Exploring Local Areas, Skills and Unemployment
Employer Case Studies

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GLOSSARY

Hard-to-fill vacancies (HtFVs) are those vacancies classified by the respondent as hard-to-fill.

Skill-shortage vacancies (SSVs) were defined as hard-to-fill vacancies which were skill related where at least one of the following causes was cited by the respondent: low number of applicants with the required skills, lack of work experience the company demands, or lack of qualifications the company demands.

Recruitment problems or difficulties refer to either hard-to-fill or skill-shortage vacancies.

Skill gaps, or internal skill gaps, is the extent to which employers perceive their employees' current skills as insufficient to meet current business objectives. Respondents in the ESS surveys were asked to comment on an occupation-by-occupation basis about the extent to which employees were 'fully proficient at their current job'. In order to gauge the extent of skill gaps survey respondents were asked:

> What proportion of your existing staff at this establishment in [a particular occupation] would you regard as being fully proficient at their current job: all, nearly all, over half, some but under half, very few?

Skill deficiencies refer to the sum of skill gaps and skill shortage vacancies.

Establishment based measures provide an estimate of the total number of establishments reporting a given skill deficiency.

Employee based measures weight establishment data by the total number of employees at the establishment.

Weighting is undertaken to adjust for sample design and non-response to ensure that the survey results are representative of the population of employers. Weighted data are also grossed up to population estimates in the weighted base provided in each table.

Weighted base refers to the base for percentages according to whether it has been weighted according to the employee or employer based measure.

Unweighted base refers to the raw survey data.

Employers Skill Survey 2001 (ESS2001) provides comparative data for England relating to vacancies, HtFVs, and training activity. This was a survey funded by the Department for Education and Skills (DfES), undertaken on their behalf by IFF and IER, and included 27,000 interviews with employers. ESS was also conducted in 1999 (ESS1999). A smaller scale survey was undertaken in 2002 by IES and MORI.

Exploring Local Areas, Skills, and Unemployment (ELASU) project is concerned with understanding the relationship between the incidence of relatively high unemployment rates and hard-to-fill vacancies at the local level.

Local Learning and Skill Councils (LLSC): refers to the areas covered by the 47 local arms of the national Learning and Skill Council.

EXECUTIVE SUMMARY

Exploring local areas, skills, and unemployment

Despite the economy nearing full employment there remain a substantial number of people registered as unemployed, often concentrated in specific localities. At the same time, the Employers Skill Surveys (1999, 2001, and 2002) point to a number of employers with hard-to-fill vacancies (HtFVs).

The survey evidence has revealed many of these HtFVs to be in relatively low skilled jobs suggesting that they can be potentially filled by anyone. In other words, the skills required to fill the jobs are general, low level ones possessed by the majority of the working age population.

The relationship between the relatively high rates of unemployment and HtFVs has been described as a paradox - that in some way the labour market is not operating as expected – but there are a number of plausible explanations of the observed behaviour:

- that there is a mismatch in the skills required by employer and those available in the local labour market;

- there is a mismatch in the personal attributes required by employers and those available in the local labour market;

- in particular the mismatch arises because the industries making people redundant are such that the flow of people becoming unemployed are not suited (because they do not possess the skills or personal attributes) to those industries that are recruiting staff;

- the terms and conditions of employment (*e.g.* wage levels) are too low to attract applicants suitable for recruitment;

- in relation to above point, the poverty or benefits trap acts as a disincentive to unemployed people applying or taking a job;

- the role of the informal economy where wages are paid cash-in-hand;

- employers look to find alternative sources of labour – *e.g.* retired people – to fill their vacancies.

Based on case study analysis of employers' recruitment practices in three local labour markets exhibiting relatively high levels of unemployment and hard-to-fill vacancies explanations of the apparent paradox are explored.

Comparison of three areas

Three local and Learning and Skill Council areas were identified from ESS2001 with relatively high levels of hard-to-fill vacancies and unemployment:

- Birmingham/Solihull;

- East London; and

- Lancashire.

There are similarities between the three areas in the levels of recruitment problems and unemployment they suffer from. There are differences as well.

London provides an example of an area that has experienced strong economic growth but has pockets of urban deprivation side by side with some of the most affluent areas in the world. Birmingham and Solihull has a legacy of manufacturing employment that has been in long-term decline, while many of the new job opportunities are in the service sector. Lancashire encounters similar problems to Birmingham/Solihull, except that the rural location of recruitment problems is much more of an issue. Despite these differences, all three areas tended to report similar responses to the extent, causes, and implications of skill deficiencies and how the unemployed might help alleviate recruitment problems.

Imbalances in skills supply and demand of skills

Difficulties recruiting technical skills arose mainly in relation to higher skilled occupations. At the very highest occupational levels employers reported that a mix of generic and technical skills were essential for would be applicants. People in these jobs needed the technical mastery of their chosen occupation, but this needed to be allied to management, leadership, and team building skills.

For other types of skilled job, such as fitters in the engineering industry, employers were willing to recruit employees so long as they possessed the technical skills required. Generic skills were a bonus, but given the nature of skill supply in the local economy, employers were content if they obtained only the technical skills they required.

With regard to the lower level occupations the demand was much more for a range of generic skills and personal attributes. The indication here was that employers were often looking for personality traits as well as generic skills, but it needs to be recognised that there is a substantial crossover between these. With respect to generic skills, employers reported that it was difficult to find people with, for example, good communication and customer handling skills.

Explaining hard-to-fill vacancies

Hard-to-fill vacancies arose in some instances as a consequence of pay and conditions being unable to attract staff of the calibre required. Typically these were reported by employers with vacancies for unskilled/semi-skilled jobs where the tasks could be learnt by doing during induction training. Hard-to-fill vacancies for higher level occupations were explained more with respect to an absolute shortage of the skills required in the labour markets in which they attempted to recruit.

Arguably, better pay and conditions would attract applicants of the quality required, but this would tend to stimulate competition between employers for the existing stock of employees. Employers in all three areas reported that there was already strong competition between employers for staff hence the need to pay attention to retention as well as recruitment.

Responses to recruitment problems

Employers often tended to 'muddle through' in response to recruitment problems, that is they made the best of available resources but do not significantly alter their behaviour in response to recruitment problems.

In many respects, employers were implicitly looking to recruit people who were already employed. The ideal was to recruit people who were already employed in the same job, but the evidence demonstrates that this was exceedingly hard to achieve.

Other employers had begun to change their human resource policies. More attention was devoted to maintaining levels of staff retention (for example offering more flexible hours of work), or providing greater training and development opportunities. Some employers reasoned that if it was impossible to recruit fully experienced skilled workers, the only alternative was to train their own to the required standard. This also offered some form of career progression and was mutually supporting of labour retention policies.

Unemployed and economically inactive people

Where employers referred to unemployed people they were mainly talking about the long-term unemployed, but it was not clear how employers defined 'long-term'.

Unemployed people were considered as a potential source of employees by many employers - or rather they would not discriminate against someone just because they were unemployed - but in reality relatively few employers thought that the unemployed were a realistic source of the type of labour they were looking for. More attention was paid to the economically inactive and the capacity of retired workers and 'women returners' to fill jobs.

Although employers reported that they would not automatically disqualify someone from being recruited just because they were unemployed, there appeared to be formidable hurdles the unemployed person would need to clear, regardless of their skills, should they seek employment. For instance:

- recruitment practices that favour informal methods (word-of-mouth, use of business networks) mean that unemployed people might never be aware of a vacancy;

- a disinclination by employers to use the Jobcentre to advertise vacancies - one of the principal sources for jobs for those signing on the unemployed register;

- a perception by employers that unemployed people would not possess the skills they required, by definition, of them being unemployed.

In conclusion

As the economy nears full employment there remain a substantial number of people who remain unemployed (and long-term unemployed). Employers with recruitment problems are unlikely to recruit a person who has been unemployed for long, even though the skill levels they required are often quite rudimentary. In particular unemployed people appeared to be without many of the generic skills employers were looking for.

1. INTRODUCTION

1.1   INTRODUCTION

Despite the economy nearing full employment there remain a substantial number of people registered as unemployed, often concentrated in specific localities. In the Spring quarter of 2002, the ILO unemployment rate stood at 5.3 per cent which corresponded to 1.6 million people. Most unemployment was of short duration: just under a million people had been unemployed for six months or less, but just over a quarter of unemployed people had been out of work for 12 months or longer. The claimant count measure of unemployment stood at 3.2 per cent in May 2002 (just under one million people). At the same time, the Employers Skill Surveys (1999, 2001, and 2002) point to a number of employers with hard-to-fill vacancies (HtFVs). In 2001, of three quarters of a million vacancies ESS2001 estimated that around half were HtFVs, and a fifth were skill-shortage related hard-to-fill vacancies (SSVs) (*see Table 1.1)*.   The survey evidence has revealed many of these HtFVs to be in relatively low skilled jobs suggesting that they can be potentially filled by anyone: just under a half of all HtFVs were in less skilled occupations (personal service, sales, operatives, and elementary occupations) *(see Table 1.2)*. In other words, the skills required to fill the jobs were general, low level ones possessed by the majority of the working age population.

Table 1.1
Incidence of recruitment problems, 2001

	% establishments	No. vacancies (000s)	% vacancies	% employment
Vacancies	14	766	-	3.7
HtFVs	8	358	47	1.7
SSVs	4	159	21	0.8

Source: ESS2001

Table 1.2
Occupational distribution of recruitment problems, 2001

	HtFVs		SSVs	
Occupation	**Column percentage**	**Density**	**Column percentage**	**Density**
Managers/Senior Officials	4	0.4	5	0.2
Professionals	11	1.5	18	1.1
Associate Professionals	17	3.5	18	1.7
Administrative/Secretarial	7	0.8	7	0.3
Skilled Trades	16	3.1	20	1.7
Personal Services	11	2.6	9	1.0
Sales/Customer Service	13	1.7	9	0.6
Operatives	9	1.5	9	0.7
Elementary occupations	13	2.7	5	0.5
Total	100	1.7	100	0.8
Weighted Base	*22,433*		*9,357*	
Unweighted Base	*237,681*		*159,081*	

Source: ESS2001
Note: Density refers to HtFVs or SSVs expressed as a percentage of employment

Analysis of ESS1999 and ESS2001 data has further revealed that there are areas of England that exhibit both relatively high levels of HtFVs and high levels of unemployment (measured by either the claimant count, or the ILO definition)[1]. Comparing the incidence of HtFVs and SSVs by levels of unemployment at the local level, the evidence suggests that higher level of occupations account for a higher share of HtFVs and SSVs in areas of high unemployment compared to areas of lower level unemployment[2]. At face value this suggests that the co-existence of high levels of unemployment and recruitment problems is simply a consequence of the mismatch between skills supplied and skills demanded. But even in areas of high unemployment, the majority of HtFVs are associated with less skilled occupations.

The aim of the 'Exploring Local Areas, Skills, and Unemployment' (ELASU) project is to understand the coexistence of relatively high levels of unemployment and HtFVs at the local level (*i.e.* by local Learning and Skills Council (LLSC) areas) first identified in ESS1999[3] and subsequently referred to as an 'apparent paradox'[4]. In short, why, when there is an unfilled demand for labour in some local areas, are unemployed people apparently unable to fill these vacancies? This is an important policy question: the capacity of the economy, as it nears full-employment, to provide those most at risk of being unemployed (or remaining unemployed) with jobs. The role of the New Deal - as the most important welfare to work programme designed to re-connect the unemployed with the world of work[5,6,7,8] - is important here.

1.2 The relationship between vacancies, skills, and unemployment at the local level

1.2.1 An 'apparent paradox'?

Why should the co-existence of relatively high levels of unemployment and recruitment problems at the local level be the 'apparent paradox' as identified in the *Skills in England* report? To address this fully requires a reminder of classic labour market theory first expounded in late 1940s and which still forms the basis of analysis in this area today.

Arguably, the first to suggest a relationship between unfilled vacancies (V) and the number of unemployed people (U) was Beveridge[9] and for that reason the inverse UV relationship is often referred to as the Beveridge Curve. There was much discussion of the UV relationship during the 1960s and early 1970s as it provided a theoretical foundation for understanding the so-called Phillips Curve, another empirical relationship this time concerning the relationship between the rate of wage

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[1] Green, A.E. and D. Owen S*kills, Local Areas, and Unemployment*, Nottingham, DfEE Publications, 2001; Green, A.E. and D. Owen *Exploring Local Areas, Skills and Unemployment*, Nottingham, DfES Publications, 2002

[2] Green and Owen, *op cit*

[3] Green, A.E. and D. Owen *Skills, Local Areas and Unemployment*, Department for Education and Skills, Nottingham, 2001

[4] Campbell, M., S. Baldwin, S. Johnson, R. Chapman, A. Upton, and F. Walton, *Skills in England: Research Report*, DfES/LSC Publications, Nottingham, 2001.

[5] DfEE (1998) *The Learning Age: A Renaissance for a New Britain*. HMSO, London.

[6] DfEE, DSS and HM Treasury (2001) 'Towards full employment in a modern society'. http://www.dwp.gov.uk/fullemployment (accessed August 2002)

[7] PIU, *In Demand. Adult Skills in the 21st Century*. A Performance and Innovation Unit Report, Cabinet Office, December 2001

[8] H.M. Treasury *Developing Workforce Skills: Piloting a New Approach,* April 2002. http://www.hm-treasury.gov.uk

[9] Beveridge W. H., *Full Employment in a Free Society*, London, George Allen and Unwin, 1948.

and price inflation and unemployment[10]. Beveridge believed that the UV relationship was stable over time, but evidence from the 1960s and 1970s strongly suggested that the relationship had shifted over time. This provided an explanation of the phenomenon of 'stagflation' in which rising unemployment was accompanied with accelerating inflation. The UV relationship was also used by Lipsey, amongst others, as a means to distinguish between different types of unemployment (notably demand deficient and frictional unemployment)[11].

The theoretical basis for the UV relationship is that the level of both U and V are determined by/are functions of the level of excess demand in the labour market. As the labour market might be represented in the following way:

$$D = E + V \qquad \text{(where D is labour demand, S is labour supply,}$$
$$S = E + U \qquad \text{E is employment, V is vacancies and U is unemployment)}$$

then excess demand, $D - S = V - U$. In a simple labour market where all workers are capable of instantaneously filling any vacancy, if $D > S$ then V is positive (and varies with the difference between D and S) while U=0 (since all the unemployed fill up any available vacancy). Conversely, if D<S then V=0 and U is positive (and varies with D-S). In this situation there would be no UV relationship in the sense that there are either vacancies or unemployed but not both (the UV curve corresponds to the axes of *Figure 1.1*). Of course such a situation is highly unrealistic.

An observable relationship between U and V emerges as the result of frictions and imperfections in labour market adjustment. The matching of people and jobs in the market is neither instantaneous nor perfect. Some vacancies remain unfilled during the period that employers search for suitable recruits. Similarly, unemployed people remain jobless while searching for suitable job opportunities. The unemployment and vacancies resulting from this search process is the result of 'frictions' in the job matching process and gives rise to 'frictional unemployment' (and, logically, to frictional vacancies also, although such a concept is rarely mentioned). Such frictional U and V would eventually disappear as adjustment takes place were it not for the fact that there is a continuous turnover in the jobs market as people change or leave jobs and as jobs are lost and new ones created. In this situation there will always be some unfilled job vacancies around and some unemployed people looking for work. This is the situation represented in *Figure 1.1*.

