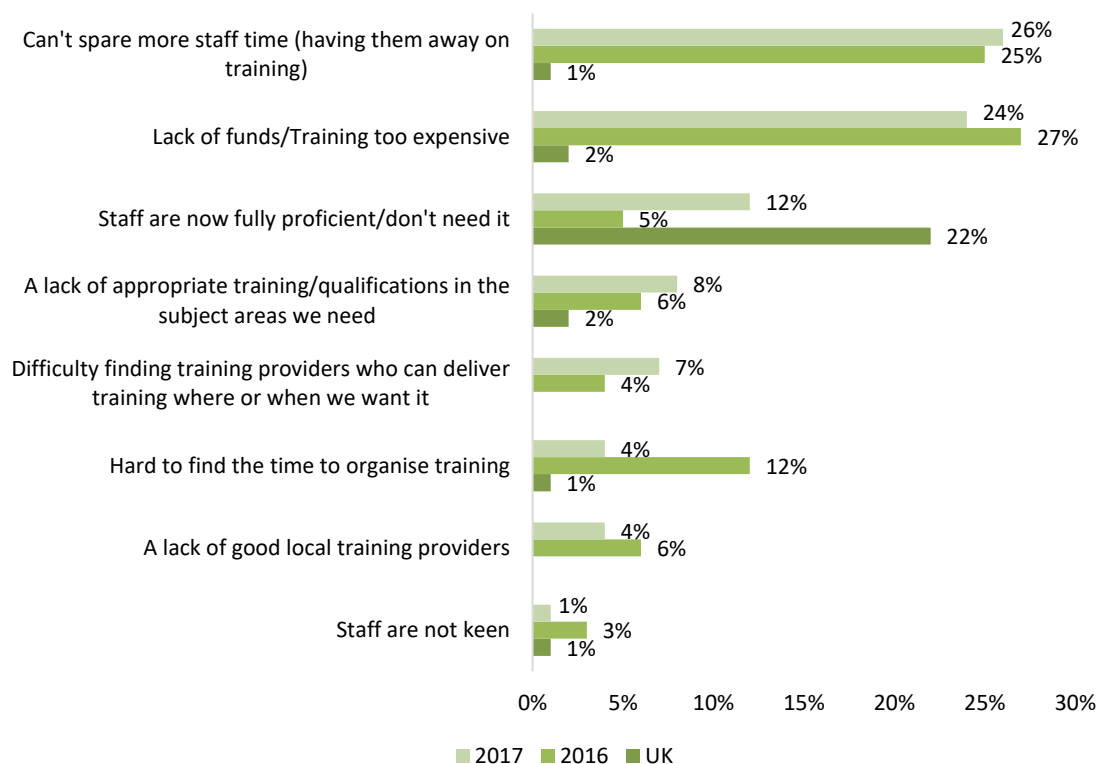
Base: independent training providers ($N = 247$); universities and higher education ($N = 16$); colleges and further education ($N = 51$)

We caution that the base numbers are not high for HE and FE take up, but we do note that – within the overall impressively high levels of general satisfaction with external training provision, that there may be scope for progression of satisfaction with provision from FE colleges.

6.2 Barriers to training

Although, as previously mentioned, there appear to be high levels of take-up of training – alongside high levels of satisfaction with external training provision - within Devon, it is also important to probe potential perceived barriers for businesses to access training.

Figure 6.5: What barriers have prevented your business providing training to current staff? (2016, 2017 and 2015 ESS)



Base: all respondents (2017 N=445, 2016 N=420, UK N =1,766,868)

As can be seen in Figure 6.5, in 2017, the most cited barrier is that businesses can't spare staff time (26%), again very similar to 2016 (25%). Whilst in both DWSS surveys, similar barriers are presented, it is interesting to note that the most common reason in the 2015 national ESS survey is that staff are fully proficient. This suggests that businesses in Devon are particularly positive about the potential to upskill employees – as we have shown above - but where they are not doing so are experiencing resource constraints.

