

ABERDEEN CITY COUNCIL

COMMITTEE Enterprise Planning & Infrastructure

DATE 7th September 2010

DIRECTOR Gordon McIntosh

TITLE OF REPORT Bi-Annual Sector Skills Need Audit

REPORT NUMBER: EPI/10/121.

1. PURPOSE OF REPORT

This report presents the “Draft” – “2010 Sector Skill Needs Audit”, which identifies the current and predicted skill shortages within the local economy, across 13 key sectors. In addition there is opportunity to evaluate how shortages in some sectors have increased/decreased since the last report. This audit also gives an insight into the changing employment trends and also the employment opportunities and restrictors for Graduates and school leavers linked to the current economic climate.

2. RECOMMENDATION(S)

It is recommended that committee support the production and circulation of this audit as a robust tool that is reflective of the current local skill situation.

It is recommended that committee agree to the use of this audit to inform partners on the current situation,

It is recommended that committee support the use of this audit to develop future skills development and employability programmes.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from the production of this report

4. SERVICE & COMMUNITY IMPACT

This section should include links to the Community Plan, the Single Outcome Agreement and Vibrant, Dynamic & Forward Looking, and should also cover the Equalities & Human Rights Impact Assessment.

Community Plan and to a Partnership for Aberdeen

Identify local skill shortages and take action to link providers of training with local trainees.

Work in partnership with Scottish Enterprise and others to secure economic development and training opportunities

Single Outcome Agreement

National Outcome 1: We live in a Scotland that is the most attractive place for doing business in Europe

National Outcome 2: We realise our full economic potential with more and better employment opportunities for our people

National Outcome 12: We value and enjoy our built and natural environment and enhance it for future generations.

National Outcome – 13: We take pride in a strong, fair and inclusive national identity.

5. OTHER IMPLICATIONS

This paper has no internal implications for Aberdeen City Council. There will be potential negative implications within the business and economic community if steps are not taken to develop initiatives that will address the highlighted areas of concern.

6. REPORT

Over **200** local employers from both the private and public sectors were invited to respond to a sector skills need audit (hosted by Survey Monkey) in late spring 2010. Links to the survey were also circulated by SCDI, Aberdeen & Grampian Chamber of Commerce, ACVO, Federation of Small Businesses and local businesses on the export survey data base. This survey asked respondents (in relation to skills) to highlight problem areas, areas of predicted growth, impact of economic downturn on recruitment and general recruitment and skill issues.

To date **53** companies employing over **27,248** staff have responded to the survey. Of those 53 respondents 20% have requested a meeting with Aberdeen City Council. These meetings will be used to further probe skill issues and promote services that are currently available from Aberdeen City Council and their partners to assist company growth and sustainability.

Prior to issuing the questionnaire every effort was made to ensure equal opportunity to participate was given to all sectors and sizes of organisations. Responses were obtained from the following key business sectors.

Financial, Transport & Communication, Retail, Hospitality, Food Processing, Healthcare, Manufacturing, Oil and Gas, Commercial Services, Engineering, Construction, Third Sector and Public Agencies.

The objectives of this audit are under 3 main headings.

Economic Impact

We are seeking to identify whether the economic situation has had an impact on staffing levels and if companies were predicting an upturn in business over the next 12 months via their recruitment predictions. Analysis will also highlight if there has been an increase in the number of part-time working opportunities and if this has been driven by the current economic climate.

Skill Shortages and Sector trends

Do local companies have difficulties when recruiting staff? Are these problems prevalent in specific occupations? Do companies predict an expansion in demand for these skills? Is there an ageing workforce in specific sectors which could drive replacement demand? Answers to these questions will allow the future development of programmes to either elevate the promotion of these occupations as career options, look at inward migration potential or look at the development of training and inclusion programmes that may address these needs.

With the continuing increase of benefit claimants it is of vital importance that sectors with growth potential are identified and steps taken to develop and align benefit claimant skills towards these opportunities at an early stage. Finally, that maximum community benefit is gained from this predicted growth

Utilisation of Local Skills

A specific section of this survey has been dedicated to the opportunities available for local graduates and school leavers. This segment of the population are currently experiencing an increase in unemployment levels, which many fear will peak over the summer months due to a increase in potential school leavers last year selecting to remain in full time education. Many of the former groups are educated within the City but then chose to locate elsewhere within Scotland and England. This research will identify if this drain of essential resources is compounded by a lack of local opportunities, or if there are initiatives that local businesses are willing to participate in that will develop their employability skills, and retain talent in this area.

Key Points

- Business confidence has decreased
- Only 28% predict an increase in employee numbers over the next 12 – 18 months
- 34% of businesses reported an increase in part-time working
- Dramatic increase in ratio of contract/temporary staff to permanent staff 2.15:1 (2010) from 5.44:1 (2006)
- Only 33.96% had recruited (May 09 – May 10) – 98% recruited in same period of the 2008 audit
- Key recruitment difficulties for Engineers, Technicians and Craft and skilled trades
- Increase in number of businesses recruiting graduates
- Decrease in number of businesses recruiting school leavers

Business confidence is lower than previous audits with only of 28% of respondents predicting an increase in employee numbers over the next 12 – 18 months.

The sectors with concerns in relation to diminishing staffing numbers were:

Public Services 100%

Manufacturing 50%

Engineering 42.9%

Oil & Gas 14.3%

A more optimistic view has been expressed by:

HealthCare (50%)

Hospitality (100%)

Engineering (42.9%)

Third (50%)

Retail (33.3%)

Oil & Gas (28.6%)

The predicted increase in demand is most emphasised for **experienced oil and gas personnel, all disciplines of technicians, engineers and crafts people, experienced commercial sales staff, healthcare staff and administrative staff.**

The audit highlighted an increase in part-time working in 34% of businesses. This was most prominent within the Commercial, Financial, Engineering, Retail and Third sectors. Reasons given for this increase were wide ranging but predominantly to “suit the changing needs of the business”, “More effective working” and “Ability to retain staff and skills in an economic downturn”. Further changes were also noted in the staffing ratios of permanent to contract/temporary staff with the current ratio being 2.15:1, which has highlighted a large reduction in the ratio of permanent staff since the 2006 audit when the ratio was 5.44:1, highlighting an increasing vulnerability for large numbers of workers.

Only 33.96% of respondents have recruited in the period (May 2009 – May 2010) which is a dramatic decrease from the 98% recruiting in the 2008 audit: however those organisations that continue to recruit did state that they believe there will be recruitment difficulties in the future.

Engineers, technicians and craft and skilled trades were the most frequently cited as problematic areas. The reasons given for these difficulties were largely due to a restricted skills pool and inflationary competition from other employers: respondents out with the Oil & Gas sector felt that inflationary salaries within that sector caused a continual drain of skilled personnel from other sectors.

In relation to utilisation of local skills all sectors apart from the Financial and Hospitality sectors were benefitting from hiring employees over 65. More could be done however with the engagement of supported workers and those registered disabled across all sectors.

The current concern relating to the employment opportunities for school leavers and graduates was also investigated in this audit and produced the following findings.

72% of responding companies employed graduates – an increase from 47% in the 2004 audit, however none of the Hospitality and Manufacturing respondents in this audit recruited graduates.

In terms of school leavers 52% of respondents did recruit from this category, however unlike graduates this percentage has show a decline from 67% in 2006.

