

The lack of skills needed to boost the economy remains a major concern

As the economy emerges from the slowdown caused by the Covid-19 pandemic, there continue to be skills shortages. That is the message from the latest Business Barometer published recently by the Open University in partnership with the Institute of Directors.

Through surveying 1,500 senior business leaders across the UK last month, it focused on examining a range of issues including recruiting due to skills shortages, recruitment spend, training intent and ability, and future challenges.

The results are fascinating and, more importantly, a significant wake-up call to politicians and policy-makers at both a national and devolved level on what is needed to ensure that we have the skilled people in place to support future economic growth.

For example, the number of business leaders reporting that their organisation is experiencing a skills shortage has increased since last year from 56% to 61%. More relevantly for the UK economy, the majority also believe that these skills shortages will significantly affect their growth potential.

In addition, two-thirds of managers questioned agreed that their organisation had found recruitment difficult, mainly because candidates didn't have the required background for the role, usually in relation to industry-specific skills, technical skills, IT skills and managerial skills.

As a result, 30% have spent more on recruitment (an average of £23,400 per employer) than at any other time, mainly because they were struggling to find the right skills for their

business, and this will continue to be the biggest challenge for all businesses over the next five years.

Digital skills are going to be the most important for businesses over the next 12 months and, as we discussed earlier this month, the lack of workers with these skills needs to be addressed urgently.

The lack of skills among candidates means that 28% of businesses have had to recruit at a lower level, with eight out of 10 spending an average of £16,800 to get them up to speed. While the coronavirus may have affected the recruitment process, the majority of firms are also of the opinion that the lack of skills has resulted in an increase in the time it takes for recruitment, with more than half stating this has taken more than a month longer than average.

Despite all of this, four out of 10 businesses are planning to increase recruitment levels over the next six months as compared to the previous half year, with only a fifth saying they will decrease.

One of the major changes in the pattern of work in the past 18 months has been the shift away from the office towards remote working and 78% of organisations have transitioned some of their employees to work from home during the pandemic. The vast majority of these will continue to provide this option, mainly because it enables them to deal with the recruitment crisis and appoint people who don't live nearby to deal with the issue of skill shortages.

The study also shows the growing importance of apprenticeships and work-based learning, with more than half stating they are important to their organisation and nearly all of those expecting to maintain or increase apprenticeship numbers in the next 12 months.

If we examine the situation in Wales, 60% of Welsh businesses say there is a skills shortage in their organisation and 59%

say that their business has suffered as a result.

While a third of these businesses have introduced training to boost skills among their workforce, 37% have had to leave a position vacant because they couldn't find the appropriate candidate.

However, the opportunities to boost training of the Welsh workforce are there, as 80% of Welsh businesses prefer to provide existing staff with training rather than hiring externally. More worryingly, nearly half of Welsh businesses feel uncertain about the future, which is the highest level of any part of the UK.

Therefore, this is an important report which not only reinforces previous studies on the importance of skills to the economy but puts the skills agenda at the heart of the future recovery from the pandemic.

Interestingly, while the demand for skills is discussed in detail, there is very little mention of those organisations, including universities, colleges and private providers, who can supply the training to meet the gap in skills highlighted by businesses.

Certainly, they all have a major role to play in supporting businesses to address the challenge of skills shortages that will continue to be a drag on the economy in the future.

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