

HIE BUSINESS PANEL SURVEY

Wave 10 – Workforce, Skills and Young Talent
July 2018



Ipsos MORI
Scotland



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

CONTENTS

1. INTRODUCTION	1
BACKGROUND	1
METHODOLOGY	1
Sampling	1
Survey fieldwork	1
PRESENTATION AND INTERPRETATION OF THE DATA	2
2. OPTIMISM, PROSPECTS AND PERFORMANCE	3
ECONOMIC OPTIMISM	3
BUSINESS PERFORMANCE	4
ASPECTS OF BUSINESS PERFORMANCE	5
FUTURE BUSINESS PROSPECTS	7
BUSINESS GROWTH	8
3. RELATIONSHIP WITH THE EU	9
EUROPEAN SINGLE MARKET	9
Importance of the European Single Market to businesses	9
Importance of the European Single Market to the Scottish economy	10
FREE MOVEMENT OF PEOPLE	11
Importance of free movement of people to businesses	11
Importance of free movement of people to the Scottish economy	12
COMPARING VIEWS ON THE EUROPEAN SINGLE MARKET AND FREE MOVEMENT OF PEOPLE	14
4. SKILLS	15
SKILLS FOR THE FUTURE	15
SKILLS-RELATED CONCERNS	16
Employers	16
Sole traders	17
Actions taken in response to concerns	18
Reasons for not being concerned	19
5. PERCEPTIONS OF YOUNG TALENT	21
IMPORTANCE OF YOUNG TALENT	21
BENEFITS OF YOUNG TALENT	22
CHARACTERISTICS SOUGHT IN YOUNG TALENT	23
EASE OF RECRUITING YOUNG TALENT	24
6. EXPERIENCE OF RECRUITING YOUNG TALENT	26
EXPERIENCES OF RECRUITING YOUNG TALENT	26
Reasons for not recruiting young talent	28

Ease of recruiting young talent	29
Challenges faced	30
RESOURCES USED TO RECRUIT YOUNG TALENT.....	32
Awareness and use of existing resources.....	32
Likelihood of recruiting Apprentices or Graduates	34
Role of Apprentices or Graduates	35
Reasons for not recruiting Apprentices or Graduates.....	35
7. RETAINING YOUNG TALENT	37
EASE OF RETAINING YOUNG TALENT	37
DIFFICULTIES RETAINING YOUNG TALENT	38
STEPS TAKEN TO RETAIN YOUNG TALENT	39
8. SUMMARY.....	41
9. APPENDIX.....	43
BUSINESS PERFORMANCE	43
BUSINESS PROSPECTS IN THE NEXT SIX MONTHS.....	45
RELATIONSHIP WITH THE EU	45
SKILLS	46
PERCEPTIONS OF YOUNG TALENT	46

1. INTRODUCTION

BACKGROUND

The Highlands and Islands Enterprise (HIE) Business Panel was established to measure and monitor the economic health of the region through the experiences and opinions of businesses and social enterprises in the area, and to explore topical issues at a regional, sub-regional or sectoral level.

Following two waves of panel surveys in 2014 and 2015, HIE commissioned Ipsos MORI to carry out regular business panel surveys with 1,000 businesses and social enterprises, representative of the Highlands and Islands business base in terms of geographic area, organisation size and sector. The surveys ran quarterly during 2016 and 2017, before changing to three times per year in 2018.

This report presents findings from the most recent wave of the survey (the tenth overall) carried out in June 2018. The survey covered a number of topics of general interest to business, including economic optimism and business performance, prospects, challenges and workforce issues.

METHODOLOGY

Sampling

The survey sample was mainly sourced from businesses that took part in the previous waves of the survey and had indicated that they were willing to be re-contacted. Additional HIE panel members and account managed businesses were also approached along with companies identified from the Experian business database. The sample was designed to match the structure of the Highlands and Islands business population in terms of sector, size and geographical distribution. Quotas were set for recruitment and interviewing so that the achieved sample reflected the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR). Eligible organisations were defined by SIC code, with the following SIC 2007 Sections excluded from the sampling:

- Public administration and defence; compulsory social security;
- Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use;
- Activities of extraterritorial organisations and bodies.

SIC codes were used to identify areas of economic activity considered to be growth sectors (as set out in the Government Economic Strategy) so that quotas could be set to ensure these were represented in the survey sample.

Within each participating organisation, the survey respondent was the owner or a senior manager able to comment on the performance and future prospects of the organisation.

Survey fieldwork

The survey fieldwork was conducted between 4th and 29th June 2018, using telephone interviewing. In total 1,000 eligible interviews were achieved.

The achieved sample was broadly representative of the population, notwithstanding some differential non-response due to differences in availability and willingness to participate. Weighting was applied to correct the distribution of sectors to match the sample counts.

PRESENTATION AND INTERPRETATION OF THE DATA

The survey findings represent the views of a sample of businesses, and not the entire business population of the Highlands and Islands, so they are subject to sampling tolerances, meaning that not all differences will be statistically significant. Throughout the report, differences between sub-groups are commented upon only where we are sure these are statistically significant, i.e. where we can be 95% certain that they have not occurred by chance.

Where percentages do not sum to 100%, this may be due to rounding, the exclusion of 'don't know' categories, or multiple answers. Aggregate percentages (e.g. "optimistic/not optimistic" or "important/not important") are calculated from the absolute values. Therefore, aggregate percentages may differ from the sum of the individual scores due to rounding of percentage totals.

Throughout the report, an asterisk (*) denotes any value of less than half a percent and a dash (-) denotes zero. For questions where the number of businesses is less than 30, the number of times a response has been selected (N) rather than the percentage is given.

2. OPTIMISM, PROSPECTS AND PERFORMANCE

KEY MESSAGES:

Overall confidence in the economic outlook in Scotland remained low: a quarter of businesses said their confidence had decreased within the last six months, whilst 15% said it had increased. However, the gap between the decrease and increase in confidence was narrower than that seen in recent waves.

Businesses were comparatively more positive about their own performance, with results similar to previous waves: 42% said their business had performed well, whilst 38% had been fairly steady and 19% struggled.

Businesses reported stability in their business performance over the last six months, particularly with regards to staff training, employment and working hours. However, opinion was more mixed in terms of financial aspects, specifically sales and turnover, and profit margins.

Around four in five businesses were very (17%) or fairly (65%) optimistic for their prospects over the next 12 month period.

Half of businesses expected to remain stable in the next year or two, while 40% expected growth and 8% expected a contraction.

