



Forum of Private Business

Research Report

Referendum 190

January 2010

Introduction

The Forum of Private Business (FPB) is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

We conduct research throughout the year and our quarterly *Referendum* newsletter forms part of our regular consultation with a proportion of our members; in it, we ask some key questions that help define our campaigning priorities. We use the results to facilitate dialogue between our members and their constituent MPs, MEPs, and Scottish and Welsh representatives.

For the latest quarter's Referendum, we surveyed 5,600 of our members during the first two weeks of December 2009 to find out how useful the training and skills infrastructure was for small and medium-sized business employers in the UK. We collated the responses and, if the respondent requested it, passed on their comments directly to their elected representatives.

The survey looked at the skills and training infrastructure in the UK in light of the recent announcements involving an expansion of the apprenticeship scheme and the replacement of the Learning and Skills Councils with the Skills Funding Agency, Young Persons Learning Authority and the funding element allocated by local councils.

Summary of findings

The recession has meant a slight deterioration in the skills of the current workforce and an increased strain on training budgets.

- Our members feel that there should be a more balanced view of the skills process, with an emphasis on incentivising the business rather than focusing purely on the needs of the college or preferences of individuals.
- A demand-based system has been the focus of the skills infrastructure over the last few years; however, business owners still feel that the courses they require are often not available locally. There is also a fear that much of the knowledge acquired by the local Learning and Skills Council will be lost when this part of their remit becomes part of local council services.
- The most likely reason for a business needing to undertake training is due to changes to the regulations, with 70% of respondents citing this as a trigger for training. However, smaller firms do not see why it should cost them the same to fulfil regulatory requirements as businesses with hundreds of employees and therefore would like free or a sliding scale of fees for such training. The cost of training for regulatory purposes also means that there is less in the budget for improving skills levels to meet the quality levels required by business owners.
- Businesses have a preference for competency-based learning rather than the provision of qualifications.
- Minimising the time away from the business was another key requirement and, while respondents did want to see greater focus on apprenticeships, the emphasis was on on-the-job training with less college-based study.
- Informal training is still perceived as undervalued by small businesses as a way of training local people to the required standard. If businesses were given support in improving the quality of this training then this could lead to an improvement in the levels of the skills in their workforce.
- Business owners still regard employability attributes and basic skills as lacking from potential employees. With the steady increase in the minimum wage, businesses are more demanding in the quality of candidate to be trained; however, this is not reflected in the applications they receive.
- Funding systems need to be reviewed because businesses do not always get the level of funding they believe they are entitled to. It also requires too much time to access or is simply not available for the courses they need in order to up-skill their staff.

Current skills situation

There is a marked contrast between the skills of smaller firms' current workforce and the skills/training provision available to them from external sources (either through recruitment or from training providers). This indicates the importance to smaller firms of internal training, to give their workforce the specialist skills and employability attributes they need to be able to do their work.

