Executive Summary

The Oxfordshire Employer Skills Study was commissioned by a partnership of organisations, led by Oxfordshire Economic Partnership (OEP) and Oxford Brookes University, with the aim of assessing key skills-related issues facing the county’s employers. It follows an earlier survey in 2008, which provides a valuable benchmark for the 2010 project, showing how things have changed and which issues have recently come to prominence.

The 2010 study is based on a telephone survey of 1,277 Oxfordshire employers, depth interviews with 27 employers and a discussion group with businesses in Bicester. The study also draws heavily on existing data and has an enhanced focus on Higher Level Skills, with the aim of informing the services that Oxford Brookes University is developing as part of its employer engagement initiative. A further additional focus is the recently published Oxfordshire Workplace Learning Model, published by OEP, following an extensive inquiry into skills issues with groups of employers around the county.

Oxfordshire Businesses in 2010

Organisations requiring high levels of skills are especially common in Oxfordshire, compared with the South East region as a whole. 36% (34% SE) of the county’s 32,000 employers and 46% (40% SE) of its employees are in highly skilled industries, where more than 40% of the workforce have qualifications at Level 4 and above1. Around 3 in 10 Oxfordshire businesses (29%) can be considered “Higher Level Skills Dependent” employers, with at least two thirds of the workforce qualified to Level 4 or above. In contrast, only a quarter have no employees with Higher Level Skills.

The area has high concentrations of businesses and employment in industries such as research & development, publishing, education and high technology manufacturing activities such as motor vehicles and IT, reflecting the presence of some large and prestigious employers in these industries.

By no means all Oxfordshire businesses are in such distinctive sectors, however. Many are no different from those found across the country. Around 4 in 10 establishments are in the “business & financial services” sector, for example, and a quarter in “distribution, hotels & restaurants”; both broadly in line with the business profile of the South East and Great Britain as a whole.

As in many areas, the majority of Oxfordshire businesses are micro-businesses, 86% employ 10 people or less. However, we should remember that the 1% who employ more than 200 people account for 31% of employment in the county.

Innovation and Growth

Although many businesses are still finding trading conditions difficult, the county’s employers exhibit high levels of innovation and are expecting high levels of growth in the years ahead.

Nearly nine out of ten Oxfordshire businesses (85%) have undertaken some form of innovative activity in the past 12 months, most commonly engaging in activities to develop or improve their processes (54%). A third of Oxfordshire businesses have developed a new

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1 This definition of "high skilled" industries is based on the Local Futures Regional Economic Architecture model, which designates industries where graduates account for at least 40% of the workforce as "K1" industries, the most knowledge intensive group within the economy.
product or service in the last year and between half and three quarters are expecting to derive at least some of their turnover from new products or services in the next 12 months.

Innovative activities undertaken in the past 12 months

The 2010 survey results suggest that Oxfordshire businesses have quite a positive outlook for the next year, with two thirds (67%) expecting their turnover to grow and a small minority (8%) expecting significant turnover growth of 50% or more. However, survey interviews were conducted before the 2010 Emergency Budget, which included the announcement of cuts in public spending, as well as other measures with a potential impact on business outlook.

Oxfordshire as a Place to do Business

Employers take a very positive view of the county as a place to do business. Almost all survey participants (92%) are satisfied with Oxfordshire as a business location (65% very satisfied), an increase in satisfaction compared with 2008 (88%, with 50% very satisfied).

Proportion of businesses satisfied with Oxfordshire as a business base

Key strengths of the county highlighted by employers include its central geographic location, proximity to customers, suppliers and other businesses, good transport links and the fact...
that it is a thriving and prosperous area, perhaps better able to weather the economic downturn than other parts of the UK.

Disadvantages of Oxfordshire as identified by employers include poor transport infrastructure, a high cost of living and of business accommodation, and traffic congestion. While Oxfordshire was seen to have good national and international transport links, local transport infrastructure, particularly public transport, appears to be an area of concern. Issues around transport and property prices are considered to be having a negative effect on the ability of some employers to attract new staff.

The survey also provides an indication of how Oxfordshire businesses are weathering difficult economic conditions. Almost three quarters of Oxfordshire employers (73%) report that the economic climate is a constraint on their business, three in ten (30%) identify "access to finance or cash flow issues" as a constraint, and a quarter feel constrained by a lack of market opportunities.