6.3 Apprenticeships and placements

In this section of the survey, we explored the changes in the UK funding regime for apprenticeships by asking respondents if they were aware of the apprenticeship levy.

Figure 6.6: Are you aware of the apprenticeship levy? (2016 and 2017)

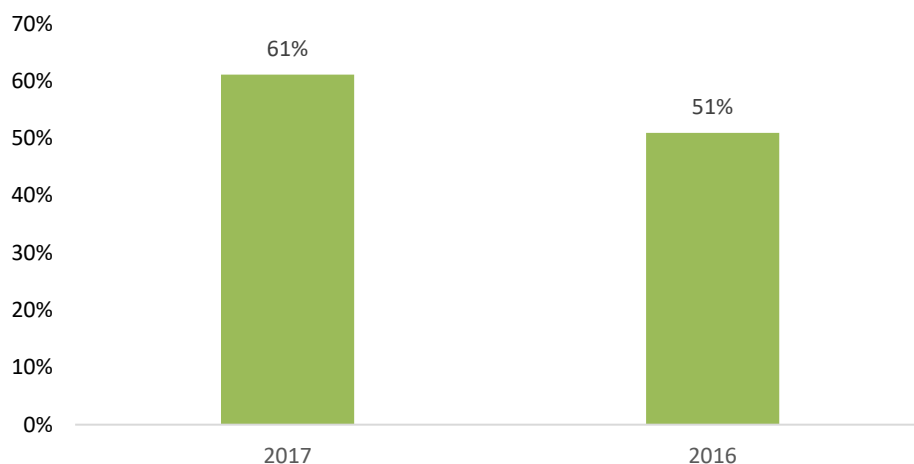
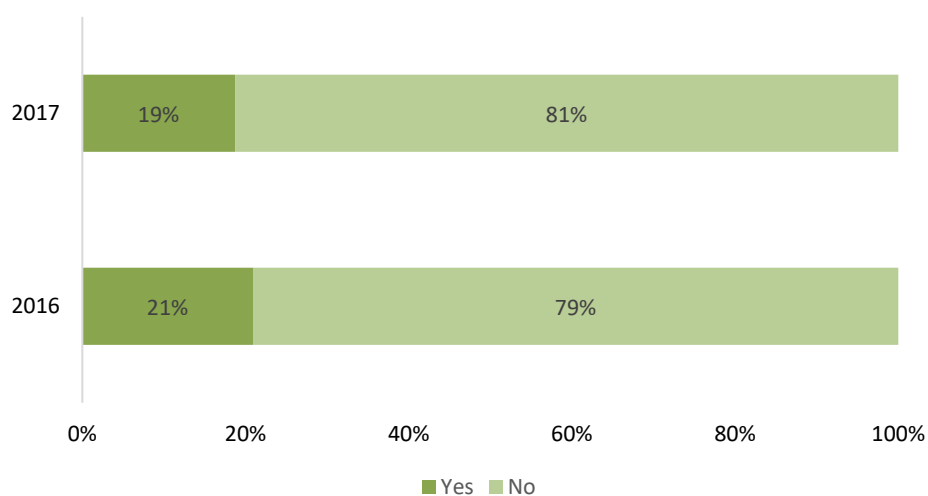


Figure 6.6 shows a 20% increase in our sample in relation to the awareness of the levy from 2016 to 2017, which is to be expected following its launch in April 2017. This is confirmed by data from the longitudinal comparison group, which showed an increase from 53% to 66% among the same group of companies.

There is remarkably little difference between the proportion of employers who employ apprentices from 2016 to 2017, with around a fifth (19%; 82 respondents out of 440) citing this. This is slightly below, but not completely dissimilar to that reported in our other skills surveys e.g. 26% in the Liverpool City Region employ apprentices.