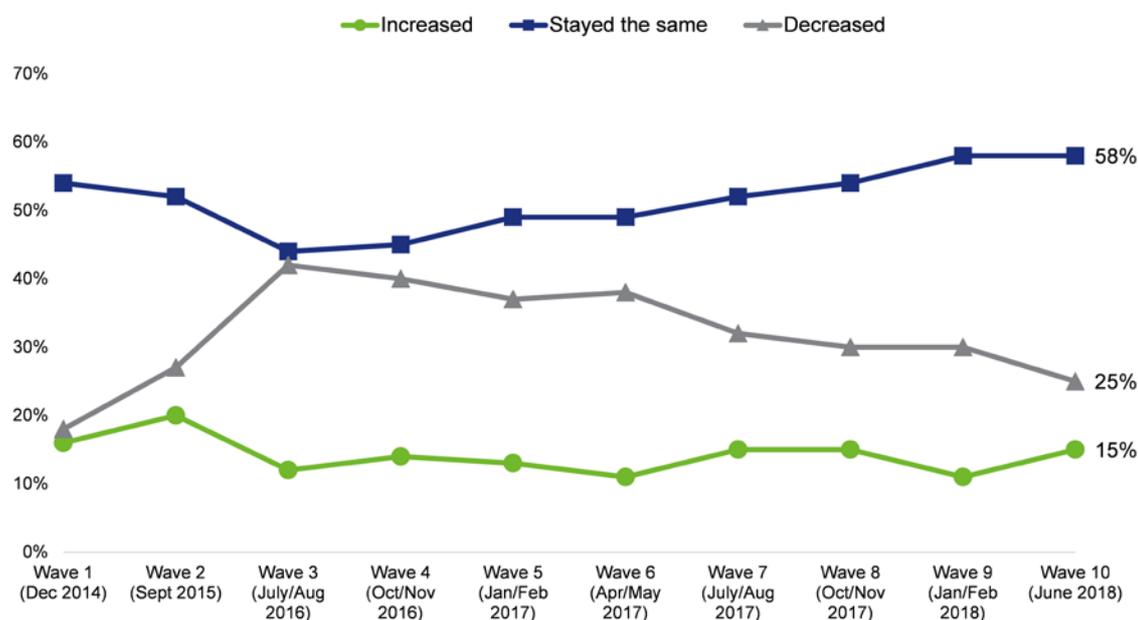
ECONOMIC OPTIMISM

Echoing findings from the previous wave, around six in ten (58%) businesses said their confidence in the economy had stayed the same over the past six months, while one quarter (25%) said it had decreased and 15% said it had increased (Figure 2.1). The proportion saying their confidence had increased was up slightly on the previous wave (January/February 2018), and in line with the level reported in waves seven and eight. Economic optimism had an overall net negative of -10 points, smaller than the -19 recorded in wave nine (January/February 2018).¹

¹ The net figure is the difference between 'increased' and 'decreased' assessments at each wave. Net scores are positive when positive assessments exceed negative.

Figure 2.1: Confidence in the economic outlook in Scotland over time

Q. Over the past six months, since [date], has your level of confidence in the economic outlook in Scotland increased, decreased or has it stayed the same?



Base: All businesses

Variation by type of business

There was little variation by sector, with the exception of tourism businesses, among whom confidence was higher than average (19% reported increased confidence compared with 15% overall).

Unlike in the previous wave, there was no significant difference between account managed and non-account managed businesses.

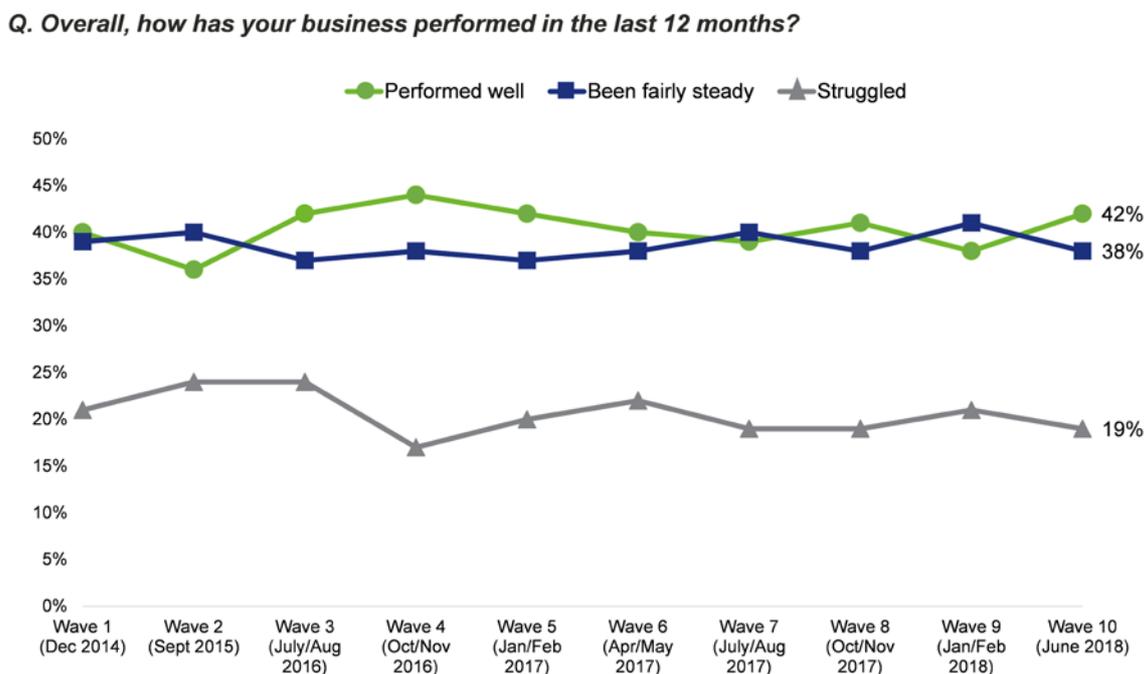
In keeping with previous waves, economic confidence was correlated with optimism and views on business performance. Those who were not optimistic about their business prospects for the next twelve months were more likely than average to report decreased confidence in the economic outlook (57% compared with 25% overall). Conversely, those who expressed optimism for the upcoming year were more likely to report increased confidence (17% compared with the average of 15%).

In terms of past performance, those who had struggled in the last 12 months were more likely than average to report decreased confidence in Scotland’s economic outlook (49% compared with 25%), with those who had performed well more likely to report increased confidence (25% compared with 15%).

BUSINESS PERFORMANCE

Views on business performance were in line with the trend seen since in recent waves (Figure 2.2). Around two in five businesses (42%) reported performing quite (34%) or exceptionally (9%) well in the last twelve months, while slightly fewer (38%) reported steady performance. Approximately a fifth (19%) said that their business had struggled, with 14% struggling slightly and 5% struggling markedly.

Figure 2.2: Assessments of business performance in the last 12 months over time



Base: All businesses

Variation by type of business

As noted above, there was a correlation between business performance and economic confidence: 72% of those whose confidence in the economy had increased also said their business had performed well (compared with 42% overall), while 37% of those whose confidence had decreased said they had struggled in the past 12 months (compared with 19% overall).

Tourism was again the sector most likely to have performed well (56% against the average of 42%), while food and drink businesses were the least likely to (26%). In contrast, 27% of food and drink businesses said they struggled, compared with 15% of tourism businesses and 19% overall (Table A.1, see Appendix).

