

SKILLS FOR RECOVERY IN SOUTH YORKSHIRE



1. Introduction

As the economy continues its recovery from the impact of Covid 19 the ability for businesses to access individuals with the right skills to help them meet their growth plans is of paramount importance. Shifts in the operating environment over the past 12 months have caused many businesses to review business models, meaning that skills requirements coming out of the pandemic may not necessarily be the same as those going into it.

This shift presents a challenge to those involved across the South Yorkshire skills ecosystem. Policy-makers need to ensure that support and interventions on offer are relevant for the aspirations of businesses as they recover. Skills providers need to ensure that their offers are dynamic and responsive to the changing needs of businesses. And businesses need to ensure they can communicate their needs, working with skills providers and individuals at all levels to inform the skills provision offer in the region.

This report has been produced using original survey data from the Chambers of Commerce in South Yorkshire combined with content from a series of focus groups with key sectors as identified by the SCR Local Enterprise Partnership.

The surveys in which the data was collected ran from:

Q1 2020: 17 February – 9 March (294 responses)

Q2 2020: 18 May – 8 June (263 responses)

Q3 2020: 26 August – 16 September (409 responses)

Q4 2020: 2 – 23 November (222 responses)

Q1 2021: 15 February – 8 March (285 responses)

The four focus groups were all held in the week commencing 15 March 2021 [1]

2. Changing workforces over the course of the pandemic: what the survey data tells us, from Q1 2020 to Q1 2021

Since the first national lockdown in March 2020 businesses have been revising the size of their workforce, based on product and service demand, Government support (most significantly, the Job Retention Scheme), and legislation governing working conditions during the pandemic. Graph A shows the net percentage of businesses in the manufacturing and service sector[2] in SCR expanding or contracting their workforce sizes.

[1] IT and Technology (15 March, 8 participants); Health and Social Care (16 March, 8 participants); Professional Services (17 March, 7 participants); Construction (18 March 7 participants).

[2] For the purpose of this paper, Manufacturing Sector is defined broadly as any business that designs and or makes products or provides materials into those businesses that do. Service Sector is defined as any business that provides services, either to other businesses or direct to the consumer.

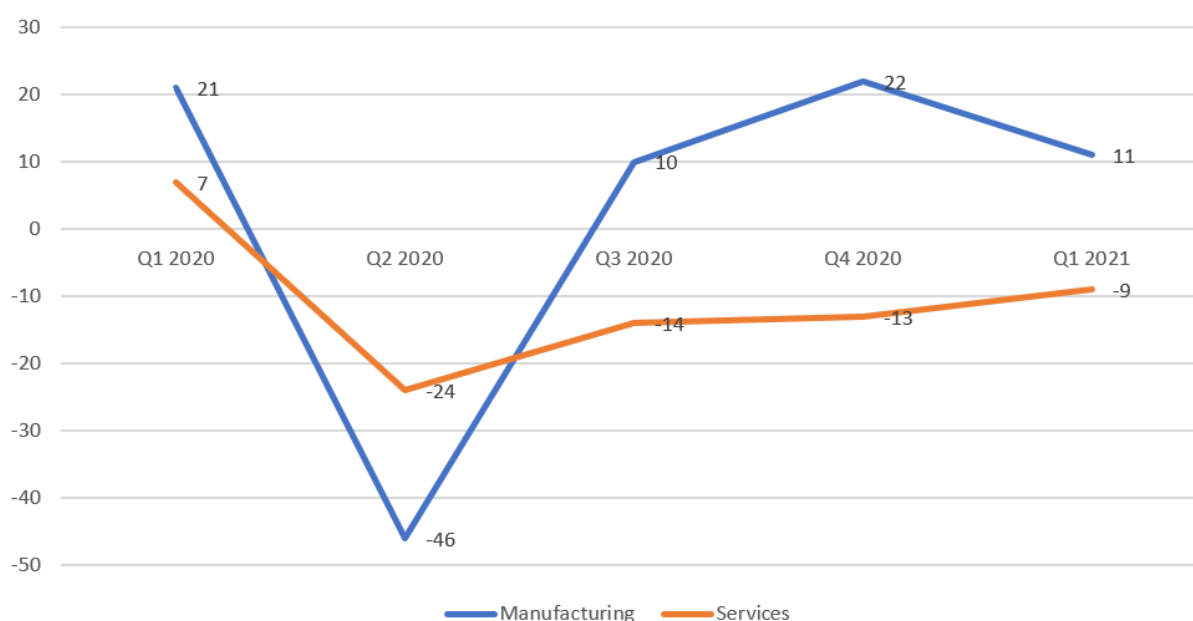
Graph A: Net percentage of businesses reporting increases/decreases in workforce



