Background

The 2017 Liverpool City Region Combined Authority Employer Skills Survey surveyed 1,856 businesses across the City Region between June and September 2017. This was a broad based sample and reflected the sectoral, geographic and size basis of local employers. This summary sets out the key messages and findings.

Liverpool City Region is currently home to over 51,000 businesses, employing over 374,000 people in full time position and 152,000 in part time positions.

<table>
<thead>
<tr>
<th>Liverpool City Region Growth Sectors</th>
<th>Jobs</th>
<th>GVA (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Manufacturing</td>
<td>47,200</td>
<td>4.3</td>
</tr>
<tr>
<td>Digital and Creative</td>
<td>11,300</td>
<td>1.0</td>
</tr>
<tr>
<td>Finance and Professional Services</td>
<td>46,000</td>
<td>8.5</td>
</tr>
<tr>
<td>Health and Care and Life Sciences</td>
<td>125,200</td>
<td>4.4</td>
</tr>
<tr>
<td>Low Carbon and Energy</td>
<td>30,300</td>
<td>2.0</td>
</tr>
<tr>
<td>Maritime and Logistics</td>
<td>26,200</td>
<td>0.7</td>
</tr>
<tr>
<td>Visitor Economy</td>
<td>51,700</td>
<td>4.2</td>
</tr>
</tbody>
</table>
An ageing workforce

UK wide, approximately 29% of the workforce are aged 50 or over based on ONS estimates, while this rises to 31% for the Liverpool City Region. In our survey, businesses reported that 39% of their workforce falls into this category, suggesting that workforce ageing is an issue faced by many employers with an average workforce age of 43 locally, compared to the UK average of 41: this is most pronounced for micro businesses.

Figure 2 - Average age of employee per business size category

<table>
<thead>
<tr>
<th>Business Size</th>
<th>16 to 18</th>
<th>19 to 24</th>
<th>25 to 49</th>
<th>50+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>3.0%</td>
<td>15.2%</td>
<td>43.7%</td>
<td>38.1%</td>
</tr>
<tr>
<td>SME</td>
<td>3.4%</td>
<td>21.9%</td>
<td>35.2%</td>
<td>39.4%</td>
</tr>
<tr>
<td>Micro</td>
<td>4.5%</td>
<td>18.8%</td>
<td>31.2%</td>
<td>45.5%</td>
</tr>
</tbody>
</table>

This was reinforced through our discussions, in which participating businesses recounted the potential ‘time-bomb’ of imminent retirements of experienced workers.

Wage pressures

ONS data suggest that the Liverpool City Region is 21st of the 37 LEPs in terms of average salary. The quantitative and qualitative findings of this research suggest that employers are struggling with wage pressures – rising demands/expectations against existing pay structures and local market conditions. There is a common perception among employers that people with skills are happier to move and graduates are coming out of universities with large debts that they can pay off quicker in other areas of the country wage pressures. The hardest hit tend to be SMEs, while larger businesses may be operating in national/global markets and thus already recruiting on a national/global level.
Skills Challenge

There is an identified skills gap in the workforce in the Liverpool City Region that is higher than UK levels. These are primarily technical skills that are sector-specific in nature, with implication for skills training and upskilling programmes, and are most pronounced in larger employers. The survey results suggest there could be up to 138,380 full-time and 56,240 part-time employees in the Liverpool City Region who lack the skills needed by their employers, or a total of 194,620 current workers lacking the necessary skills for their job. The impact of those skills deficiencies can be seen by the fact that the majority of respondents ranked sector-specific technical skills as the most important to business growth.

Specific (non-sector) skills needs identified by employers include a wide range of items, but literacy, numeracy and basic IT skills remain prized. However, digital and IT skills are not seen by many as a major barrier to the recruitment of young people.

Sectors reporting the largest issues with technical skills gaps are Digital, Construction and Advanced Manufacturing.

Some businesses are finding it harder to fill vacancies

Over two thirds of the businesses surveyed had at least one vacancy in the past 12 months, with the most frequent being two to four per business. Of those businesses with vacancies, two out of five reported that they have experienced difficulty in filling them, with many of those citing skills shortages as one of the principal reasons for having recruitment difficulties; the evidence suggests that there is no major problem with numbers of applicants, but rather with not having the right applicants.

There are some retention difficulties

13% of businesses reported problems in retaining staff, and this was most difficult with younger workers.