Smaller businesses (0-4 employees) were less likely to have performed well (37%), particularly compared to those with 11-24 (53%) and 25+ (52%) employees.

Account managed businesses were more likely than non-account managed businesses to say they had performed well (60% compared with 41%).

ASPECTS OF BUSINESS PERFORMANCE

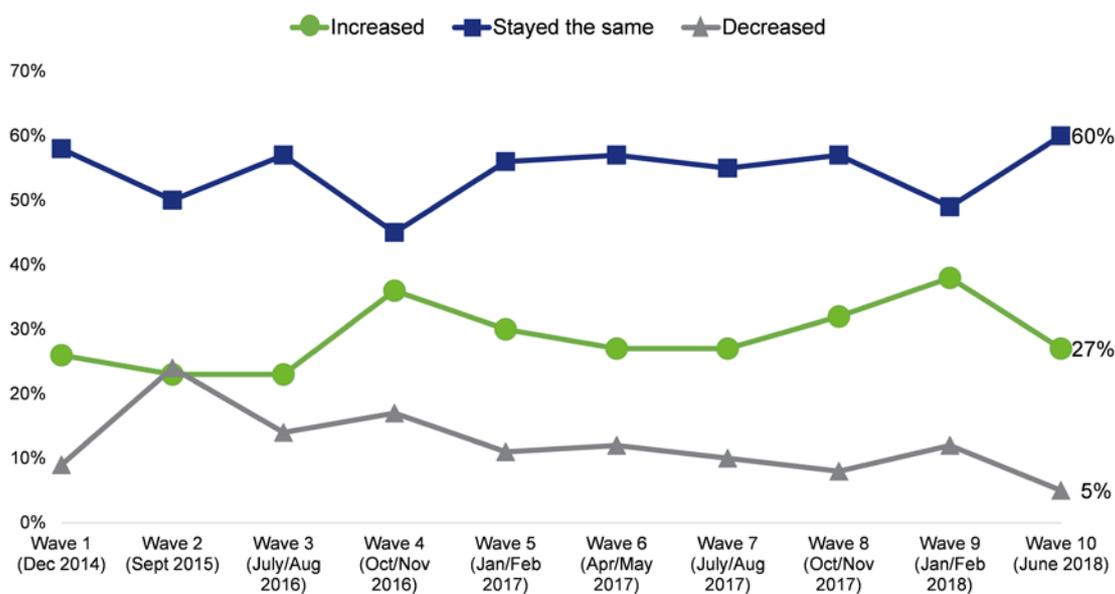
Consistent with previous waves, businesses reported stable performance on staff training (73%), employment (72%) and to a lesser extent working hours (67%). Views were more varied in relation to sales and turnover (42% increase, 17% decrease and 39% stayed the same) and profit margins (27% increase, 25% decrease and 46% stayed the same) (Table A.2).

Turning specifically to exports, 27% experienced an increase, whilst 60% said export levels stayed the same and 5% decreased. As shown in Figure 2.3, this wave saw an increase in the proportion of businesses saying exports had remained the same and a corresponding decrease in those reporting an increase or decrease.

In keeping with previous waves, among exporters those more likely to report an increase were account managed businesses (39% compared with 22% overall) and those performing well in the last twelve months (38% compared with 27%).

Figure 2.3: Trends in exports over time

Q. Could you tell me whether exports have increased, stayed the same or decreased in the last six months?



Base: All businesses for whom this question applied (181)

To summarise businesses' experience, we scored each instance of increased performance as +1, each decrease as -1 and each 'stayed the same' as 0 and summed across the six aspects for each business.² The average score was 0.8, slightly higher than previous waves (0.6 in wave nine; 0.7 in wave eight), indicating that businesses continue to report more increases than decreases overall. Around half (52%) of businesses had an overall positive score, a fifth (21%) had a negative score and a quarter (26%) had a score of zero.

Variation by type of business

Businesses in the creative industries sector had the highest overall score (1.1), followed by tourism (1.0) and financial and business services (0.9) (Table A.3). Consistent with findings from the previous wave, creative industries businesses were more likely than average to report an increase in sales or turnover (59% compared to 42%). The overall average among tourism businesses was higher than in the previous wave (1.0 compared with 0.5), perhaps reflecting the time of year the surveys took place (the previous wave took place during winter months).

In terms of regional variation, businesses in Lochaber, Skye and Wester Ross (1.2) had the highest average overall score, followed by the Outer Hebrides (1.0) and Argyll and the Islands (0.9) (Table A.4). Overall scores were lowest in Caithness and Sutherland (0.4), Shetland (0.5) and Orkney (0.6). As seen in previous

² A positive score indicates that on average businesses reported more aspects increasing than decreasing or staying the same. A negative score means more aspects decreasing than staying the same or increasing.

waves, this is at least in part explained by the profile of businesses in different areas: in Lochaber, Skye and West Ross, for instance, 21% of businesses were in the tourism sector, compared to the average of 11%.

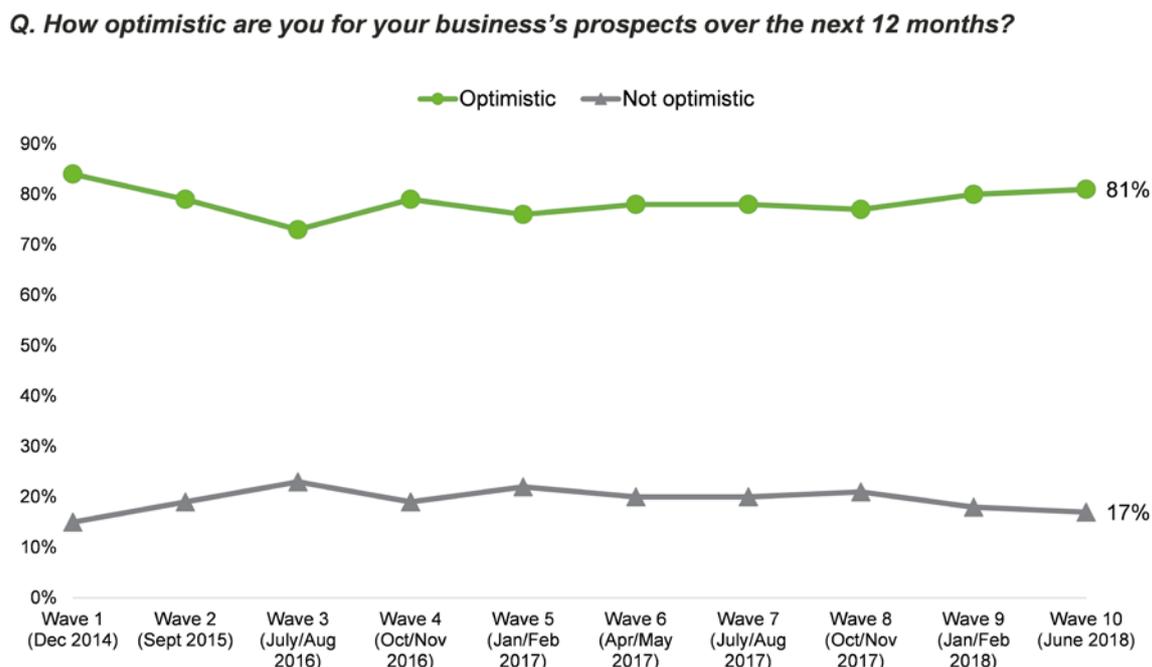
Overall, larger businesses tended to report greater overall satisfaction: the average score for businesses with 11-24 employees (1.6) and 25+ employees (1.3) was higher than for those with 0-4 employees (0.6) and 5-10 employees (0.9) (Table A.5). Reflecting this, businesses with 25+ employees were more likely than average to report an increase in all areas, particularly sales or turnover (51% compared with 42%), exports (36% compared with 27%), and training (36% compared with 23%).