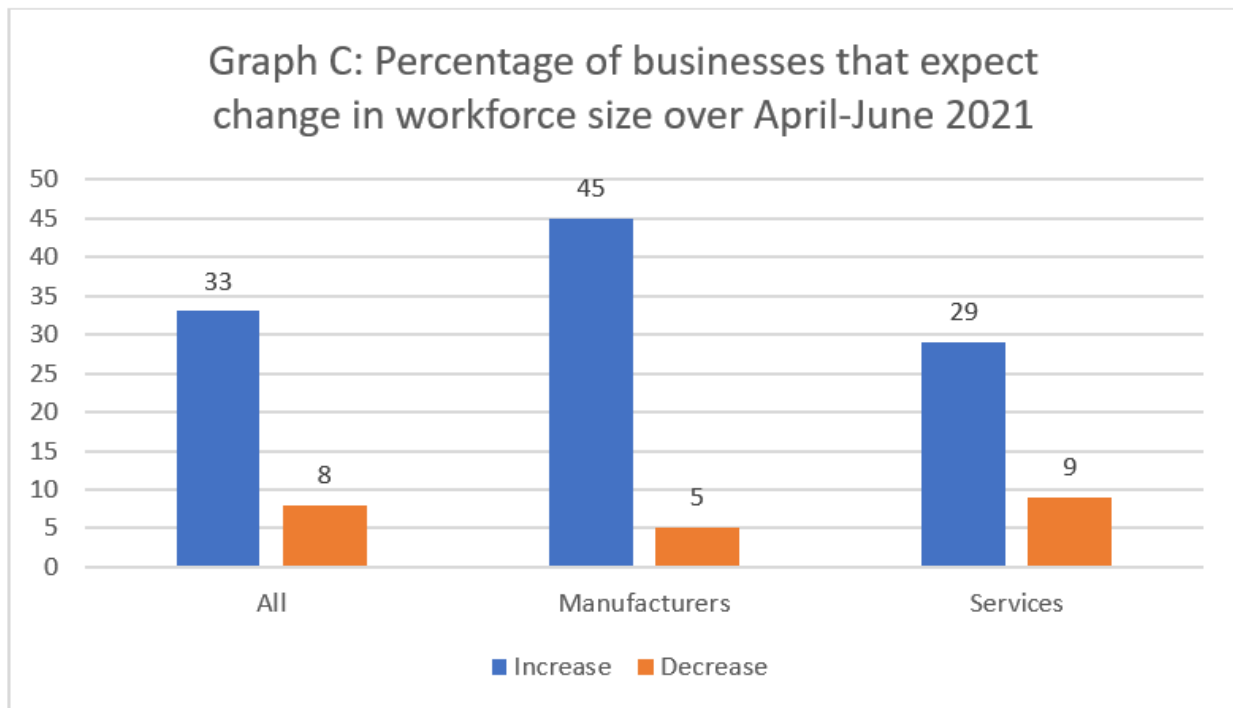
As the impact of Covid 19 really took hold in the second quarter of 2020 Manufacturing businesses were more likely to be reducing their workforce sizes than service sector businesses. For the remainder of 2020, manufacturing businesses were slower to grow them back up, although at the start of 2021 are now more likely to be growing their workforces.

To explain this, primary research suggests that many manufacturers were forced to reduce staff numbers due to social distancing measures required in the workplace last year. To compensate for this, many increased their investment plans for new machinery, which has arguably led in turn to efficiency gains and a reduction in the need for headcount, as demonstrated in Graph B.