Figure 1: Skills base for smaller firms in the UK

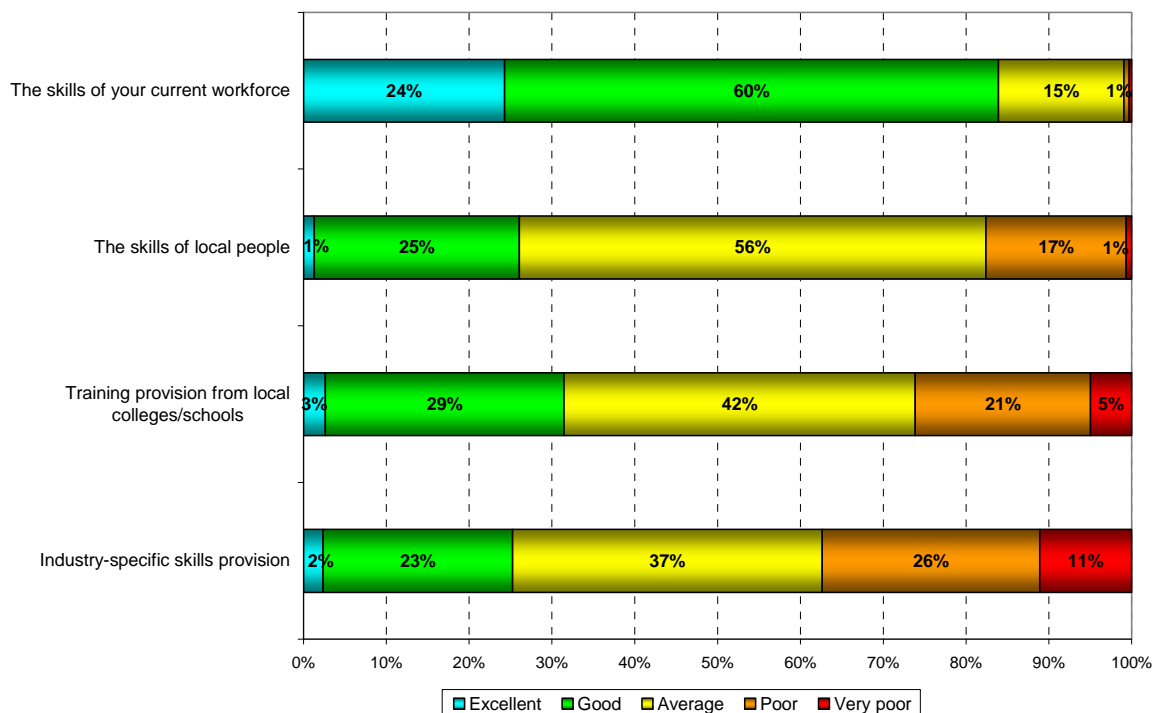


Figure 2 uses a scoring system ('Excellent' is scored at 2, 'Good' at 1, 'Poor' at -1 and 'Very poor' at -2) to assess the overall quality of the skills base. This indicates that, while business owners believe the skills of their current workforce is 'good', the skills of the local people and the local training provision is only 'average'. Industry-specific skills provision was seen as 'below average'.

Figure 2: Skills base based on the size of the business

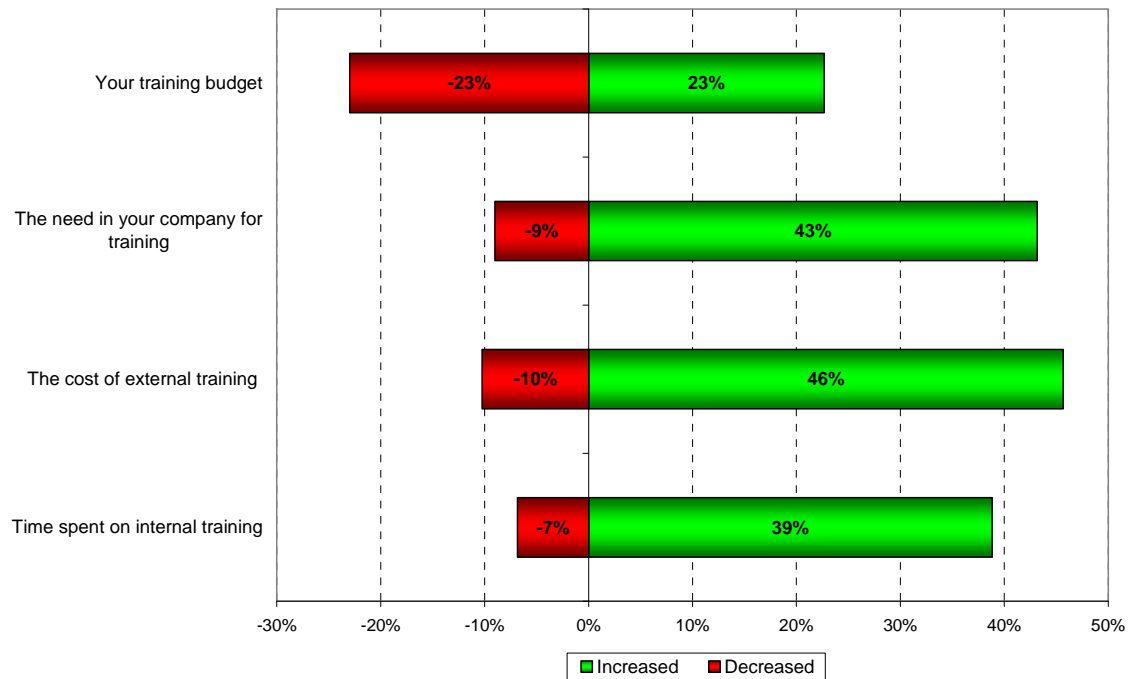
	Total			Micro			Small			Medium		
	% good	% poor	Score	% good	% poor	Score	% good	% poor	Score	% good	% poor	Score
The skills of your current workforce	84%	1%	1.07	88%	1%	1.19	83%	2%	1.02	94%	0%	1.22
The skills of local people	26%	18%	0.09	33%	23%	0.11	24%	13%	0.12	39%	22%	0.22
Training provision from local colleges/schools	31%	26%	0.03	34%	31%	0.01	35%	25%	0.07	35%	6%	0.41
Industry-specific skills provision	25%	37%	-0.21	26%	42%	-0.30	27%	42%	-0.21	31%	25%	0.00

