University of Birmingham

Skill Needs of Business and Professional Services in Objective 2 Areas of the West Midlands

EXECUTIVE SUMMARY

P W Daniels and J R Bryson

Services and Enterprise Research Unit
School of Geography, Earth and Environmental Sciences

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About the Authors

Peter Daniels (p.w.daniels@bham.ac.uk) and **John Bryson** (j.r.bryson@bham.ac.uk) are attached to the Services and Enterprise Research Unit (SERU), School of Geography, Earth and Environmental Sciences, University of Birmingham, Edgbaston, Birmingham B15 2TT.

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INTRODUCTION

Competition between nations in an increasingly globalized economy is placing a high and rising premium on labour force skills. Employers and employees need to be more adaptable, flexible and willing to invest and to incorporate training into their individual and corporate development strategies.

The comparative advantage of the advanced economies lies in activities (goods and services) that are knowledge-based. Business and professional services (BPS) firms are key players on the supply side, providing much of the specialist expertise, information and other advanced inputs used by other parts of the economy to, for example, improve productivity, enhance efficiency, improve design, or to extend market reach.

Rapidly changing requirements for new skills, symbolized by the rapid growth and diversification of business and professional services (BPS) in recent years, are posing new challenges for education and training policies.

Some sector and local area information relevant to BPS can be extracted from NESS 2003. The highest share of skill shortage vacancies (SSVs) in the West Midlands occurred in Other Business Activities (16.5% of all SSVs)[1]; a level that is higher than expected from its share of all employment (11.5%). Using a measure of density as a surrogate for the intensity of recruitment problems (based on vacancies or recruitment problems measured as a proportion of employment), Miscellaneous Business Activities Not Elsewhere Classified also recorded a high figure of almost 5 per cent.[2]

The best qualified population in the region are in Shropshire, Herefordshire and Worcestershire, and Coventry and Warwickshire, ranking between 16th and 19th for the number of working age population with a qualification at NVQ Level 4 or above. Herefordshire and Worcestershire also rank in the top 10 for qualification at NVQ Level 3.

This study contributes to an understanding of some of the issues as they relate to the needs of BPS within the West Midlands region.

OBJECTIVES OF THE STUDY

1. To provide a rigorous and academically sound quantitative and qualitative analysis of the skill needs BPS firms located in Objective 2 Wards within the West Midlands.

2. To undertake a demand-led analysis of specific skill needs by LSC region and BPS sub-sector that will also identify practical solutions to identified needs.

3. To identify BPS skill gaps, including any intra- and inter-regional and sector differences.

4. To provide an analysis that will enable local LSCs to benchmark the skill needs and performance of BPS in their area.

5. To publicize the use of ESF funding and the role of LSCs in addressing skills gaps and related issues for PBS in the region.

6. To provide an accessible and user friendly set of outputs that will inform the development and delivery of policy in this area and provide a tool that can be used for lobbying.

The project is positioned in European and national policy debates that identify the quality of people's skills, ideas and education as key sources of competitiveness in the developing knowledge economy.

[1] See Appendix A, Table A.1 for a list of the activities included.
[2] Photographic activities, Packaging activities, Secretarial and translation activities, Other business activities not elsewhere classified.

STRUCTURE OF THE REPORT

The main body of the report comprises four main parts.

1. An exploration of aspects of the skill needs of BPS firms across the Objective 2 areas within the West Midlands as a whole.

2. An examination of the skill needs of BPS for Objective 2 area within each of the six LSC regions of the West Midlands.

3. An examination of selected BPS activities, namely: real estate activities; legal, accounting, business consultancy etc.; architectural and engineering activities; and labour recruitment services.

4. An elaboration of the priorities and the policies for addressing the skill needs of BPS firms in the West Midlands.

BPS IN THE WEST MIDLANDS

The West Midlands region, and every county within it, has a smaller share of employment in BPS activities than the national average.

At the level of occupation groups, and especially those that are BPS-related (such as professional occupations or associate professional and technical occupations) the region overall, and individual counties, also compare less favourably with the national picture.

However, the share of BPS activities in the economy of the West Midlands is expected to demonstrate encouraging growth up to 2012. An estimated 101,000 increase (18.4%) between 2002 and 2012 compares with 17.1% for all UK regions.

THE SURVEY FIRMS: A SUMMARY

A representative sample of BPS in Objective 2 areas of the West Midlands has been used for a three-stage survey process. This has involved a telephone survey (1196 responses) and depth interviews (206 responses) (**Table ES.1**) representing approximately 1 in 5 of the total identifiable population of BPS firms in the Objective 2 areas and a similar ration of depth interviews to telephone respondents. A focus group was also convened at one location in each LSC region, namely Birmingham, Brierley Hill, Coventry, Malvern, Telford, and Stoke-on-Trent.

Firms were selected for the survey with special attention given to size and their distribution across the six LSC regions within the West Midlands (Appendix A).

The firms included in the survey are drawn from two SIC92 (Standard Industrial Classification 1992) divisions (**Appendix A, Table A.1**). The smallest division is Financial Intermediation and its 218 firms represent just 18.2% of the total sample. The balance of 978 firms is in the Real Estate, Renting and Business Activities division.

Just over one half of the survey firms are single site organisations and a further third are branches or subsidiaries of British companies with a HQ outside the West Midlands

The majority (58%) of firms in business services are single site organisations compared to 32% of the firms in financial services. In contrast multi-site organisations are more typical of firms in financial services especially where the West Midlands site is part of a British company whose headquarters is elsewhere in the country.

The 1,196 firms included in the survey retained 20,666 employees on site. The largest firm had a complement of 2500 workers but more typically the labour force was quite small. Although only 12 firms employed one person, 169 employed just two persons and 154 three persons. As a result just over 80% of firms employed 10 or less people.

The 563 firms which are not restricted to a single site provided a further 30721 jobs in the West Midlands region. This is nearly twice the total on site employment of 15,719 persons of these firms.

Table ES.1 Structure of telephone and depth interviews: by main business activity and SIC division

	Survey population: Objective 2 areas	No. of telephone interviews	% of total firms	% of survey population	Depth interview firms	% of firms	% of telephone survey firms
Main business activity							
J - Financial intermediation	1242	218	18.2	17.6	32	15.5	14.7
K - Real estate, renting and business activities	4451	978	81.8	22.0	174	84.5	17.8
Totals	5693	1196	100	21.0	206	100	17.2
Main business activity by SIC division							
65 Financial intermediation	690	105	8.8	15.2	10	4.9	9.5
66 Insurance & pension funding	277	62	5.2	22.4	9	4.4	14.5
67 Activities auxiliary to financial mediation	275	52	4.3	18.9	13	6.3	25.0
70 Real estate, renting & business activities	640	135	11.3	21.1	17	8.3	12.6
74 Other business activities	3811	815	68.2	21.4	154	74.8	18.9
71 Renting of machinery & equipment[1]	*	*15*	*1.3*	*			*
72 Computer & related activities[1]	*	*10*	*0.8*	*	*3*	*1.5*	*
73 Research & development[1]	*	*2*	*0.2*	*			*
Totals	5693	1196	*100*	21.0	206	100	17.2

Note: 1. Re-classified on the basis of information received during telephone interview.