Graph B: Net percentage of firms revising their investment intentions in plant, machinery or equipment up or down

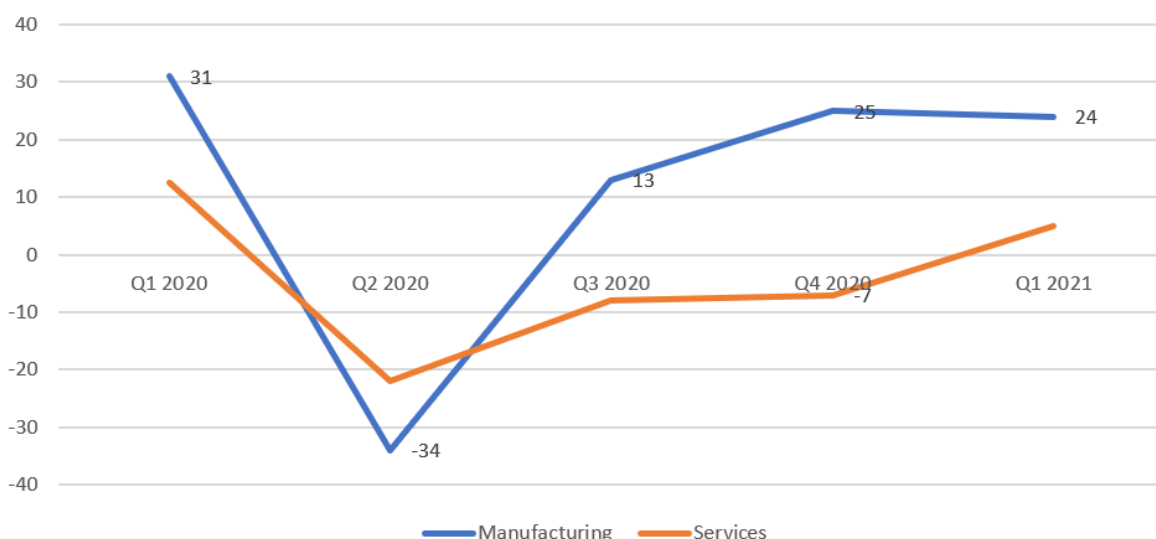


Over the coming 3 months (April-June 2021), as the economy continues to open in line with the Government's Roadmap (published by HM Government, 22 February 2021), more firms are expecting to see their workforces grow (Graph C), with 45% of manufacturers expecting an increase in workforce size (compared to 5% that think it will decline) and 29% of service sector businesses (with 9% expecting it to decline).



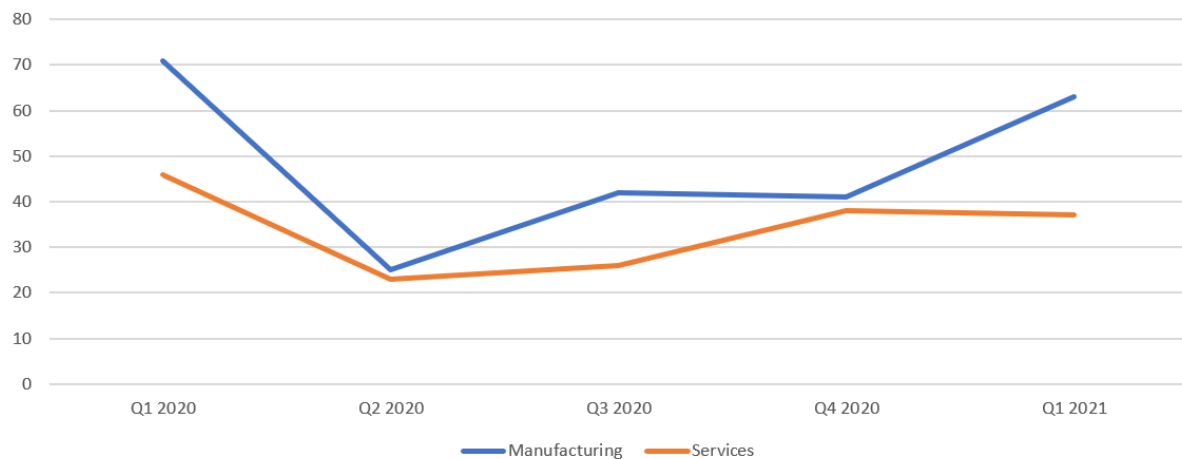
These strong figures for increases in workforce size suggest an economy on the cusp of growth, where investment in people and training, as well as new equipment and machinery, will be needed to meet demand. Plans for training investment are also now at levels not seen since before the first quarter of 2021 (Graph D), with the region's manufacturing businesses again being more likely to increase their investment intentions as we move further into 2021.