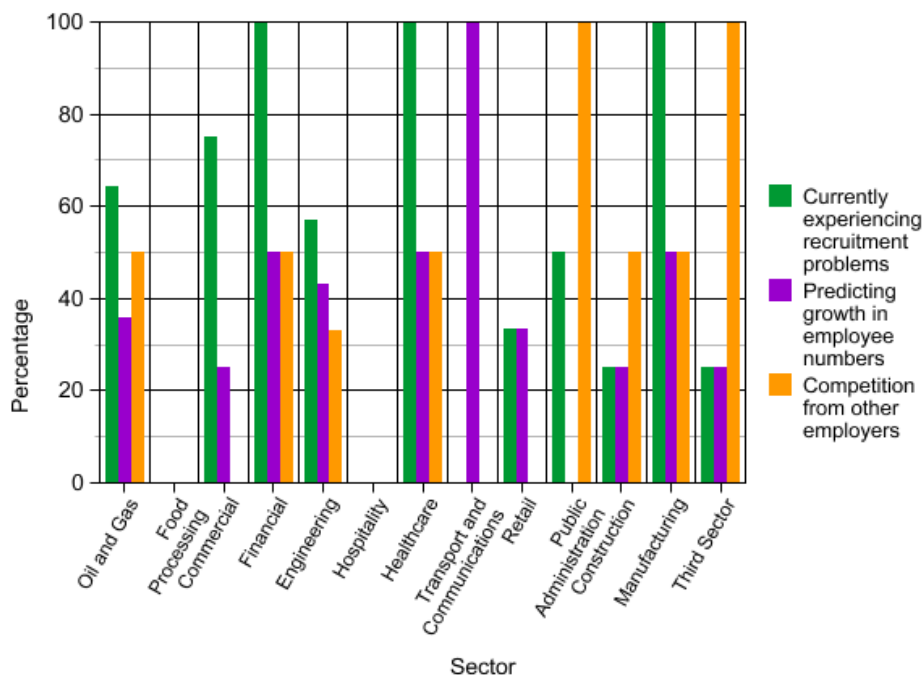
Do you employ school leavers?

Sector	2004	2006	2010
Public Administration	100%	100%	100%
Commercial	70%	100%	50% -
Financial	60%	50%	0% -
Hospitality	80%	100%	100%
Oil & Gas	32%	65%	35.7% -
Retail	100%	82%	66.7% -
Healthcare	80%	25%	50% +
Engineering	65%	64%	71% +
Manufacturing	80%	70%	50% -
Transport & Comms	50%	64%	0% -
Construction	45%	50%	50%
Food Processing	90%	50%	100% +
Third Sector	na	na	75%

The 2 main reasons given for the non employment of school leavers and graduates were: “Lack of relevant vocational skills/experience” and “Workforce has reduced due to economic climate”. Respondents felt that the attraction of additional funding and an increase in early engagement with this target group would positively influence numbers employed in the future.

Overall this audit has confirmed that the current economic climate has had a major impact on the majority of sectors across the city. This has manifested itself in reduction of vacancies, increased part-time working, increased contract working, increase in graduate opportunities and decrease in school leaver opportunities. The key skill shortage areas remain within Engineering, technical and craft occupations, which will be further emphasised in the medium term by demographic change. Finally sectors out with the Oil & Gas sector are having difficulties recruiting and retaining appropriately skilled and qualified staff due to the high salaries attainable within the Oil & Gas sector.

Sectorial Recruitment needs and problems



On a positive note, feedback from the returns and follow up business visits indicate a high desire to engage with Aberdeen City Council and its partners to address a wide range of the issues highlighted.

A full copy of the Sector Skill Needs Audit is attached to this report

7. REPORT AUTHOR DETAILS

Heather Farquhar

Skills & Business Training manager

hfarquhar@aberdeencity.gov.uk

01224 814598

8. BACKGROUND PAPERS

This paper was written based on the analysis of a sector skills need survey hosted by “Survey Monkey” in spring 2010, and follow up interviews with individual businesses.



ABERDEEN
CITY COUNCIL

DRAFT

**Aberdeen City Council
Sector Skill Needs
Audit
September 2010**

Heather Farquhar
Enterprise, Planning & Infrastructure

Contents

List of figures	2
Executive summary	4
Introduction	6
Methodology	7
Objectives	7
Economic Impact	8
Skill Shortages & Sector Trends	11
Utilisation of local skills	17
Final Comments	22

LIST OF FIGURES

Figure 1	Page 9	Please select the options most relevant to your current staffing situation and perceptions for the future.
Figure 2	Page 10	Please indicate the reasons that supports the increase in part-time workers within your organisation
Figure 3	Page 11	How many staff have you recruited in the last 12 months?
Figure 4	Page 12	Are you currently experiencing or believe you will experience any recruitment difficulties in the future?
Figure 5	Page 13	Reported recruitment difficulties by sector 2010/2006/2004.
Figure 6	Page 14	Which occupational categories do you predict will be the most difficult to recruit?
Figure 7	Page 15	What are the key difficulties when trying to recruit within these occupations?
Figure 8	Page 16	Sectoral recruitment needs
Figure 9	Page 16	What age categories do your staff fall into?
Figure 10	Page	Which of the following do you employ?
Figure 11	Page	Graduate recruitment by sector 2004/06/10 comparison
Figure 12	Page	School leaver recruitment by sector 2004/06/10 comparison
Figure 13	Page	Reasons for the reduction in employment opportunities for school leavers and graduates
Figure 14	Page	What external support could impact on your recruitment of school leavers and graduates?

Sector skill needs audit

Executive Summary

Business confidence is lower than previous audits with only of 28% of respondents predicting an increase in employee numbers over the next 12 – 18 months.

The sectors with concerns in relation to diminishing staffing numbers were:

Public Services 100%

Manufacturing 50%

Engineering 42.9%

Oil & Gas 14.3%

A more optimistic view has been expressed by:

HealthCare (50%)

Hospitality (100%)

Engineering (42.9%)

Third (50%)

Retail (33.3%)

Oil & Gas (28.6%)

The predicted increase in demand is most emphasised for **experienced oil and gas personnel, all disciplines of technicians, engineers and crafts people, experienced commercial sales staff, healthcare staff and administrative staff.**

The audit highlighted an increase in part-time working in 34% of businesses. This was most prominent within the Commercial, Financial, Engineering, Retail and Third sectors. Reasons given for this increase were wide ranging but predominantly to “suit the changing needs of the business”, “More effective working” and “Ability to retain staff and skills in an economic downturn”. Further changes were also noted in the staffing ratios of permanent to contract/temporary staff with the current ratio being 2.15:1, which has highlighted a large reduction in the ratio of permanent staff since the 2006 audit when the ratio was 5.44:1, highlighting an increasing vulnerability for large numbers of workers.

Only 33.96% of respondents have recruited in the period (May 2009 – May 2010) which is a dramatic decrease from the 98% recruiting in the 2008 audit: however those organisations that continue to recruit did state that they believe there will be recruitment difficulties in the future.

Engineers, technicians and craft and skilled trades were the most frequently cited as problematic areas. The reasons given for these difficulties were largely due to a restricted skills pool and inflationary competition from other employers: respondents out with the Oil & Gas sector felt that inflationary salaries within that sector caused a continual drain of skilled personnel from other sectors.

In relation to utilisation of local skills all sectors apart from the Financial and Hospitality sectors were benefitting from hiring employees over 65. More

could be done however with the engagement of supported workers and those registered disabled across all sectors.

The current concern relating to the employment opportunities for school leavers and graduates was also investigated in this audit and produced the following findings.

72% of responding companies employed graduates – an increase from 47% in the 2004 audit, however none of the Hospitality and Manufacturing respondents in this audit recruited graduates.