In Figure 1.1, the 'curve' ABC' represents the combinations of unemployment and vacancies that exist as labour demand changes. U_1 and V_1 represent the frictional levels of unemployment and vacancies when demand equals supply. In this situation, there will be a continuous flow of people entering unemployment, a continuous flow of new vacancies, and a flow of people recruited from unemployment to a vacancy. The level of unemployment observed (U_1) is determined by the number of people entering unemployment and the average length of a spell of unemployment. The number of unfilled vacancies observed (V_1) is

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[10]   Phillips A.W., 'The relation between unemployment and the rate of change of money wage rates in the United Kingdom, 1861-1957', *Economica* 25, November 1958.

[11]   Lipsey R.G., 'Structural and Deficient Demand Unemployment Reconsidered', in A.M. Ross (ed) *Employment Policy and the Labour Market*, University of California Press, 1965.

similarly determined by the flow of new vacancies and the average time taken to recruit to a vacancy.

Figure 1.1
A simple UV curve
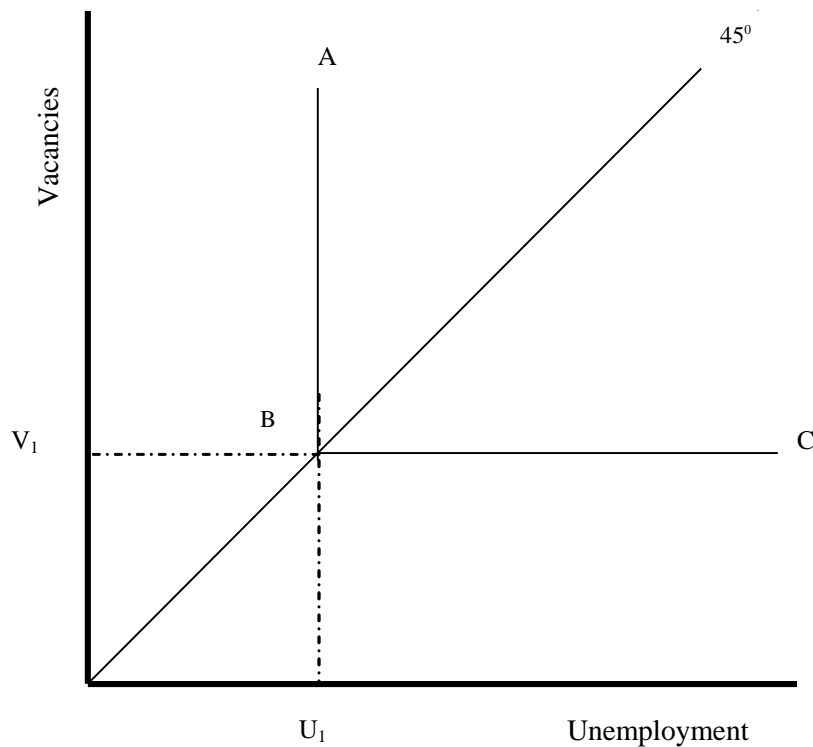
Figure 1.1 represents a rather static view of the jobs market (despite introduction of the notion of continuous turnover). It is likely that employer and job seeker behaviour will be affected by excess demand conditions in the labour market. Thus, when there is a high level of excess demand and employers face severe recruitment difficulties and mounting unfilled vacancies, they may raise wages or change their hiring standards in an attempt to recruit. When this happens, job seekers will find jobs more quickly than hitherto[12], the duration of unemployment spells will fall and the observed unemployment to a level that is less than U_1. This suggests a more 'elastic' relationship between U and V. As excess demand and the number of vacancies increase, the number of unemployed will fall. This situation is illustrated by *Figure 1.2*.

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12   Job seekers enter jobs more quickly because they are more likely to find jobs that match their reservation wage or they may be offered jobs that they might not previously have expected given their level of work experience, skill of other qualities.

Figure 1.2
The dynamic UV curve
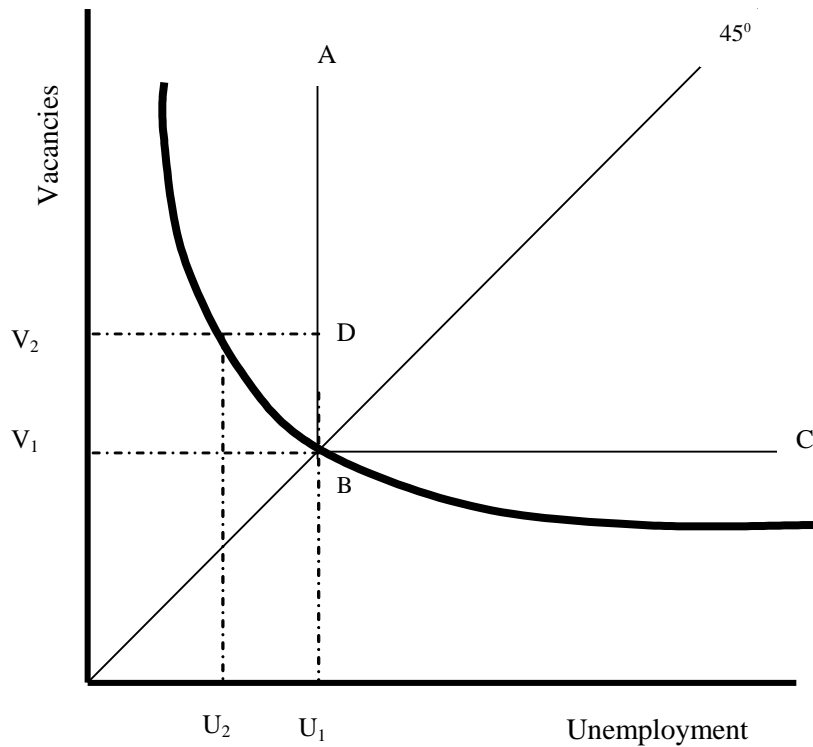
Figure 1.2 presents the UV curve as the outcome of a dynamic process. As the level of labour demand increases beyond the level where U=V (and demand equals supply), the number of vacancies on offer will increase and competition amongst employers for recruits will intensify. Some of the additional vacancies will be absorbed by the unemployed who will be unemployed for a shorter average time than before the increase in demand. In this example, the increase in demand reduces unemployment by (U_1-U_2) and is associated with an increase in unfilled vacancies of (V_2-V_1). Had unemployment durations not fallen, the increase in demand would simply have increased the number of unfilled vacancies, in this case by an amount equal to the increase in vacancies (V_2-V_1) plus the number of vacancies taken by unemployed people (U_1-U_2).

As indicated above, part of the accommodation of excess demand results from a quicker job matching process. One element of this faster matching process may be that employers change (lower) their hiring standards. As a consequence, job seekers who at lower levels of demand would not be considered to possess appropriate or sufficient skills may be matched to jobs they would not otherwise have been offered. Clearly, there must be a limit to such substitution of the less experienced/skilled for the more experienced/skilled, and this is one of the reasons why the UV curve can be expected to be asymptotic (*i.e.* it approaches the axes but never touches them) as there may be some job seekers for whom a match with a job is simply impossible. Nonetheless, some substitution is likely at the margins since skill and job suitability may be only partially objective qualities.

1.2.2 UV Curves at the local level

The logic of the UV relationship applies to any labour sub-market, such as occupational jobs markets and local labour markets. Within each sub-market an inverse relationship will exist between U and V. As occupational demand varies, or as local labour market demand varies, so too will vacancies and unemployment. It is likely that the nature of the UV relationship will be different in different sub-markets, since the scale of frictions and mismatches may differ. In some, the UV curve may be close to the origin and the relationship sharply non-linear (signifying few frictions/mismatches) while in other the UV curve may be further from the origin (signifying substantial levels of frictions/mismatch) or the gradient of the UV curve (technically the rate of substitution of vacancies for unemployment) more gentle, signifying greater scope for adjustment and the entry of unemployed people to job vacancies at higher levels of labour demand. The aggregate, or national, UV relationship will be the sum of all these individual UV curves and the national level of U and V observed will reflect not only the underlying UV relationship but the distribution of labour demand across the sub-markets.

The identification of UV relationships at the local level would require, ideally, examination of time-series data on U and V in each local labour market. Such an undertaking is feasible in that time series for both variables are available. The difficulty such analysis faces is that the vacancy series (vacancies notified to the Employment Service) is an imperfect measure of total vacancies and gives scant information about the nature of the vacancy (apart from occupational title). The ELASU project seeks to identify the UV relationship using data on unfilled vacancies (from ESS1999 and ESS2001) and data on unemployment (from JUVOS). The ESS1999 and ESS2001 provide much more complete and reliable coverage of employers' vacancies. The use of this data provides a cross-sectional view of local labour markets at an approximate point in time.

Insofar as there is a different level of labour demand in each local labour market, U and V will be at different points on the local UV curve. Plotting such observations on a chart would reveal a picture rather like *Figure 1.3*. Each 'x' represents the combination of U and V observed in a local labour market. If the UV relation was the same in all local labour markets then all of the observations (x) would lie along the UV curve and allow its identification. In practice such points will not correspond perfectly with the underlying UV curve because of factors such as measurement error in the data and random errors. In addition to these factors, the possibility exists that the UV relationship is different in different local labour markets (reflecting different levels of frictions and occupational mix). In this case the observations will lie on the local UV curve but off the 'average' UV curve described by the data.

1.2.3 Explaining an 'apparent paradox' at the local level

The possibility of some local labour markets being significantly out of line with the average (in terms of observed vacancies and unemployment) was raised by Green and Owen[13] in their report on ESS1999. An updated analysis based on ESS2001 is a cornerstone of the ELASU project. In *Figure 1.3*, the level of vacancies in local area A is much less than might have been expected on the basis of the number of unemployed in the area. Similarly, in area B, there are far more vacancies than might have been expected given the level of unemployment in the area and the

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[13]   Green and Owen, *op cit.*

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average relationship between U and V. The latter area reflects the so-called 'paradox' of large numbers of vacancies co-existing with large numbers of unemployed job seekers.

Figure 1.3
A cross-sectional analysis of UV in local labour markets
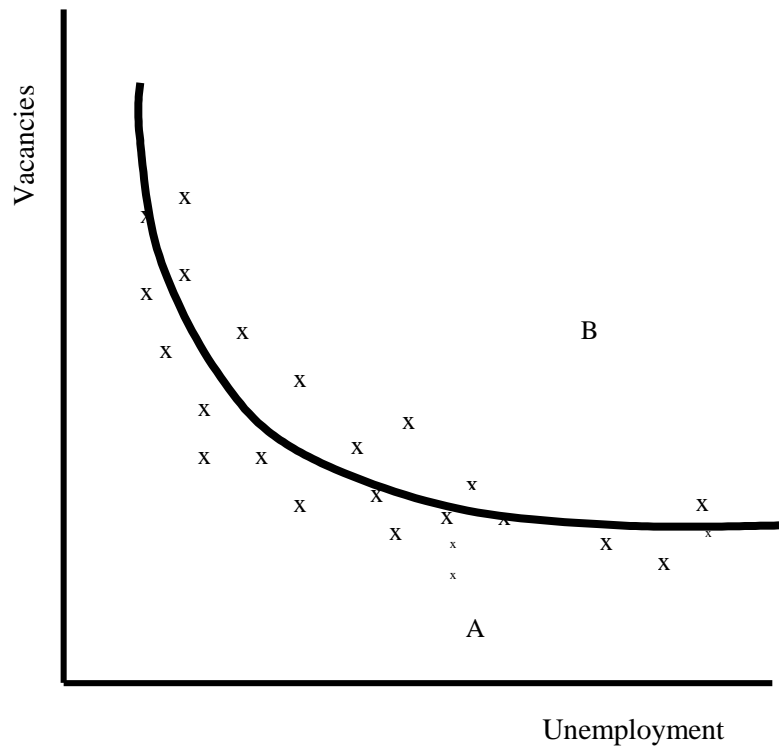
Different UV relationships at a local level could arise simply because the industrial and occupational mix of areas is different. The level of frictional unemployment in different occupations and industries may vary and local UV experience will reflect that mix. Alternately, the extent of mismatches might be different, with the structure of local labour demand and local labour supply better matched in some places that others, leading to higher combinations of U and V than elsewhere.

Theoretical analysis (and historical evidence) suggests that there is an inverse relationship between unemployment and vacancies. Analysis of ESS1999 and ESS2001 finds only a weak relationship between U and V when looking at a cross-section of local labour markets. Leaving aside the possibility that there is little or no UV relationship (which is unlikely), this finding suggests that the UV relationship at the local level is likely to be complex and probably reflects a range of other factors in addition to local labour demand.

The 'apparent paradox' revealed in ESS1999 – the co-existence of relatively high levels of unemployment and recruitment problems at the local level – might be plausibly explained by a number of factors:

- that there is a mismatch in the skills required by employer and those available in the local labour market;

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- there is a mismatch in the personal attributes required by employers and those available in the local labour market;

- in particular the mismatch arises because the industries making people redundant are such that the flow of people becoming unemployed are not suited (because they do not possess the skills or personal attributes) to those industries that are recruiting staff;

- the terms and conditions of employment (*e.g.* wage levels) are too low to attract applicants suitable for recruitment;

- in relation to above point, the poverty or benefits trap acts as a disincentive to unemployed people applying or taking a job;

- the role of the informal economy where wages are paid cash-in-hand;

- employers look to find alternative sources of labour – *e.g.* retired people – to fill their vacancies.

Based on case study analysis of employers' recruitment practices in three local labour markets the above types of explanation are explored.

1.3   Aims and objectives of the ELASU study

In order to address the types of question posed above a multi-faceted research design was deployed that included:

- construction of a database containing ESS2001 data and supplementary labour market indicators for each local Learning and Skills Council (LLSC) area;

- analysis of the ESS2001 database to explore the relationship between unemployment and HtFVs at the local LSC (LLSC) level[14];

- multivariate statistical analysis using the ESS2001 database to provide an analysis of the determinants of vacancies and recruitment problems at national, regional, and LLSC area levels[15];

- identification of LLSC areas that exhibited high levels of recruitment problems and unemployment for further, intensive case study analysis;

- case study analysis of around 100 establishments in the three LLSC areas – Birmingham/Solihull, Lancashire, and East London – to understand the processes that result in the co-existence of high levels of both unemployment and recruitment problems;

- synthesis of all the various components of the study.

This report provides the results from the case study element of the study conducted jointly by the University of Warwick Institute for Employment Research and the Policy Research Institute at Leeds Metropolitan University.

The reasons for selecting three local areas for case study analysis is outlined in *Chapter 2*. Because the case study element of the study was concerned primarily with employers' recruitment problems in relation to unemployed people, the focus of many case studies was on less skilled occupations, although not exclusively. The

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[14]   Green and Owen, *op cit.*

[15]   Dickerson, A.P., *Exploring Local Areas Skills and Unemployment: the relationship between vacancies and local unemployment*, Nottingham, DfES Publications, 2003

reason for this was simply that the stock of unemployed people at any point in time is comprised mainly of those whose last job was in a less skilled occupation. It is in these types of occupation that technical skills, learnt over a period of formal training, are less likely to be demanded by employers compared to generic ones. Hence there is, at most, a modest skill hurdle to be cleared by applicants for these jobs. The emphasis is also very much upon HtFVs generally rather than SSVs specifically, so that a fully developed picture of why recruitment problems occur might be obtained.

1.4   Structure of report

Chapter 2 provides information about the three labour markets in which the case studies were conduced. *Chapter 3* outlines the mismatch between demand and supply that employers reported, while *Chapter 4* looks that the underlying cause of the mismatches. *Chapter 5* addresses the impact of recruitment problems on organisational performance. The potential for unemployed people to fill hard-to-fill vacancies is outlined in *Chapter 6* and *Chapter 7* draws together the conclusions from the study.