The distributions of firm size are very similar for the Financial and Business services divisions. The average numbers on the payroll of the two divisions are respectively 15.7 persons and 17.6 persons compared to 17.3 for all firms.

Enterprises with relatively low turnover enterprises dominate the study with as many as 14.1% of respondents earning under £100k and just over half generating less than £1m per annum. There were some big earners; 8.2% of firms had a cash flow of more than £25m per year.

The six LSC regions differ in their mix of financial and business services but perhaps not as markedly as might be expected. Financial services are slightly more concentrated in Birmingham and the Black Country. It accounts for 19.1% and 19.4% of the survey firms with lower shares (14.2% – 17.1%) in the other four regions.

Although the regions have the same distinctive profile with smaller companies dominating, they can be roughly divided into two groups.

The first comprises the largely urban regions of Birmingham and Solihull, the Black Country, Coventry and Warwickshire and Staffordshire which are distinctive because they have more larger firms than the region as a whole.

The second group consists of the more rural regions of Hereford and Worcester and Shropshire in which virtually all firms employ 10 or fewer workers.

RECRUITMENT AND HARD TO FILL VACANCIES (HtfV)

Nearly one fifth of firms had vacancies at the time of the survey:

- The probability of BPS firms in urban areas having vacancies was twice that typical of the more rural areas in the West Midlands.

- The proportion of firms with vacancies increases with the size of the workforce.

- The occupational groups for which the greatest number of firms reported vacancies were middle ranking jobs in administration, especially the general, finance and secretarial fields.

- Relatively few firms report vacancies in occupations at either end of the spectrum whether it be managerial, with the exception of production mangers, or elementary occupations.

- Just over 40% of the 232 firms with vacancies reported that they were finding it difficult to fill some of the positions.

- By far the most cited reason (50% of respondents with vacancies) for these difficulties was a shortage of applicants with the required skills The data suggests that firms in the Birmingham and Solihull LSC region or in the Business Services sector are most likely to face this problem.

In terms of the shortcomings of those applying for jobs:

- Communication skills are mentioned by 37% of the firms with HtfV. It was thought important for 16 of the 21 occupational groups considered in this study.

- Some one third of firms cited customer handling skills as a notable applicant shortcoming; it was mentioned for all but four of the occupational groups. It was most often cited in relation to applicants for post in the professional occupations.

- Technical and practical skills were third most frequently cited as being absent in candidates; notably those in Engineering, Business and Statistical professions, Architects, Town Planners and Surveyors.

- The inadequacy of office administrative skills and IT skills were both mentioned frequently with reference to applicants for administrative and secretarial positions.

- The lack of team working skills came up repeatedly for professionals especially in Engineering and Business but was rarely mentioned for other occupations.

BPS SKILL GAPS

Approximately 4 out of 5 firms felt that all staff were fully proficient at their jobs. This varied little between firms; concerns about proficiency were rarely significantly greater than the overall average of 19%.

The largest organisations had the greatest incidence of problems associated with staff proficiency. Approximately one-half of firms employing 100 or more had problems compared with just over one-third of firms with 25-99 employees.

Most concern was expressed about skill deficiencies amongst the Administrative and Secretarial workforce. However, Sales and Customer Service occupations assume more significance once ‘impact on the business’ becomes the criterion for assessing the impact of skill deficiencies on a firm’s activities (14.4% of employers then cited this factor).

Firms overwhelmingly cited (64.7%) lack of experience or the fact that staff had only been recruited recently (i.e. there had been insufficient time to train them in-house) as the main contributors to low levels of staff proficiency.

There is a general similarity amongst the causes of lower than expected levels of occupational proficiency but there are also some significant differences. The need for the workforce to keep up with change is viewed as a more serious problem for those employed as managers or in associate professional and technical occupations.

Failures in training are regarded as most serious for managers and administrative and secretarial occupations. A lack of experience or recent recruitment is viewed as significant in virtually all cases where proficiency is a problem for sales and customer occupations.

Large employers (100+) are much less likely to cite recruitment problems as a cause of skill problems. Medium-sized firms (especially those with 25-99 employees) are most likely to find their workforce unable to keep up with change.

There are clear indications of scope for enhanced investment in training; approximately a quarter of the firms recognise that existing inadequacies are directly responsible for the skill limitations of their staff. It is difficult to believe that carefully designed programmes would not help overcome poor staff motivation, assist staff to keep up with change, and speed up the induction process for new staff.

Of the skills in need of improvement, communication skills topped the list (mentioned by 42.8% of firms with skills gaps), along with other skills relating to social interaction which included customer handling (41.0%) personal skills (40.0%). Team working (34.2%) also scored highly.

A matrix has been devised to illustrate the relationship between the skills identified by BPS employers as in need of improvement and occupation group (**Figure ES.1, page 26**).

It is evident that 60% of the firms with proficiency problems feel that practical/general management skills need improving for managers. This is significantly above the 40% average for all firms with proficiency problems.

Firms concerned about their managers identified a number of different areas in which improvement was felt necessary:

- Managers are thought to be particularly deficient compared to other sectors in the workforce with respect to general management, leadership, human resources, IT, professional, and personal skills.

- In the case of those in professional occupations special emphasis needs to be given to technical and practical skills and, where relevant, foreign language training.

- Associate professionals and technical occupations are disproportionately picked out as requiring improved personal skills and customer handling skills.

- Administrative and secretarial occupations need to especially improve their general IT and office administration skills.

Overall, skills gaps that reflect external drivers such as those relating to interaction with customers and competitors are of most concern to BPS firms in this study. Skill needs that areas linked to the internal operation of the firms are given less weight, perhaps because there is greater scope for intervention and compensatory action by the respondent, even though this may not generate optimal outcomes.

WORKFORCE TRAINING AND DEVELOPMENT BY BPS FIRMS

This part of the survey examines the extent to which respondent firms undertake training, the form it takes, and the role of external providers, especially the Further Education (FE) sector.

It is worth noting at the outset that there was some evidence of scepticism about the value of training. Although all three of the factors which reflected doubts about the potential value of training received only limited support from respondents, they nevertheless amounted to more than 1 in 6 of all firms. Single site firms and sole proprietorships are disproportionately represented in this group.

Nevertheless, approaching three quarters of the firms in the survey work to some form of business plan in which human resource issues are likely to be prominent (**Table ES.2**). Nearly 60% of firms had training plans in which the level and type of training given to employees is specified in advance. The importance of appraisal was also acknowledged with 70% of respondents holding annual performance reviews.