Poor transport infrastructure, high salary costs and recruitment difficulties appear to be constraining fewer businesses in 2010 than was the case in 2008, although "existing staff skill levels" can be seen to have grown as a concern.

Recruitment

The 2010 survey suggests that there has been broad stability in the numbers of people employed by Oxfordshire businesses. Businesses are more optimistic about the next 12 months, with more expecting their workforce numbers to remain stable or increase. However, this may include an element of "optimism bias" that businesses will often show when forecasting their own future, and is based on fieldwork conducted before the June 2010 Budget, when significant cuts in public spending were announced.

The total number of businesses recruiting in the last year has fallen since 2008, most significantly in Science Vale UK and Oxford City. Fewer employers now have vacancies generally or vacancies that they classify as hard to fill, but the incidence of hard-to-fill vacancies is still higher than in England as a whole.

![Vacancies in Oxfordshire and England - 2008 and 2010](image)


Fewer Oxfordshire employers now report recruitment problems, a change which is especially pronounced in Cherwell, South Oxfordshire, Vale of the White Horse and Science Vale UK.
Labour market conditions have improved for employers, with 21% finding it easy to recruit the staff they need, compared with only 12% in 2008. However, as in 2008, 11% of employers say that recruitment has got more difficult. Recruitment difficulties relate mainly to professionals and highly skilled staff, and technical or skilled support staff.

**Recruitment difficulties by occupation**

<table>
<thead>
<tr>
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<th>% finding difficult to recruit</th>
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<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Senior managers</td>
<td>8</td>
</tr>
<tr>
<td>Professionals/highly skilled specialists</td>
<td>34</td>
</tr>
<tr>
<td>Technical/skilled support occupations</td>
<td>24</td>
</tr>
<tr>
<td>Clerical/administrative staff</td>
<td>10</td>
</tr>
<tr>
<td>Skilled trades/craft occupations</td>
<td>13</td>
</tr>
<tr>
<td>Semi-skilled service staff</td>
<td>8</td>
</tr>
<tr>
<td>Sales &amp; customer service occupations</td>
<td>15</td>
</tr>
<tr>
<td>Drivers &amp; skilled machine operatives</td>
<td>5</td>
</tr>
<tr>
<td>Low skilled manual labour</td>
<td>5</td>
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</tbody>
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A lack of people with the necessary skills is still the main reason for recruitment difficulties. At the same time, many employers feel that education leavers know little about opportunities in their sector and make poor learning choices as a result. Employers also want education to do more about improving the attitudes and behaviours associated with “work readiness”.

**Reasons for recruitment difficulties**

- Lack of applicants with required skills: 43%
- Not enough people interested in type of...: 34%
- Lack of applicants with required attitude, e.g....: 34%
- Lack of applicants generally: 11%
- Lack of applicants with required work experience...: 9%
- Remote location/poor public transport: 7%
- Poor terms and conditions (e.g. Pay): 7%
- Shift work/unacceptable hours required: 3%
- Too much competition from other...: 3%

Staff Development and Training

Around 1 in 5 Oxfordshire employers (21%) have skills gaps, having staff they do not consider to be fully proficient in their role. This is 5% higher than in 2008, reflecting an increase in skills gaps across the South East region. The incidence of skills gaps in Oxfordshire remains in line with regional trends (20% currently compared with 15% two years previously), as identified by the National Employer Skills Survey. So, while skills gaps have got worse in Oxfordshire, they have done so in line with regional trends.

As in 2008, skills gaps are highest in SVUK (5% above the regional average), now closely followed by Oxford City (4% above the regional average).

Employers with skills gaps by District/ area

Skills gaps affect new recruits and existing staff, and are most likely to relate to a lack of motivation, rather than specific skill sets. Motivation has grown in importance in employers’ perceptions of staff proficiency. This is particularly a problem for people recently recruited from school, college or university, but also applies to more established staff, for whom the ability to respond to change is also viewed with some concern.

Skills gaps are greatest among sales and customer service staff (24% of employers, up from 18% in 2008), while skills gaps among technical/ skilled support staff have fallen significantly. This may reflect the conclusions of a recent survey by the Chartered Institute for Personnel and Development, which argue that, in recessionary times softer “impact” skills take on a greater importance than technical skills.