2. THREE LABOUR MARKETS

2.1 Introduction

Further exploration of the reasons underlying the co-existence of relatively high levels of unemployment and recruitment problems requires identification of areas that exhibit this feature. Analysis of the ESS2001 database identified a small number of LLSC areas with relatively high levels of unemployment and HtFVs or SSVs *(see Table 2.1)*. From the analysis of the ESS2001 database several LLSC areas stood out as exhibiting both high levels of recruitment problems and high rates of unemployment. Three have been chosen for further analysis:

- Birmingham/Solihull;
- East London;
- Lancashire.

These areas were selected not only because they met the initial recruitment criteria, but because: (a) they also reported a relatively high number of establishments reporting recruitment problems; and (b) they provided a broad north-midlands-south mix. The inclusion of Lancashire also provided scope for a comparison of a more rural area to the predominantly urban ones of East London and Birmingham/Solihull.

Table 2.1   LLSC areas with higher average rates of unemployment and recruitment problems

Vacancy and unemployment/non-employment indicator combination	Higher than average values on both vacancy and unemployment/non-employment indicators	Other areas worthy of consideration
Density of skill-shortage vacancies and claimant count unemployment rate	**London East** Cumbria	**Birmingham/Solihull** Nottinghamshire **Lancashire** Staffordshire London Central
Density of skill-shortage vacancies and longer-term unemployment rate	**London East** London Central	Cumbria Nottinghamshire **Lancashire**
Density of skill-shortage vacancies and ILO unemployment rate	**London East** London Central Cumbria **Lancashire**	**Birmingham/Solihull** Staffordshire
Density of skill-shortage vacancies and working age non-employment rate	**London East** London Central Cumbria **Lancashire**	**Birmingham/Solihull** Staffordshire
Density of hard-to-fill vacancies and claimant count unemployment rate	Cumbria	London Central **London East** London North **Birmingham/Solihull**
Density of hard-to-fill vacancies and longer-term unemployment rate	London Central	London North **Birmingham/Solihull** **London East** Cumbria
Density of hard-to-fill vacancies and ILO unemployment rate	London Central Cumbria	London North **Birmingham/Solihull** **London East**
Density of hard-to-fill vacancies and working age non-employment rate	London Central Cumbria	London North **Birmingham/Solihull** **London East**

Source: Green and Owen 2002

The principal characteristics of the three areas, compared to those of the average area in England, are outlined in *Table 2.2*. Details of the case studies carried out in each labour market are provided in *Annex A*.

Whilst all three of the local labour markets are characterised by the co-existence of relatively high levels of unemployment alongside a relatively high incidence of recruitment problems, a number of other similarities and contrasts are apparent:

- the claimant count measure of unemployment was historically low across all three areas (as it was nationally) at the time of the study;

- Birmingham/Solihull recorded the highest levels of unemployment and recruitment problems of the three areas, suggesting that the degree of mismatch is much more pronounced in this LLSC. Indeed, Birmingham/Solihull recorded the highest ILO defined unemployment rate in England in 2001;

- the industrial and occupational structures varied both in comparison to England and between the three LLSC areas.

There are characteristics of the three LLSCs that are not captured by the information in *Table 2.2*, and these are summarily discussed in the following sections.

Table 2.2
Characteristics of the local labour markets in three areas in 2001

	Birmingham/ Solihull	East London	Lancashire	England
Vacancies				
% establishments reporting vacancies	33.8	18.5	18.3	14.5
Number of vacancies	21,098	56,901	12,340	768,929
Hard-to-fill vacancies (HtFVs)				
% establishments reporting HtFVs	17.2	10.5	9.2	7.5
HtFVs as a % of employment	1.67	1.70	1.35	1.73
Number of HtFVs	7,940	15,526	6,568	355,943
Skill-shortage related HtFVs (SSVs)				
% establishments reporting SSVs	6.3	7.2	5.8	3.7
SSVs as a % of employment Number of SSVs	0.67	1.12	0.90	0.77
Number of SSVs	3,170	10,210	4,371	158,056
Labour market indicators				
Claimant unemployment rate (%)	5.8	4.7	3.4	3.4
Long-term unemployment rate (%)	2.9	2.1	1.0	1.3
ILO unemployment rate (%)	9.3	8.2	5.1	5.1
Non-employment rate (%)	34.4	34.1	26.7	25.2

Source: Green and Owen, 2001; ESS2001 (IER/IFF); NOMIS

2.2 Birmingham/Solihull

Birmingham/Solihull LLSC area is characterised by localities experiencing high levels of economic growth – especially so around Birmingham International Airport and in the city centre – alongside areas of considerable economic disadvantage. The distance between these areas is often only a few miles, but the capacity of the latter to supply labour to the former appears circumscribed by a number of factors, such as transport links. This is a problem outlined in Advantage West Midlands's Economic Strategy and poses a problem with respect to the social cohesion and social inclusion in the area.

Birmingham/Solihull has a strong manufacturing and engineering legacy. Although the manufacturing sector has been in long-term decline, as elsewhere in England, the level of replacement demand is still quite strong and a relatively large share of employment is still concentrated in the industry. The problems that have beset the Rover Group of companies - resulting in the Rover Task Force being established - poses a number of possible threats to the industrial base over the medium-term, especially so when the various supply-chain relationships are taken into account.

Despite the problems faced by manufacturing, the area has a number of industrial strengths not least the development of a strong ICT (knowledge economy) base in the Solihull area (that spreads into neighbouring Warwickshire). The ICT base, allied to the substantial volume of foreign direct investment the West Midlands has been able to secure, indicates segments of strong economic growth within the local area.

The case studies conducted in Birmingham/Solihull covered a mixture of skilled and unskilled manual and non-manual jobs. These tended to reflect the industrial composition of the area described above. As will be described in greater depth in subsequent chapters, employers experienced problems: (a) finding skilled labour even if the problem had lessened somewhat over the past 12 months; and (b) difficulties finding a sufficiently large volume of people capable of filling a range of semi-skilled jobs that could be learnt quickly through experience.

2.3 East London

London as a whole poses a number of puzzling questions about the operation of labour markets. Arguably, London is the English economy's powerhouse, the base of much of the country's high-skilled, highest-waged employment, drawing in labour from many miles in all directions. The area chosen for case study analysis, East London, borders the City of London, the world's financial capital. Yet, as a whole, the area experiences relatively high levels of unemployment, despite a strong demand for labour.

Like Birmingham/Solihull, East London has a strong manufacturing legacy (not least that of Ford at Dagenham), but the east end of London has been subject to massive investment over recent years as the development of the City of London has spread eastwards along the Thames.

The case studies again reflect, broadly, the employment opportunities in the area including both service and production sector jobs across high- and low-skilled occupations. The overall findings revealed that 12-18 months ago manufacturing and construction workplaces had struggled to find skilled labour, but that currently most were either not looking to recruit people or seeking to lay-off workers. Respondents' overall impressions were of redundant workers finding jobs quite quickly, although many were often in non-skilled jobs. In contrast, many service

sector workplaces reported that the main problem was a shortage of labour willing to fill the jobs on offer - rather than skills *per se.*

2.4　Lancashire

Lancashire is a large and economically diverse area with a mix of urbanised industrial areas, rural, and coastal areas. The overall structure of the economy is characterised by a significantly high rate of manufacturing employment (as compared to the UK) and a dependence on large, often externally owned companies. This situation contributes to lower productivity in the area (as measured by GDP *per* head) as many of the manufacturing jobs are concentrated in low value adding processes, in mature product industries, with low pay structures.

In local areas where low skilled, low value manufacturing predominate, housing costs and therefore living costs are relatively low. Employment opportunities are available which do not require advanced skills, but these employment opportunities are often poorly remunerated and if they are not in close geographical proximity, low rates of car ownership and an inadequate public transport infrastructure limit these routes out of economic exclusion for local people.

Patterns of production are changing in response to global competition and this will require a change in the portfolio of skills available in the local economy. Major restructuring of the economy is forecast, with the proportion of the workforce employed in manufacturing set to decline even further in the future. The majority of these jobs are relatively well paid and currently held by men. This will present a major challenge to Lancashire LSC and its partners in the years to come as they seek to smooth the process of industrial change.

Case studies undertaken in Lancashire provided the opportunity to address issues related to workplaces situated away from urban centres. Difficulties encountered by employers were similar in many respects to those of Birmingham/Solihull except that travel to work distances and the availability of transport was possibly more of an issue because of the remote location of some workplaces.

2.5　Selection of case study establishments

The case study organisations were selected from those employers in each of the three areas who had participated in ESS2001 and who had agreed in that survey to participate in further research. In addition, a number of employers were selected from the New Deal database to ensure that employers included in the case studies had recruited unemployed people.

The selection of employers from ESS2001 only included those who reported the existence of HtFVs rather than just the subset who reported SSVs. The reasons for this were threefold. First, information was required about the full range of reasons why recruitment problems arose, not just the skill-related reasons. Second, ESS2001 defined SSVs in a limited manner – a shortage of applicants with the required skills, qualifications, or experience demanded by the employer. SSVs as defined in ESS2001, plausibly, might not capture all the skill related reasons for recruitment problems arising; hence the focus on HtFVs. Third, the occupational composition of HtFVs was such that unemployed people might be expected to fill these vacancies.

The selection of employers for case study analysis is not necessarily representative of any population of establishments. They were selected to provide further insights

into some of the puzzles that arose from analysis of ESS2001. ESS2001 provides the representative source of analysis and the case study analysis was not designed to contradict any of the findings from the survey. Taken together, however, ESS2001 and the case study analysis begin to provide a detailed and rich source of information about the nature of recruitment problems in England.

2.6 Key points

There are similarities between the three areas in the levels of recruitment problems and unemployment they suffer from. There are differences as well. London provides an example of an area that has experienced strong economic growth but has pockets of urban deprivation side by side with some of the most affluent areas in the world. Birmingham and Solihull has a legacy of manufacturing employment that has been in long-term decline, while many of the new job opportunities are in the service sector. Lancashire encounters similar problems to Birmingham/Solihull, except that the rural location of recruitment problems is much more of an issue. Despite these differences, all three areas tended to report similar responses to the extent, causes, and implications of skill deficiencies and how the unemployed might help alleviate recruitment problems.

3. THE DEMAND FOR AND SUPPLY OF SKILLS

3.1 Introduction

Before going on to look at the reasons for the existence of recruitment problems in each of the three areas, this chapter describes the types of recruitment problem experienced by employers. This is addressed with respect to both occupation and the different types of skills (both generic and technical).

Occupational group is a primary determinant of the nature of the recruitment process. Senior executives are recruited in a different way to, say, bartenders or janitors, but there may well be a number of common elements as well such as the degree of informality or the importance of networks in communicating job openings. If the relationship between the co-existence of relatively high levels of hard-to-fill vacancies and unemployment is to be readily understood, attention needs to be independently focused on (a) occupational group (b) the recruitment process.

Choice of occupational group was determined by the need to address those types of vacancy that might be filled by unemployed people. From what is already known about the skills, qualifications, and experience of most unemployed people, it will be relatively less skilled, less well-paid jobs that they are equipped to fill in a majority of instances. For this reason many of the occupations on which the case studies concentrated were concerned with vacancies for personal service workers, sales/customer service staff, assembly workers, or elementary jobs. At the same time, the choice of occupation should not be such that it predetermines any conclusions. People across all occupational groups may face the prospect of being made redundant and their chances of finding work will be determined by the ability of: (a) the jobs market to match people to vacancies; and (b) and the openness of employers' recruitment practices. To this end, observations have also been obtained relating to skilled trades and associate professional vacancies, where possession of technical skills is a key determinant of recruitment.

Understanding the mismatch needs to go beyond occupation and skills and address the characteristics of those losing their jobs (such as older men working full-time in the manufacturing sector) and compare these to the new jobs being created (service sector ones with less than full-time hours, often aimed at young people or women returning to work after childbearing). Given the nature of the study, this can be assessed only from the employer's perspective.

3.2 The nature of skills demanded by employers

Table 3.1 provides a summary of the qualifications, skills, and experiences required by employers for each of the occupational groups for which they sought staff (*Annex A* provides more detailed information). In general, and with the exception of associate professional and skilled trades occupations, there were few specific qualifications or skills required of staff for these posts. In specific personal service occupations, such as hairdressing, qualifications and experience needed to be demonstrated, but overall it was more a question of finding people who presented themselves as keen and eager to work and who possessed basic skills, such as numeracy and literacy. Induction training was provided in these instances to teach people how to do the jobs for which they had been recruited. But often the content

of this training was quite limited, such that the skills employers were looking for were essentially those that would allow the employee to undertake the job at more or less full proficiency from the date of appointment or a short time afterwards.

It is useful to distinguish between technical (occupational specific ones) and generic (transferable) skills, such as customer handling, communication, *etc*. To some extent the distinction between these two types of skill is an artificial one with many employers demanding a mix of skills. Nevertheless, from a policy perspective knowing the extent to which skill mismatches occur as a consequence of shortages of one type of skill or another provides vital information about where future training investments are required.

Technical skills tend to be associated more with higher skilled jobs, although there is often a technical skill aspect, albeit modest, to lower skilled jobs as well. As will be discussed below the technical skills associated with lower skilled jobs could frequently be learnt quite quickly so long as the applicant had the 'right attitude'. 'Right attitude' in these instances referred to the individual applicant possessing a mix of generic skills and, importantly, personality traits relating to appearance, disposition, and enthusiasm.

Generic skills were important in relation to higher skilled jobs. For higher level professional and associate professional jobs a mix of generic and technical skills was required without which the applicant would not be able to fulfil the job on offer. This often related to a mix of technical and management, leadership, and team-building skills. For more run-of-the-mill skilled occupations, especially those in skilled trades, generic skills were often, though not always, regarded as the icing on the cake. If the applicant possessed generic skills such as being able to communicate well or being adept at handling customers then all well and good, but most important was the possession of technical skills. The absence of generic skills, however, resulted in a job not being effectively undertaken compared to where employees had well-honed generic skills.

In lower skilled jobs, as noted above there was sometimes a technical skill to be mastered, but these jobs mainly required generic skills coupled to a number of desirable personal attributes (good time keeping, being clean and tidy, *etc.*).

Table 3.1

Skills and experiences required by recruiters by broad occupational group

Occupation	Qualifications required	Skills required	Training provided	Other comments
Associate professionals (e.g. account executives, computer staff)	Degree Professional qualification	Experience in job	Expected to be fully competent when employment commences	
Skilled trades (e.g. electricians, glaziers, etc)	Modern Apprenticeship (MA) if not time served apprenticeship - but examples of MAs being mentioned were scarce	Time served apprenticeship	Expected to be fully competent when employment commence	Often skills required specific to the industry in which firm located
Personal service (e.g. hairdressers)	None, with some exceptions (e.g. hairdressers)	Experience. Some occupations required proof of an 'apprenticeship' being served	Induction training plus some basic skills	
Sales/customer service	None	Speak English	Induction training/ Basic skills/ Training as a legal requirement/ Generally learn by doing	Attitude, punctuality, and presentation considered more important than particular skills
Operatives	None	Experience in manufacturing environment desirable	Induction training/ Training as a legal requirement/ Generally learn by doing	Some experience preferable
Elementary	None	None	induction training/ Training as a legal requirement/ Generally learn by doing	Attitude, punctuality, and presentation considered more important than particular skills

Source: ELASU case studies (IER/PRI)

3.3 Demand for technical skills

There was – or had been recently - a strong demand for technical skills from employers, particularly so in manufacturing but in other industries too. In all three areas, manufacturers and construction companies reported that until quite recently there had been a strong, unmet demand for various skilled trades: electricians, fitters, glazers *etc.* In the same sectors there had also been a demand for associate professional staff such as design engineers, draughtsmen, *etc.* Much of this demand had fallen away in the manufacturing sector as it had gone into decline in response to the slowdown in US economy.   In these occupations (skilled trades and

technicians) the demand was principally for technical skills. Mention was made of recruits needing to possess certain personal attributes but these were very much secondary to the demand for technical skills. In part the emphasis on technical skills reflected the content of the jobs on offer, but also it reflected the employers' perceptions of the external labour market. Whilst it would have been desirable to have recruited an individual with a range of personal attributes such as good communication and team working skills, conditions in the labour marked did not allow the employer to be so selective. If the potential recruit possessed technical skills and little else this would have sufficed. The example of the robot machine tool manufacturer in East London illustrates this point *(see box)*.