Graph D: Net percentage of businesses revising their plans to invest in training up or down

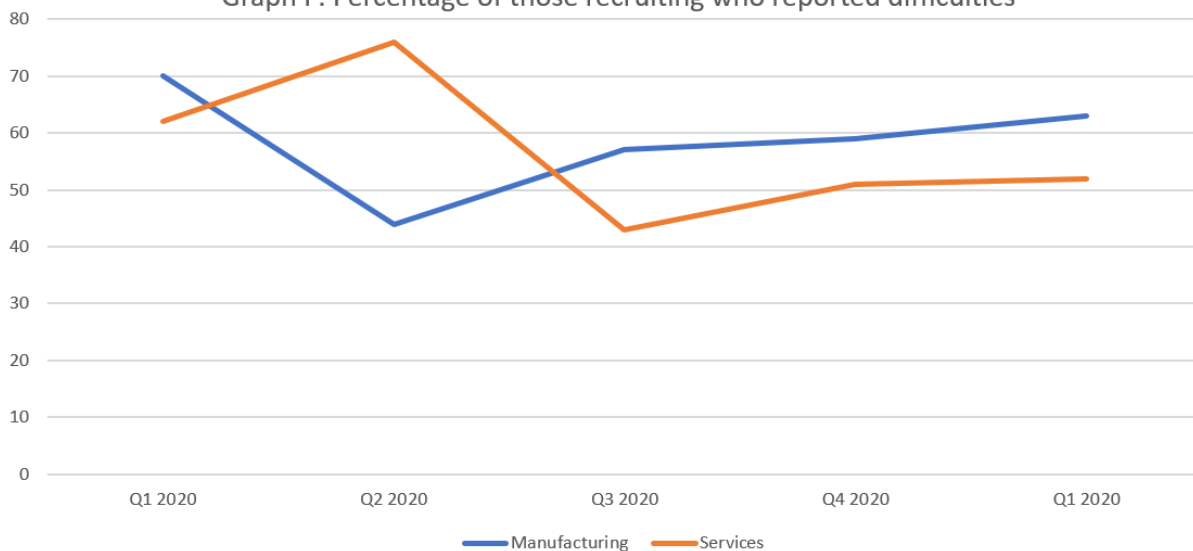


This pattern of a slow-down, followed by gradual recovery is replicated when looking at the overall percentage of firms attempting to recruit each quarter (Graph E), which fell sharply in the second quarter of last year, but is now reaching pre-pandemic levels, certainly for manufacturing businesses. Perhaps unsurprisingly given the growth in the potential pool of labour across SCR, those reporting difficulties in finding staff with the suitable skills also dropped (with the exception of service sector businesses in Q2, which surprisingly increased to 76%, albeit with only one-quarter trying to recruit at all), but is again now on the rise (Graph F).

Graph E: Percentage of businesses that have attempted to recruit



Graph F: Percentage of those recruiting who reported difficulties



All of the data from the surveys over the past year up to Q1 2021 suggest an economy that is now ready to grow and expand. To do so requires access to a workforce to help them achieve their growth ambitions.