In terms of school leavers 52% of respondents did recruit from this category, however unlike graduates this percentage has shown a decline from 67% in 2006.

The 2 main reasons given for the non employment of school leavers and graduates were: “Lack of relevant vocational skills/experience” and “Workforce has reduced due to economic climate”. Respondents felt that the attraction of additional funding and an increase in early engagement with this target group would positively influence numbers employed in the future.

Overall this audit has confirmed that the current economic climate has had a major impact on the majority of sectors across the city. This has manifested itself in reduction of vacancies, increased part-time working, increased contract working, increase in graduate opportunities and decrease in school leaver opportunities. The key skill shortage areas remain within Engineering, technical and craft occupations, which will be further emphasised in the medium term by demographic change. Finally sectors out with the Oil & Gas sector are having difficulties recruiting and retaining appropriately skilled and qualified staff due to the high salaries attainable within the Oil & Gas sector. On a positive note, feedback from the returns and follow up business visits indicate a high desire to engage with Aberdeen City Council and its partners to address a wide range of the issues highlighted.

Introduction

Skills, demographics and the attendant constraints on business growth by both of these factors (with particular emphasis on the Engineering, Energy and Life Science sectors) has been the subject of much media, support and development agency speculation over the last few years, with particular emphasis locally being placed on the Engineering, Energy and Life Science sectors . In 2004 Aberdeen City Council conducted the first “Sector Skill Needs Audit” to clarify and measure the situation. The 2004 findings and follow up audits were used to drive much of the targeted development work in the skills arena over the last six years. In order to maintain current data and target resources to ensure economic sustainability within the local business and public service communities, Aberdeen City Council have continued to offer this service.

By conducting this fourth audit, Aberdeen City Council will be able to identify key current and potential future skill issues that could negatively impact on the future economic growth of the Aberdeen City and Shire region and gauge the impact the economic downturn has had on recruitment and retention over the last 18 months. In addition to this a comparator where appropriate will be conducted with previous “Sector Skill Needs Audit” to clarify if similar trends have continued, worsened and also if new sector trends are emerging. This knowledge will assist Aberdeen City Council and its partners in the development and delivery of new skill and employability initiatives that will ensure Aberdeen City & Shire has a sufficiently skilled population that will meet the demands of current and future employers.

This audit has concentrated on the same 12 business sectors as previous audits, and included the ever growing Third sector to allow robust comparisons. Additionally, this audit has included a section on the recruitment of school leavers and graduates, both of which have shown growth in relation to unemployment statistics. The audit also aims to identify the key growth sectors for employment, perceptions on employing graduates and school leavers and suggestions as to improving the employability of this target group.

Methodology

Over 200 local employers from both the private and public sectors were invited to respond to a sector skills need audit (hosted by Survey Monkey) in late spring 2010. Links to the survey were also circulated by SCDI, Aberdeen & Grampian Chamber of Commerce, ACVO, Federation of Small Businesses and local businesses on the export survey data base. This survey asked respondents (in relation to skills) to highlight problem areas, areas of predicted growth, impact of economic downturn on recruitment and general recruitment and skill issues.

To date **53** companies employing over **27,248** staff have responded to the survey. Of those 53 respondents 20% have requested a meeting with Aberdeen City Council. These meetings will be used to further probe skill issues and promote services that are currently available from Aberdeen City Council and their partners to assist company growth and sustainability.

Prior to issuing the questionnaire every effort was made to ensure equal opportunity to participate was given to all sectors and sizes of organisations. Responses were obtained from the following key business sectors.

Financial, Transport & Communication, Retail, Hospitality, Food Processing, Healthcare, Manufacturing, Oil and Gas, Commercial Services, Engineering, Construction, Third Sector and Public Agencies.

The objectives of this audit are under 3 main headings.

1 Economic Impact

We are seeking to identify whether the economic situation has had an impact on staffing levels and if companies were predicting an upturn in business over the next 12 months via their recruitment predictions. Analysis will also highlight if there has been an increase in the number of part-time working opportunities and if this has been driven by the current economic climate.

2 Skill Shortages and Sector trends

Do local companies have difficulties when recruiting staff? Are these problems prevalent in specific occupations? Do companies predict an expansion in demand for these skills? Is there an ageing workforce in specific sectors which could drive replacement demand? Answers to these questions will allow the future development of programmes to either elevate the promotion of these occupations as career options, look at

inward migration potential or look at the development of training and inclusion programmes that may address these needs.

With the continuing increase of benefit claimants it is of vital importance that sectors with growth potential are identified and steps taken to develop and align benefit claimant skills towards these opportunities at an early stage. Finally, that maximum community benefit is gained from this predicted growth

3 Utilisation of Local Skills

A specific section of this survey has been dedicated to the opportunities available for local graduates and school leavers. This segment of the population are currently experiencing an increase in unemployment levels, which many fear will peak over the summer months due to a increase in potential school leavers last year selecting to remain in full time education. Many of the former groups are educated within the City but then chose to locate elsewhere within Scotland and England. This research will identify if this drain of essential resources is compounded by a lack of local opportunities, or if there are initiatives that local businesses are willing to participate in that will develop their employability skills, and retain talent in this area.

By conducting this analysis, we will be able to build a picture of the impact that current and future skill shortages within the City will have on economic growth. The survey will also ensure that the development of any future initiatives will be based on facts rather than perceptions.

Findings from this survey will also be circulated to other relevant services within Aberdeen City Council, Aberdeen City & Shire Economic Futures and community planning partners to ensure currency of knowledge and partnership working on future initiatives. Additionally results of this survey will potentially assist in evidence of demand for future funding bids from the European Social Fund and other external funding streams.