Establishment L1: Machine tool manufacturer
East London

The company employed 35 staff producing a range of robots designed for the manufacture of automatic telling machines. Over the past five years the company had experienced strong growth, almost doubling its turnover and increasing in staff from around 20 to a peak of nearly 50 in early 2001.

The company had had vacancies for designers and electrical engineers (craft grade). Ideally, the company wanted recruits who lived locally and had experience of working in a similar environment. In practice it ended up recruiting people from Grimsby and Whitley Bay who travelled home at weekends and who, by and large, had little experience of the machine tools industry.

Provided the recruits could demonstrate their *bona fides* as craft engineers they were given the job, even though in practice many lacked proficiency in the jobs they eventually filled.

Source: ELASU case studies (IER/PRI)

Taking people on without a desirable mix of generic skills or who did not possess the 'right attitude' but who nonetheless were technically competent was not without its problems. It sometimes led to people being recruited who were not well suited to the organisation and who could have an adverse impact on efficiency (*see box*).

Establishment B9: Window manufacturer
North Birmingham

The company was looking to recruit fabricators. Fabricators take pieces of plastic and, using the designs for a particular order, bond the plastic together using glue and heat treatments. The job is skilled and potentially dangerous. The company does not specify qualifications but demands that applicants have relevant experience. It had proved exceedingly difficult to recruit fabricators: last year there had been three vacancies for which there were three applicants and only one appointment made.

The appointment made was not satisfactory. The employee possessed the skills and experience the company required but he proved unsuitable in other respects. The fabricator, it was reported knew how much the company needed his skills and exploited the situation. The production manager continued: *"He comes in late or not at all. He doesn't work much when he is in, but he knows that we need a skilled person, so we keep him on...I would be surprised if he does a couple of days' work a week, if that."* When the company was able to find other skilled fabricators, the production manager said, this employee would be dismissed.

Source: ELASU case studies (IER/PRI)

At higher occupational levels, employers were looking for a mix of technical and generic skills since both were necessary to fulfil a given job. This mix was often exceedingly difficult to obtain. In the computer industry examples were recorded of 'good people' being reluctant to move jobs in an uncertain trading environment. Uncertain trading conditions also had the impact in some instances of increasing the skills demanded from would-be applicants. A public relations (PR) company, on the outskirts of the City of London, reported that it had a number of vacancies for account executives. It reported that there was a degree of uncertainty over job security in the PR industry, such that a sizeable number of people were looking to either move jobs into a more certain environment, or were looking for jobs following redundancy. Typically an account executive required a range of technical and social skills, but given the current state of the recruitment market the company felt that it had the opportunity to ratchet upwards the skills required of would be recruits. The reasons for this were twofold. If they were going to recruit in difficult trading conditions the candidate would need to be exceptional in being able to thrive in that environment. Moreover, because there was movement in the industry as some people sought more secure employment, there was an increased possibility that the company would be able to attract exceptional candidates. This had not worked out quite as expected. Candidates of the quality required had not materialised and hard-to-fill vacancies were, consequently, reported.

Though employers were looking for a combination of generic and technical skills from their higher skilled recruits, they were sometimes willing to recruit candidates below the required standard if they showed the potential to reach that standard through training and development. But the standard had to be obtained quite quickly after being recruited. The combination of technical and generic skills was referred to in the ECISD research programme as *hybrid skills*[16]. The demand for these hybrid skills has been demonstrated to be highest in sectors of the economy such as telecommunications and engineering. Generally these skills proved difficult to recruit because candidates for these jobs had to demonstrate that they possessed the mix of skills, possibly just below the level the company wanted, but had the capacity to reach the standard quickly. The example of software consultancy illustrates this point *(see box)*.

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16   Hendry, C. *et al.*, *Employers Skill Survey: Telecommunications*, DfEE Publications, Nottingham, 2000; Davis, C., T. Hogarth, T. Buckley, and R. Shackleton, *Employers Skill Survey: Engineering*, DfEE Publications, Nottingham, 2000

Source: ELASU case studies (IER/PRI)

With reference to technical skills for skilled trades jobs, employers often complained that applicants (and often recruits) did not possess these skills at the level or standard required by the organisation. Occasionally this was discovered only after appointment. This problem also arose in relation to agency staff. Resorting to agencies was a consequence of employers finding it difficult to recruit skilled personnel themselves. Agencies are sometimes better able to locate staff because they have superior search techniques and/or they offer a wage premium. Employers, especially manufacturers in East London, reported that where agencies supplied labour this was not anywhere near the required standard, but this became apparent only after they had been taken on.

Despite setting recruitment criteria based solely on possession of technical skills, these proved difficult to obtain in the external labour market hence the resort to employment agencies, many of who, it was reported, also experienced the same recruitment problems as the companies to which they were supplying skilled labour.

3.4   Demand for generic skills

Recruitment amongst lower skilled occupational groups tended to relate more to social skills or personal attributes. Some of these jobs often required some technical competency – driving skills, hairdressing, and so on – but these were not considered to be in as short supply as the range of more general, social skills required of employees. Important here was the range of generic skills – many recorded in the Employers Skill Survey - the most important of which included:

- communication;
- customer handling;
- ability to get on with others;

- customer service;

- driving (not PGV or HGV, just and ordinary driving licence required);

- diligence (a willingness to take care that a task is completed as requested);

- time keeping, reliability, attitude and willingness to learn;

- ability to read and write, to understand and follow safety instructions, were prerequisites for much employment (often 'tested' through application form).

An illustration of the skills required in personal service jobs is provided by a transport support company in Birmingham/Solihull *(see box)*.

Establishment B1: Transport Support Company
North-east Birmingham

The company employed around 3,000 people in a range of mainly customer service related occupations: retail assistants, security guards, cleaners, car park attendants. Typically there would be around 100 vacancies a year in these jobs as a result of company growth and labour turnover.

There was recognition by the company that little technical skill was required in the jobs other than common sense, following some induction training. The company was looking more to recruit people with certain attributes including: a pleasant demeanour when dealing with passengers, a capacity to follow instructions, no criminal record, a willingness to work shifts, and good time-keeping.

Overall, the company found these qualities difficult to obtain in the local labour market despite paying relatively high wages for the area.

Source: ELASU case studies (IER/PRI)

Even where technical skills were required in some lower skilled occupations sometimes possession of these skills was not as important as more generic ones. This point was made at a bus company in Birmingham where the training manager commented:

> "Customer care experience is probably more important these days than driving skills because we've got the qualifications [*i.e.* qualified trainers] to teach people to drive, so we can develop their potential to drive a big vehicle. What is more difficult these days is coping with the customer. This is another major reason for us not retaining drivers. When you're out there...in really heavy traffic and you've got people screaming down your neck, it's a nightmare; and no matter how good you do the job, people love to moan. Unless you've got really thick skin and let it all go over you, you can have really bad days. If people have worked in retail, they can cope with it."

The limited nature of some of the skills related to HtFVs can be seen in relation to the skills specified for housekeeper in an old people's home also in Birmingham/Solihull, but typical of the industry across the three areas:

- attention to detail;

- noting what needs doing and doing it well;

- an ability to prioritise work and not over-concentrate on certain things or areas while neglecting others;

- to work to a high standard at all times;

- to be aware of hygiene requirements;

- to keep all cleaning materials safely labelled and stored;

- to maintain respect for residents at all times and be pleasant in dealing with them and with colleagues.

It is a moot point whether the qualities sought by the transport support company and the old people's home - which were not untypical of other companies recruiting to comparable jobs – are skills that can be taught or learned. Essentially the company was looking to recruit people who demonstrated these qualities at interview rather than provide training that would imbue recruits with timeliness, diligence, friendliness and so on.

3.5   Evidence of mismatches in supply and demand

HtFVs can be categorised in relation to their causes in terms of a failure to attract:

- any applicants at all;

- applicants who did not possess the generic skills required (including tacit skills gained from work and/or sector specific work experience);

- applicants who do not possess the technical skills (or qualifications) required; and

- applicants lacking both technical and generic skills.

Implicit in the above classification is whether a vacancy was hard-to-fill because of skill-related reasons or some other factor such as terms and conditions of employment.

Employers tended to define HtFVs with respect to: (a) to the quantity of suitable applicants; (b) perceptions of supply from the external labour market; and (c) the time taken to fill a vacancy. Qualitative interviews conducted as part of ESS2002 confirm that employers defined HtFVs in relation to (a) and (b)[17]. In general, an element of each was manifest in employers' reporting why a vacancy was proving hard-to-fill. In addition, HtFVs emerged where successful applicants did not stay in the position long, such that recruitment problems became recurrent and persistent (this addressed more fully in the next chapter). Employers, however, had very different conceptions of time when it comes to the determination of a 'hard to fill vacancy' (at the extreme one manufacturing employer talked about a HtFV where they had not been able to fill a job within a week). With respect to the time taken to fill a vacancy, definition of HtFVs appeared to stem from previous recruitment experience.

A summary of the skill mismatch between the supply and demand for skills is provided in *Table 3.2*.

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[17]   Hillage et al, *op cit*

Table 3.2
Extent of skill mismatches by broad occupational group

Occupation	Skill aspect of recruitment problem	Long-term prospect
Associate professionals (e.g. account executives, computer staff)	Combination of technical skills (e.g. software writing proficiency) and business skills	Evidence that companies willing to abandon recruitment rather than take-on people who do not meet the job specification. Generally demand outstrips supply over the cycle.
Skilled trades (e.g. electricians, glaziers, etc)	Technical skills (e.g. glazing, electrical engineering). Less concerned about generic skills in a tight labour market	Employers in engineering reported that insufficient young people were entering their particular branch of an industry. Because employment is cyclical, those laid-off during downturns appear reluctant to return to industry
Personal service (e.g. hairdressers) Sales/customer service Operatives Elementary	Generic skills mainly. In many instances it is not so much skill as personal characteristics or attributes such as: general demeanour; common sense; diligence that are demanded.	Employers tend to report that recruitment problems are persistent and less likely to abandon vacancies.

Source: ELASU case studies (IER/PRI)

3.6   Key points

Difficulties related to technical skills arose mainly in relation to higher level occupations. With regard to the lower level occupations on which many of the case studies focussed, the demand was for a range of personal attributes. These were difficult to find given the mix required, but it raises the question whether these were really skill needs that could be overcome through training or learning, or personality traits. There was evidence that the 'right attitude' was in short supply from many applicants for lower level jobs by which was meant that the candidate for a job was well presented (clean and tidy) and revealed some enthusiasm for the job on offer.

For some employers, if they could not find the skills they required they were willing to either abandon the vacancy or leave it unfilled and continue with their recruitment indefinitely (typically in relation to lower level skills). Others were willing to take on people who were not ideally suitable – as in the case of the window manufacturer cited above – but the demand for labour was such that someone had to be recruited. This was much easier to do in relation to generic skills in lower skilled occupations.

4. Explaining recruitment problems

4.1 The reasons for recruitment problems

The previous chapter provided evidence of the nature of the recruitment problems faced by employers in each of the three areas. This chapter addresses, from the employer's perspective, the reasons why recruitment problems arose. To provide a context for the case study analysis it is worthwhile repeating the evidence obtained from the ESS series of surveys (1999-2002).

Since 1999 the reasons behind recruitment difficulties have changed little *(see Figure 4.1)*. The percentage of recruitment problems that were skill-related *(i.e. SSVs)* has been increasing. In 2002, 35 per cent of HtFVs were caused by the low number of applicants with appropriate skills, up from 34 per cent in 2001 and 32 per cent in 1999. A lack of people with qualifications has also risen to 12 per cent from 9 per cent and 8 per cent in 2001 and 1999 respectively[18]. The case studies allow further insights to be drawn about how recruitment problems occur, especially so in relation to the recruitment process (which has not been a feature of ESS), and a much greater understanding of the relationship between wages (and other terms and conditions of employment) with the incidence of recruitment problems.

Figure 4.1
Causes of hard-to fill vacancies
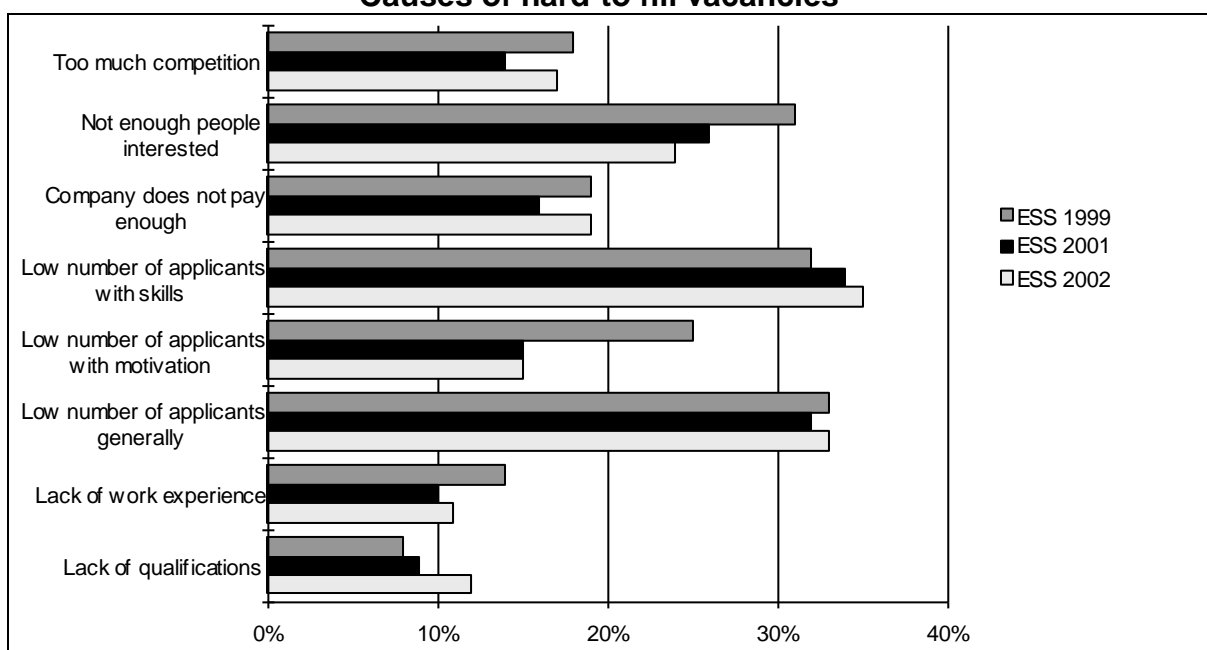
Base: All hard-to-fill vacancies
Source: Employers Skill Survey 1999, 2001 (IER/IFF); and ESS 2002 (IES/MORI); Hillage et al, 2002, *Figure 4.10*.