Table ES.2 Extent to which firms have ensured strategic support for training programmes

	Number of firms	% of all firms
Have a business plan	861	72.0
Have a training plan	711	59.4
Have a training budget	549	45.9
Have an annual performance review or appraisal system	835	69.8
All of the above	413	34.6
None of the above	157	13.1

But only 10% of the workforce was incorporated into some appraisal exercises, although over half the firms did include all their employees.

Overall, there was considerable diversity in business practice with respect to strategic planning. Some 1 in 3 of the firms utilised all of the procedures investigated but 1 in 8 firms who claimed not to have used any, with the remainder (52.3%) implementing one of more but not all of the four methods.

Just over two-thirds of the firms had funded or arranged training for their employees during the previous 12 months. Large, urban-based, and multi-site firms are more likely to have made training available to their staff and for almost every occupational group training levels are generally highest in urban areas.

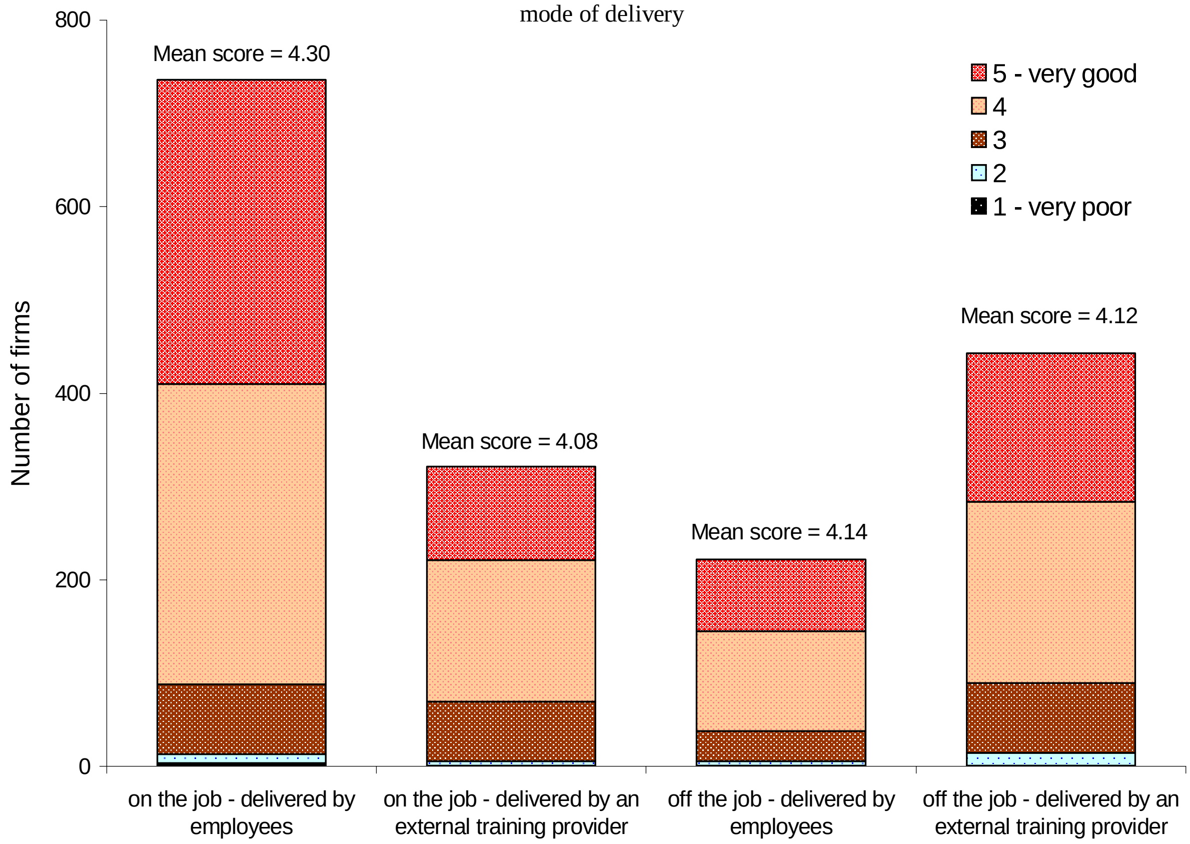
The training used most often by the survey firms at some time during the previous two years was job specific. It is the most widespread form of training for all categories of firm. Other important types of training are in health and safety, new technology, and induction.

The relative importance of different types of training does not vary significantly between the six LSC regions.

On the job and in–house training was easily the most frequently used mode of training delivery. It was used by 81.1% of the 920 “training” firms. The second-most important mode of training delivery was off the job by external provider (49.4% of firms).

On the job training stands out as the most appreciated of the four modes of delivery considered largely because of the high scores awarded by small firms (**Fig. ES.2**). The ratings made by the larger BPS firms do not clearly favour either employee or externally provided training.

Figure ES.2 Ratings of quality of training and mean scores by mode of delivery



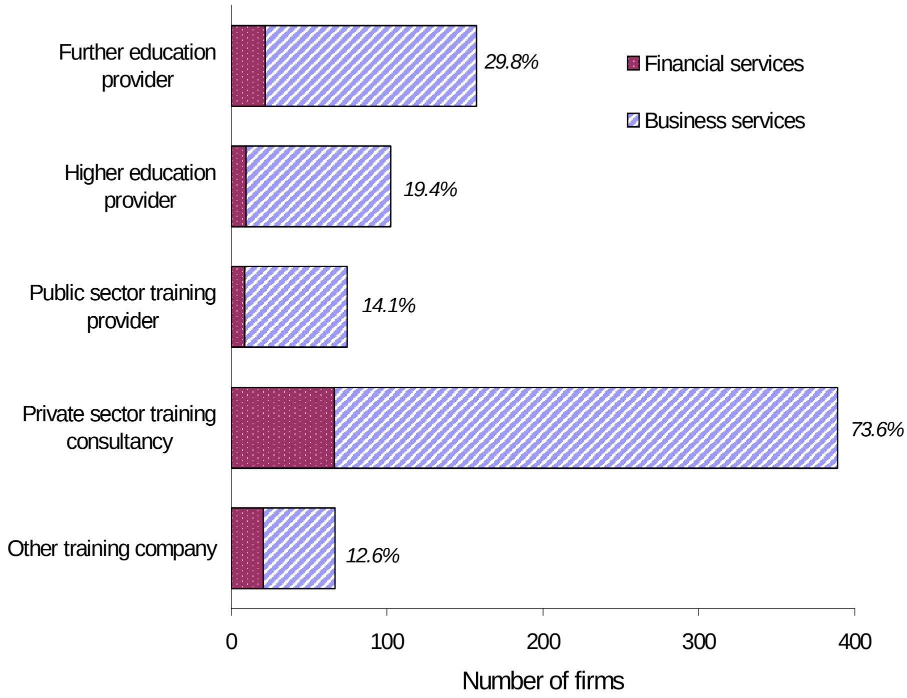
During the previous two years, a total of 600 firms (marginally over 50% of all respondents) had used external providers for their training and development activities. As a result, staff in some 287 of these firms had achieved a formal qualification, varying from university degrees to first aid certificates.