Account managed businesses had higher positive scores (1.5) than non-account managed (0.7) and, similar to the last wave, were more likely to report increased performance in sales or turnover (60% compared with 40% of non-account managed businesses), exports (39% compared with 22%), staff training (47% compared with 21%) and employment (42% compared with 18%). However, the proportion of businesses reporting an increase in profit margins was the same between both account managed and non-account managed businesses, at 27%.

FUTURE BUSINESS PROSPECTS

Four in five businesses were optimistic about their future prospects (81%), with 17% very optimistic and 65% fairly optimistic about their prospects over the next 12 months. One in five (17%) were not optimistic, with 14% not very optimistic and 3% not at all optimistic (Figure 2.4).

Figure 2.4: Business prospects over the next 12 months over time



Base: All businesses

Variation by type of business

In line with previous waves, optimism for the upcoming twelve months was higher amongst those whose confidence in the economy had grown in the last six months: 96% of those who said their optimism had increased also said they were optimistic about their business prospects (compared with 81% overall). In

contrast, those whose optimism about the economy had decreased were more inclined to say they were not optimistic (38% compared with 17% overall) (Table A.6).

Optimism regarding business prospects for the upcoming year was also related to past business performance: 92% of those who had performed well said they were optimistic, while 48% of those that had struggled said they were not optimistic (Table A.7).

Similar to the previous wave, food and drink businesses were less optimistic than the other industries: 22% were not optimistic compared with 17% overall.

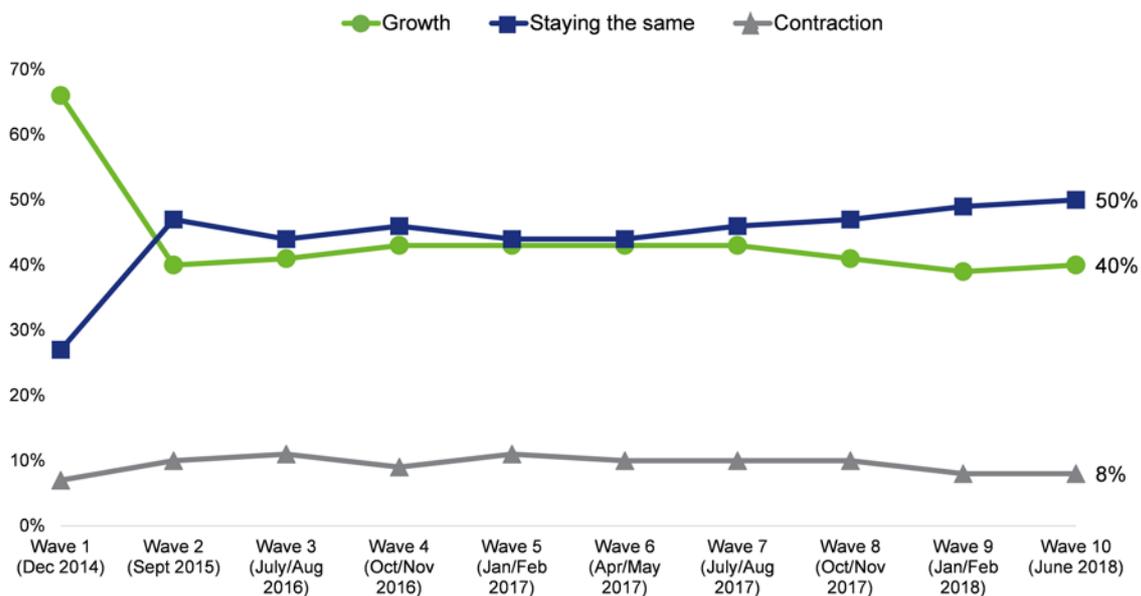
There was no significant difference between account managed and non-account managed businesses.

BUSINESS GROWTH

Reflecting findings seen in the previous wave, half (50%) of businesses expected to remain stable in the next year or two, while 40% anticipated growth. Also similar to previous waves, only a small percentage (3%) predicted substantial growth, while 17% predicted moderate growth and 19% slight growth. Just 8% expected contraction over the next year or two (Figure 2.5).

Figure 2.5: Future growth over the next year or two

Q. Do you anticipate your business growing, contracting or staying the same in the next year or two?



Base: All businesses

Variation by type of business

Small businesses with 0-4 employees were less likely than average to anticipate growth: 33% expected to grow compared with 40% overall.

Account managed businesses were again more likely than non-account managed to anticipate growth (66% compared with 37%).

3. RELATIONSHIP WITH THE EU

KEY MESSAGES:

Echoing findings from previous waves, businesses had mixed views on the importance of membership of the European Single Market to their business – 52% regarded it as important (rising to 69% amongst food and drink businesses and 63% of those in fragile areas), while 44% regarded it as not important.

However, a higher proportion of businesses considered the European Single Market important to the Scottish economy overall – almost three quarters (74%) said it was important.

In terms of free movement of people across the EU, two in five (40%) felt it was important to their business, higher amongst tourism businesses (70%) and those with 25+ staff (54%). More than half (58%) felt it was not.

Following views on the European Single Market, businesses were more likely to feel that free movement was important to the Scottish economy overall than to their own business: 82% felt that free movement was important, compared with 12% who felt it was not important.