51% of employers have funded or arranged training for staff in the last 12 months, significantly down from the 64% recorded in 2008. 78% of employers training their staff had used an external provider for training, equivalent to about 40% of all employers or over 12,000 businesses in total.

The most senior employees are most likely to receive external training: 1 in 5 employers have used external training for senior managers, and a similar proportion have done so for professionals or highly skilled specialists. The likelihood of an employer funding or arranging

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2 Learning and Talent Development Report 2010, CIPD, April 2010
training increases with business size, and external providers are most likely to be used for sector specific or technical skills.

Employers training their staff spend on average around £4,900 on training, about £3,900 of which is with external providers. Grossed up, this suggests that the total market for externally provided training in Oxfordshire is around £63m. Expectations of training spend match expectations of company growth: growing businesses will spend more, while those not growing will spend less. The key determinant of whether training takes place is senior management’s view on what can be afforded.

FE and HE play an important role in meeting employers’ training and development needs: 12% of all employers use FE and 9% HE, but private providers command the lion’s share of the market, working with 28% of all employers.

Not all businesses feel that training is necessary. Those that had not provided training in the last 12 months, for example, were most likely to attribute this to training not being needed, because all staff were considered to be fully proficient (42% of those not training). Half of all businesses that would like to train more, but are unable to do so, attribute not training to a lack of financial resources. When firms encounter difficulties in sourcing external training, this is most often for technical or sector specific skills.

**Higher Level Skills**

Demand for Higher Level Skills (HLS) needs to be understood within the broader context of employer behaviour when working with HE. Political and economic conditions also play an important role. Employers tend to value the wide range of support that universities can offer, in areas such as recruiting graduate talent, for example, not just their ability to provide HLS services.

Employer interest in working with universities should therefore be understood within a wider range of HE activities, especially services relating to staff recruitment. HE providers should also monitor closely the impact of economic conditions and new Government policy, as these contextual factors will also shape demand for HLS. Areas to watch would include in this respect would include public services reform, area based budgeting and the transition to a low carbon economy.

Data analysis suggests that demand for HLS in Oxfordshire sectors is likely to be concentrated in four sectors: IT & telecoms, health, Government departments & agencies, and care and development. Demand is likely to be greatest among people employed in three broad occupational groups: associate professionals in business and public services, health, social welfare and protective services; professionals in teaching and research; and professionals in science and technology.

The 2010 survey suggests that Oxfordshire employers’ demand for HLS is concentrated in three broad subject areas:

- Sector specific and technical skills, which would vary significantly by the type of business and its activities.
- Leadership and management skills for managers and supervisors in generic subject areas such as leadership, change, people, finance, risk, negotiation and procurement.
- Customer service skills, which may also be associated with “soft” or “work readiness” skills, such as self-management, team working, business & customer awareness,
problem solving, communication & literacy, application of numeracy, and application of IT

The survey also suggests that Oxfordshire businesses are highly innovative, so HLS services which support innovation could also be relevant to employer needs, in areas like process and product improvement, sales and marketing, and change management. Public service reform could also create new HLS skills needs relating to service and workforce integration.

Evidence from the survey also shows how universities can work successfully with employers. Specialisation appears to be a key feature of the market, with employers drawn to HEIs with recognised expertise in specialist areas. When engaging employers, universities need to provide clear and accessible information on their offer, while the status of HE can also help engage staff in learning and motivate them to take a more proactive approach to their own development.

When choosing a training provider employers especially value those who can really understand their needs and tailor services to meet their requirements, both in terms of course content, and how courses are delivered. Workplace delivery and e-learning appear to be increasingly attractive to businesses.

The Oxfordshire Workplace Learning Model

The Oxfordshire Workplace Learning (OWL) Model is the result of an inquiry led by OEP and Oxford University’s Centre of Skills, Knowledge and Organisational Performance. It consists of 5 strategic elements, which should inform the setting of priorities for resources and focus. These are: 1) identify the barriers to workplace learning; 2) address those barriers through positive interventions; 3) focus investment on high growth industry sectors; 4) orientate young people towards high growth sectors; and 5) address today’s learning gaps.