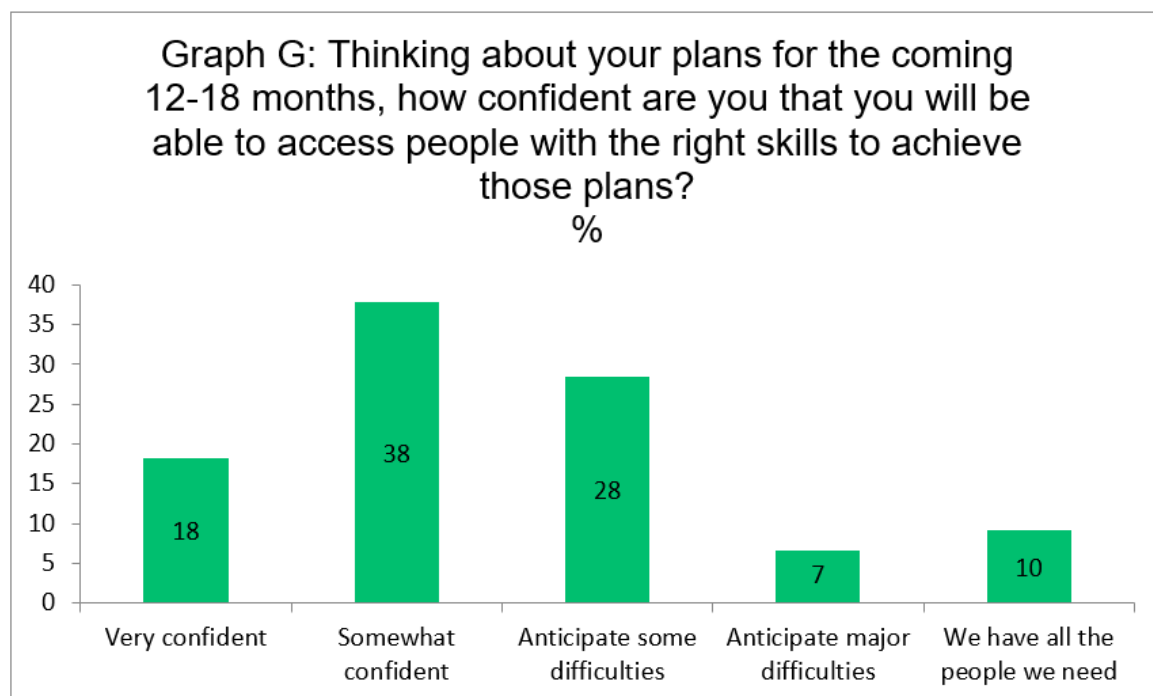
Importantly, the nature of those growth plans looks very different to twelve months ago, and the strategies by which businesses hope to achieve them have also evolved, taking into account changing market forces, new ways of working and resulting opportunities. All of this means that the types of roles being created will have likely also evolved. These themes were explored further through some additional survey questions in the most recent survey from the first quarter of 2021, along with a series of focus groups held with key sectors as identified by the Sheffield City Region LEP.

3. Looking ahead to skills requirements for recovery

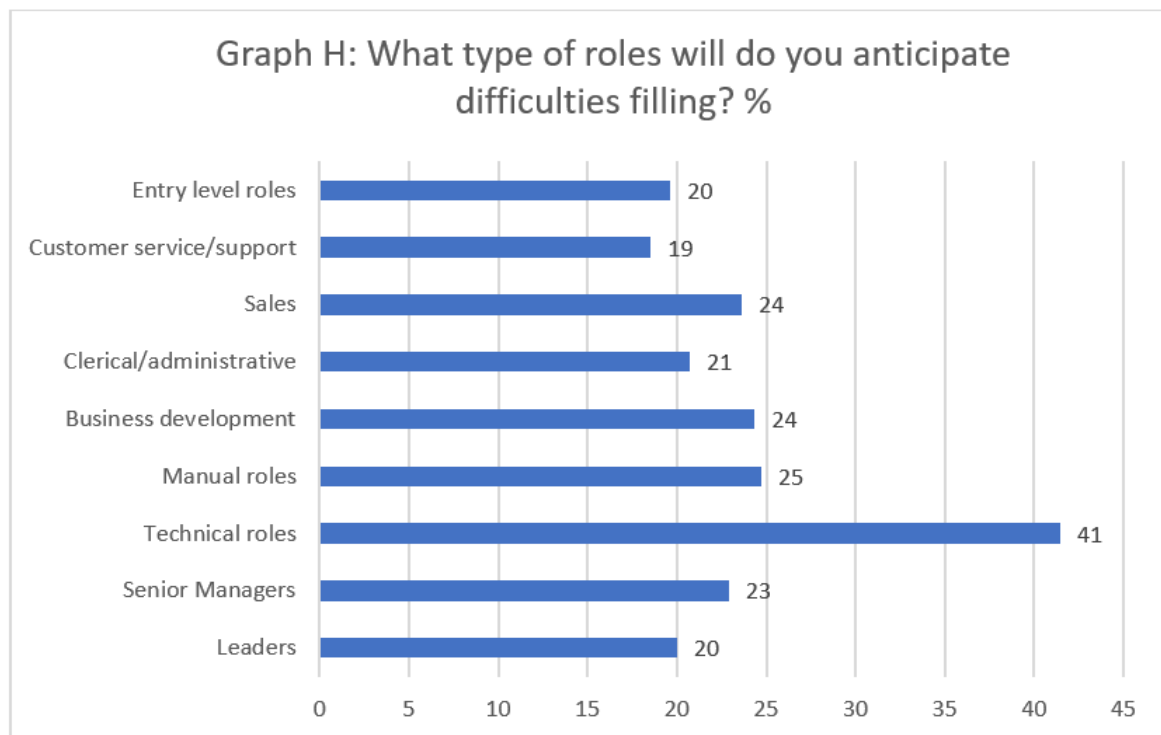
3a. Roles across SCR where difficulties in recruitment are anticipated