In terms of the current skills infrastructure, businesses higher up the SME scale (those with more than 40 employees) benefit most from the present system, particularly industry-specific skill provision, while micro business employers benefit the least. Small businesses, which have been hardest hit by the recession, are most likely to have skills issues in their organisation. In the last Referendum (189) ballot, the lack of multi-disciplinary skills was the third most frequently mentioned shortage, as businesses looked to maintain the quality and scope of their offering, but with a reduced headcount.

Cost and need for training

Over half of the businesses surveyed had made no changes to their training budgets in 2009, with 23% increasing it and a similar proportion reducing the amount spent on training. However, around double this number (46%) have seen the cost of external training rise and a similar proportion of businesses have seen an increase in the need for training in their business. These figures highlight the impact of the recession on training amongst businesses and, in particular how poor profitability figures can prevent businesses for training staff in new services or products. Businesses have, however increased the amount of time spent training individuals internally as a response to the recession.

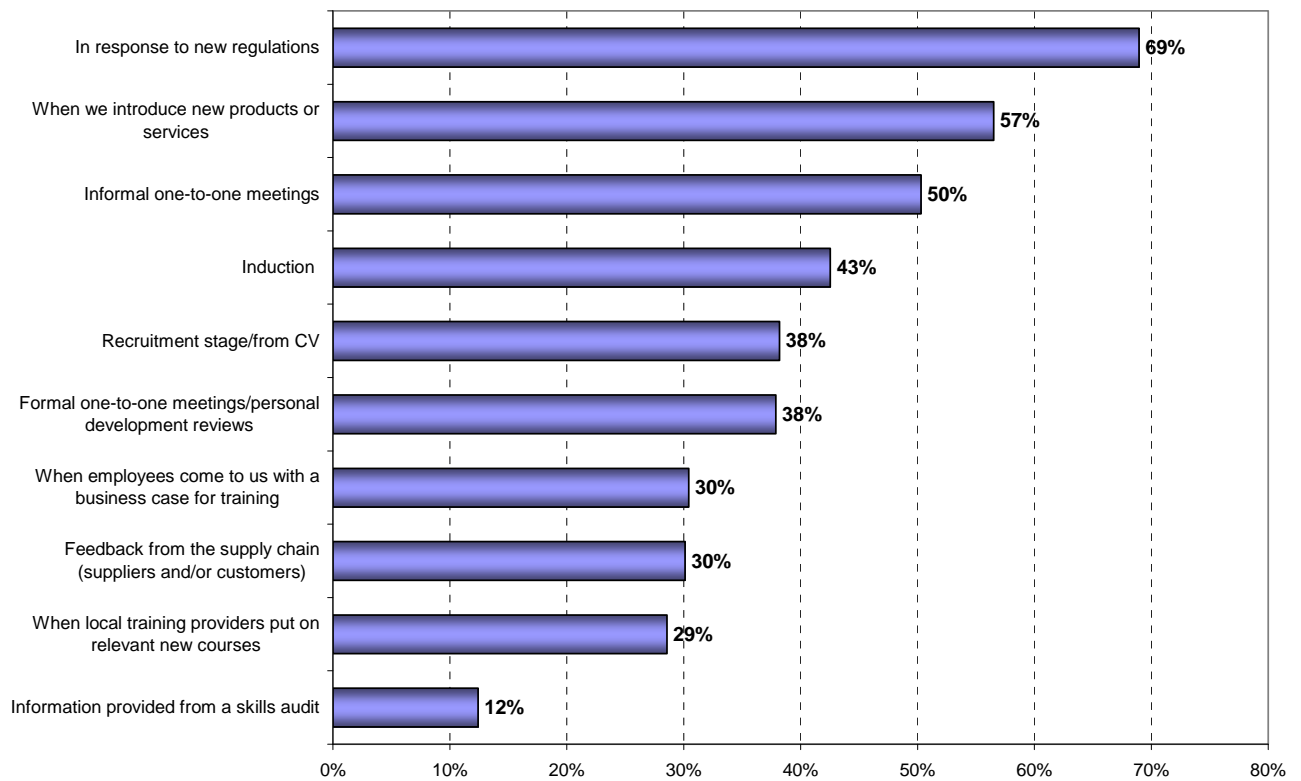
Figure 3: Cost and need for training



70% of respondents stated that changes to regulations was an important factor in triggering training and was a more commonly cited reason than when businesses introduce more products and services. Around half also use training to bring new recruits up to speed, either at the initial recruitment stage or as part of the induction process.

Smaller businesses can also take a more informal look at staff training as management often know the strengths and limitations of their staff from working closely with them. Micro businesses and small businesses are most likely to use informal methods to assess skills needs, with larger SMEs more likely to use more formal methods such as skills audits.

Figure 4: How businesses decide when training is required



A small number mentioned other reasons, such as mystery shopper exercises, Continuous Professional Development (CPD) requirements, when manufacturers bring out new products and when certificates/licences need renewing.

Importance of aspects of training

The competency that the employer gets is the most important aspect of the training, with qualifications being the least important. The exception is in industries where qualifications are required by law, such as care and construction. Minimising the impact on the business by the absence of employees was the next most important aspect; more important than the cost of the course.