4.2 Typology of causes

The introductory chapter, based on the previous research evidence, spelt out likely causes of the relationship between recruitment problems and the level of unemployment and in so doing pointed to the multifaceted causes of recruitment

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[18] Hillage, J., J. Regan, J. Dickson, K. McLoughlin, *Employers Skill Survey 2002*, DfES Publications, Nottingham, 2002

problems, especially skill related hard-to-fill vacancies (SSVs). Building on this the following typology of the causes of recruitment problems has been devised to analyse the case study data *(see Table 4.1)*.

The rest of the chapter explores the extent to which recruitment problems stemmed from each of the reasons outlined in *Table 4.1*. In practice, the reasons for recruitment problems are multifarious but the typology outlined in the table provides a means to structure the description.

Table 4.1
Typology of recruitment problems based on case study evidence

Cause	Characteristics
External supply factors	
Dynamic excess demand	Where demand for a given skill is rising faster than supply in a growing sector of the economy.
Supply falling but at a faster rate than employment	Although employment might be falling in a sector of the economy, supply of skill is falling even faster such that there is excess demand.
Qualitative changes in the nature of demand	Where the types of skill required in an industry or occupation are subject to rapid change such that the education and training system cannot keep up with demand.
Internal factors	
Recruitment processes	The means used to attract people to the company; especially the openness of the recruitment process to people who might fall outside of business or social networks through which vacancies are communicated.
Relative wage levels and terms and conditions of employment	Wage levels, and other terms and conditions of employment paid at a relatively low level so that the company is unable to recruit and/or retain staff.
Labour retention	Where recruitment problems are a consequence of insufficient attention being paid to retaining existing staff.
Training and development	Where a lack of training and development of existing staff necessitates recruitment and/or results in the workplace being unable to recruit at a lower level of skill and train people to the required standard.
Failure to identify new sources of labour supply	Where there is excess demand recruiting from traditional sources of supply may exacerbate recruitment problems. Failure to identify new sources of supply (e.g. older workers) will therefore result in recruitment problems.
Policy factors	
The benefits system	Difficult to assess the impact of this on recruitment problems from the employer's perspective but was mentioned in relation to recruitment problems by some respondents.
Active labour market policy	New Deal provides a potential solution to recruitment problems insofar as it supplies labour especially where the skill content of jobs is modest
Incentives to the economically inactive	The pension system, for example, can incentivise or disincentivise the economic activity of older people. Difficult to assess from a case study perspective, but older retired people mentioned as a source of supply by employers.

Source: ELASU case studies (IER/PRI)

4.3   External factors affecting recruitment

All case study employers recruited from their local area. The definition of 'local area' adopted by employers was variable and influenced by a variety of factors including rural/urban location of the business (especially in Lancashire), proximity to the Motorway network, reliability and cost of public transport, the type of occupation, and the reputation of the employer (good employers can draw staff from further afield). Employers, however, were also beginning to look further afield for some staff, especially nurses who were being recruited in South Africa. Employers in East London, especially in the hospitality industry, relied upon itinerant, transitory labour to fill vacancies for a variety of jobs requiring low level skills.

The socio-economic characteristics of the immediate local labour market can affect recruitment. Employers located in relatively affluent areas - where there was a potential supply of labour from economically active people - suggested that HtFVs occurred because the work was too mundane and low paid to attract these people out of their inactivity *(see box)*.

Establishment La22: Farm
North Lancashire

An independent farming business employing 50 core staff (and up to 20 agency staff as demand dictates) located in a relatively affluent semi-rural area in north Lancashire.

The Personnel Manager noted:

"There is too much local competition with several other producers close by. There are problems with transport (one bus an hour). The picking job is hard, physical work with a lot of bending down. The work is wet and dirty and people with intelligence tend to move on quickly. The hours of work are variable and subject to customer demand with the working day sometimes ending prematurely at midday or being extended into the evening, sometimes up to 21.00".

Source: ELASU Case Studies (IER/PRI)

The above example illustrates the multiple social, spatial and job-specific factors which contribute to recruitment problems. Employers in less affluent areas with relatively high levels of unemployment faced different problems as illustrated below *(see box)*.

Establishment La14: Primary School
North West Lancashire

A primary school employing 20 teaching and non-teaching staff situated in a disadvantaged area with high levels of unemployment and families in receipt of benefit.

A welfare assistant position had proved difficult to fill. Qualities required for the post included patience, tolerance, and the ability to respond to children. Experience was preferred but not essential. The vacancy was advertised through the school newsletter and a number of people expressed an interest in the post, but it was difficult to recruit someone who could speak nicely to the children.

The post was eventually filled by one of the parents. The employer recognised that funding was not available to pay the wages sufficient to attract a candidate of the calibre required, possibly from further afield than the local community.

Source: ELASU Case Studies (IER/PRI)

Because nearly all of the employers - in a non-representative sample - had experienced recruitment problems they tended to regard this as a failure of the labour market to deliver the people (and skills) they required. This was often presented as a skill problem. In some instances it reflected the absolute shortage of people with certain technical skills in the external labour market, or with the types of inter-personal and generic skills required. In other instances, however, relatively poor terms and conditions of employment or insufficient attention paid to labour retention were also related to the recruitment problems employers faced.

It also needs to be borne in mind that some employers, especially for vacancies requiring sophisticated technical skills, set high standards when recruiting staff. Indeed, some were unwilling to recruit if the standard could not be met. It is possible to infer from this that the persistent recruitment problems encountered by some employers were a consequence of the setting unrealistically high recruitment criteria. But it also needs to be remembered that many employers were just looking for a fairly basic set of generic skills related to numeracy, literacy, and time keeping and found these difficult to recruit, especially so in East London. In these cases, where other terms and conditions of employment were not significantly below the local average, it cannot be concluded that employers' expectations were being set too high.

A number of other supplementary comments were made by employers about local labour markets:

- the impact of the benefit system such that unemployed people did not find it financially worthwhile to take the semi-skilled jobs on offer (especially in East London);

- the role of the informal economy which acted as a disincentive to applicants otherwise suited to lower level, lower paid jobs (especially in East London);

- the competition from the education sector for younger recruits.

4.4   Internal factors affecting recruitment

4.4.1 The recruitment process

There is little recent, statistically robust evidence on how employers recruit staff. Vacancies posted with the Jobcentre, although well documented, cover only a fraction of total vacancies in existence at any one time. The Manchester Evening News (MEN) Annual Recruitment Survey 2001, although based on one area, provides a more comprehensive source of information about how employers fill vacancies[19]. This survey revealed that employers used a range of methods, often simultaneously, to communicate job openings. Whilst the most common method was that of advertising in newspapers, a range of other methods were also employed:

- reliance upon word-of-mouth;

- use of the internet (for advertising jobs and receiving on-line applications);

- use of recruitment agencies to communicate vacancies; and

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[19]   Hasluck, C., T. Hogarth, and M. Winterbotham *Manchester Evening News Recruitment Survey 2001*, Manchester Evening News, Manchester, 2001

- direct approaches to potential applicants.

The Jobcentre was mentioned by relatively few employers in the recruitment survey *(see Chapter 6 for further details)*. Commenting in the report, the authors noted that the means of advertising jobs was much less dependent upon use of the Jobcentre and newspaper advertising than was recorded in the Survey of Employers Recruitment Practices in 1992, and a greater variety of methods were now used. The complementary survey of job-hunters undertaken as part of the MEN Recruitment Survey 2001 revealed that unemployed people were much more dependent upon the more traditional methods of finding jobs than their counterparts in work. For instance, those in work were more likely to have internet access.

The ELASU case study evidence demonstrates that vacancies for management and professional occupations tended to be advertised through national press and specialist journals, as well as using industry networks to communicate job openings. Routine manual and non-manual jobs tended through the Jobcentre and/or local press.

In many respects employers will tend to favour means of communicating job openings that obtain successful applicants. In general, most employers found that the Jobcentre was an inefficient means of advertising a job opening *(see Chapter 6)* although a few spoke highly of it. Newspaper advertisements, in contrast, on a certain day of the week, though expensive, were more likely to generate interest in a job from relevant sections of the workforce. This is consistent with the evidence found in the MEN survey. This is not to say that all employers found this method satisfactory, simply that it was better than the Jobcentre.

Because the sample of employers in the case study selection were those that had experienced recruitment problems a partial view of employers recruitment practices has been obtained. But because they had experienced recruitment problems these employers had engaged in a degree of innovation or experimentation in recruitment. From this, two means of recruitment were reported as particularly successful: use of industry or social networks to spread information, and, in large organisations, advertising jobs in internal newsletters or bulletins even though the vacancy was open to outsiders.

Importance of informal methods

Employers reported using a number of media in communicating a job opening – use of local or national press, recruitment agencies, Jobcentres, *etc.* What was perhaps most striking was the importance attached to informal channels to communicate vacancies and the relative success of this recruitment method as reported by employers. This was reported in relation to the demand for both technical and generic skills with workplaces across a range of industries recruiting across a range of occupations attested to the importance of this method. An example is provided below *(see box)*.

<div style="border:1px solid">

Establishment L18: Glazing company
East London

24 people were employed by the company; all of them fully trained glaziers. Over the past two to three years the company had taken on more staff to meet construction demand in South-east London.

Recruitment usually took place in September/October of each year since this was when demand reached its peak. The company had found it a fruitless exercise to advertise in the local press or the trade press, and thought it highly unlikely that the Jobcentre would provide any skilled applicants. Rather, the company relied solely on word-of-mouth. Word was spread amongst the 'glazing community' that glaziers were required and usually applicants were forthcoming.

The company saw no need to alter this approach. It also led self-employed sub-contractors to the company either to be taken on as employees or as sub-contractors.

</div>

Source: ELASU Case Studies (IER/PRI)

Many organisations reported a 'refer a friend' means of recruitment whereby existing members of staff were awarded with a payment – between £25 and £100 in the examples discovered – where an existing employee successfully persuaded someone to apply for a job.

The example of the glazier above and the 'refer a friend' schemes reveals the importance of social networks, but business networks were important too, especially where more skilled employees were sought. The machine tools manufacturer in Birmingham had discovered that another machine tools manufacturer was in the hands of the receiver and was about to closedown. *Establishment B17* then made an approach to take on soon to be made redundant skilled manual workers *(see box)*.

<div style="border:1px solid">

Establishment B17: Machine Tool Manufacturer
West Birmingham

During 2000/01 the company had expanded rapidly as it succeeded in shifting its product market position to a more buoyant sector of the machine tools market – smaller, lower-value tools, produced in higher volume.

The company had experienced recruitment problems obtaining technicians, craft electrical engineers, and operatives. Its main recruitment areas were the area immediately to the north-west of Birmingham city centre, but obtaining skilled trades personnel from that area had proved difficult.

Through industry contacts, the company discovered that a machine tools manufacturer about 45 miles away was about to close down. Establishment B17 was able to approach the staff and offer jobs to around 15 of them. Travel and relocation allowances were paid.

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Source: ELASU case studies (IER/PRI)

For the machine tools manufacturer the use of industry networks to successfully recruit staff was probably a unique event since it was serendipitous that a similar company was about to make redundant people perfectly suited to the jobs available in Birmingham. In other instances, especially for managerial, professional, and associate professional staff, informal networks had become a more routine means of recruitment.

A further dimension to the informal method was receipt of unsolicited applications for jobs. In some instances this was the beginning of what became a formal application process where the applicant was directed to a job advertisement and encouraged to complete an application form or whatever formal process the company favoured. In some instances the employer was opportunistic, interviewed the candidate and if they were satisfied with their credentials, appointed them. But this was not common, with most workplaces reporting a formal application process. Unsolicited applications resulted in some instances because a company had put the word out that they were looking for recruits. An example of this type was given by a PR consultancy in East London that was looking to take on an Account Executive. Word was put around other similar companies (many of which were shedding labour) that they were looking to recruit and this had generated a large number of speculative applications.

Potentially, each informal method disadvantages unemployed people if they, the unemployed, fall outside the informal networks, or are insufficiently motivated to make speculative applications. This will be addressed in greater detail later.

Advertising internally

One might take for granted what is meant by a vacancy. In the ESS series of surveys information collected about vacancies and HtFVs was analysed in the context of external recruitment problems. But the series of qualitative interviews conducted as part of ESS2002 suggested that vacancies sometimes referred to job openings that were posted only within an organisation. The ELASU case studies of large employers, in both the public and private sectors, indicates that vacancies were sometimes advertised only within an establishment or the wider organisation of which it was part. Internal bulletins or newsletters that were often distributed company-wide across several establishments *(see box)*.

Establishment La7: Hospital
North Lancashire

This hospital employed 600 staff, but was also part of a much larger Hospital Trust covering the north Lancashire seaboard.

Recruitment was an ongoing process as vacancies arose regularly and had to be filled quickly. Recruitment processes were systematic. Jobs were advertised internally through a twice-monthly vacancy newsletter distributed across the Trust and this had proved a successful mechanism. If necessary, advertisements were placed in the local press, but only after internal recruitment had failed to produce a successful applicant.

The hospital was affiliated to the local FE/HE Institutions and often took students on placement. This built up links with future potential recruits.

Source: ELASU case studies (IER/PRI)

Formal methods of application

There were some instances of companies preferring not to use informal channels. An IT company in Birmingham/Solihull recruiting staff at a professional/associate professional level reported that this process tended to bring about a flood of inappropriate applications from people lacking both the skills and experience they required. In many organisations the application form plays a major role in the assessment of the suitability of a candidate. Despite substantial use made of informal recruitment methods, the majority of employers used an application form as the basis for the initial sifting and short-listing of candidates. In general, the tendency to use a formal application process was greater amongst larger organisations, those recruiting technical skills especially in higher level occupations, and in the public sector.

Employer assessment processes, based on the application form, were diverse. For those positions not requiring specific technical skills, a coherent employment history and relevant industry experience was most valued by employers. The application form was used by employers either implicitly or explicitly to assess the basic English (reading and writing) skills of potential employees. The interview in most instances was the main test of the applicant's suitability. This varied according to the seniority of the job and varied from a application completed on site followed by an interview, to more drawn out processes including second interviews and presentations to the recruitment panel *(see boxes below)*.

Establishment La1: Fast Food Restaurant
Central Lancashire

The company is a fast food restaurant in a seaside town. It has a wide seasonal variation in demand with sales turnover ten times higher in July/August than in January/February. It employed 45 core staff with a further 30 staff taken on to cover the busiest periods of the year.

The store manager noted that most potential employees would fill in an application form on site. Qualifications were not necessary to secure employment, but good interpersonal skills, clean appearance, and a positive attitude would secure a job. Most applicants did not produce a CV or history of achievement, but if they did this was viewed positively. However the manager stressed the importance of the interview in the assessment of the skills of the candidate and their suitability for the job.

Source: ELASU Case Studies (IER/PRI)

The fast food restaurant was not overly concerned whether staff stayed with the company for a long period. Most staff were required to cover the holiday period and no more. The investment in hiring was consequently small.

Where harder to find technical skills were sought there was a tendency to have a more drawn out recruitment process, such as in the example of the textiles plant looking to recruit skilled sewers *(see box)*.

Source: ELASU Case Studies (IER/PRI)

Where managers, professionals, and associate professionals were being recruited the recruitment process could be even more drawn out including second interviews, psychometric testing, and use of assessment centres.

Without doubt the recruitment process could contribute to the incidence of recruitment problems. The more hurdles a prospective candidate had to clear, the more likely that they would fall by the wayside. But the recruitment process is, in many respects the manifestation of human resource (HR) policies that sought to obtain staff of a certain calibre. In this sense, it is not the application process *per se* that leads to recruitment problems, but the underlying HR policies that attempted to balance a number of factors:

- equal opportunities;
- ensure that applicants possessed the skills required;
- guarantee that recruits would fit into the workplace;
- develop a workforce for the future.