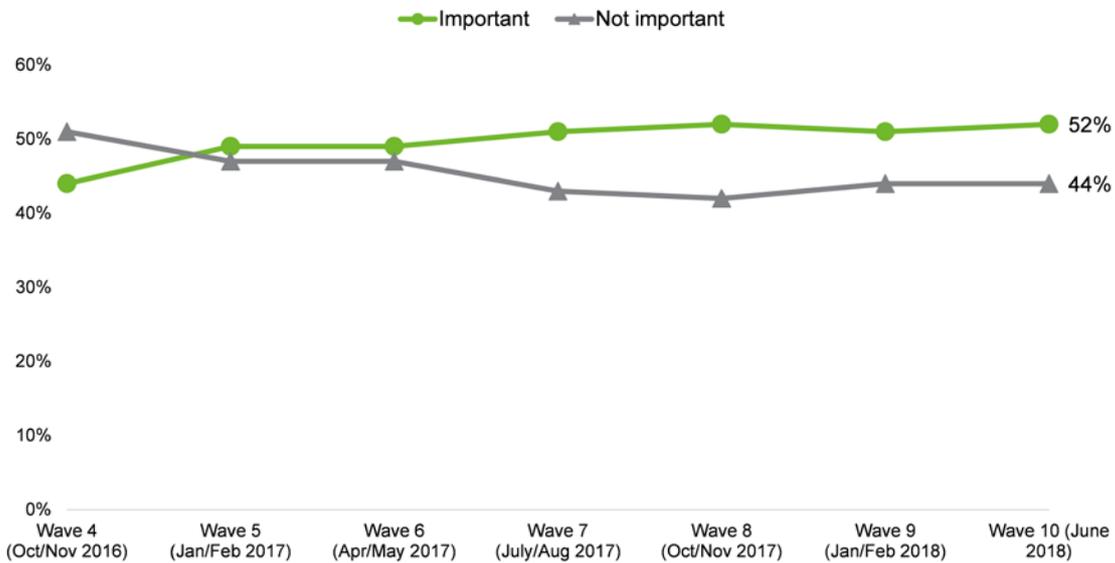
EUROPEAN SINGLE MARKET

Importance of the European Single Market to businesses

Continuing the trend from previous waves, businesses had mixed views on the importance of membership of the European Single Market to their business – 52% regarded it as important, while 44% said it was not important (Figure 3.1). Amongst those who said it was important, 26% said it was very important and 26% quite important.

Figure 3.1: Importance of membership of the European Single Market

Q. Thinking about the needs of your business, how important is it that you have membership of the European Single Market?



Base: All businesses

Variation by type of business

Businesses that said their economic optimism over the last six months had decreased were more likely to view the European Single Market as important to their business (61% against the survey average of 52%), as were those who were not optimistic about their prospects for the next 12 months (63%).

As seen in previous waves, food and drink businesses were more likely than average to view membership of the European Single Market as important to their business (69% compared with 52% overall).

Account managed businesses were more likely than non-account managed businesses to say that membership was important to them (67% compared with 51%), as were those in fragile areas (63% compared with 50% of those in non-fragile areas).

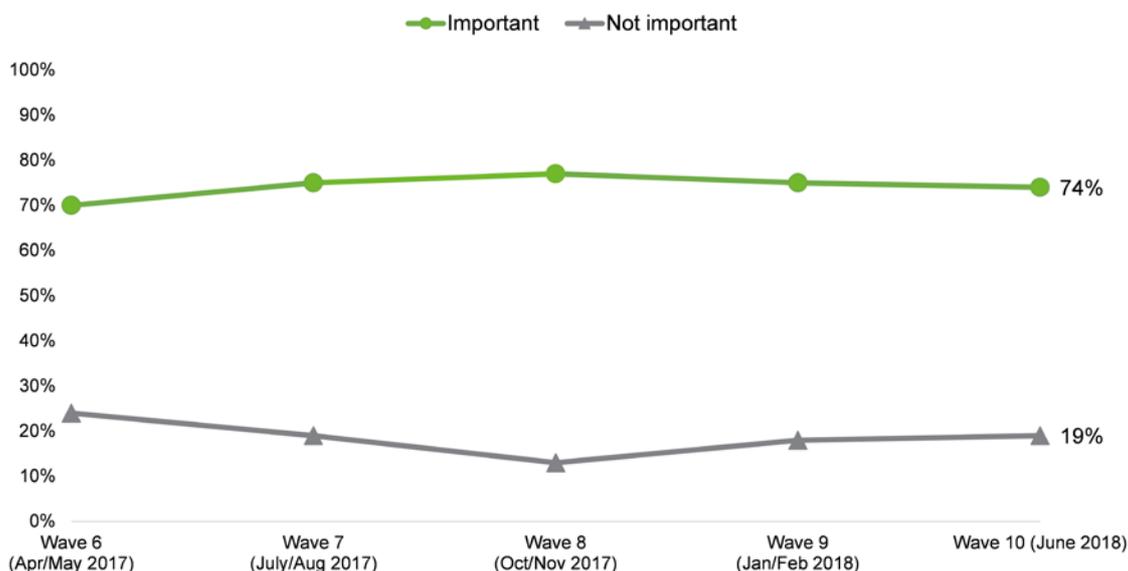
This wave saw little differences in terms of geographic area.

Importance of the European Single Market to the Scottish economy

Businesses continued to view the European Single Market as more important to the Scottish economy overall than to their own business. Three quarters (74%) viewed it as very (46%) or quite (11%) important to the economy.

Figure 3.2: Importance of membership of the European Single Market to the economy

Q. And how important do you feel membership of the European Single Market is to the Scottish economy overall?



Base: All businesses

Variation by type of business

Businesses who viewed the European Single Market as important to their business also viewed it as important to the economy: 97% of those who said membership was important to their business also said it was important to the economy (Table A.8). Nonetheless, 56% who felt that membership was *not* important to their business *did* feel that membership was important to the economy overall.

In keeping with views on the importance of the European Single Market to their business, those working in food and drink were more likely to consider the European Single Market as important to the economy (80% compared with 74% overall), as were account managed businesses (83% compared with 73% non-account managed) and those in a fragile area (83% compared with 72% of those in non-fragile areas).

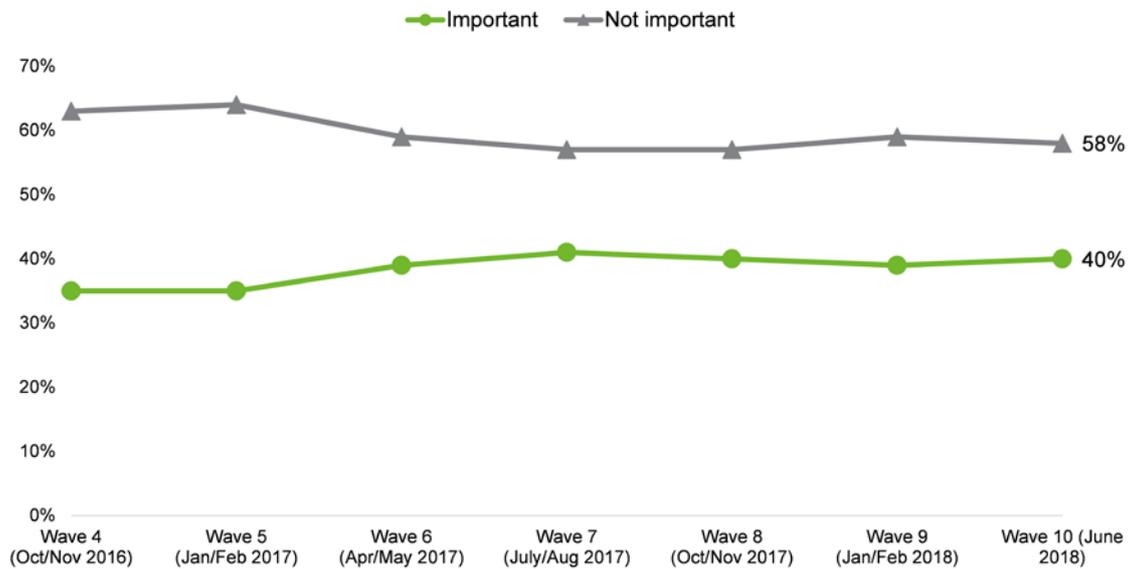
FREE MOVEMENT OF PEOPLE

Importance of free movement of people to businesses

Echoing findings from previous waves, 40% of businesses said free movement of people across the EU was important to their business (22% very important, 17% quite important), while 58% felt it was not important (Figure 3.3).