Firm size is a good indicator of the likelihood of training leading to a formal qualification. For example, staff in 75% of firms with 100 or more employees obtained a qualification as an outcome from training; the equivalent for small firms (1-10 employees) was 41.9%.

Private sector companies were by far the most frequently used for off the job training (Fig. ES.3). Three out of every four firms had used such providers some time in the previous two years. FE was the second most important provider of off the job training (29.8%); equivalent to just 158 firms. The numbers utilising higher education and public sector providers were even lower; 103 and 74 firms respectively.

When comparison pairs confirm that private training companies are the most preferred provider type (rating highest in 134 comparisons), but FE is not far behind as its providers were rated best in 100 comparisons.

Figure ES.3 Providers of off job training: by number of firms, business sector and percentages of all firms using each type of provider



External providers are used in a great variety of ways. They lead the way for job specific training, but management training, new technology, and health and safety training are all areas in which a single external provider plays a key role. Externally-based trainers are used much less frequently for supervisory training and for induction training.

For the majority of firms the training provided was not customised or tailored to their particular requirements. Customised advice was most important for job-specific training, although for virtually all types of training, with the exception of foreign languahes, there was clearly some scope for customisation.

Firms expressed high levels of satisfaction with all types of off-the-job training. At least 80% claimed to be satisfied in all cases with all mean scores (5=very satisfied,…,1=very dissatisfied) well above four (i.e. better than satisfactory). Supervisory training is marginally rated most satisfactory (apart from foreign language training which involves very few firms). Least satisfactory ratings are given to new technology training. Only a very small number of firms (nine) expressed considerable dissatisfaction with the training provided for them during the last two years.

The choice of external providers is in many cases determined by whether they are able to supply the “specialised/job specific training” required (11.6% of firms). The second most popular reason (10.4%) was that the provider was able to offer “relevant training/qualifications”. This overlaps with the first reason and suggests that options may be limited. The third most often cited reason for choosing a provider (9.4%) was that there was “no specific reason”. This is difficult to interpret; it may indicate a lack of concern, justified or otherwise, about the credentials of training providers or the details of the training provided.

The importance of job specific and relevant training are popular reasons for choosing private sector and FE providers but the former “has the best expertise”, the “course tailored to our needs”, and “no one else does the training”. FE only scores more highly for the provision of relatively specific types of training. Private sector provision scores well when flexibility and quality are deemed important by their clients.

In relation to all training provided externally, four reasons were given for not electing to use a local FE college:

- There is a widespread belief that the local FE college does not offer an appropriate training product, either because the level is too low or because the instruction is not specialized enough to meet a firm’s requirements.

- A second group of reasons reveal ignorance of what the local FE College might have to offer (1 in 4 responses). Some firms claimed not to have considered an FE college at all, or to be unaware of what courses were available at the local college.

- Third, are reasons that amount to a preference for other providers along with the 'poor quality' of FE courses

- In some instances, FE colleges could not be considered because a firm was tied to another provider, or the sourcing decision for training was taken elsewhere in their organization (6% of responses).

Yet, only a small number of firms (5.9% actually claimed to be having difficulties with sourcing local training. The regions where local supply was most problematic are Hereford and Worcester and Staffordshire; it wad considered least problematic in Shropshire and Birmingham and Solihull.

Of the 71 firms reporting problems with local sourcing for their employee skill needs, job specific and management skills were cited by approximately 12%,, followed by IT (10%), accountancy (6%), and design skills (5%).

SKILL NEEDS VARIATIONS BETWEEN LSC REGIONS

A major part of the report examines the extent to which there are differences in the skill needs of BPS amongst the six LSC regions in the West Midlands.

Each of the six LSC profiles utilises:

- Selected data series which are reproduced in accompanying sets of tables. These record counts and percentages for each region and equivalent data for all the firms in the survey to facilitate comparison.

- Highlights of the key issues and themes identified by the in-depth interviews.

- A summary of the discussion points at the focus group meeting in each LSC region.

There is a very large quantity of quantitative and qualitative information contained within the above overviews of the skill needs of BPS firms in each of the six LSC regions within the West Midlands.

Briefly annotated comparisons for each LSC region are provided as a table (**Table ES.3**) which is organised as follows:

- General characteristics of the survey firms (from telephone survey) by:
    - Key attributes
    - Job vacancies
    - Skill needs
    - Workforce training

- Location

- Skill shortages

- FE provision

- Recruitment

- Competitive advantage

Table ES.3 Comparative synthesis of key skill needs and issues: quantitative and qualitative survey sources, by LSC region, West Midlands

	Birmingham and Solihull LSC	**Black Country LSC**	**Coventry and Warwickshire LSC**	**Hereford and Worcestershire LSC**	**Shropshire LSC**	**Staffordshire LSC**
General: Firms	Small enterprises dominate; more large firms than elsewhere; single site firms; business services important.	Firms typically smaller than average; composition of business types broadly representative of West Midlands.	Business activities, especially labour recruitment prominent; firms with HQs outside WM prominent; fewer single site enterprises.	Single site organizations dominate; engineering and architectural firms over-represented; labour recruitment underrepresented; almost all firms employ fewer than 10 on site.	Single site enterprises and private limited firms; sole proprietorships above average; only one firm more than10 workers	Majority of firms are single site; number of medium-sized firms relatively high; composition of firms by sector comparable with WM.
Job vacancies	HtfV not a serious problem; critical areas are professional, associate professional, administrative, secretarial	HtfV a major issue for professional occupations; 'lack of required skills' main issue; 'not enough people interested' higher than elsewhere.	High incidence of HtfV for firms with openings in professional occupations.	Small sample makes generalization difficult; notable that firms seeking to fill professional jobs have fewer problems than elsewhere.	None of the firms reported HtfV.	Few firms indicated HtfV; vacancies that were available difficult to fill because of 'low number of applicants.
Skill needs	Administrative and secretarial; lack of experience main cause of skill problems; improved skills needed in office administration, problem solving, data analysis	Administrative and secretarial occupations; lack of experience explains staff lacking proficiency; communication, technical, practical and customer handling skills main requirement.	Proficiency re associate professionals and technical occupations (twice level in other regions); inexperience at recruitment stage explains lack of proficiency; Needs are communication, personal, customer handling skills	Staff proficiency problems across all occupations but worst in sales and customer services occupations, also administrative and secretarial; office administration, IT, communications skills are gaps needing attention.	Proficiency problems in professional, administrative, secretarial occupations; lack experience or staff only recently recruited explains proficiency limitations; need to improve technical, practical, general management skills.	Proficiency limitations notable for associate professional and technical occupations; marginally less so professional and administrative occupations; most concern about gaps in manager, professional and associate professional skills; need improvement in team working, leadership, and problem solving.
Workforce training	Higher than average commitment to strategic planning; on-the-job training favoured mode; off-job dominated by private sector consultants	Strategic planning lower than WM average; on-the-job training favoured; limited use of other modes, led by private training consultancies.	Strategic planning most widely used of all regions; firms with training plan also highest; strong commitment to training; on-the-job or private external training. preferred.	Engagement in strategic planning is comparatively low; worst of all LSC regions; on-the-job training by employees preferred mode; private training consultancies pre-eminent.	Use of strategic planning well below levels in much of WM; investment in training last 12 months also lower; on-the-job training by employees preferred; external by private trainers.	Strategic planning in line with WM as whole; arrangement of training marginally below average; on-the-job training by employees main mode; private sector consultants dominate external provision
Location	Diversity of BPS community makes generalisations difficult; large firms make this LSC different; majority of firms able to fill	Complex BPS community reflecting needs of local clients; link between economic history of sub-region and BPS specialisms;	Not an attractive location for BPS professionals (Coventry); highly innovative firms in this LSC; including legal and	BPS community has distinctive characteristics, partly explained by location; relatively isolated within WM and in relation to	Similar difficulties to other 'rural' LSCs; availability of local training limited; professionals travel to Birmingham or London;	Concerns about attraction and retention of professionals as a function of location, size of local BPS community relative to Manchester or Birmingham.