Economic Impact

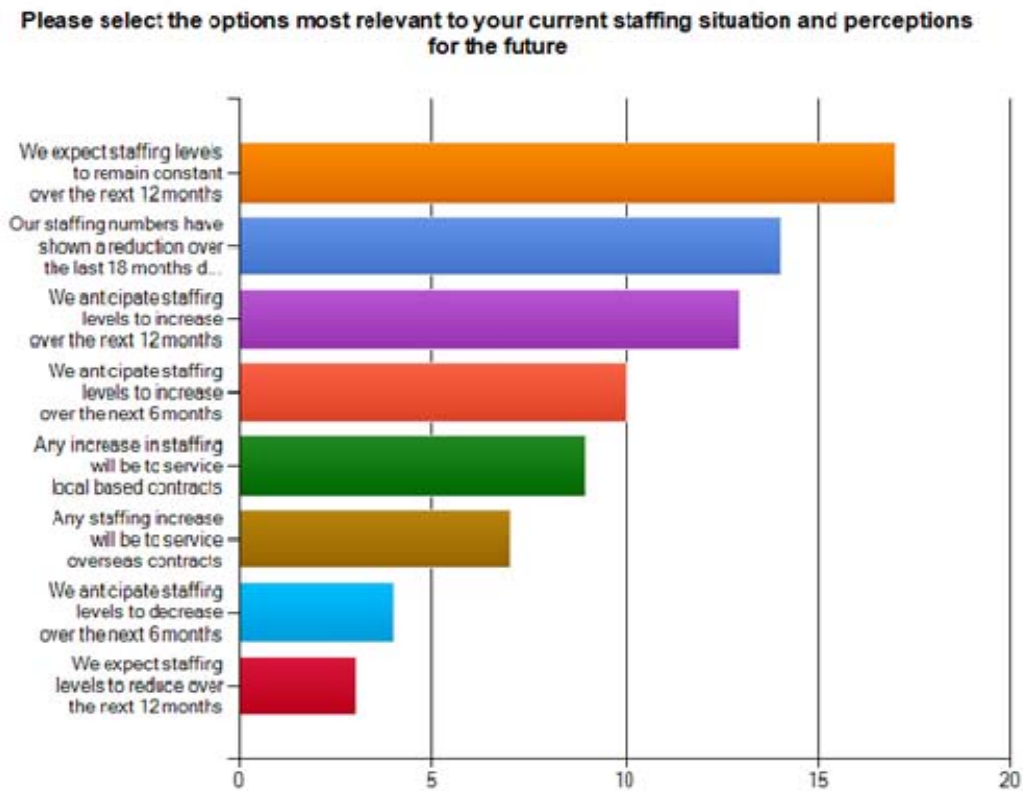
Market Expansion

In order to ascertain the validity of the data within the current marketplace against responses, respondents were asked if current staff numbers were a true reflection of the standard workforce. **90%** of respondents were in agreement with this statement. The sectors that indicated this was **not** a true reflection of their workforce were: Construction **50%**, Commercial **25%** and Oil & Gas **14.3%**. Highlighting that these sectors have been most affected by the current economic situation

To gauge market confidence, respondents were asked to identify an option that was most relevant to their current staffing situation. From the options available the highest percentage **32%** stated “We expect staffing levels to remain constant over the next 12 months” with **28%** stating “Our staffing numbers have shown a reduction over the last 18 months due to the

economic downturn. And a further **26%** positively stating that “We anticipate staffing levels to increase over the next 6 - 12 months”. Concerns over staffing numbers diminishing further were most evident within the Public Services **100%**, Construction **25%**, Engineering **42.9%** Manufacturing **50%** and Oil & Gas **14.3%** sectors. The sectors predicting staffing to increase over the next 6 – 12 month period were: Health Care **50%**, Hospitality **100%**, Engineering **42.9%** Third sector **50%**, Retail **33.3%** and Oil & Gas **28.6%**

Figure 1



Confidence within the business sector seems to have diminished since the audit in 2006, when confidence was at its highest over the 4 bi-annual audits with **75%** of respondents feeling there was an opportunity for workforce numbers to increase over the next. 5 years. Probing further respondents who were positive about short term business growth were asked to identify which categories of employment were most likely to increase over the next period. As per previous audits Engineers featured most frequently in the responses with Mechanical, Field, QA, Electronic, Hydraulic and Petroleum Engineers the most frequently cited. Technically skilled staff were also a key requirement with - Drilling Rig Staff, Machine operators, technicians and Fitters cited. Within the service sectors there was an identified requirement for Care workers, Managers, Accountants and surprisingly a large percentage of respondents **31.81%** stated that they would anticipate an increase in available positions for Administrative staff (ranging from a 25 – 100% increase for individual businesses). Across the professional area individual respondents predicted large increases in staffing requirements for the following occupations: Integrity Engineers **500%**, IT/IS Development **600%**,

Construction workers 100%, Technical Multimedia personnel 75%, recruitment consultants 70%, Mechanical Engineers 70%

To identify if staffing compliments had changed due to the economic situation, respondents were asked if there had been an increase in part-time workers within their businesses. Overall **66%** stated that there had not been an increase in part-time working. Sectors that did report an increase in their part-time workers (Commercial **75%**, finance **50%**, Engineering **35.7%** Retail **66.7%** and Third sector **75%**) gave the following reasons

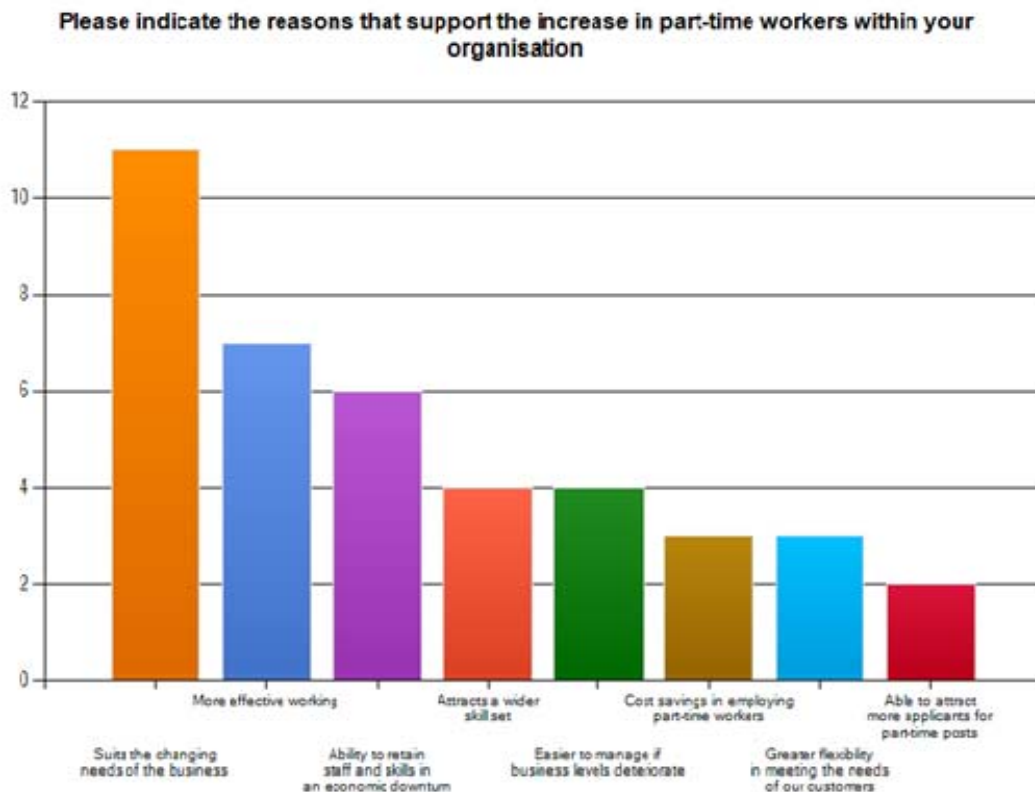


Figure 2

As can be seen from the figure 2 above, utilisation of more part-time working has been for positive reasons

A further test of market confidence is to view the ratio of permanent staff to contract/temporary staff. Within this audit the ratio is **2.15: 1** e.g. **68%** are permanent employees, in the 2004 audit the ratio was **4.15:1** – **80.5%** of staff were permanent, and in 2006 the ratio was **5.44:1** – **84.5%** of staff were permanent.. These findings highlight that a larger percentage of workers are now working on a contract/temporary basis, which further supports the view that the current economic situation is reducing security of employment.

2. Skill Shortages and sector trends

To understand which sectors still have employment opportunities, respondents were asked to identify if they had recruited in the last 12 months and the numbers and level of staff recruited.

Only **33.96%** of responding companies have recruited in the last 12 months (which is a dramatic reduction from the **98%** of respondents stating they had recruited in the last 12 months in the 2008 audit), which, must be seen as an indicator of the impact the current economic climate has had on the city, possibly acting as a restrictor on individuals moving from one company to another.

How many staff have you recruited in the last 12 months?