4.4.2 Terms and conditions of employment

In many respects the wage levels as a source of recruitment problems, independent of other causes, were more pronounced in lower skilled jobs reliant almost wholly on generic skills. Here employees, it was reported, could move readily between jobs in different industries in pursuit of higher wages. In general, wage levels were low in these jobs with employees constantly on the look out to see if they could a little more.

Wage levels, especially for higher skilled jobs, cannot be viewed in isolation from other aspects of human resource development policies *(see box).*

Establishment B6: Specialist college
Solihull

The college had a staff of sixty. It provided training to the cultural industries. Over the past few years the college had found it difficult to recruit staff to a range of specialist teaching functions, mainly due to a limited supply of trained personnel. Due to funding restrictions it had found it difficult to offer salaries that would attract London based candidates. London dominates employment in the occupational areas of interest.

An improvement in the standing of the college linked to additional funding had resulted in it being able to attract a far stronger range of applicants than hitherto for hard-to-fill vacancies such that they most of the interviewed applicants were possible appointments. The standing of the college was important in attracting good quality applicants, but additional funding also allowed more competitive salaries to be paid. An improved human resource development programme that allowed staff to engage more fully with the theatre through short sabbaticals was also thought attractive to potential applicants.

Source: ELASU Case Studies (IER/PRI)

The example above reveals that wages are sometimes central to occurrence of HtFVs arising but also that wages need to be seen in the context of other human resource policies that help attract (and retain) people to a job. It also suggests that wage increases alone, in a market characterised by excess labour demand, are unlikely to yield an increase in successful applicants. In any case, attempts to solve recruitment problems by resorting to wage hikes without an increase in supply this will do little except raise wages amongst the existing pool of skilled labour in the short-term, although in the longer term supply should increase.

Terms and conditions of employment go beyond wage levels; there needs to be recognition of a range of other factors which will affect recruitment. Possibly the most important are hours of work. The example of *Establishment La22* above reveals that variable, sometimes long hours of work are a disincentive to recruitment. Shift work can also deter would be recruits. A bus company in Birmingham reported that it operated split shifts, with seven days a week operation, in order to accommodate peaks in passenger traffic. The bus company thought that this was unpopular amongst the existing workforce, contributed to high labour turnover, and deterred ideal recruits who might be currently working in the retail sector with more regular hours of work. The company had allowed staff to swap shifts amongst one another in an effort to ease the demands on its labour force, and mentioned this at interviews for new staff, but could not guarantee that staff could work flexibly.

4.4.3 Labour retention

In many of the case studies recruitment problems were essentially retention problems. Recruitment problems would be unlikely to be solved until more attention was given to what might keep a person in their job rather than what might attract people to join the organisation in the first place.

This is not to suggest that labour turnover was the only or the main cause of recruitment problems, rather it illustrates that recruitment and retention problems are different sides of the same coin. Where higher level skills were required by employers these were much more likely to be a consequence of business growth of some type. Several of the manufacturing firms interviewed reported buoyant demand for their products 12 months ago, often in North America, which had required them to take on new staff to meet output demand. Their recruitment

problems sprang from a shortage of skilled labour in the local, regional, and often national labour markets.

In East London, and to a slightly less extent in Birmingham/Solihull and Lancashire, employers typically recruiting to less skilled jobs reported that labour turnover was the main reason why they were recruiting workers. This was especially so in the retail industry which was recruiting mainly sales/customer service workers. Typically these workplaces admitted to paying either below the average wage or more or less the average for the area and job, and experienced a high degree of fluidity in staffing levels. This could often be exacerbated by the need to meet sales targets which increased the pressure on staff working on the shop floor *(see box)*.

Establishment L7: Retail food store
East London

Part of a national chain, this workplace had the fourth highest turnover of 430 stores in the chain at around 60 per cent. Out of a workforce of 55, there were currently 14 vacancies for checkout operators, shelf-stackers, administrative assistants, and warehouse staff. These vacancies had been open, on average, for eight weeks.

All that was required of shelf-stackers and warehouse staff was an ability to speak (but not read) English. Induction training was provided over the first two weeks, during which period the store was most likely to lose new recruits. Induction training taught recruits how to do the job.

In an effort to solve recruitment problems a two pronged approach had been adopted. First, to be more stringent in recruitment. In the past the desperate need to find staff to work on the shop floor had led to inappropriate recruitment that had, ultimately, contributed to high labour turnover. Second, to pay more attention to ensuring staff are content in their jobs - by giving them a staff uniform and locker when the start their employment and paying greater heed to the training they might require.

The programme had been operation 18 weeks and had reduced labour turnover by around a third, but recruitment problems were still in evidence.

Source: ELASU Case Studies (IER/PRI)

Linked to labour retention is the role of training and development which can be used to retain people with an employer where there is some sense of career progression.

4.4.4 Training and development

For many employers the emergence of recruitment problems was not a new phenomenon; employers had had time to consider how to respond to the recruitment challenges they faced. An obvious response is to engage in training and human resource development of:

- existing staff in order that they might be sufficiently skilled to meet future skill needs;

- new recruits so that they can be taken-on with fewer skills than would be otherwise acceptable;

- as a means of establishing a reputation as an 'employer of choice' in the local labour market.

It is with respect to the second and third points that this report is mainly concerned. As described in the previous chapter many of the skills that employers found difficult to obtain were of a general type related to personal attributes rather than the possession of technical skills acquired over a long time span. This suggests, *a*

priori, that there was scope for employers to use training and development as a means to solve their recruitment problems.

Induction training

There is a need to distinguish induction training from more substantive skills training. Nearly all employers had an induction process although some employers had only recently introduced the process. An illustration of what induction training provided is provided below *(see box)*.

Establishment La15: Textile company
Littleborough

A business providing textile coatings employing 144 people, approximately three-quarters of whom were employed in shop floor activities.

In the past, new recruits had gone onto the shop floor without any induction or appropriate supervision, with the consequence that recruits' morale was weakened as well as being potentially placed in danger of injury. Over recent years induction processes had been developed such that new recruits had two days induction training, followed by a 12-week probation period over which their work is closely monitored.

All new employees had a four-hour induction course which provided a background to the company, an introduction to the site and health and safety issues, followed by some on-the-job training.

Source: ELASU Case Studies (IER/PRI)

In most cases, induction training was not about to transform a recruit who was lacking experience or the skills required to do the job into a fully proficient worker.

Training and development

Training and development, as noted above, potentially allows companies to recruit at a lower level than would otherwise be the case. Providing training and development can also help establish the workplace as the 'employer of choice' in a local labour market. Job hunters can be drawn to a company because of the job or career progression it affords its employees. This also has the potential to lower labour turnover.

An example of the latter approach and its impact on the existence of HtFVs lower skilled occupations is provided below *(see box)*.

Establishment La3: Pub and hotel
East Lancashire

The manager of a recently opened pub and hotel employing 54 people reported no shortages of people in the local area to able to fill the housekeeping and catering positions that periodically came available and the positive impact this has on the business.

The manager noted: the high level of unemployment makes it easier to recruit a higher calibre of staff. Recruitment takes place to cover for seasonal trade and replace promoted staff. Lower grade staff see that there is an opportunity for progression. This helps to create a positive working atmosphere because they can see that hard work is rewarded.

Source: ELASU Case Studies (IER/PRI)

Some employers had been encouraged to invest in internal resources to address the problem caused by SSVs. A manufacturing business reporting SSVs for engineers had recently appointed a training manager. The company recognised that it was struggling to recruit suitably qualified engineers - who were increasingly required to have a mix of technical, IT and customer relation skills - and therefore it had taken on younger people and provided them with a mix of induction and training. Although as a small company they could not afford extensive training (beyond providing day release) it saw that the employment of a training manager would bring long-term benefits and help to retain its low level of staff turnover.

A similar sentiment was mentioned by a plumbing company in Birmingham/Solihull. Referring to the importance of training in alleviating recruitment problems the co-owner commented:

> The problem is circular really. We can only have skilled people working unsupervised for the business, and we can't really recruit skilled people because they don't exist in the labour market. If they are skilled, they are working for themselves. So, we have to find unskilled people and train them up...The people with personal skills are usually older, but we can't afford to pay them a living wage, so we have to take on very young men who don't have the skills but we hope we can train up.

Whilst some employers recognised the value of providing career progression and development opportunities, the majority of employers suggested that many employees in 'lower-level' occupations were provided with little of no training or development opportunities. Some employers appeared willing to live with the costs of labour turnover particularly in lower level occupations. This is illustrated in the example below *(see box)*.

> **Establishment La4: Private Hospital**
> **North Lancashire**
>
> One employer (a private sector hospital) with a recognised problem associated with labour turnover suggested the company have experienced a number of problems with recruitment to a variety of positions including nurses, housekeeping and catering occupations. These have arisen partly because unemployment in the area is low and there are a lot of other jobs available so it is difficult to recruit people. In addition the location of the hospital, four miles out of town is such that private transport is necessary to get to work and the level of pay associated with some of the lower level jobs does not compensate for the travelling time and distance.
>
> The HR manager noted:
>
> "...there is little prospect for career development and few members of staff remain for a long period of time. If they stay a year the company views this as a good outcome. If the company paid a little more attention to them it would probably get the staff required to stay longer'"
>
> But the hospital was stuck in a reactive mode to the recruitment problems it faced.

Source: ELASU Case Studies (IER/PRI)

4.4.5 Identifying new sources of labour supply

The evidence to suggest that employers were willing to take on less skilled people and train them to the required level was limited. This is all the more surprising given that the skills required were often of a general type that could, to a degree, be learnt by doing, such as the range of generic skills *(see section 3.2)*.

This raises a particular problem for unemployed people where they have been made redundant from industries that required markedly different skills than those now required in growing parts of the three local economies. Of course this mismatch often took a form other than a skill one. Some establishments preferred young people, or were looking to recruit young women - 'women returners' - on a part-time basis, whereas the ranks of the unemployed are often made up of older men looking for full-time jobs. This is examined in greater detail in *Chapter 6.*

Employers with HtFVs were often trying to recruit a scare resource: skilled people with relevant experience, and all the personal characteristics ideally suited to the job. Amongst the economically active these people are likely to be already in employment with a consequence that HtFVs arose from the difficulty of prising away these people from their existing employer. Against a background of near full employment this problem is unlikely to disappear in the long-term. The alternative, which some employers adopted, was that of seeking out people who were currently economically inactive, or recruit from abroad where this was possible. Examples from the case studies suggested that some employers were targeting:

- older, retired people. Where retired people applied for a job this was interpreted as a strong signal regarding their motivation to work;

- women returners who were looking for part-time hours in the middle of the day;

- in the health and social care industry nurses were being recruited from South Africa;

- in East London some employers had targeted refugees who had been given a right to extended residence in the UK. These were often highly qualified people eager to find work.

An establishment in Birmingham/Solihull, providing residential care to people with learning disabilities reported how it abandoned traditional methods of recruiting staff and held a fair at a local church hall and was able to successfully recruit staff and identify others who would be willing to help out when necessary. All of the recruits had been previously economically inactive. The leader of the organisation commented on the fair:

> It was a good experience; loads of people turned up, mostly women still at home with their kids. We got six permanent people and six bank staff from this – all but one had no previous experience and all were local.

4.5 Policy factors

Employers commented on a variety of issues that were tangentially related to labour market and social security policy, mainly in relation to the readiness of the long-term unemployed to take up work. Where employers had experience of the Jobcentre and/or were recruiting to low paid, low skill jobs, there was a tendency to report that unemployed people turned up for interview because they had been prevailed upon do so to protect their benefit entitlement. In these instances, employers suggested that this sub-group of applicants were not interested in the jobs on offer. It must be noted that that it is difficult to verify the reports of employers in these cases.

A further dimension to the readiness of unemployed – typically long-term unemployed – was their lack of vocational preparation. Employers reported that they seemed ill equipped to meet the demands of some fairly low skilled jobs. This related primarily to generic skills (*e.g.* numeracy, literacy) and personal attributes (*e.g.* general appearance).

Issues relating to the recruitment of unemployed and long-term unemployed people, are covered in more detail in *Chapter 6*.

4.6 Key points

Chapter three described HtFVs with respect to vacancies that attracted:

i.   no applicants at all

ii.   applicants who did not possess the generic skills required;

iii.   applicants who did not possess the technical skills required;

iv.   applicants with neither technical nor generic skills.

Types (i) and (ii) HtFVs were often a consequence of pay and conditions being unable to attract staff of the calibre required. Typically (i) and (ii) were reported by employers with vacancies for unskilled/semi-skilled jobs where the tasks could be learnt by doing during induction training. In all three labour markets there was an above average unemployment rate, but unemployed people were thought to be insufficiently equipped to fill the jobs on offer, even though there was no real, technical skill barrier to them taking these jobs. Language difficulties (especially in East London), general presentation, and attitudes towards work (as reported in relation to Jobcentre usage, *see Chapter 6*) were said to bar many applicants being appointed. Travel was also cited as a barrier in Lancashire. In addition the strength of the informal economy – jobs paid in cash - was mentioned in East London but there is no way of verifying this claim.

Arguably, better pay and conditions would attract applicants of the quality required, but this would tend to stimulate competition between employers for the existing stock

of employees. Employers in all three areas reported that there was already strong competition between employers for staff hence the need to pay attention to retention as well as recruitment.

5. CONSEQUENCES OF RECRUITMENT PROBLEMS

5.1 Responses to recruitment problems

Evidence drawn from the ESS1999-2002 reveals that employers typically responded to recruitment problems by increasing salaries to attract suitable candidates and increase the supply of training. The case study evidence, as the previous chapter indicates, suggests that the amount of additional training provided was quite modest. Employers generally provide training to new recruits (induction training) and on-going training to existing employers. But the evidence suggests that employers were often slow to react to changed labour market conditions and that they tended to persevere with recruitment processes with which they were familiar. There was a sense, as pointed out in previous research undertaken in relation to ESS and referred to in the ESS2002 report[20], that some (possibly many) employers 'muddle through', that they make the best of available resources but do not significantly alter their behaviour in response to recruitment problems[21]. There are, of course, exceptions to this, where employers alter their behaviour in a substantial manner. The example has been cited above of the retail store in East London that decided to pay greater attention to what made people stay with the company in an effort to solve its recruitment problems. Important here was the decision to provide better induction training, and provide staff uniforms and lockers on the first day of appointment. Other examples have been presented in previous chapters of the use of training and development to recruit and retain staff by offering some career progression. Other employers had recognised the futility of advertising for fully experienced workers and accordingly had begun to train existing staff (often young people) to fill anticipated skill needs in the future. Some of the changes observed might appear small scale, but a new recruit can attach a great deal of importance to them.

This chapter looks at how employers responded to the recruitment problems they faced, and the costs experienced from not being able to recruit the staff they needed.

5.2 Understanding the real impact of recruitment problems

ESS1999-2002 highlight the impact of recruitment problems on organisational performance. The case studies undertaken as part of ESS1999 illustrated the manifold ways recruitment problems had an impact on new product development, gaining new business, etc.[22]. *Figure 5.1* provides evidence from ESS2001 about the reported impact of HtFVs and SSVs on organisational performance.