The Oxfordshire Workplace Learning Model

Source: the Oxfordshire Workplace Learning Model, A Partnership Report, Frank Nigriello and Geoff Hayward, Oxfordshire Economic Partnership, June 2010
The Model also proposes that there are “motivators” and “barriers” for training and learning. The 2010 survey evidence is broadly supportive of this idea, finding that the main outsourced training services that businesses buy relate to the motivators of compliance (eg: Health & Safety) and “raising the bar” (sector specific skills, and leadership and management).

The survey also finds that a key barrier is the lack of availability of suitable provision. There is also evidence to support the need for measures to address other barriers, including more tailored provision, greater flexibility in delivery and greater clarity on what is on offer. In addition, the survey identified the main barriers to workplace learning, which are less explicitly highlighted in OWL: being able to fund training, being able to allow time for people to be away from the workplace, and staff being too busy to undertake or deliver training.

As suggested in the Model, most employers (53%) do not feel that people leaving education know much about their sector and make poor learning and career choices as a result. They also reported that specific skills are lacking in new recruits from education, including the “soft” skills highlighted in the Model and the idea that people choose skills not relevant to some sectors: attitude and motivation (70%), interpersonal/ soft skills (50%), lack of experience (49%), technical skills (42%), and literacy and numeracy (24%).

While half of businesses would be interested in working with education providers to help improve the work readiness of young people, 63% feel that they rely on schools, colleges and universities to equip people with the attitudes and behaviours they need in the workplace. This might support the Model’s advocacy of “investing early” to help people make their way in the labour market when they leave education.

The 2010 survey also places skills in context alongside other business concerns, suggesting that skills are not necessarily at the top of the employers’ list of priorities. Only 3% considered that local skills were an advantage to being based in Oxfordshire, compared with 28% for the county’s central geographic location, proximity to customers, suppliers or other businesses (21%), and good transport links (21%). While most employers see no disadvantages to being based in Oxfordshire, only 2% identified a lack of skilled people locally as the main disadvantage, compared with 9% for the high cost of living, 8% for poor transport infrastructure, and 6% for traffic congestion.

Developments since the publication of OWL suggest that the proposed new Local Enterprise Partnerships could provide a suitable vehicle for addressing some of the issues identified.

Conclusions

The survey provides a very detailed picture of workforce and skills issues across the Oxfordshire economy. There are also some key themes which emerge as potential priorities for action, which local partners should consider as part of their response to the survey:

1. Skills can bolster the county’s strategic advantage in knowledge intensive sectors. While more senior staff will be recruited from a regional, national or even international labour market, associate professional staff need to be recruited locally. Providers should focus their efforts on creating education and training pathways to enable local people to join and progress within the county’s knowledge economy.

2. Recruitment problems have eased significantly since 2008. While this is good news for employers, it presents serious challenges for local people looking to enter or progress within the local labour market. Within the new framework for the funding of
learning and skills that is emerging from the Coalition Government, providers need to engage with employers in a “strategic conversation” about how vocational provision should be focused. The aim of this will be to align provision better with actual opportunities in local businesses. Focusing on “work readiness” and “soft skills” will be an important part of getting the alignment between provision and employer need right.

3. Skills gaps have grown significantly, perhaps because of employers’ responses to adverse economic conditions. For many employers, a lack of financial resources to train is a key problem. At the same time, Government funding is likely to be under pressure, but there is support for key initiatives like Apprenticeships. Partners should work with funding agencies to ensure that available funding can be used with a degree of flexibility to engage employers on their own terms. Providers should also work together to make the local skills offer more coherent to local employers.

4. There is significant demand for Higher Level Skills, particularly in specialist skills specific to particular sectors and technical roles; as well as leadership and management, and customer service skills. HE providers should develop their offers where they have a recognised specialism and tailor their offers – in terms of content and mode of delivery – to the needs of business.

5. The Oxfordshire Workplace Learning Model, when “tested” against the 2010 survey, suggests a number of areas where action should be considered. Perhaps the most important of these relates to improving support to schools, college, universities and young people to understand local employment opportunities in growing sectors and develop the skills and attitudes that will enable them to get a job and develop a career. This might take the form of sector specific initiatives, with awareness raising activities, tailored work experience and developing the curriculum offer.