Figure 5: Importance of aspects of training

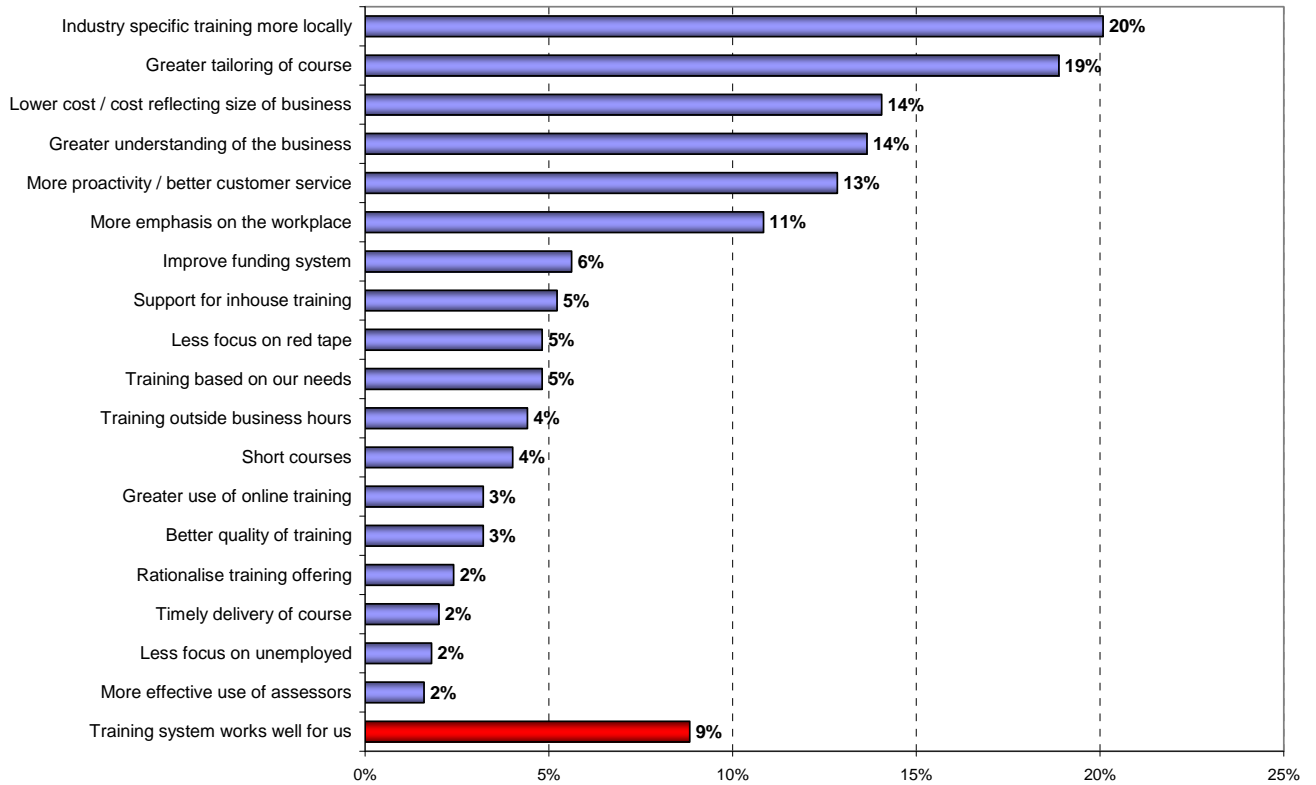


Improvement from training providers wanted

We asked respondents what improvements they would like to see from training providers in the future. In total, 1 in 10 was perfectly happy with the current training provision: *“We tend to use large organisations for training in hard skill areas – for example, statutory compliance – and small ones for soft skills tailored to our needs, and this works well”* (comment from respondent). In general, businesses want training solutions that fit their business needs rather than the standardised products that are currently on offer.

Almost one in five respondents who expressed a view indicated that they would like to see industry-specific training provided more locally. This includes some major sectors of the economy, such as construction and engineering, as well as less common specialisms, such as marine engineering or carpet fitting. This often has cost implications, due to the high cost of travel and accommodation. Some respondents were prepared to travel up to 40 miles for training, but were often concerned as to whether there would be parking spaces nearby. Some felt that increased on-site training would be helpful as it would also push the provider into understanding the business further.