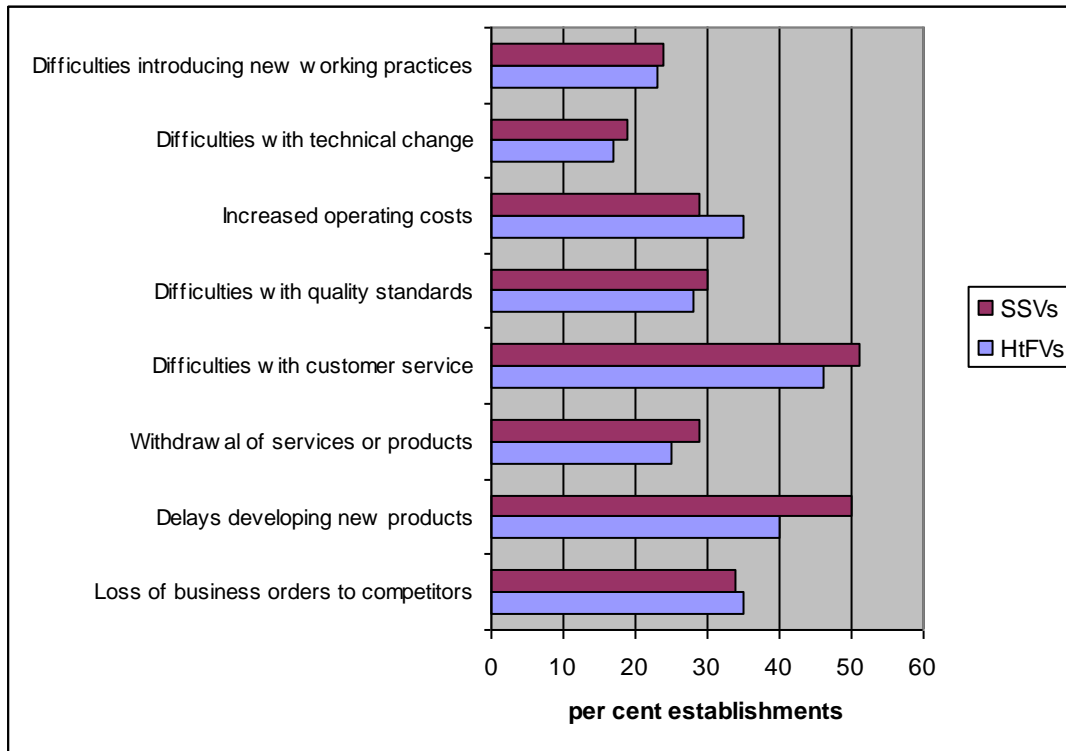[20]   Hillage, J et al, 2002, *op cit*
[21]   Of course, the employers providing a high volume of training and development and not experiencing recruitment problems are not captured by the case studies.
[22]   Hogarth, T. and R. Wilson, *op cit*

Figure 5.1
Impact of Recruitment problems on organisational performance

Source: ESS2001
Base: establishments with HtFVs/SSVs

The evidence drawn from the case studies about the impact of recruitment problems is consistent with the wider ESS data. For example, an IT consultancy in Birmingham reported that its business plan needed to be changed to reflect the difficulties recruiting key staff. Many organisations, especially in East London and those seeking semi-skilled labour in Birmingham and Solihull, reported that recruitment problems had been long-standing and the difficulty attached to finding staff was a legitimate reason for failing to meet business targets or not expanding the business as desired. To some extent, impact was being measured against some ideal standard, but it was little surprise to respondents that that standard had not been achieved given labour shortages.

This demonstrates how expectations were being lowered in response to recruitment problems. Faced with a shortage of staff, and no ready solution to the problem, employers 'muddled through' doing the best they could with available resources. The evidence indicates that the costs of 'muddling through' sustained in foregone income are likely to be considerable.

5.3 Persistence of recruitment problems

The evidence indicated some cyclical effects in the setting of recruitment standards. During economic downturns some establishments set higher recruitment standards to reflect that market conditions were tougher and so all staff had to be more productive, efficient, and inventive in their day-to-day jobs. Would be recruits therefore had to signal that they possessed these qualities in addition to any of the other technical or generic skills specified in the job description. Employers could

raise the recruitment standard because they perceived more choice in the jobs market: people were either looking to switch jobs in order to increase their job security, or were looking for work from the more abject position of being unemployed. The net result of this was to ensure that employers' recruitment problems persisted over the economic cycle.

More persistent recruitment problems were also reported, especially so in the construction industry. There was a persistent problem of recruiting young people. Examples were also cited in the engineering sector of skill leakage. Once skilled trades workers had been made redundant they were reluctant to return to the industry. Coupled to a perceived view that young people were not entering the industry, the long-term outlook was one of persistent recruitment problems. Therefore replacement demand is significant but people are not prepared to offer their services if long-term prospects are perceived as poor.

In the face of persistent recruitment problems, the key question is: how can employers change their practices to avoid recruitment problems? In the case study evidence, there were examples of workplaces abandoning vacancies after a period of time. The software consultancy described above reported that it had given up trying to recruit 'business consultants' and 'solutions architects' because the characteristics of applicants was so far removed from that specified in the job description. This eventually had to be incorporated into the business model since these people were important drivers in the company and their absence had to be reflected in the type of business that would be sought in future. There is a clear implication here that such vacancies would not be posted again in the future and consequently the company would abandon its attempt to move into a higher-value added market. This has resonance with the low-skill equilibrium and latent skill gap hypotheses. Abandoning vacancies tended to occur more often at higher levels in the occupational hierarchy. At lower skill levels, especially in relation to generic skills, there was more a tendency towards leaving vacancies open indefinitely with recruitment on-going. This was especially so in larger workplaces.

Abandoning vacancies was an exceptional response to recruitment problems. The next section looks in a little more detail at the responses of organisations to their persistent recruitment problems.

5.4 Avoiding future recruitment problems

A number of responses were reported in relation to persistent recruitment problems. These mainly related to:

- 'muddling through';
- developing new means of recruitment;
- developing the existing workforce to meet future skill needs.

For many of the organisations the main response to recruitment problems was as mentioned in the introduction to this chapter, to 'muddle through' with existing resources. This response was first highlighted in the case studies conducted as part of ESS1999[23], and was again mentioned in relation to ESS2002[24]. Some companies were opportunist insofar as they recognised *ad hoc* solutions to some problems,

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[23]   Hogarth and Wilson, *op cit*
[24]   Hillage et al, *op cit*

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such as the machine tool manufacturer in Birmingham that was able to hire skilled trades workers from a nearby factory that was closing down. But the overwhelming impression is that organisations were quite conservative when it came to progressively changing their recruitment practices.

Despite the impression of most employers 'muddling through' others had responded to the shortages of staff they sought. Nurses, for example, were being recruited from South Africa, although there is a history of recruiting from abroad in the NHS. Other companies, such as the retail outlet in East London cited earlier, paid greater attention to staff retention in an effort to lower the amount of recruitment they had to undertake. As noted in *Chapter 4*, some establishments targeted new sources of labour (older workers, women returners, *etc.*) to meet their recruitment needs, especially in those jobs that required mainly generic skills. A manufacturing company in west Birmingham reported that it now offered flexible hours of work to both retain and attract workers. A fitter at this factory, for example, started work at 7.00 am and finished at 3.00 pm so that he could be at home when his children finished school. The owner said of this policy:

> If the kids are sick or there is some other family thing...you can't expect one of your men to leave their kids or their partners in trouble and come into work. They have to have the time to do what needs to be done. It's not a problem, and we cover for each other. That's team working.

Clearly there is a Work-Life Balance dimension to the skill problems employers faced[25].

Perhaps the most profound change some establishments had made was to develop staff internally to fill skilled job vacancies that were likely to arise in the future. Although 'increasing training' was mentioned in relation to 35 per cent of all HtFVs in ESS2001, it has always been unclear what this actually meant in practice. For example, to what extent did employers increase their training provision, and of what quality was this training?

In relation to technical skills some employers placed considerable emphasis on developing their own skilled workers, allied to policies to retain staff. At a small engineering plant in Solihull, the Managing Director reported that training had become increasingly important to his business because of the shortage of engineers in the local labour market. In this particular case the company reported that it was pointless to persist with the attempted recruitment of fully experienced workers when there was an absolute shortage of them in the local labour market. Similar examples were also reported in Lancashire.

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[25] Hogarth, T., C. Hasluck, and G. Pierre, *Work-Life Balance Baseline Study 2000*, Nottingham, Department for Education and Skills Publication, 2001

6. UNEMPLOYED AND ECONOMICALLY INACTIVE PEOPLE

6.1 Targeted recruitment of unemployed people

Employers in general reported that whilst they did not target unemployed people as a source of possible recruits they did not rule out candidates who were unemployed. One employer with HtFVs for associate professional staff said that redundancy was an unfortunate fact of life in the IT industry in which they operated, and for this reason they would certainly not rule out an applicant because they had been made unemployed. That said, the actions of employers – often based on their past experiences – lowered the likelihood of an unemployed person being recruited. In fact, examples of employers actually recruiting an unemployed person were scarce across the case studies. Reasons for unemployed people not being recruited related to:

- not using the Jobcentre *(see below)*;

- a feeling that unemployed people did not possess the skills they were looking for (*i.e.* 'skilled people are never unemployed');

- concerns over why a person had lost their last job;

- a preference for a continuous employment record.

There is a need to distinguish between short-term and long-term unemployed people. In the example of the IT company above, the respondent was referring to those people who had been unemployed for a short-time, if the person had been unemployed for a substantial period of time this would have affected their perception of the person applying for the job. Job history, especially for higher level occupations, was an important means of clearing the first hurdle of the recruitment process: the screening of application forms for selection of candidates for interview. Long breaks in a career history could disadvantage applicants at this stage.

Though the majority of employers did not specifically target the unemployed there were employers who recognised that the unemployed potentially provided a source of skilled personnel in their local labour market. For example, in the case of the business supplies company in north-east Birmingham *(see box).*

Source: ELASU Case Studies (IER/PRI)

There was at least one employer that did target the unemployed. This stemmed in part from the political, economic status of the organisation in the local economy. As one of the larger employers in Birmingham it was involved in a number of programmes and networks in the area to foster social inclusion. To this end it was involved in establishing a nearby Jobcentre that would reach out to areas of the city that experienced high levels of unemployment. The company would provide transport links to these areas.

The examples provided above were far from typical. More commonly employers reported that whilst they did not target the unemployed, they did not discriminate against them either. This might be interpreted as a somewhat disingenuous statement given that the overwhelming weight of opinion was that unemployed people were unlikely to possess the skills or characteristics they were looking for, and recruitment processes sometimes acted to exclude, indirectly, unemployed people from applying. This is addressed in greater detail below.

6.2   The role of the Jobcentre

Respondents were specifically asked whether they posted their vacancies in Jobcentres. Responses from employers across the three areas tended to report the same experiences:

- where skilled labour was required the Jobcentre was not considered as an appropriate mechanism for recruitment;

- recognition that the Jobcentre was a source of unskilled labour but that the supply was of poor quality for the following reasons:

  - applicants often did not possess the specific characteristics the organisation required (*e.g.* timeliness, good presentational skills, *etc*);

- applicants appeared to employers to have little interest in the work on offer with some employers reporting that they thought applicants turned up out of duty to the Jobcentre;

- applicants failed to arrive for interview;

- where Jobcentre supplied applicants had been appointed they tended to part company with the organisation quite soon afterwards.

In some instances, employers reported that their Equal Opportunities policy necessitated them sending all vacancies to the Jobcentre. On the whole, however, Equal Opportunity policies did not mandate that vacancies had to be posted with the Jobcentre.

Occasionally comments about the Jobcentre were severely critical, especially where employers thought that applicants obtained *via* the Jobcentre were turning up for interview solely to maintain their benefit entitlement. A leisure company personnel manager made the following comments on the quality of applicants that came through the Jobcentre:

> Its just a waste of time with these people. They go through the motions because they have to, and they put in applications and then usually don't turn up for interview. When they do turn up, they often have absolutely no idea what the job entails.

Whilst this view was put somewhat fulsomely in the above example, similar sentiments were expressed by a number of employers, especially in East London. Nevertheless, there were examples of establishments found the Jobcentre a useful means of recruiting (see *Establishment B11* above). It is also a free source of advertising vacancies, as one employer – in the community sector – reminded himself:

> As far as Youth Workers are concerned, this [the Jobcentre] is probably not a sensible source. There is probably no reason why we shouldn't put every vacancy in the Jobcentre. I'd be more than happy to do that. It's probably laziness that we don't do it. It doesn't cost anything. I think we should do that, but we don't tend to because it's not an obvious source for us.

There was other positive evidence about the use of Jobcentres, but these should be regarded as exceptional in the context of the case study participants. Some of the largest workplaces in Birmingham/Solihull, for example, had developed programmes in conjunction with local authorities and the Jobcentre to communicate job opportunities to the local community.

There was also some evidence that the performance of the Jobcentre was improving. A respondent from a farming business in central Lancashire noted:

> The Job Centre is the most effective way of advertising and the company has taken on many people who have had periods of unemployment. The service has improved over the past 12 months when there have been some reorganisations. One of the benefits is that adverts are placed in a larger area (including Internet) which increases the pool of potential applicants. They have also provided advice on the wording of advertisements and sent useful information. The Business Link has also offered some advice and we have committed to the Investors in People Standard.

6.3 Equal opportunities and recruitment

Recruitment policies, if they are to satisfy an equality of opportunity criterion, need to make vacancies open to everyone who might be reasonably expected to be able to fill them. This was patently not so with respect to the case study evidence. Informal methods of recruitment have grown in importance – as the MEN Annual Recruitment

Survey indicates – and these potentially disadvantage the unemployed, as well as other social and demographic groups. One cannot be certain about the extent to which these informal methods disadvantage the unemployed other than to say that some were based around communicating vacancies through networks that were more accessible to those in employment.

Employers tend to concentrate on what works efficiently, but what works in a labour marked characterised by excess demand will be markedly different to one where there is excess supply. Employers in some instances had not changed their recruitment practices despite rising levels of employment. Except in the larger organisations with formal equal opportunities policies, little consideration was given to the wider implications of a recruitment policy. Employers were simply interested in obtaining a relatively limited number of applications from people who were all well suited to fill the job on offer. They also tended to regard their current practices as being as efficient as they could be. Recruitment practices in many cases had developed through custom and practice and what worked efficiently possibly relied more on instinct than any formal assessment of what really worked well.

6.4 Employer perceptions and experiences of unemployed people

Employers reported that they did not automatically rule out applications from unemployed people. They had a set of preferences, as explained above, that tended not to favour unemployed people but these would not be sufficient, they reported, to stop an unemployed person being recruited if they possessed the skills required by the company.

Those employers that had recruited through the Jobcentre and taken on an unemployed person complained that they left quite soon after appointment. Other employers were of the opinion, sometimes based on both fact and sometimes based on anecdote, that the ranks of the unemployed were simply not suited to the type of work on offer. Bars and restaurants recruiting waiters, for example, pointed to their demand for young people which they thought were unlikely to be unemployed. Similarly, a number of care homes reported that they were looking for people with a set of personality characteristics typically associated with those already employed in nursing ancillary jobs. These were not found, it was reported, amongst the unemployed.

Table 6.1 provides an indication of the types of people who were eventually recruited to selected hard-to-fill vacancies. Overall, they share a profile that is different what is known about the population of unemployed people.

Table 6.1
Characteristics of people recruited to selected hard-to-fill vacancies

Job type	Characteristics of person(s) recruited
Waiters/bar staff (East London)	Young people, typically those already working in hospitality. Often from Australia/New Zealand working in England for a year or so.
Nurses (Birmingham/Solihull, East London)	Often recruited from abroad, South Africa considered to be good source.
Nursing home care staff (Birmingham/Solihull)	Tend to target either people already working in the industry, or target the economically inactive (older women with good communication skills especially sought).
Shelf-stackers in supermarket (East London)	Asylum seekers with permission to work, often highly qualified. Older, retired men also recruited and tend to stay with the company.
Construction company (East London)	Middle aged men with plenty of work experience.