	Birmingham and Solihull LSC	Black Country LSC	Coventry and Warwickshire LSC	Hereford and Worcestershire LSC	Shropshire LSC	Staffordshire LSC
	professional vacancies; best prefer to work in London; attraction of London not mentioned by smaller firms; branches of national firms recruit support staff in region, professional staff recruited by HR team elsewhere; importance of national organisation structure	proximity to Birmingham a problem; but young professionals choosing to live in BC eventually choose to work there; small reverse shift.	organisational structures; flexibility of approach means firms have limited support staff requirements; professionals often self-employed.	other BPS concentrations; recruiting and retaining professional staff difficult because of 'remote' location, especially firms operating from rural locations..	difficulties recruiting and retaining young professionals; age profiles of some firms suggests spin-offs into new practices or return migration by Shropshire professionals after period in London etc.	
Skills Shortages	Difficult to recruit staff able to make immediate contribution to business; also commercially aware professionals; skills gap between 'self skills', management skills, technical skills; key shortage of individuals with intangible skills.	Shortage of certain types of employees related to the expertise base of sub-region; staff 'poaching' common amongst traditional BPS; recruitment rare occurrence for small firms but when necessary have experienced real difficulties.	Emphasis on people (soft) skills and personality (partly function of no of recruitment firms); difficult for small firms to attract highly skilled staff or support staff, the attraction of Birmingham, higher salaries elsewhere; reluctance to recruit support staff without fee generating capacity.	Multi-tasking a common feature; limited or no support staff means that professionals undertake mix of basic and advanced tasks; benefits from training professionals in skills that will support their business but would be reluctant to be trained alongside support staff.	Absence of significant concentrations of BPS in the LSC region makes it difficult for local BPS either to recruit or to develop staff with specialist expertise expected by clients; notable absence of support staff in many firms; limits effects of skills issues.	Skills shortages caused by attraction of other areas; especially significant for professional staff; also support staff; identifying individuals with appropriate skill set a problem; pool of skills reflects presence of similar firms; departures of similar businesses can lead to 'skills isolation'.
Training	Small firms only undertake 'essential' CPD training; via professional bodies or private training providers; larger firms have well-developed staff appraisal systems and more formal training procedures.	Few companies investing in training for support staff; well-developed staff appraisal by larger firms.	Depth-interviews contradict telephone survey – training provision very limited (apart from CPD for professional staff); support staff training neglected.	Availability of training undermined by difficult infrastructure, dispersed population; some provision is point specific; those closest to the provision obtain the greatest benefits, firms in remote locations denied access to available skills training	Reflects demands placed on professionals working in a multi-tasking environment typical of small firms; CPD key driver; support staff training tends to be ad hoc.	Dichotomy between formal and proactive approach of larger, specialist BPS firms (professional and support staff) and inclination to provide minimal training (other than CPD) on part of small firms; latter provide limited training for support staff.; some firms had developed graduate entry schemes.
FE Provision	Limited role; location and timing of provision important; key issue is persuading BPS firms that FE colleges are suitable training	Few use FE colleges; accountants use for technician training and some firms used for support staff (customer relationships); FE	Image problem; not a provider of bespoke training solutions; no training solutions between long course provided by FE/HE and	FR colleges associated with provision of less specialist expertise; concerns about access (distance and time).	FE colleges have captive market; they don't and do not have to market their courses; the key problem is that BPS firms are unaware of the	FE colleges used by some firms for support staff training or for training paraprofessionals; generally FE seen as provider of inappropriate skills training; absence of training in key

	Birmingham and Solihull LSC	Black Country LSC	Coventry and Warwickshire LSC	Hereford and Worcestershire LSC	Shropshire LSC	Staffordshire LSC
	providers; need proper dialogue between FE providers and BPS professional bodies and networks	colleges do not provide commercially aware training opportunities.	short courses offered by private trainers.		training that is available; needs to be more information about FE provision; access is important, should not need to go out of county.	generic skills required by BPS such as soft skills
Recruitment	Role of extant relationships and personal referrals (networks); small firms use local press and word of mouth; larger firms rely on agencies; many firms paid recruitment bonuses to existing staff if recommending someone eventually recruited by firm.	Word of mouth, schools, agencies, local press. Specialist firms had great difficulties but these tend to operate as 'close knit communities' in which informal contacts are vital in the recruitment process; some companies overlook graduates, recruit and develop school leavers; many firms noted great difficulty recruiting professional staff; succession issues for small firms.	Generally by word of mouth or by local advertisement for smaller firms; more formal mechanisms used by larger firms or branch offices, especially for support staff (recruitment agencies used) but word of mouth or friendships important when recruiting professionals.	Difficult to recruit specific types of specialist expertise; recruitment less problematic in main population centres; very much a rural BPS firm problem; so significant that some firms failing to grow, or even downscaling.	Tend to recruit from small pool of local people known to firms; reflects size of firms and small size of BPS community; firms tend to know each other, who is hiring or not hiring etc.	Some use of Job centres but for less technical BPS employees; word of mouth and existing contacts used by small and large BPS firms, mainly on informal basis; recruitment agencies used by large firms, some also participating in university recruitment fairs; advertising via corporate websites.
Competitive Advantage	Similar to other LSC regions; key difference is size of local client base, diversity of potential employees (support and professional, availability of training; competitive BPS firms are extremely flexible, act strategically, are highly visible in chosen marketplace.	Founded upon personalities, reputations, contact networks, expertise of fee earners; stress placed on uniqueness of each firm's collection of clients which creates possibility to develop unique market position which may form around localised friendship network.	In common with other LSC regions, related to quality of expertise offered, client focussed approach, cost; some clients retreating to larger firms as perceived to offer more protection in times of difficulty; contributes to strengthening Birmingham's role.	Founded upon price, personalities involved, specialist or niche expertise; quality of life factors, as well as distance from Birmingham has stimulated development of niche firms and BPS specialisms.	Speed of response, thorough attention to detail, providing a personal service; most of the firms in this region are providing expertise to local clients; not in direct competition with larger practices.	Founded on quality of services provided as well as staff (professional and support); difficulty recruiting qualified support and professional staff acknowledged to be a key issue for maintaining competitiveness.