Sector	1 - 5	6 - 10	11 - 20	21 - 30	31 - 50	Total
Commercial		25%				25%
Construction						0
Engineering	50%					50%
Healthcare	50%					50%
Financial	50%					50%
Food processing		100%				100%
Hospitality						0
Manufacturing						0
Oil & Gas	16.7%		16.7%			33.4%
Retail	33.3%		33.3%			66.6%
Third sector						0
Public Administration					50%	50%
Transport & Com	100%					100%

Figure 3

The above (fig 3) highlights that from the audit sample there has been no recruitment within the Third, Manufacturing, Hospitality and Construction sectors, with the majority of the sectors only recruiting 1 – 5 new members of staff. Reflection of these statements in partnership with findings in figure one show that although Public Administration was one of the key employers in this period there are fears that this trend will not continue into the next period, which will have an overall negative impact on local recruitment options. When probed further to identify which vocational/professional areas accounted for the largest % of recruitment the following categories featured most frequently: Engineers, Sales, Management and Technicians.

Although overall recruitment may be down, fig 3 does not highlight if companies experienced or believed they would experience recruitment difficulties in the future, nor does it highlight what may be creating these difficulties.

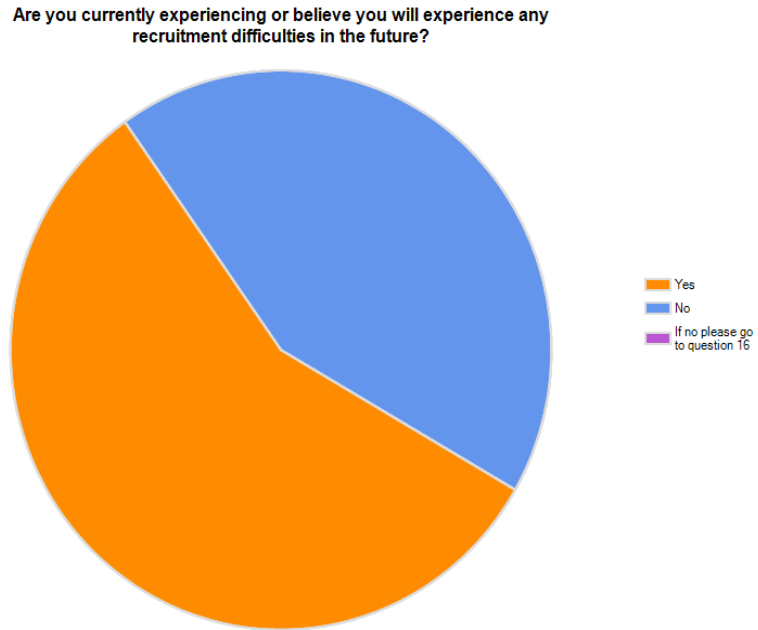


Figure 4

56.9% of respondents stated that they had and believe they will face recruitment problems in the future.

Reported Recruitment Difficulties by Sector 2010/2006/2004 Comparison

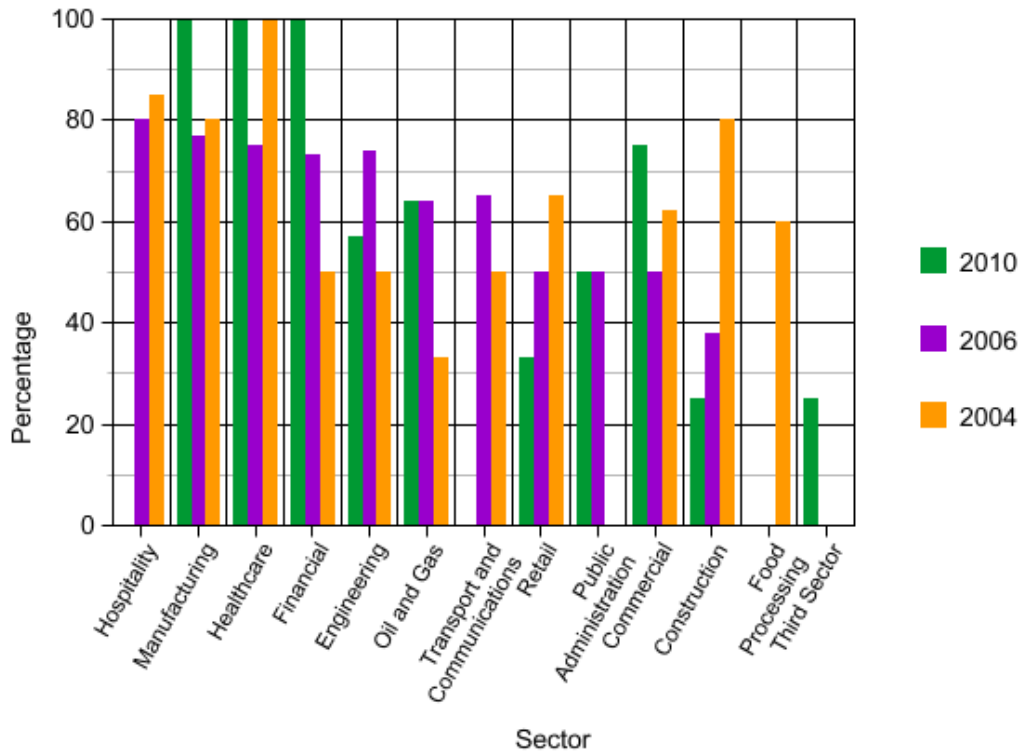


Figure 5

As can be seen from the above comparator graph Manufacturing, Healthcare, Financial and Commercial sectors predict a large increase in recruitment difficulties in the future, this does not appear to have the same perceived negative impact on the following sectors Hospitality, Retail and Food Processing,. Each of these sectors employ relatively high numbers of low and semi skilled staff, it may also be worth considering that the large student population based within the city positively impact on their recruitment needs. Figure 5 also highlights the position from 3 previous audits covering 2004 – 2010.

Which occupational categories do you predict will be the most difficult to recruit. (Please add additional categories if required)

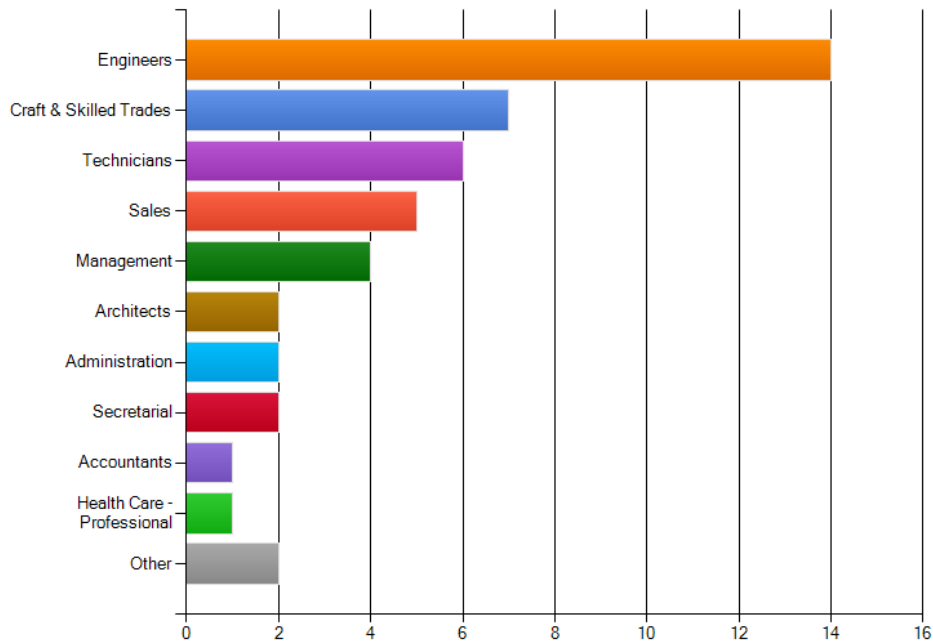


Figure 6

As per previous audits, the areas causing the greatest number of recruitment issues were for all disciplines of Engineers, Craft and skilled trades and technicians, which were considered as key posts within the business community on both a local and international basis. Within the “Other” category Surveyors, Investment managers, Child Care practitioners and specialist Engineers featured.