Source: ELASU Case Studies (IER/PRI)

6.5 Employer experiences of New Deal

A small number of employers reported that they had taken on staff through the New Deal. This is a non-representative sample and readers are pointed to the detailed reports published by the Employment Service/DWP[26]. In the few examples where employers reported that they had recruited someone through New Deal, the general conclusion was that (a) New Deal participants were not always well suited to the job on offer, and (b) there were problems associated with the administration required to obtain New Deal placements. In some cases, despite contacting respondents *via* the New Deal database, employers were not always aware that they had recruited someone through the New Deal. This is not unusual in cases where the recruit is unsubsidised. In these cases, employers' views of recruitment through New Deal became conflated with those of recruitment of long-term unemployed people.

6.6 Key points

Employers reported that whilst they did not target unemployed people for recruitment to hard-to-fill vacancies, or vacancies of any type, they would not automatically disqualify someone from being recruited just because they were unemployed. Yet there appeared to be formidable hurdles the unemployed person would need to clear, regardless of their skills, should they seek employment:

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[26] Hales, J, D. Collins, C. Hasluck, and S. Woodland, *New Deals for Young People and the Long-term Unemployed: Survey of Employers*, Employment Service Research and Development Report, ESR58, Sheffield; 2000; Hasluck, C., *New Deal for the Long-term Unemployed: A Summary of Progress*, Employment Service Research and Development Report, ESR41, Sheffield, 2000; Hasluck, C., 'Lessons from the New Deal: Finding work, improving employability', *New Economy*, Vol.8, Issue 4, pp.230-234

- recruitment practices that favour informal methods (word-of-mouth, use of business networks) mean that unemployed people might never be aware of a vacancy;

- a disinclination to use the Jobcentre to advertise vacancies one of the principal sources of jobs for those signing on the unemployment register;

- a feeling that unemployed people would not possess the skills required by definition of them being unemployed.

Generally employers were referring to people who were long-term unemployed, but it was not clear how employers defined 'long-term'.

7. CONCLUSION

7.1 Skills mismatch

The research was concerned with the apparent paradox of high levels of unemployment and recruitment problems co-existing at the local level. Previous research has indicated that unemployed people, especially where they have been unemployed long-term, suffer multiple disadvantages in the labour market. In particular they are more likely to have no qualifications and to be unskilled. Many of the jobs that proved hard-to-fill were lower level jobs and were less about skill and more about finding someone who could learn the job by doing over a relatively short space of time. From a distance, one would expect unemployed people to provide a pool of labour to fill these jobs and stop them turning into HtFVs. Evidence provided from a non-representative group of case studies suggests that this is not occurring for a number of reasons:

- a reluctance to use the Jobcentre to advertise job openings;

- a mismatch between the characteristics of unemployed people and those characteristics required to find and retain employment;

- feelings amongst employers that, at a time of high employment levels, that unemployed people are unlikely to possess the skills they require (regardless of application form details);

- a dependence upon informal networks to communicate job openings (if unemployed people, especially those with a poor employment record, are more likely to be part of work-less social networks).

Some employers reported that unemployed people who had presented themselves as applicants had no interest in taking a job and had turned up simply because the Jobcentre had sent them along as a condition of continued benefit entitlement. The 'benefit-trap' was also mentioned. It should be noted that the research has no way of verifying these claims by employers and they are presented simply as perceptions held by employers which affected their recruitment decisions.

But all employers said that they would not rule out applications from unemployed people, just that experience had led them to believe that unemployed people in many instances would not possess the personal and skill characteristics they sought.

Employers, especially those in East London, were looking to alternative sources of labour. Older workers, especially men, were being targeted by one employer, others reported that asylum seekers and other migrants who had been given extended leave to stay in Britain provided a stock of highly qualified people from which to recruit.

7.2 Inefficient operation of local labour markets

What might explain the so-called 'paradox' between the co-existence of relatively high levels of unemployment and HtFVs? HtFVs result from employers having a specific set of requirements in mind for a would-be recruit. They are willing to lower their recruitment standards to an extent, but they nevertheless require recruits to meet the job specification within a short-period of time (the probationary period). If that standard cannot be reached then employers are willing to let a vacancy lapse because the costs of recruiting an unsuitable applicant are thought to be greater than

not recruiting at all. It should be borne in mind that the administration associated with hiring and firing can be costly as well – as reported by several respondents in larger organisations.

7.3   Occupational and/or geographical immobility

The evidence from Lancashire points to location being a source of recruitment problems. Where employers occupy a rather remote location and have vacancies for relatively low paid jobs, then the capacity of people to travel far to fill those jobs is limited by the availability of public transport and the costs of travel. This is not, however, a problem unique to rural locations. They may be more acute there, but in Birmingham/Solihull and East London the ability of people to travel far when jobs are low paid means that employers are also dependent upon the local labour market in their immediate vicinity. This is exacerbated further when shift work is required and/or early morning starts when public transport might not be available.

7.4   Wages and conditions of employment

In many respects HtFVs resulted because employers were not offering terms and conditions competitive in their local labour market. If they raised their wage levels they might have been able to attract labour of the quality desired and improve supply over the longer-term.

Relative wage levels, and other terms and conditions of employment, are also likely to be related to labour retention. An inability to recruit staff because wages are low for example, is also likely to be related to problems retaining staff if better jobs are available elsewhere. The report indicates that high labour turnover is a major cause of recruitment problems.

7.5   Training and development

Training and development of existing staff was seen by number of employers as being a means to avoid future recruitment problems. This related more to skilled occupations, but not exclusively. Employers recognised that training would allow them to take on less skilled people and train to fill skilled jobs. Potentially there was a staff retention element to training and development insofar as it helped integrate people into an organisation.

7.6   Other factors suggested by the qualitative study

The distinction between SSVs specifically and HtFVs more generally is not always distinct. Where employers talk of generic skills, they are sometimes talking about personality characteristics. It is exceedingly difficult, for example, to teach someone to be cheerful where their natural temperament is to be otherwise. In this sense the discussion is not about skills. But there is also a degree of crossover between generic skills and personal attributes. People can be taught, for example, to be pleasant to customers, or to communicate more clearly.

It was also apparent that there were few differences between the experiences of employers in the three labour markets. Rural locations tended to mark out some of the Lancashire workplaces, but the overwhelming impression is one of employers across the areas sharing experiences, perceptions, and reactions to recruitment problems. This explains the relatively limited reporting of results by locality.

7.7   Implications for policy

As the economy nears full employment there remain a substantial number of people who are unemployed (many long-term). Employers with HtFVs are unlikely to recruit an unemployed person even though the skill level they require is quite rudimentary. It bears repeating that as far as employers are concerned unemployed people are equated with the long-term unemployed.   To some extent the argument is a circular one.   If employers were willing to recruit unemployed people then it is likely that some HtFVs would not arise. The evidence points clearly to the need for labour market interventions to assist the unemployed gain work experience since it is that work experience that which will develop the range of generic skills that will gain access to more regular employment. The case study evidence points to employers wanting new employees to fulfil the total requirements of a job quite quickly. To do this, employees in most instances will need to be experienced in the skills required (which in lower skilled jobs are mainly generic).   Many employers appear unwilling to provide the training necessary to provide those skills, especially so if the applicant falls well below the standard the employer requires. Though the report has relatively little to say about the New Deal, it is this type of intervention that is most likely to reconnect unemployed people with the world of work and improve their employability.   Much of the New Deal evaluation data points to this type of intervention being successful[27].

Employers report that they used recruitment practices that were efficient. This may or may not be true. What is much more clear is that these recruitment practices are far from open where they rely upon informal networks and where vacancies are never advertised. This is not to suggest that all vacancies should be notified to the Jobcentre.   But there is the possibility that where vacancies are more openly communicated the response might be improved with regard to both the quantity and quality of recruits.

If the Jobcentre is seen solely as a source of applicants who are unemployed, and given employers' attitudes to the Jobcentre expressed in the case studies, its effectiveness in filling vacancies may be threatened.

It should be noted that some employers want everything and then more.   Their recruitment problems stem from wanting a lot of skills *per* pound of wages paid and there is much they can do to solve their own problems, such as lowering recruitment standards and using training and development to make up the difference, or recognising the deficiencies that exist in their local labour market.   If they want employees to work shifts in low paid jobs, what transport provision to they make? Clearly the solution to some recruitment problems lie in employers' own hands. This is not to absolve individual employees or various intermediaries from their responsibilities in ensuring that people possess the mix of generic and technical skills that employers require and are likely to demand in the future. The situation represents a challenge for the LSC and its partners such as Business Link, Small Business Service and the Trade Unions as they seek to influence 'human resource best practice' amongst employers to encourage transition into the workplace and ongoing workforce development particularly for those in 'lower level' occupations.

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[27]   Hasluck, C., 'Lessons from the New Deal: Finding work, improving employability', *New Economy*, Vol.8, Issue 4, pp.230-234

The evidence presented in this report suggests that employers that have resorted to increased training and development of their workforce, allied to staff retention policies, have had a degree of success in avoiding recruitment problems.

ANNEX A
CASE STUDY ESTABLISHMENTS

Establishment	Industry/main business activity	Employment Size Band	Occupational focus of case study
Birmingham/ Solihull			
Establishment B1	Public transport	H	drivers, cleaners, security officers
Establishment B2	Software consultancy	E	Business development managers
Establishment B3	Engineering	B	Capstan setter
Establishment B4	Private health care	C	Gardeners, receptionist
Establishment B5	Pub	C	Grill chefs, waiters
Establishment B6	Specialist college	D	Speech trainers, manager
Establishment B7	Construction	A	Labourers
Establishment B8	Residential care	D	Housekeepers
Establishment B9	Window manufacturer	B	Fabricator
Establishment B10	Hospital (NHS)	H	Nurses
Establishment B11	Office supplies	F	Engineers
Establishment B12	Chauffeurs	D	Drivers
Establishment B13	Manufacturing (rubber products)	B	Design engineer
Establishment B14	Electrical engineers	F	Fitters, machinists
Establishment B15	Childcare	B	Nursery nurses (qualified)
Establishment B16	Furniture suppliers	B	Drivers
Establishment B17	Machine tool manufacturer	F	Fitters, setters, machinists
Establishment B18	Foodstore	B	Retail assistants
Establishment B19	Youth services	B	Youth workers, receptionist
Establishment B20	Hospitality	D	Restaurant staff, porters, housekeepers
Establishment B21	Finance	F	Lawyer, mortgage sales trainer, marketing
Establishment B22	Public transport	H	Drivers
Establishment B23	Engineering	C	Welder/fabricator
Establishment B24	FE college	F	Computing teachers, careers advisers
Establishment B25	Financial services	F	Secretarial, tax experts
Establishment B26	Manufacturing (jewellery)	E	Jewellery mounter
Establishment B27	Finance	G	Customer care advisers, car finance underwriters, asset control clerks
Establishment B28	Residential care	B	Day support workers
Establishment B29	Manufacturer (jewellery)	D	Toolmaker, secretaries
Establishment B30	Private health care	F	Nurses, room hosts
Establishment B31	Childcare	B	Nursery nurses (qualified)
Lancashire			
Establishment La1	Fast food restaurant	B	Food preparation and service
Establishment La2	Manufacture of specialist textile products	C	None
Establishment La3	Restaurant and hotel	D	Kitchen staff
Establishment La4	Private hospital providing acute psychiatric care	C	Housekeeping and catering staff
Establishment La5	Building maintenance	C	Plasterers and plumbers

Establishment La6	Chain of five restaurants	B	Kitchen porters
Establishment La7	Hospital Trust	G	Theatre nurses
Establishment La8	Nursing agency	B	Carers with NVQ level 2 qualification
Establishment La9	Youth and community services	B	Part time youth workers
Establishment La10	Charity developing and supporting employment projects for disabled people	D	Senior management posts
Establishment La11	Country Club	C	Part time work (bar staff, waiting staff, porters)
Establishment La12	Family owned car dealerships	D	Sales management, IT (Web/sales skills)
Establishment La13	Packaging consultancy	A	IT (Office systems)
Establishment La14	Primary School	B	Welfare assistant
Establishment La15	Business providing textile coatings	E	Various semi/low skilled factory positions
Establishment La16	Facilities management	D	Engineers (Electrical or refrigeration)
Establishment La17	Production of environmental control systems	D	Engineers (commissioning and workshop)
Establishment La18	Specialist engineering services	B	Electrical engineers
Establishment La19	Hotel Group	E	Receptionists, management
Establishment La20	Business to business sales of computers and peripherals	B	Business development executive, Accounts clerk (part time)
Establishment La21	Specialist supplier to the construction industry	F	HGV Drivers, sales staff
Establishment La22	Farm	D	Mushroom pickers, packing
Establishment La23	Nursing and residential home	D	Maintenance man
Establishment La24	Manufacture and process plastic materials	E	Various shop floor workers
Establishment La25	Masonic Hall	B	Food service (part time)
Establishment La26	Security services to retail companies	D	Security guards
Establishment La27	Producer of high performance fabrics	C	Skilled machinists and technicians
Establishment La28	Nursing home	C	Nurses and care assistants
Establishment La29	District Council	F	Professional occupations (solicitors, housing specialists)
Establishment La30	Manufacture and assembly of fixtures and fittings	D	Delivery and site management
Establishment La31	Learning and disability Trust	G	Nurses, support workers, domestic, administration
Establishment La32	Private Hospital	E	Radiographer, outpatient nurse, receptionist, medical secretaries
Establishment La33	Accountancy and consultancy	E	None
London			
Establishment L1	Machine tool manufacturer	C	Skilled trades engineers
Establishment L2	Research and consultancy	E	Personal Assistant (PA)
Establishment L3	Architectural and interior design services	F	CAD Manager
Establishment L4	Consultancy and standards	F	Accounts and finance positions, IT, consultants

Establishment L5	Law firm	G	Various Professionals
Establishment L6	Non-ministerial government department	E	Professionals (economists and lawyers)
Establishment L7	Supermarket	E	Supervisory positions
Establishment L8	Solicitors	H	Support staff
Establishment L9	Manufacture of power supply systems	E	Technicians
Establishment L10	Transport company	H	Drivers
Establishment L11	Retail, wholesale and delivery	H	Retail assistants
Establishment L12	Hotel Group	H	Senior management and finance positions
Establishment L13	Distribution of Funds	F	PA's and secretaries, IT staff and surveyors
Establishment L14	Museum	E	Retail sales assistants
Establishment L15	Chain of restaurants	C	Chefs, kitchen porters
Establishment L16	Airline	E	Various service staff (Part time)
Establishment L17	Hotel	D	Management, chefs
Establishment L18	Glaziers	C	Glaziers
Establishment L19	Snooker Club	A	Bar staff
Establishment L20	Rubbish collection	D	Drivers
Establishment L21	Publishers	B	Retail assistants
Establishment L22	Foodstore	D	Retail assistants
Establishment L23	PR Consultancy	E	Account executives
Establishment L24	Accountants	C	Accountants
Establishment L25	Management consultants	C	Consultants
Establishment L26	Bar	C	Bar staff
Establishment L27	Security company	F	Drivers
Establishment L28	Hotel	D	Bar staff, chambermaids
Establishment L29	Food retailer	E	Retail assistants
Establishment L30	Engineering	B	Skilled trades engineers
Establishment L31	Engineering	D	Skilled trades engineers
Establishment L32	Hospital	F	Nurses
Establishment L33	Manufacture and installation of agricultural equipment	E	Software design and software engineering, sheet metal workers

Source: ELASU case studies (IER/PRI)

Employment Size Bands		
A	1-4	employees
B	5-24	employees
C	25-49	employees
D	50-99	employees
E	100-199	employees
F	200-299	employees
G	500-999	employees
H	1000+	employees