Figure 3.3: Importance of free movement of people across the EU

Q. How important is the free movement of people across the EU to your business?



Base: All businesses

Variation by type of business

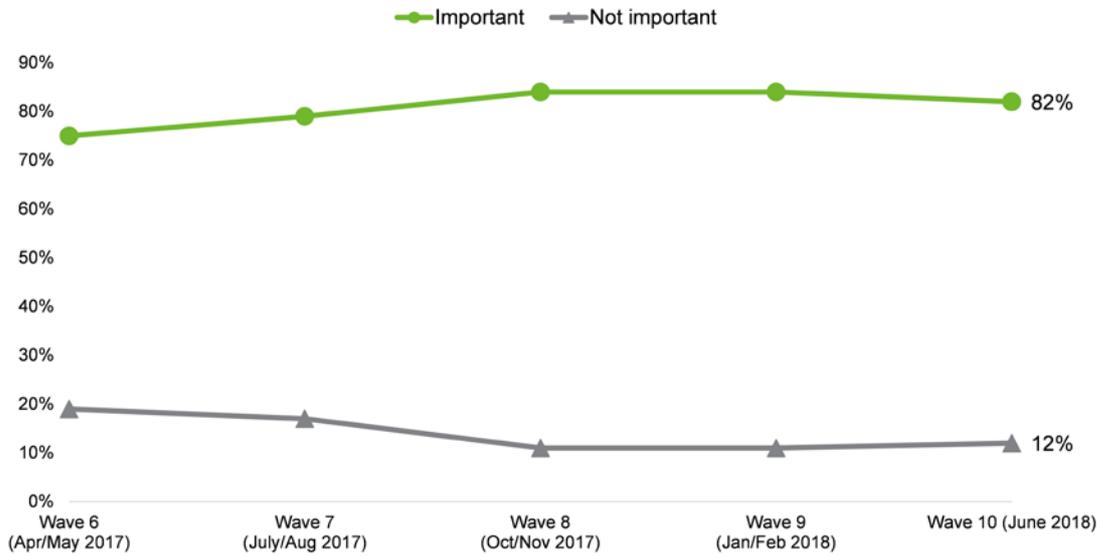
Tourism businesses (70%) and those with 25+ employees (54%) were more likely than average (40%) to view free movement of people as important to their business. On the other hand, those with 0-4 employees were less likely than average to view free movement as important (62% said not important compared with 58% overall).

Importance of free movement of people to the Scottish economy

Mirroring views on the European Single Market, businesses were also more likely to feel that free movement of people was more important to the Scottish economy than to their business: 82% said free movement was important to the economy, compared with 12% who said it was not important (Figure 3.4).

Figure 3.4: Importance of free movement of people to the economy

Q. And how important do you feel the free movement of people is to the Scottish economy overall?



Base: All businesses

Variation by type of business

Almost all (99%) of those who said free movement was important to their business also said it was important to the economy as did 78% of those who said free movement was not important to their business (Table A.9).

Organisations with 25+ employees (91%) were more inclined than average (82%) to say that free movement of people across the EU was important to the economy.

There were no further differences in terms of subgroups.

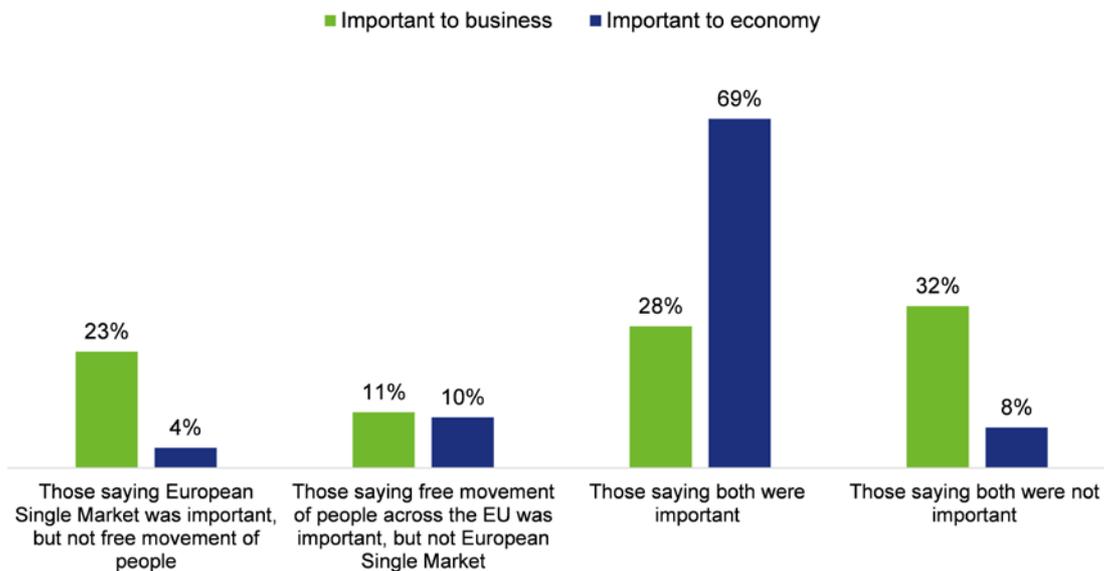
COMPARING VIEWS ON THE EUROPEAN SINGLE MARKET AND FREE MOVEMENT OF PEOPLE

In terms of importance to their business, those who felt that free movement of people *and* access to the European Single Market were important represent 28% of the overall sample of businesses (this is equivalent to approximately 280 businesses). This is the same as the figure from the previous wave. Those who felt that *neither* were important to their business represent 32% of the sample (approximately 320 businesses) – again, similar to previous waves.

In terms of importance to the economy, those who felt that free movement of people *and* access to the European Single Market were important represent 69% of the overall sample of businesses (almost 700 businesses), and similar to the 71% recorded last wave. Those who felt that *neither* were important represent just 8% of the sample (35 businesses), similar to the 7% recorded last wave. (Figure 3.5).