The most recent survey in the first Quarter of 2021 asked some additional questions to gain a better understanding of how confident businesses feel in terms of their ability to access the skills they require to recover and grow over the remainder of 2021 and into 2022.

Graph G shows that, encouragingly, 56% of businesses feel either somewhat or very confident that they will ultimately be able to access people with the right skills they need to achieve their growth plans, with a further 1 in 10 believing that they don't have a requirement for additional people. However, this leaves over one-third anticipating some level of difficulty in accessing the right people, with 7% describing these difficulties as 'major'.

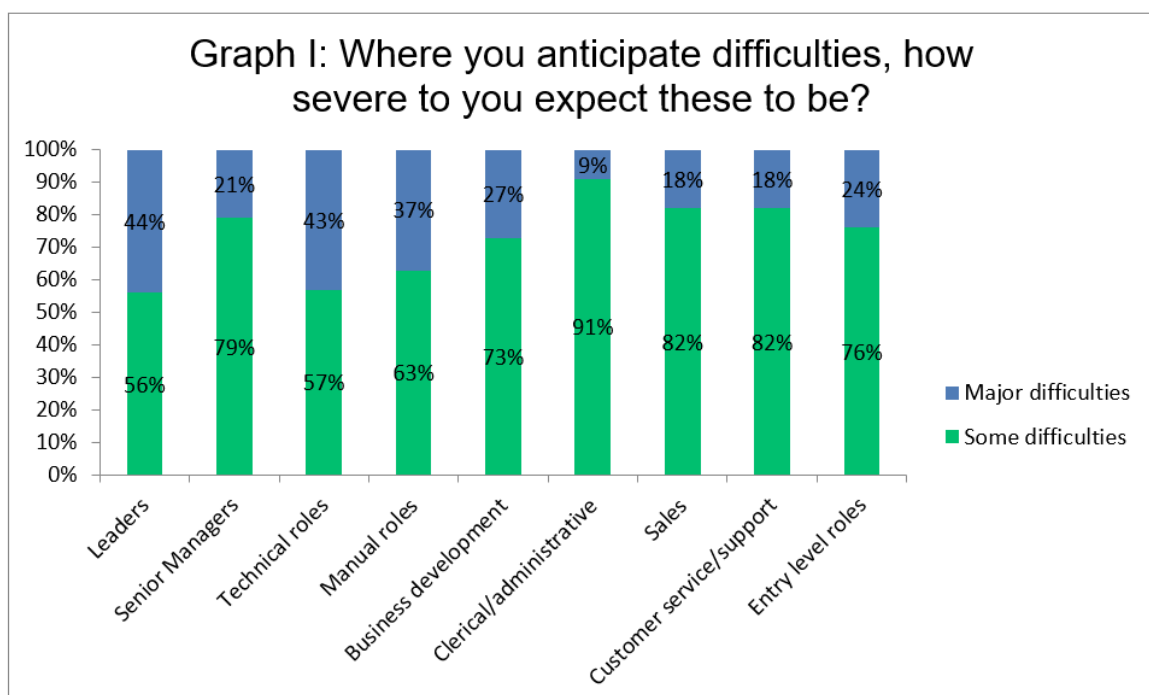


Exploring this further (Graph H), where people anticipate difficulties, these are expected to be most acute for technical roles, but after that there is an even spread across the skill levels, with one in five expecting difficulties at both entry-level roles and leadership roles. This suggests that where the need for support exists it is required at similar levels across the whole skills spectrum when looking at experience and skillsets.