Figure 3 - Retention difficulties by age
Quality of new recruits

There is no major problem with numbers of applicants for vacancies, but rather that employers feel that the issue lies with not having the right applicants. Recruitment has focussed heavily on experienced or skilled workers and those aged over 50, highlighting the barriers faced by those with less experience or new to the workforce. In particular, it can be noted that only 22% of those recruiting in the last three years have employed school leavers, and only 13% have recruited long term unemployed people. The ageing of the workforce may have an impact upon the supply of workers for whom businesses express a preference (older, more experienced).

Hard-to-fill vacancies have a discernible impact upon businesses, notably in the form of increased workloads for current staff. The methods used to recruit staff are varied, with informal methods most popular.

Figure 4 – Recruitment methods used by employers

As many as one in five businesses surveyed have reportedly taken no action at all to overcome difficulties in recruitment.

The sectors reporting greatest issues with the employability of new recruits are Health and Care, Construction and Digital and Creative.
Succession planning

Our evidence suggests that micro businesses, with an ageing workforce, may be facing management and succession planning issues over the next few years, and that support may be required for them to make this transition successfully. In our consultation at the Halton and Knowsley Chambers of Commerce, there was discussion of succession planning issues, with clear indications that there are businesses who see succession planning as a major challenge in the near future.

Workforce training

Workforce training is commonplace across the City Region, concerning over 84% of businesses surveyed; there is a positive correlation between training provision and business size. Job-specific training continues to be the most commonly provided form of training to the current workforce, with a relatively uniform pattern across sectors.

The prevalence and value of training budgets vary by business size and sector. Eight out of 10 businesses who have provided training did so through external training providers, and the high levels of satisfaction with those providers expressed by respondents indicates the quality and value of training available across the City Region. However, training is still seen as costly and time-consuming by some businesses, suggesting that there are still barriers that continue to hamper workforce development.

The provision of management training is almost six times more frequent in large businesses (69%) than in micros (13%); in the case of the former, large businesses provide basic induction training (85%) twice as frequently as micros (43%), and advanced induction training over three times more frequently (40% versus 12%). The evidence suggests that small and micro businesses may benefit from increased support to train and upskill their existing workforce.
Apprenticeships

Apprenticeships form an essential building block in the construction of a skilled and trained workforce, and are a key component of the strategy that the central government has laid out for easing workforce entry and transition. Within the Liverpool City Region, 24% of employers use apprentices as part of their business delivery model: they are seen most frequently in Construction, with 41% of employers reporting that they employ apprentices. Businesses also see apprenticeships as a means to upskilling their existing workforce.

While many employers have no plans to engage apprentices in the near future, there is a sizeable number who say that they are considering it, and a further non-negligible group who are not sure. 38% of employers report that there are no barriers to them employing apprentices.

There is room for further development of apprenticeships across the City Region, and an opportunity to consolidate their role in skills provision.

Business climate

In general, the survey found a relatively optimistic business climate across the City Region, with two in five businesses expecting to increase their turnover in the next twelve months. Nearly half of the sample (49%) told us that their primary reasons for recruiting included business growth, indicating some underlying strength to the Liverpool City Region labour market economy.

Significantly, 15% of businesses said that they had recruited to acquire new or additional skills.

Whilst there are appreciable numbers of businesses who see their skills and recruitment needs being affected by Brexit, the majority do not. Larger employers are more likely to see an impact on recruitment.
Conclusion

The Employer Skills Survey is a vital source of data on skills and the labour market. It offers a unique insight into the decisions that employers make about factors such as recruitment, training investment and use of skills in the workplace, which underpin the wider trends that drive City Region economic growth and productivity levels.

The key message on an ageing workforce means that employers need to develop more active succession planning, particularly with leadership and management for micro businesses.

Specific technical skills gaps in certain sectors and issues around the work readiness of new recruits means that providers of training need to be more targeted in the support they offer. The majority of employers are positive about providing training, and many see apprenticeships as a key element of this. The overall business climate is optimistic with nearly half expecting to recruit in the next 12 months due to business growth.

These issues cannot be resolved by employers alone and require a sustained collaborative effort across employers, Combined Authority, the LEP, Councils and training providers to address them.

How this information has been used

The feedback captured in the Survey has been used to develop the key skills documents for the City Region including:

- Skills Investment Statement 2018/19
- Skills Strategy 2018-2023
- Apprenticeship Growth Plan 2018-2020
- Skills for Growth Action Plans

For a full version of the Skills Survey Report please visit www.liverpoolcityregion-ca.gov.uk/documents