One respondent stated:

“Professions and trades are typically difficult to recruit, however the Oil Industry artificially inflates salary expectations amongst good administrative and secretarial staff, which can make recruitment difficult.”

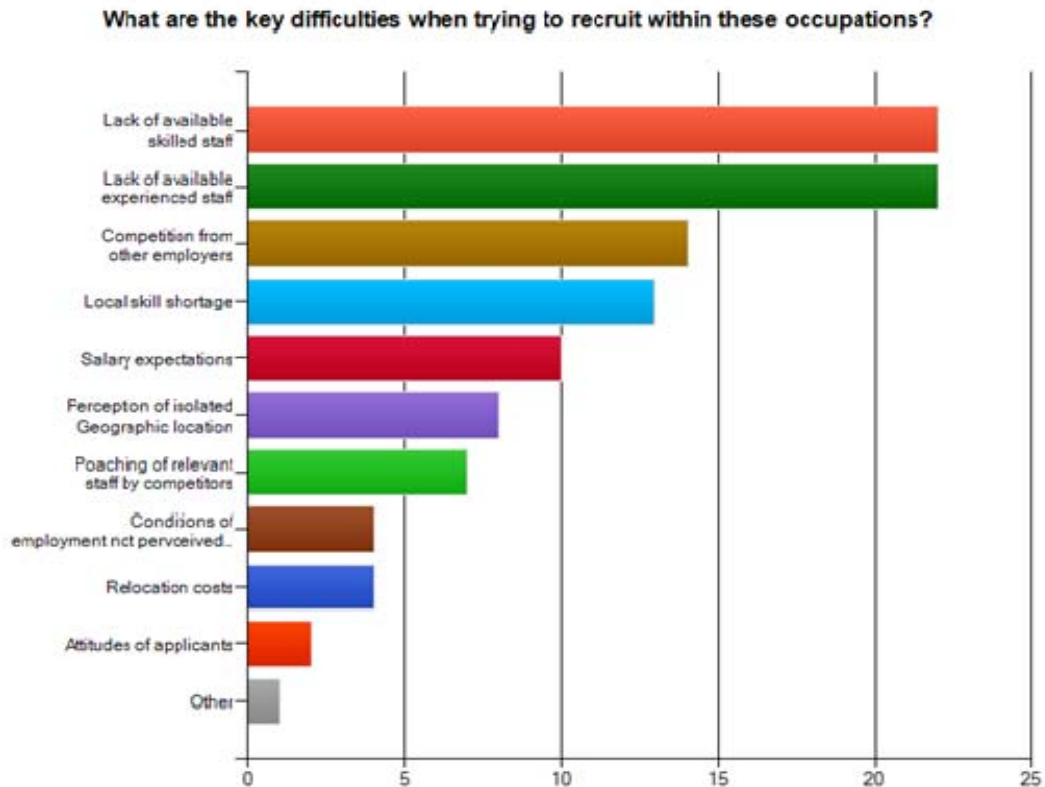


Figure 7

A variety of reasons were given for recruitment difficulties, the key reason being lack of available skilled staff. In previous audits the lack of available and skilled staff did not rate so highly. Anecdotal evidence suggests the increase in these categories which heavily focus on Engineers, Technical and Craft staff may be due to the reduced number of skilled migrants relocating to the city. As long as the skilled pool of labour remains tight there will always be pressure within the local economy to inflate salaries, which in turn will raise our prices and potentially lose our competitive edge in the market place. Poaching of staff and competition from other employers also remains highly problematic and, like salary expectations will continue to feature highly until the skilled pool of local labour can be expanded.

This can be further illustrated by comments from respondents in relation to this question:

“We are not an Oil company”

“We tend to be competing with oil and gas companies for experienced accountants and we are unable to match their salaries”

“The expectations of potential employees who have undertaken further education/university education is far in excess of their worth to the business. Reality needs to be instilled in academic institutions.”

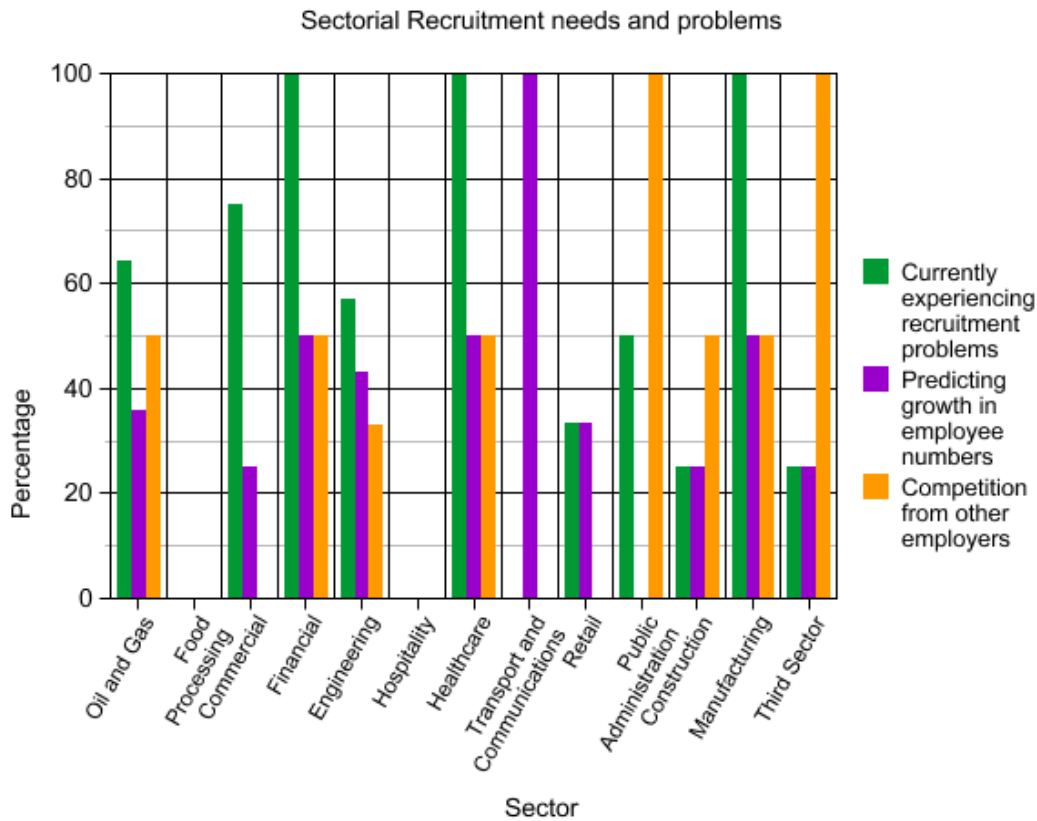


Figure 8

Figure 8 above highlights the sectors that are expecting a growth in staff numbers but are restricted in meeting these objectives through general recruitment problems and competition from other employers.

In order to obtain a clear picture of the age profile across the sectors, and to identify which sectors make most use of the active post retirement population, respondents were asked to give an overview of the ages of their workforce. **98%**, unsurprisingly, employed staff within the 31 – 45 year old age bracket, with the least number of respondents employing from the over 65 age group.

Which age category do your staff fall into?