Graph I takes this one step further and explores where difficulties are expected, are they anticipated to be major or less significant. Again, technical roles rank highly with regard to anticipated severity of difficulties where they do exist, along with leadership roles (43% and 44% respectively).

However, one in four of those that expect difficulties in recruiting entry-level roles expect those difficulties to be major. Other areas of note include manual roles (where 37% who expect difficulties expect them to be major) and business development (27%).



3b. Meeting future skills needs in the region: Key themes from focus group discussions

Four focus groups were held on the week commencing 15 March 2021, with businesses from the following sectors: Professional Services; Construction and Property; IT and Technology; Health and Wellbeing.

Each group focused in on two broad questions:

Discussion 1 - Thinking about your plans for the coming 12-18 months, how confident are you that you will be able to access people with the right skills to achieve those plans?

Discussion 2 - Where you may experience difficulties, how will you go about responding to these difficulties?

Across all discussions, there was broad agreement that organisations were poised for strong growth across the remainder of 2021, and that there was a need for organisations to recruit to meet the demands of that growth. However, there was also feedback that recruitment was as difficult as it had been for a while. In both the IT and professional service sector discussions businesses observed that the region struggled to retain skills due to competition from other areas – particularly Manchester and London – which were seen as being a bigger draw for younger people and firms there being able to pay at higher levels than those in the SCR. To combat this there was a heavy focus on ‘growing their own’ and investing in training, however, there was also a recognition that this comes with a direct financial cost as well as taking someone away from their core duties. This can be a particular issue for smaller businesses, who are increasingly having to find other grounds on which to compete for talent, for example company benefits and culture.

A shortage in the skills required immediately for growth was a continuing theme across a number of the discussions and felt to be particularly acute among the construction and health and social care cohort, which had been particularly impacted by the pandemic. All businesses suggested they were in a strong position with regards to demand for services, but many believed they would struggle to meet this demand at the pace required due a lack of skills in the workforce and younger people coming through. In the short-term, some have been forced to respond to this by recruiting from others in the sector and supply-chains, although this risks simply shifting the problem as opposed to solving it. Among the construction cohort it was felt that without a resolution it was felt that large infrastructure projects may need to be less ambitious on their delivery timescales.

Participants across all sectors had formed links with local educational establishments to support their recruitment strategies, and to good effect. A business in the professional services cohort had a long-standing relationship with Chesterfield College and Sheffield Hallam University which had proven very effective, particularly with the college where there was a strong track record of

bringing on apprentices through the college who have subsequently stayed with the organisation. Another recruited from universities via degree apprenticeships, taking on four or five recruits a year – and found this to be incredibly effective at both supporting loyalty of staff as well as diversity within the workforce. Businesses in the IT cohort also reported positive experiences with apprenticeships, with one commenting that this was becoming a more useful route to skills than traditional graduates.

However, this route was not deemed to be successful across all groups. In the construction sector some reported a drop in the uptake of apprenticeships, citing confusion around the Apprenticeship Levy and the different government initiatives that exist and how businesses can engage. For example, some of the larger construction businesses expressed a willingness to pass their levy down through their supply-chains, but found complications in doing so with smaller businesses. The importance of supply-chain in staff development was also discussed by the IT cohort, who noted a reliance on the bigger businesses for staff development for the wider sector.

A number of businesses across the four cohorts reported a sense that younger people didn't have the requisite 'softer' skills when it came to work – for example, creativity, communication, and personal resilience skills – and suggested more support was needed from in this regard across the whole spectrum of education. This was deemed to be particularly important when working with younger children in primary and secondary. There was a feeling that, done well, this can aid greater diversity later on in the workplace – particularly in terms of gender and ethnicity. A rigid curriculum in 'traditional' education was viewed as a barrier to this happening, which is doubly problematic for those sectors, such as IT, where things evolve very rapidly.

This sentiment was repeated in further discussions in the health and social care cohort where it was felt that the quality of applications coming from younger people was poor and that this reflected the lack of a focus on the more basic skills required by businesses. In one discussion it was suggested that the businesses could teach the technical skills but not the attitudes. Work experience was identified as being of great importance in supporting younger people to develop some of these attributes before leaving full-time education, however, some businesses expressed frustration at a lack of consistent opportunities to do this or uncertainty over how to manage it.