An overview of **Table ES.3** points to a number of common issues for BPS firms across the West Midlands, including:

- A segmented approach to exploring and understanding the skill needs of BPS is vital; it reflects the functional, organisational, and size range of businesses in this sector.
- Ways of addressing skills and training needs tend to be dichotomised between micro-scale and small firms on one side, and medium/large firms on the other, especially where the latter are branches or subsidiaries of larger national or international organisations.
- BPS firms that are part of large and diverse (mainly urban) business communities (or complexes) face different skills issues to those located in primarily rural, low density, groupings of BPS.
- The recruitment and retention of professional staff is an issue in all the LSC regions.
- Proficiency problems primarily impact professional and technical occupations, and administrative and technical occupations.
- Enhancement of proficiency in 'soft skills' is a more pressing need than enhancement of technical skills (although there is of course an ongoing requirement for the latter).
- Most of HtfV arise from the demand for staff in professional occupations and key paraprofessionals.
- Multi-tasking is unavoidable in small BPS firms; training is on a 'needs must' basis with professional staff undertaking required CPD while support staff training is often neglected.
- Skill needs are sometimes 'hidden' in the sense that small firms will only hire support staff as a last resort; preference is for recruitment of fee-earning staff.
- Strategic planning of skills and training, as well as a planned commitment of company expenditure, is more likely to occur in medium-sized and large firms. Since these are also more likely to be located in the larger, urban, clusters of BPS they reinforce the 'skills availability advantage' of those areas. This process tends to work against the interests of the firms in the rural LSC regions.
- Training is dominated everywhere by on-the-job input by employees.
- Private training providers are the most likely supplier of bought-in training because they offer flexibility and customisation; cost is a consideration when choosing a supplier, but is outweighed by other factors.
- FE and HE are well behind private trainers in the provision of training for BPS firms, both in the volume and types of provision used.
- Prejudices and perceptions about what FE and HE actually provide, especially the former, are widespread. This is compounded, on the BPS side, by a lack of knowledge of what is available and, on the college side, by only limited efforts to understand BPS needs and to deliver accordingly.
- A number of recruitment difficulties exist but it is important to recognise that for most of the (numerous) small BPS firms recruitment of any sort is a comparatively infrequent activity.
- The role of word of mouth and personal networks/contacts as a recruitment device, especially outside the larger BPS clusters, should not be underestimated.
- Agencies and other more formal methods of recruitment are largely the prerogative of medium-sized and especially larger BPS firms. Likelihood of use is increased if firms are branches of multi-site, national or international companies.
- Recruitment of graduates, especially into professional vacancies, is important but some firms are turning to school leavers who are then trained to the level required. This approach is being used to address the graduate recruitment and retention problem encountered in all the LSC regions except Birmingham and Solihull.

- Many firms are not prepared to acknowledge that there is a link between competitiveness and skills. Most prefer to cite quality of service, professionalism and expertise of staff, careful response to client needs, or competitive pricing as the foundation for their competitiveness. The larger groups of BPS within the region again acquire some advantage because of the size of the client base and the diversity of the potential support and professional staff available to them.

While there may be differences in detail or emphasis, broadly speaking the skills and training needs of BPS across the West Midlands Objective 2 Areas are very similar.

BPS SKILL NEEDS AT SUB-SECTOR LEVEL

There are sufficient responses for four of the BPS activities included in this study to permit more detailed analysis. These are:

70.3 Real estate activities (125 firms)
74.1 Legal, accounting & business consultancy (319 firms)
74.2 Architectural & engineering activities (240 firms)
74.7 Labour recruitment (183 firms)

Real estate activities

Firms involved in real estate activities form one of the largest SIC groups covered in this study.

They are evenly distributed among the six West Midlands LSC regions but there is evidence of slight clustering in the Coventry & Warwickshire and the Birmingham & Solihull regions, and under-representation in the Black Country.

HtfV are not a serious problem for real estate firms judging from the limited data available.

There are only a few reports of proficiency problems and no significant concentration in any one occupational group. Only in the associate professional, administration and secretarial areas was any real concern expressed about skills gaps.

While the practice of working to business plans and regularly reviewing staff is well established in the real estate industry, there is a lower than average commitment to training.

Overall the real estate industry seems to have few general skills problems but there are particular areas of concern. Attitudes to training do not seem as positive as some other sectors. This may be because local offices that are branches of regional or national firms have less responsibility for this activity.

Legal, accounting and business consultancy

This is the largest group of activities (319) included in the study. Generalisations are difficult for enterprises whose circumstances and traditions may vary widely.

Regional disparities are limited with a tendency for these activities to be oriented towards town centre locations. There is a slight over-representation in the multinucleated Black Country.

Legal, accounting and business consultancies are experiencing some problems in filling vacancies that are primarily in professional, administrative, and secretarial occupations. The majority of firms encountering recruitment difficulties were particularly concerned that their problems were exacerbated by the fact that insufficient applicants had the required skills.

Lack of proficiency was a significant problem with administrative and secretarial staff. Skills shortages were also frequently noted for professionals but at much the same level as experienced by BPS generally.

The take-up rates for business plans, training plans and training budgets are unexceptional but the practice of staff review is below the level demonstrated by firms in other sectors.

Overall, the legal, accounting and business consultancy group of services is distinctive in terms of its modal size of firm, type of organisation, and legal status. However, its skill problems and training problems do not appear exceptional.

Architectural & engineering activities

This is the second largest (240) of BPS activities in the West Midlands.

Architectural and engineering firms are well distributed across the West Midlands but are marginally over-represented in the more rural regions (Hereford & Worcester, Shropshire and Staffordshire).

There is a general problem with filling vacancies in the professional grades. Finding sufficient applicants with the required skills seems to be the single most important reason, compounded by a "low numbers of applicants generally" for vacancies in group of activities.

Problems of staff proficiency are most pronounced in associate professional and technical occupations.

Adoption levels for all four instruments of strategic planning are below the norms for the West Midlands. As a result a relatively high percentage of firms are not using any of these procedures.