Sector	Under 21	21 – 30	31 - 45	46 - 60	61 – 65	65 +
Commercial	100%	100%	100%	100%	100%	75%
Construction	75%	75%	100%	75%	75%	75%
Engineering	85.7%	100%	100%	100%	71.4%	42.9%
Healthcare	100%	100%	100%	50%	50%	50%
Financial	50%	100%	100%	100%	50%	0%
Food processing	100%	100%	100%	100%	100%	100%
Hospitality	100%	100%	100%	100%	100%	0%
Manufacturing	100%	100%	100%	100%	100%	100%
Oil & Gas	57.1%	71.4%	100%	85.7%	64.3%	42.9%
Public Administration	100%	100%	100%	100%	100%	100%
Retail	66.7%	100%	66.7%	100%	33%	66.7%
Third sector	75%	100%	100%	100%	50%	50%

Figure 9

No employers from the financial or hospitality sectors employed people over 65 years of age. Oil & Gas and Engineering sectors also offering limited opportunities. Food processing, Manufacturing and Public Administration sectors offered the highest level of employment opportunities for this age group. This report will focus further on opportunities for school leavers and graduates later, but it is worth noting that figure xxx highlights that Oil & Gas and Financial sectors offer least opportunities for those under 21.

Utilisation of Local Skills

Recognising the high qualification levels within the local workforce and the demographics highlighting an ageing workforce it was important to seek further clarification on the numbers of companies actively recruiting graduates and school leavers. It was also of equal importance given the increase in unemployment and underemployment within school leavers and graduates to identify sectors not recruiting these labour market entrants and any additional support measures required to reverse this trend. It was also important to identify which other type of workers were supported locally.

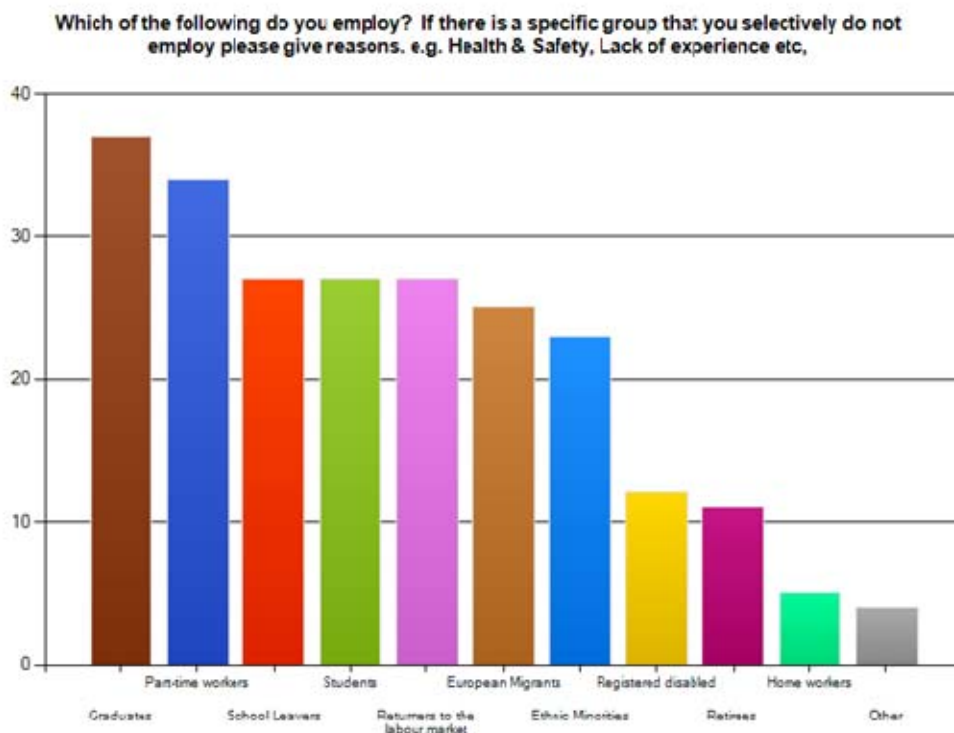


Figure 10

From the above it is clear to see that the majority of respondents employ graduates, students and part-time workers, whilst the smallest numbers of employees are from within registered disabled, Retirees and Supported workers – a valuable skills resource that is currently underutilised

Overall **72%** of responding companies employed graduates. (An increase from **47%** in 2004). This increase of over **65%** is an indicator of the difficulties

faced by many companies when previously only willing to consider “experienced” staff. As highlighted in earlier sections Engineers of all disciplines were the most difficult to recruit, this is reflected in an increase in the recruitment of graduates within the Oil & Gas sector 58% (2004) to **85.7%**, Engineering 42% (2004) to **57%**

Graduate recruitment by sector 2004/06/10 comparison

Sector	2004	2006	2010
Public Administration	100%	100%	100% =
Commercial	48%	100%	50% -
Financial	100%	100%	100% =
Hospitality	68%	75%	0% -
Oil & Gas	58%	80%	85.7% +
Retail	60%	75%	33% -
Healthcare	50%	50%	50%
Engineering	100%	50%	57%
Manufacturing	100%	48%	0%
Transport & Comms	100%	15%	100%
Construction	40%	10%	100%
Food Processing	100%	0%	100%
Third sector	na	na	100%

Figure 11

The above data must be viewed bearing in mind the following statements:

1. Respondents are not identical year on year
2. Numbers of respondents for each sector have varied year on year.
3. This audit did not ask respondents to clarify whether graduates were employed at a graduate level

The Commercial sector however, has dropped from 100% recruiting graduates in 2006 to **50%** recruiting graduates in 2010

To produce a clear picture of opportunities for those wishing to enter directly into employment, respondents were also asked if they recruited school leavers (16-18 years old).

Sector	2004	2006	2010
Public Administration	100%	100%	100%
Commercial	70%	100%	50% -
Financial	60%	50%	0% -
Hospitality	80%	100%	100%
Oil & Gas	32%	65%	35.7% -
Retail	100%	82%	66.7% -
Healthcare	80%	25%	50% +
Engineering	65%	64%	71% +
Manufacturing	80%	70%	50% -
Transport & Comms	50%	64%	0% -
Construction	45%	50%	50%
Food Processing	90%	50%	100% +
Third Sector	na	na	75%

Figure 12

52% of respondents stated they did employ school leavers a drop of 28% from the 67% positive responses in the 2006 audit. The sectors with most opportunities for school leavers were Public Admin 100%, Hospitality 100%, Food Processing 100% and Engineering 71.4%. The sectors reporting least opportunities for School leavers were: Finance 0% and Oil & Gas 35.7% and Transport & Communications 0%. Interestingly, 6 sectors show a downturn a in the percentage of respondents that employ school leavers with the largest downturn reported within the Commercial services sector.

Reasons for reduction in employment opportunities for school leavers and graduates

Over the last 12 months, both nationally and locally there has been an increase in the number of unemployed graduates and school leavers. To try and understand this and perhaps work towards addressing these problems please identify which of the following issues have negatively impacted on employment opportunities for this target group.