Figure 6: Improvements business owners would like training providers to make



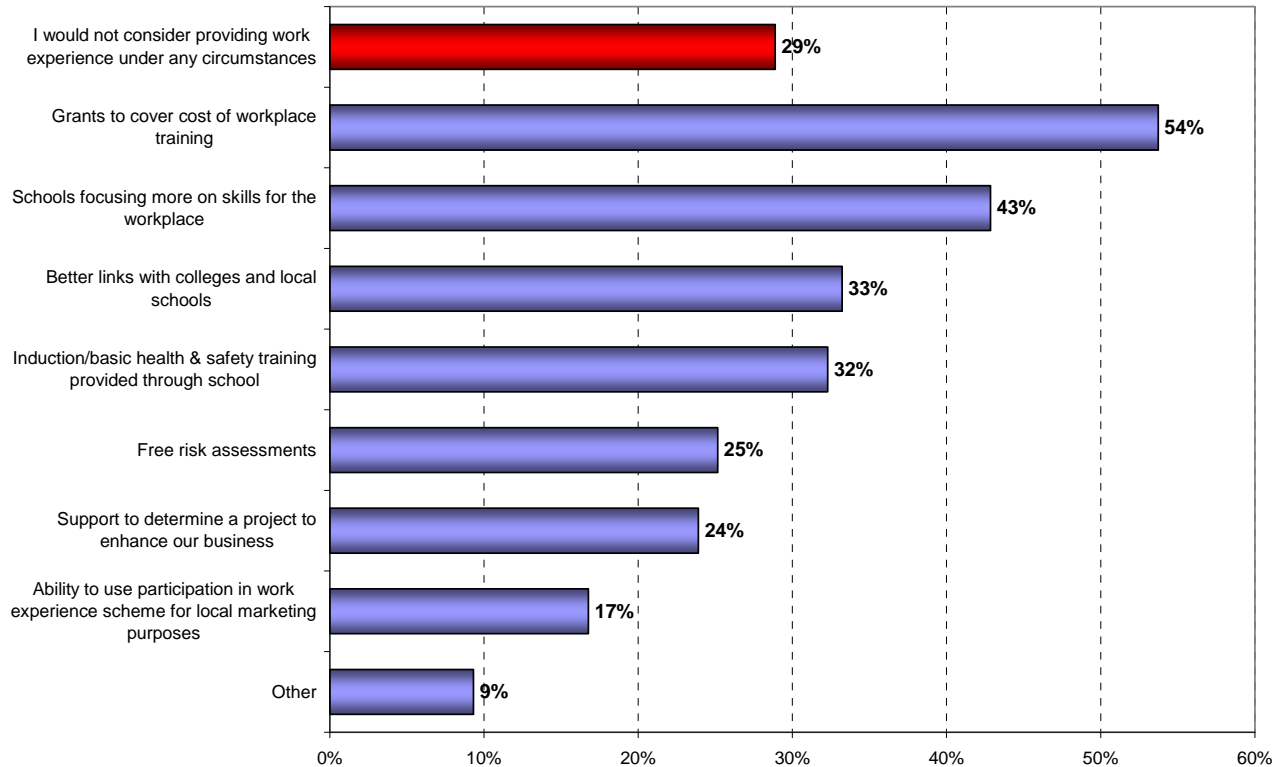
The main concern about training was, however, the belief by business owners that it was often not relevant for their business and was being offered to provide the training provider with funding. Although many respondents did not necessarily have an issue with the provider accessing funding in this way, 19% would like to see greater tailoring of the courses (3% indicated that there should be a higher proportion of online elements to some courses) and a greater understanding of the business (14%). Closely linked to this is customer service; providers often do not understand smaller businesses and are limited in the tailoring they can do, so the customer service is often lacking. There is a definite demand amongst business owners for a *“more comprehensive description of content and expected outcomes”* (comment from respondent) so that they can make informed decisions and perhaps tailor internal training accordingly.