Figure 3.5: Comparison of importance of free movement of people and importance of access to the European Single Market

Q. Comparison of importance of free movement of people and importance of membership of the European Single Market



Base: All businesses

4. SKILLS

KEY MESSAGES:

Most businesses (92%) were confident they had the skills they needed for the next two years, while slightly fewer were confident in their skills over the next 2-5 years (84%) and fewer still in relation to the next 5 to 10 years (64%).

Thinking specifically about their skills beyond the next two years, the top concern for employers was being able to recruit new staff (48%). Among those with any skills-related concerns, almost all (93%) had taken some action to address these, most notably by upskilling and developing existing staff (71%) and investing in their own training and development (62%).

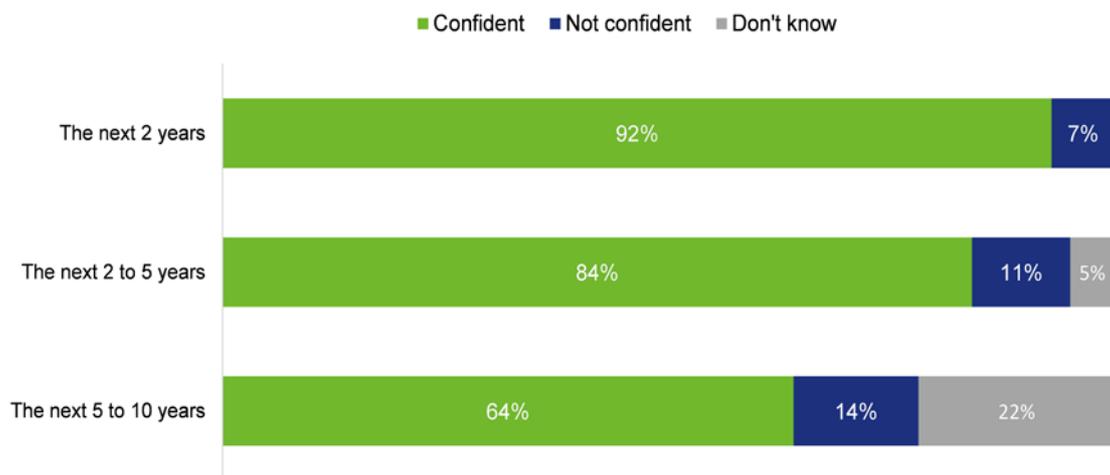
Among sole traders, the most common concern was keeping pace with new skills requirements (28%). Among those that were concerned, just under three quarters (71%) had taken action as a result, by collaborating with other businesses (46%), investing in their own training and development (41%) and buying in external expertise (42%).

SKILLS FOR THE FUTURE

The majority (92%) of businesses were confident they were equipped with the skills they needed for the next two years, with 40% very confident and 52% fairly confident. Businesses were less certain about skills over the medium to long term: 84% were confident they had the skills they needed for the next 2 to 5 years, while this figure dropped to 64% for the next 5-10 years (Figure 4.1).

Figure 4.1: Confidence in the future skill needs

Q. Thinking about the current skills within your business, how confident are you that you are equipped with the skills you need for....



Base: All businesses

Variation by type of business

Smaller businesses (0-4 or 5-10 employees) were more likely than larger business (25+ employees) to be confident about their skills over next two years (93% and 96% compared to 85% respectively). Similarly, large businesses (25+ employees) were less confident than average about their skills for the next two years (15% not confident, compared with 7% overall) and 2 to 5 years (18% compared with 11%) (Table A.10).

There was little variation by sector, with the exception of those in the financial and business services sector who were more confident than average about the next 2 to 5 years (93%, compared with 84% overall).

Account managed businesses were more likely than non-account managed businesses to say they were *not* confident about their skills over each time period. For example, 17% of account managed businesses were not confident they had the skills they needed for the next two years, compared with 6% of non-account managed businesses (Table A.11).

There was further correlation between overall optimism and confidence in business skills. For example, 93% of those who were optimistic about the next 12 months were confident they had the skills needed for the next two years, compared with 88% of those who were not optimistic. This pattern is also evident in relation to skills needed for the next 2 to 5 years (87% amongst those optimistic compared with 73% amongst those not optimistic) and 5-10 years (68% compared with 47%).

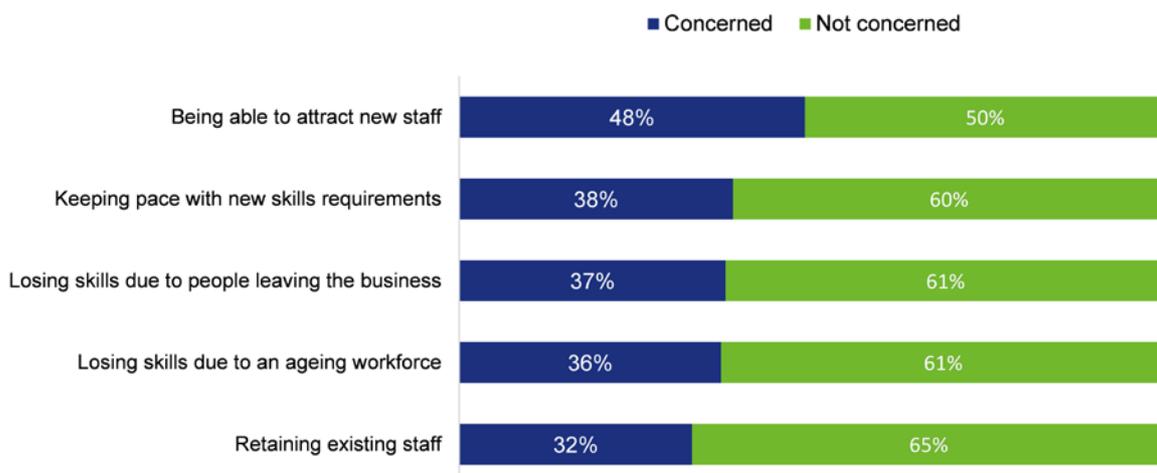
SKILLS-RELATED CONCERNS

Employers

Thinking beyond the next two years, almost half (48%) of employers expressed concern about being able to attract new staff. Other skills-related issues were a concern for around a third of employers, namely: keeping pace with new skills needs (38%), losing skills due to people leaving the business (37%) or due to an ageing workforce (36%), and retaining existing staff (32%) (Figure 4.2).

Figure 4.2: Concerns about skills-related issues – employers

Q. Thinking beyond the next 2 years, to what extent are you concerned about the following?



Base: All who employ staff (769)

Variation by type of business

Larger businesses were more concerned than average with a number of skills-related issues, namely: being able to attract new staff (69% compared with 48% overall), losing skills due to people leaving the business (43% compared with 37%) and retaining existing staff (42% compared with 32%).

Account managed businesses were more likely than non-account managed to be concerned about attracting new staff (66% compared with 46%) and retaining existing staff (42% compared with 31%).