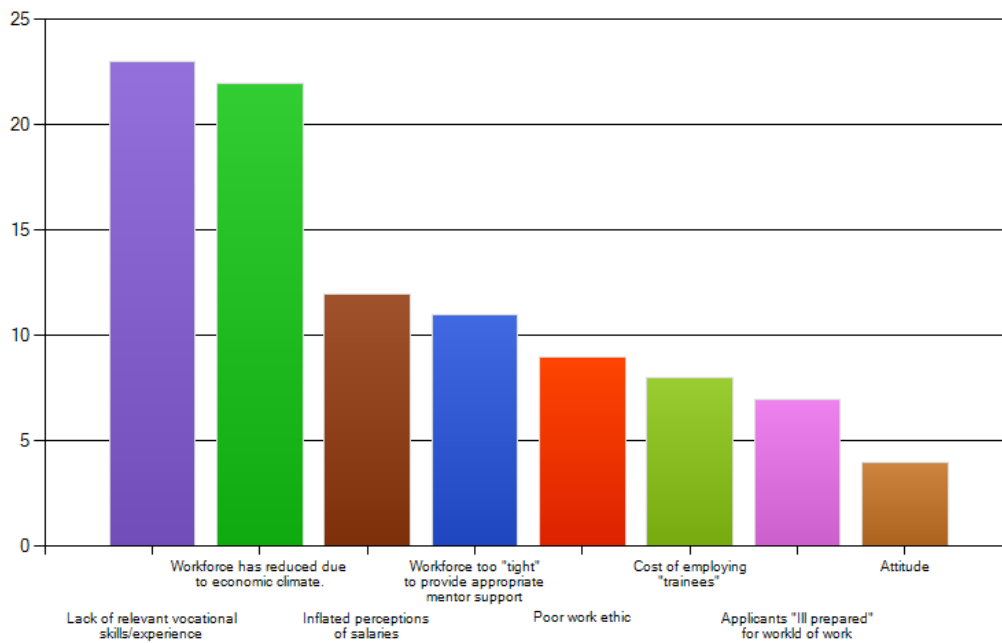


Figure 13

Respondents were asked to identify which reasons if any, attributed to their reduction in employment opportunities within this segment. 50% of all respondents blamed the economic climate as the key factor, which has had the overall affect of reducing workforce numbers. This was predominant in the Construction (which actually identified no reduction in the audit) and Commercial sectors. However the most common reason cited was the lack of vocational skills and experience.

Some respondents went on to give reasons of non-engagement with this group:

"Require good, articulate language skills as most staff involved in over counter advice while selling"

"H&S Issues", "minimal experience". "The main criteria for employment is skills and experienced based",. "The majority of our recruits require either a specialist degree or direct field experience"

“Not been successful in recruiting Graduates and school leavers in the past.

“Lack of hydraulic experience in any group stops us from considering employment.”

“During this economic downturn we do not have the necessary time to spend with the Graduates as everyone is working to full capacity and it would be unfair to employ graduates under these circumstances. Additionally if you are looking to employ additional staff and time is of the essence you are looking for someone to “hit the ground running””

“We are looking for high quality graduates – there have been less of these applying for job vacancies in Aberdeen – don’t seem to be the same number of quality graduates coming out of the local universities”

“We have been very active in recruiting graduates in the 4.5 years we have been operating (over 20 recruited) but the economic downturn meant the strain on our resources will cause us not to recruit graduates this year and resume next year.”

Clearly the results from this audit identify that the most local employment opportunities for graduates currently exist within the :
Transport and Communications, Third, Construction, Food Processing, Public Administration and Financial sectors.

The least local employment opportunities currently for graduates exist within the: Hospitality, Retail and Manufacturing sectors.

In relation to school leavers, the most local employment opportunities currently exist in Public Administration, Hospitality and Food Processing sectors and the least local employment opportunities currently exist in the Financial and Oil & Gas sectors.

Recognising the need to support employment and employer engagement with this target group the audit went on further to identify which support measures could potentially increase engagement.

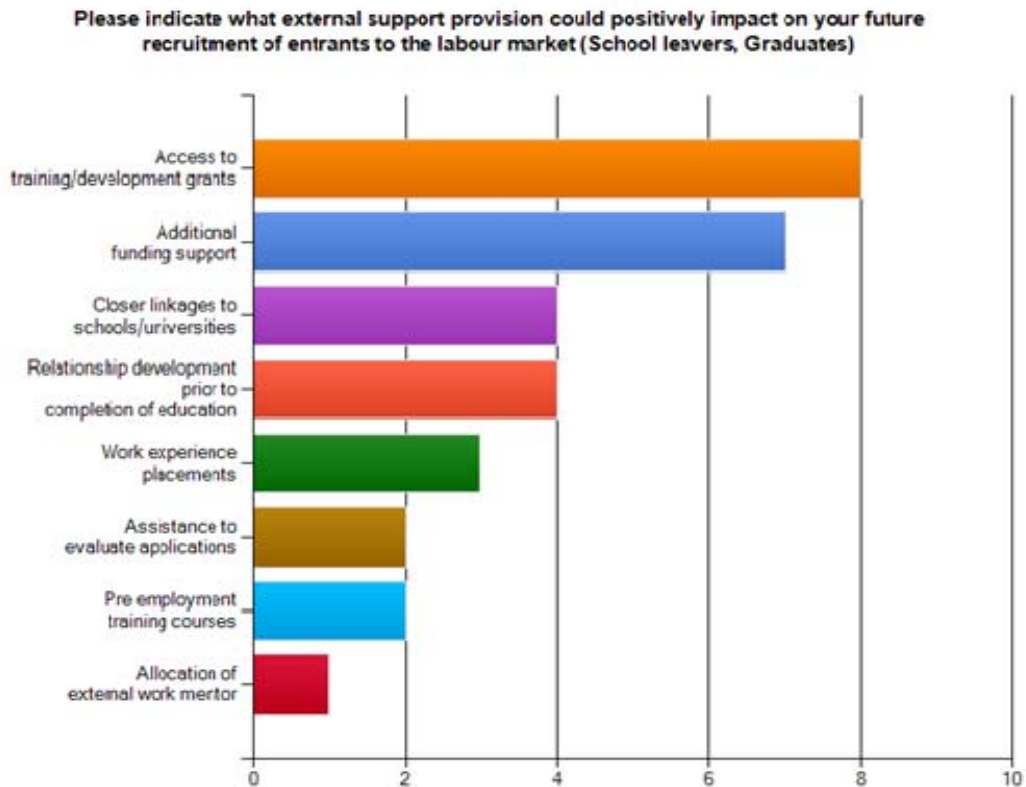


Figure 14

Figure 14 indicates that there are 2 key areas of support that would potentially lead to increased employment opportunities for this target group.

**Attraction of additional funding
Increased early engagement with target group**

Beyond the above the following comments were collected:

“Greater numbers of graduates in shortage occupations and less focus on a traditional degrees with more on vocational skills, apprenticeships etc”.
“Courses not related to oil & gas eg Q.A.”

Final Comments

In the final section of the audit, respondents were given an opportunity to identify areas that Aberdeen City Council through the attraction of additional funding could support and develop the local business community. This information could be used in the future as evidence of need for external funding applications. Suggestions received were wide ranging but there appeared to be a common need for support in the following areas: (In order of demand)

- Supervisory/Management Training
- English as an additional Language Training

- Financial assistance for training
- Training Needs Analysis

Secondary identified needs, identified by multiple respondents:

- Work preparation for School leavers/graduates
- Improved promotion of the area as an employment destination
- Support to recruit staff and reduce the financial burden of this activity
- Team Building
- Mentoring scheme for graduates
- Environmental Management
- Increased communication with SME's

Other lesser identified areas of need were:

- Use procurement system to support local SME's
- Salary Benchmarking

Analysis of the above and of the current skill development provision by Aberdeen City Council and its partners suggest that there is already a level of provision for the above topics, however poor marketing of availability or prohibitive participation costs may have produced this feedback. We are currently awaiting an announcement on the new LUPS funded programme which will indicate which areas of funding Aberdeen City is eligible for. Information contained within this audit will be used to inform Aberdeen City Council and its partners in future eligible external funding applications.