Cost was also an issue, as some respondents felt that there should be reduced rates for small and micro business employers, particularly when it comes to mandatory training or that based on regulation changes. Funding also came in for criticism in a variety of ways; the general lack of funding was the main issue, while one or two business owners claimed that they had been misinformed about the level they would receive. Others stated that it took too long to find out about grants or that they did not apply to the courses they wanted.

Incentives for SMEs to take on work experience individuals

Around 70% of businesses would consider providing work experience for individuals. The main barrier to doing this was financial; 77% of respondents who would be prepared to offer training to work experience individuals would like the cost of putting them in the workplace to be covered.

Figure 7: Incentives for business owners to take on individuals for work experience



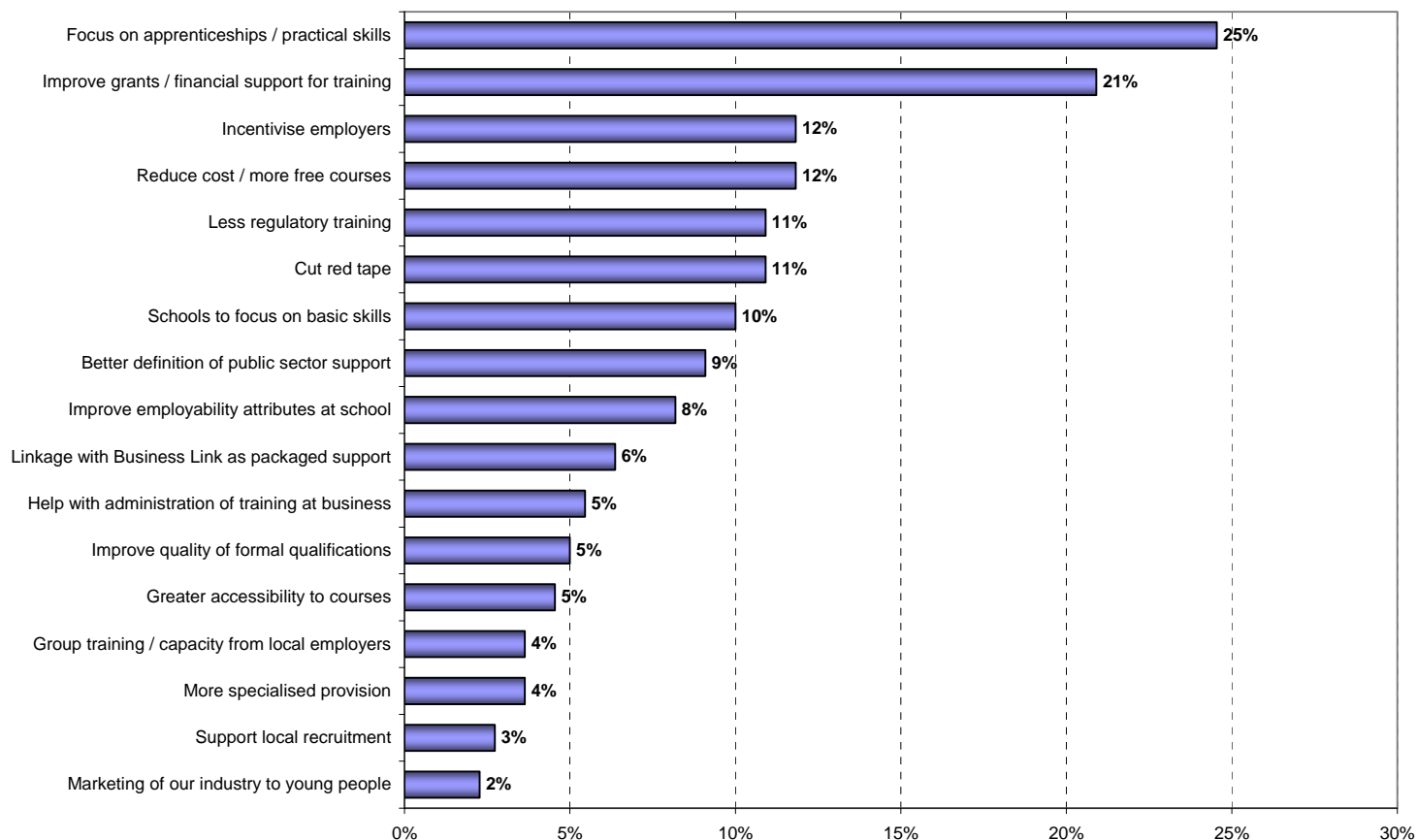
Many respondents would like schools and colleges to do more to make it easier for them to put the individuals straight into the workplace, through focusing on workplace skills (33%) and providing a basic health and safety training in the classroom (32%). Free risk assessments would be welcomed by one in four employers, although many feel that the current risk assessments undertaken would be sufficient. 24% of business owners would welcome support in determining a project that would help their business. Just 17% would be interested if they could use the provision of work experience as a marketing vehicle to increase their sales locally; however, for many businesses, this would not be appropriate.