Importantly, the majority of businesses expressed a willingness to support education providers to address the above issues. There was, however, a lot of uncertainty about the best approach for doing so and confusion about the current landscape of initiatives that exist. The most effective relationships between businesses and education discussed were all arranged on a bilateral basis between the business and education provider, often based on personal relationships. It was, however, also recognised that, while broadly successful, this was resource-heavy and had some mixed results across those who had taken this route.

Quality of infrastructure in the region featured heavily in the discussion, with several businesses suggesting that difficult commutes into, out of, and across the region limited the size of the pool for potential employees. Several suggested that as a result of Covid-19 pandemic they were considering more flexible policies with regards to remote working to support the recruitment of staff from further afield. Participants from the IT and Tech sector cohort stressed that this was both an opportunity and a challenge in terms of competition, for future training needs and integrating new starters into an organisation, therefore any remote working policies did not diminish the importance of having an office base and the requirement for some time to be spent there.

In response to shortages, businesses in the professional service sector cohort reported an increasing tendency to look outside of their sector seeking new talent, recruiting more mature employees from other fields who had the right attributes to develop successful careers, and then investing in the sector-specific skills required. Ex-armed forces individuals were deemed to be particularly successful at transitioning into professional service fields. A recruiter for the professional services also noted an increase in people wanting to work part-time and/or flexible hours and the talent pool this opens up for employers happy to look at these arrangements.

There was general feeling across many of the participants that the skills landscape was 'cluttered', with many initiatives all with different parameters and target audiences, however often confusingly with similar names. The health and social care cohort suggested that Chambers, working with the LEP, could have a greater role in collating and curating these opportunities. However, where initiatives had been engaged with businesses had generally positive experiences. One firm from the professional services cohort had accessed skills funding via the SCR LEP and had found this support to be invaluable in supporting the growth of management and leadership skills within the organisation.

4. Key points summary

- The economy is in a strong position for growth over the coming 12-18 months, however, a lack of skills to meet demand may act as a brake on that growth and put the region at a disadvantage compared to elsewhere in the country.
- Some sectors in the region suffer as a result of competition for skills from other areas – particularly Manchester and London. Businesses believe this to be exacerbated by regional infrastructure – particularly intra-regional road and rail connections – which can make it difficult to access work across the SCR.
- Businesses are seeing both a challenge and an opportunity from new ways of working. This can include remote working as well as part-time/flexible working, which can open a new workforce in terms of diversity and geography.

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- The skills landscape is deemed by businesses to be cluttered, with many different initiatives often targeting similar areas of skills shortage. This can make it difficult for businesses to navigate, particularly smaller organisations. However, there are a number of positive experiences where businesses have been able to access support.
 - Young people are frequently leaving education with weaknesses in the 'softer' skills required to succeed in business, for example creativity and communication. Businesses are willing to support in improving this, however, are not universally clear on the best approach.
 - There are many good examples of positive relationships between businesses and individual educational providers. These have often been set up on an individual basis, following personal links between organisations, and as a result are patchy across the region.

5. Recommendations for future activity

As the economy recovers there is a continued requirement for a coordinated and responsive approach to skills provision across South Yorkshire. To help ensure this happens, the following recommendations should be taken into consideration:

- Future activity must be developed in close and continued engagement with businesses and skills providers and be targeted on priority skills sets identified as being important for the growth of the economy.
- An external-facing campaign should be developed to attract and/or retain skills within the region.
- Future business support needs to be carefully curated by policy-makers to 'hide the wiring' and present businesses with clear pathways to engaging with support.
- As current funding streams transition into new programmes the region should proactively work together to ensure new funding responds to the challenges identified by businesses, including those identified in the paper. Business engagement with education needs to be made as smooth as possible. Where arrangements currently work they need to be celebrated and promoted. Future activity needs to be targeted to where current interventions fall short.
- Schemes that aid engagement needs to be curated and presented coherently to reduce the risk of confusion. Chambers and partners across the Combined Authority have a potential role to play in achieving this.
- Further discussions should be held following the publication of the Skills for Jobs White Paper to ensure the region can present a unified plan to ensure a consistently close relationship can be developed between businesses and educators.