Overall, the architectural and engineering group of firms exhibit more variation than other groups, reflecting the presence of a significant number of larger, corporate enterprises. The incidence and concern about skill deficiencies is typical of the BPS sector as a whole but more importance than normal is attached to the availability of technical and practical skills. Generally however, the commitment to training is below average.

Labour recruitment

This group accounts for 183 respondent firms or some 15% of the telephone survey responses.

Labour recruitment firms are uniformly distributed across four of the LSC regions but are notable for their absence in the most rural regions of Hereford & Worcester and Shropshire.

Almost uniquely, single site businesses do not dominate the labour recruitment sector; the majority of establishments are branches or subsidiaries of organisations with headquarters outside the West Midlands.

HtfV are most commonly experienced in the professional and associate professional grades. The main reasons that some positions are difficult to fill are that applicants often lack the required skills or qualifications.

The skills gap giving most concern was in associate professional/ technical occupations, although sales/ customer service and administration/ secretarial occupations were problematic.

Labour recruitment firms are at the forefront of good business practice with high adoption levels for strategic planning. As a result, well over half of the firms used all four measures (see **Table ES.1**); the highest proportion for the BPS activities covered in this survey.

Labour recruitment firms have distinctive features including a tendency to locate in urban areas and to be part of larger, multi-site organisations. The importance of skills to business success is widely accepted by these firms and the commitment to training is at a comparatively high level relative to other firms in the study.

POLICIES FOR THE SKILL NEEDS OF BPS FIRMS

Scrutiny of the depth interview transcripts, the records of the discussion at the focus group meetings, and the observations made by the stakeholders interviewed during the initial stages of this project provides numerous pointers to the interventions needed to address some of the skills gaps or awareness amongst BPS firms of the value of investing in training. The more quantitative material generated by the telephone survey responses also informs policy directions.

Before specifying the issues that skills and training policy might usefully address, an overview of the survey of BPS firms serves to illustrate the difficult challenges ahead.

BPS firms are established by individuals who are capitalising on their expertise, personality, reputation and network of contacts. Business success is down to three interrelated factors:

1. Individuals and firms must acquire and continue to develop technical expertise.

2. There needs to be an ability to transform technical expertise into something that has commercial value by providing distinctive inputs into the activities of client firms.

3. People-focussed skills involving presentation and communication techniques are key requirements; these can be subsumed under the term 'impression management' or 'client relationship building'.

The survey has demonstrated the diversity of BPS activities within the West Midlands. This does not make it easy to arrive at generalisations about the complete population of firms and the policies for skills and training that reflect a collective need.

There is some scope however, for understanding skill needs by adopting a *segmentation approach* that highlights, for example, different organizational forms such as micro, single person firms with no employees; small single office local firms; small firms with more than one office; branch offices of medium-sized firms; and branch offices of large firms.

BPS firms also operate in a number of different market segments. These range from the very local to the national and sometimes international. Firms delivering services to each of these market segments will experience different skills and training requirements and will possess different dynamics in relation to the organisation of their business activities.

When exploring recruitment by BPS firms it must be recognised that for many it is an activity that is engaged in only rarely, if at all. There are therefore firms that do not recruit, those that recruit infrequently and, those that recruit on an annual basis. If this is mapped on to the types of organizational form typical of BPS i.e. the relatively small number of medium-sized and large firms, it will be clear why formal recruitment processes are the exception.

Training in BPS is not just about achieving the appropriate qualifications as required by professional bodies or in order for employees to be able to perform particular roles or gain promotion. BPS managers also need to be trained in how to identify the training needs of their employees. Many lack professional management skills.

For most of the businesses in this study it does not matter if training is provided by private or public trainers. The key concerns are quality and cost. It was noted that, even though they are used more extensively than public sector trainers, there are some very bad private trainers.

BPS firms in the West Midlands see Further Education Colleges as having a limited but important role to play in fulfilling their training and staff development needs.

POLICIES FOR ADDRESSING SKILL NEEDS IN THE WEST MIDLANDS BPS COMMUNITY

It is easiest to group the issues that skills and training policies might usefully address into three types:

- Generic
- Local/regional
- FE-related

Generic issues

Unsurprisingly, the evidence from this study confirms that the competitiveness of BPS firms is derived from a combination of technical competence, the personality of individual professional and support staff, and a set of soft skills. This implies that academic excellence and world class technical competence do not provide the platform for commercial success; it is also crucially founded upon relationship building, soft skills and personality.

At one level, it is difficult and perhaps impossible to develop advanced soft skills in some personality types but the educational system should be designed to develop minimum levels of competence in a set of essential BPS skills.

These essential BPS skills are:

- Verbal dexterity.
- An ability to relate to people from a wide variety of backgrounds and cultures (gender, ethnicity, age, nationality).
- An ability to listen (to try to understand what the client wants and then to be able to frame an appropriate response).

- Appreciation of body language (its interpretation and projection); impression management.

In addition, much of activity engaged in by BPS is about creative writing. Therefore, advanced literacy skills are required, as well as a level of numeracy.

Although there are other types of communication technology that can be used by BPS, the telephone continues to perform an important role at the interface between a BPS firm and its clients. Consequently, training in telephone techniques is essential. Similar arguments can also be made with reference to training in email communication.

There is therefore a need for the development of courses that address issues surrounding client relationship management.

Although not exclusively an issue for support staff in BPS firms, there is evidence pointing to poorly developed soft skills, including managing relationships – internal and external to firms..

This deficiency does not just arise from any inadequacies in the monitoring and training regimes used by employers. It is complicated by a failure on the part of new employees to appreciate some of the survival techniques that are required in the world of employment. This includes an appreciation of the nature of the work environment in BPS, understanding how as individuals they relate to other employees (as well as clients), and the requirements associated with working as part of a team.

Within BPS these are critical skills as the success of a firm is founded upon the projection of a consistent professional image that is constructed around, and from, the activities of all staff members.

But care also needs to be taken that over-training in non-essential skills is not provided. This can raise expectations on the part of the trainee and undermine the employer perception of the training provider.

There is a triple cost to external training:

1. Management time spent identifying skills and training needs.

2. Time and effort invested in identifying suitable courses.

3. Fee earning or support staff time lost as a result of training.

A fourth cost enters the equation if the source of the training is located 20-30 miles away i.e. tired and less motivated staff in the workplace.

On the job training has a double cost which arises from:

1. The pre-occupation of the internal trainer and the trainee with the task in hand.

2. A tendency in many instances for the training not to be concluded because everyday business activities have a tendency to distract the participants.

Local and regional issues

BPS professionals require a stimulating work and residential environment. This means that it is difficult for the LSC region and the communities within them, apart from Birmingham and Solihull, to attract and retain certain types of staff.