Other barriers that were cited included Criminal Records Bureau (CRB) checks, which were important for businesses that worked closely with the public sector, and food hygiene for hotels and restaurants. Around 5% of businesses indicated that there were no barriers at all to work experience.

Improvements that could be made to the skills and training infrastructure

Businesses were keen to see a greater focus on apprenticeships and practical skills, which fits in with the importance of competency rather than qualifications. Around 14% of respondents mentioned apprenticeships directly, with many preferring a more traditional apprenticeship approach compared to the current schemes.

Figure 8: Improvements that could be made to the skills and training infrastructure



Although some firms have increased their training budgets, the businesses' training schemes are still under pressure and there is a belief amongst business owners that there should be more done to incentivise employers for training. This includes better grants or financial support for training – particularly when it is compulsory because of regulation changes – reducing the cost of courses and a more general focus on stimulating demand from businesses rather than focusing on individuals and the college system.

Part of this is due to the quality of applicants coming through the education system – companies need *“wider provision of courses and more subsidies to pay for them. With lower standards at schools we are having to do more training”* (comment from respondent).

Basic skills and employability attributes are the areas where businesses find particular fault with the current system as the following example shows: *“Better education in school is needed, with particular importance on being able to read, write, communicate (not just grunt), realise that work is important, not just a joke for which you are paid. The minimum wage has made us far more fussy in who we employ, we don't give anybody a chance”* (comment from respondent). Some businesses went further, highlighting the need for basic problem solving skills, typing and understanding finance as part of the basic skills package.

6% of respondents want public sector support to be better defined so that business owners can understand what colleges and other public sector training providers are able to provide (especially in

terms of subsidised courses) and marketed more proactively to businesses. Similar numbers of respondents would like to see a package of services and support in terms of administration for the course, predominantly in terms of a training needs analysis, but also dealing with the bureaucracy around the training. These may not be mutually exclusive, as there seems to be a demand from our members for packaged support from advice on training options, support with grant applications and finding the best provider locally.

22% of respondents stated that there needs to be a reduction in bureaucracy, while 11% would like to see the red tape on training provision cut and feel that, at the moment, training providers are more interested in administrative probity than the quality of the training. A similar number would like to see less strain on their training budgets caused by the pre-eminence of regulation in the process of deciding what courses their staff should undertake. The feelings of one particular member highlight the issues regarding red tape, by pointing out that training standards could be improved by *“reducing the ever increasing red tape and compulsory requirements which are duplicated elsewhere. Whilst the HSE (Health and Safety Executive) is important, it is losing sight of the employees’ need for common sense and ability”* (comment from respondent).

More information

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