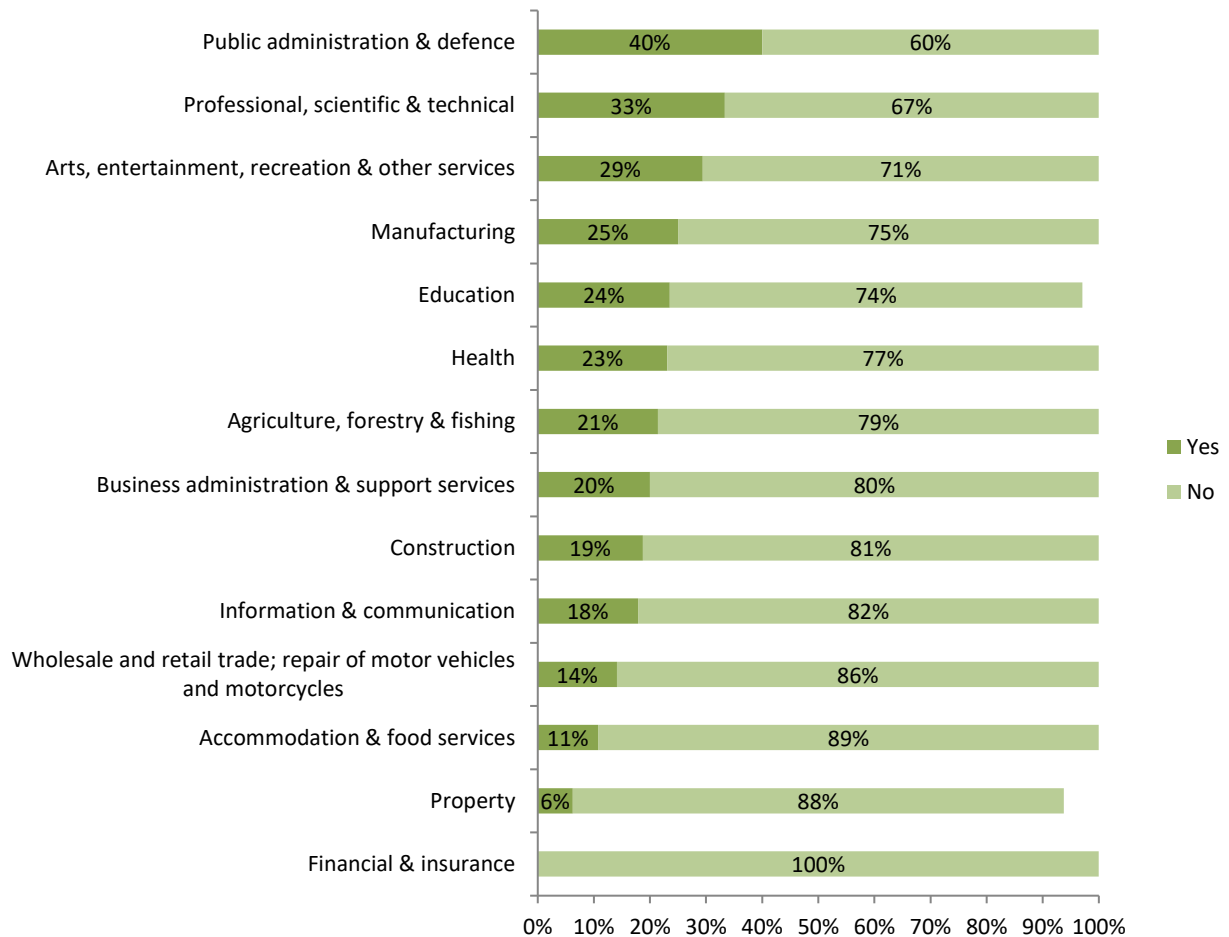
Figure 6.7: Do you currently employ any apprentices? (2016 and 2017)



Base: all respondents (2017 N=440, 2016 N = 420)

The provision of apprenticeships when broken down by industrial group in Devon shows a large variance between groups, as shown in Figure 6.8. Whilst overall 19% of businesses currently employ apprentices, groups such as public administration and professional, scientific and technical services show much higher rates (40% and 33% respectively).

Figure 6.8: Current employment of apprentices, by sector (2017)



Base: all respondents (N=445)

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