In Stafford, Coventry and Warwickshire, and Shropshire we have been informed that the key attraction is some form of family tie to the locality.

Firms claimed that salary levels were comparable (and sometimes enhanced) with those in Birmingham, but they still found it difficult to attract suitable highly skilled staff.

Support staff attraction and retention is a lesser problem but poor soft skills as well as uneven FE provision of key courses, for example the absence of suitable secretarial training in Coventry and Warwickshire LSC, are a source of difficulty.

The concentration of some support staff training suppliers in Birmingham is also seen as a major problem, especially when account is taken of transportation infrastructure problems (e.g. the reference by a firm in Stoke-on-Trent to mostly junior female staff being unable to afford reliable cars and therefore being reluctance to travel far on wet winter evenings). The impact of such ‘invisible’ barriers to sourcing training by BPS firms should not be underestimated.

It is also the case that there are significant structural differences across the West Midlands region, especially when the qualitative rather than the quantitative survey evidence is examined closely.

A key structural difference is the density of BPS firms within a local or regional economy. This is a key issue that should not be under emphasised as it makes it difficult to attract staff as well as reducing the local provision of training.

Places such as Coventry, Stoke and Trent, Hereford, and Worcester have low representation of the larger practices that tend to be the primary training grounds for some BPS professionals. This means that BPS firms outside Birmingham are relatively disadvantaged as a consequence of the absence of large firms that sometimes operate as a kind of lobbying group for BPS.

Larger firms have the resources to develop, implement and manage employees appraisal and training schemes The employees in small BPS firms encounter constant demands for multi-tasking and do not have the spare capacity of time and people that are needed to develop effective training regimes.

This means that in large-firm economies such as Birmingham FE colleges must fit in with the training schemes of the larger companies while in the regional economies they must be more proactive in engaging with companies and ensuring that they identify and fill local skills deficiencies and gaps.

FE-related issues

The managers of training within BPS firms have an outdated understanding of FE provision. A constant complaint voiced during the depth interviews and the focus groups was failure of FE Colleges to publicise/market their courses. In comparison to private sector trainers, FE Colleges are regarded as largely invisible, apart from the provision of evening class related to personal development.

FE courses should be proactively developed and targeted in ways that will really enhance BPS management skills in the areas of staff appraisal and training needs analysis. This is very important because it is apparent from the evidence gathered for this study that significant numbers of BPS firms suffer from skill deficiencies about which they are largely unaware.

The perception of the FE sector amongst BPS professionals is that:

- It provides training for school-leavers.
- It commands a captive market and does not actively go out to attract business clients.
- The generic training available is of variable quality.
- It is inflexible in relation to timetabling, curriculum content.
- The location of provision is very uneven. Users do not want to travel more than 20-30 miles to receive what they consider to be very standard training packages. Professionals are willing to travel; quality of provision overrides cost or distance.

There is some evidence, cited by respondents, indicating that across the West Midlands the FE sector is changing and becoming more proactive in establishing links with businesses and developing business-targeted training packages. But this continues to be undermined by longstanding perceptions about the sector, some of which are rooted in ideas about its status as a training provider.

One way that the FE sector could begin to address these concerns would be for each college (or consortium of colleges?) to set up a Business Skills Development Unit. This would have a separate brand to the home FE College but would draw upon the resources and skill base of the College staff. This Unit would provide long term traditional training as well as bespoke, targeted training to meet the needs of a collective group of local employers.

The Units would have a steering group of key regional employers and develop strong linkages with local Chambers, Business Links, and key local, regional or national business lobbying groups. Staffordshire first, Birmingham Forward or Telford Business Partnership, for example, could play a pivotal role in supporting and facilitating such an initiative from the BPS side.

This strategy is one that acknowledges that FE colleges operate in a number of distinct markets; but this does evidently result in brand confusion/contamination between the FE sector's primary concern with 16-19 training and a requirement for the provision of commercially targeted lifelong learning.

The FE sector should not be too ambitious. It should focus on the training of support staff, including para-professionals, and this should be its primary market. There should be national dialogue between the LSC and the various professional bodies to identify gaps in national provision that could be filled by FE colleges under the guidance and accreditation provided by the professional bodies.

The key message is that FE colleges should:

- Build upon their key primary advantages of location, regional identity, availability of local infrastructure and resources.
- Develop a local knowledge base to meet the demands of local business.
- Learn from the best private sector training providers (i.e. they should benchmark themselves against private sector providers).
- Provide targeted training to meet a particular business need.
- Be flexible in skills delivery to match client expectations and timeframes.
- Improve, develop and re-badge what they are currently doing.
- Develop a modular framework of very short units so that employers could, for example, identify a slot (say two-day module) that could be selected to fulfil their particular requirements.
- Consider bespoke training provision for a particular company or group of firms as a key requirement.

Another model for FE to consider is the development of intensive short-term modules in which all training is provided during a single week e.g. a specialist team from Birmingham and Solihull could provide such a module in Shropshire. This could be supported by a policy within the region for developing local centres of excellence in particular kinds of training (a hub and spoke system).

Other policy issues

The focus group meetings in particular generated a number of other comments or observations that are policy-related and worth noting. These are listed below (in no particular order):

- Public sector training is primarily driven by government targets rather than by the real skill needs of BPS firms.
- Change the way in which LSC measure success; too much emphasis on completion of a course, employers may only want some of the skills that are provided.
- There should be a local database of available courses that is explicitly designed to meet the needs of businesses.
- Poor training can destroy a business; quality standards for trainers are needed.
- The training system needs to be simplified; there are too many courses available, too many types of training provider, and so many different types of funding.
- The LSC could develop a set of case studies of what training has done for a particular group of firms; they would help to raise local awareness of skills and training needs and might also alter the perception of FE provision.

- There is scope for a useful dialogue between the BPS COG and training providers, public and private.
- The public/private training divide is artificial; the fundamental issue is quality and cost.
- It may be worth setting up local training collectives of BPS firms to, for example, support graduate entry into professional employment.

Figure ES.1 Matrix showing the percentages of firms with proficiency problems in each occupation group who felt particular skills needed improvement.

(*Cross hatching indicates values significantly above the average for all firms and stippling represents values significantly below the average for all firms)*

	Overall (%)	Managers	Professionals	Associate professional & technical	Administrative & secretarial	Sales & customer service
Practice/ general management skills	*40*	60	47	50	26	25
Leadership skills	*29*	48	36	30	17	18
Human resource management skills	*17*	32	21	12	10	14
IT professional skills	*25*	38	31	15	30	7
Personal skills	*40*	51	34	51	32	31
Technical & practical skills	*43*	32	59	35	46	34
Foreign language skills	*8*	10	16	6	5	3
Customer handling skills	*41*	33	40	52	40	45
General IT skills	*31*	31	31	21	45	24
Office admin skills	*38*	29	33	18	58	38
Accounts/ finance	*21*	25	30	11	28	7