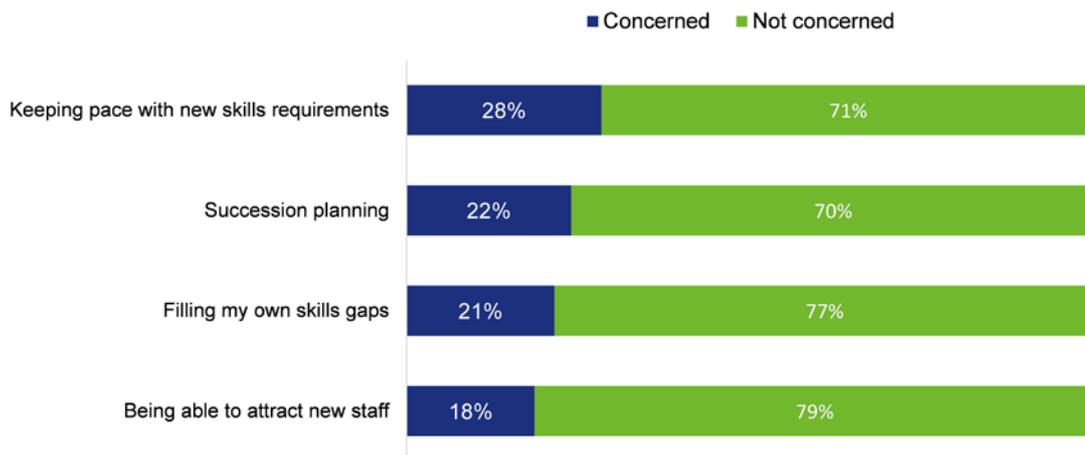
Reflecting the pattern seen earlier, businesses that were pessimistic about the next 12 months were more likely to express concern about: attracting new staff (58% compared with 48% among those who were optimistic), losing skills to an aging workforce (51% compared with 36%) losing skills due to people leaving the business (51% compared with 37%) and retaining existing staff (42% compared with 32%).

Sole traders

Sole traders tended to express less concern about skills-related issues than employers. Keeping pace with new skills requirements was the top concern for sole traders (28%), however this was lower than the comparable percentage among employers (38%). As shown in Figure 4.3, around a fifth said they were concerned about succession planning (22%), filling their own skills gap (21%), and being able to attract new staff (18%), with the latter figure lower than that for employers (48%).

Figure 4.3: Concerns about skills-related issues – sole traders

Q. Thinking beyond the next 2 years, to what extent are you concerned about the following?



Base: All sole traders (230)

Variation by type of business

Overall, there was little variation by types of business. The main exception was in relation to sole traders in the food and drink sector, who were more likely than average to be concerned with filling skills gaps (35% compared with 21% for all sole traders), succession planning (35% compared with 22%) and keeping pace with new skills requirements (37% compared with 28%). Further, sole traders who said their business had struggled in the last 12 months were more likely than average to be concerned about keeping pace with skills requirements (39% compared with 28%).

Actions taken in response to concerns

Almost all (93%) employers who expressed concerns with the factors outlined above had taken measures to address these concerns. The proportion of sole traders that had taken action to address concerns was lower, at 71%.

As shown in Figure 4.4, among employers, the most common approach used to address concerns was upskilling and developing existing staff (71%) followed by investing in their own training and development (62%), collaboration with other businesses (48%), recruiting new staff (43%) and buying in expertise from external sources (42%). A small proportion, 7%, said they had used none of these measures.

Among sole traders, the most commonly used approaches were collaboration with other businesses (46%), investing in their own training and development (41%) and buying in expertise from external sources (30%). A further 13% had tried to recruit staff with the skills they needed. Over a quarter (29%), meanwhile, had used none of these measures.

Figure 4.4: Measures taken in response to concerns

Q. And what measures, if any, have you taken in response to these concerns?



Base: All who employ staff and expressed concern (561); all sole traders who expressed concern (111)

Variation by business type

There was no significant variation in findings among sole traders, however there was some notable variation among employers.

Employers in the financial and business services sector were more likely than average to have upskilled and developed existing staff (82% compared to 71% of all employers), invested in their own training and development (77% compared with 62%) and bought in expertise from external sources (56% compared with 42%). In contrast, those in the food and drink sector were more likely than average to have not used any of the measures listed (18% compared with 7%).

Account managed employers were more likely than non-account managed to have used each of the methods listed: upskilling and developing existing staff (90% compared with 69%), investing in their own training and development (79% compared with 60%), collaborating with other businesses (60% compared with 46%), recruiting new staff (55% compared with 41%) and buying in expertise from external sources (62% compared with 39%).

Employers whose business had struggled in the last 12 months were less likely than average to have tried any of the methods listed: 16% had not tried any of the methods, compared to 7% overall.

Reasons for not being concerned

Where businesses said they were not concerned with one or more of the skills-related issues covered, they were asked why they felt these factors were not of concern for them. For both employers and sole traders, the top reason for not being concerned was because they continually developed their staff or their own skills so felt prepared for changes (55% of employers and 60% of sole traders) (Figure 4.5).

Among employers, other commonly mentioned reasons were that they already had plans in place to address concerns (45%), they were confident they could recruit for the skills needed as and when required (38%), and they had a young workforce (35%). A further 17% said they were not thinking that far ahead, while 6% did not plan to keep the business going.

Among sole traders, around a third said they already had plans in place to address concerns (35%) and were confident they could recruit the skills they needed when required (34%). Around one in five (22%) said they were not thinking that far ahead, while 16% did not plan to keep their business going.

Figure 4.5: Reasons for not being concerned

Q. And why do you say these factors are not a concern for you?



Base: All who employ staff and not concerned with at least one issue (707); all sole traders and not concerned with at least one (219)

Variation by business type

Larger employers (25+ staff) were more likely than average to say they continually developed staff (66% compared to 55% of all employers), had plans in place to address concerns (55% compared with 45%) and had a young workforce (43% compared with 35%).

Account managed employers were more likely than non-account managed to say they continually developed their staff (68% compared with 53%) and had existing plans in place to address concerns (57% compared with 43%).

Amongst sole traders there were few differences by subgroup.

5. PERCEPTIONS OF YOUNG TALENT

KEY MESSAGES:

Around four in five (79%) businesses viewed young talent as important, compared with a fifth (21%) who said this was not important.

In terms of potential benefits, a majority of businesses saw young talent as bringing a fresh perspective (79%) and as an opportunity to mould and develop talent to meet business needs (68%). Additionally, over half viewed young talent as central to skills development: both as a means of replacing lost skills (57%) and in providing new skills (56%).

Characteristics sought from young talent included good attitude and work ethic (88%), communication skills (77%), a desire to continue their learning/skills development (77%), timekeeping (76%), being a good team player (72%) and an ability to work independently (70%). However, almost three quarters (73%) of businesses anticipated difficulty in recruiting young talent with these characteristics.

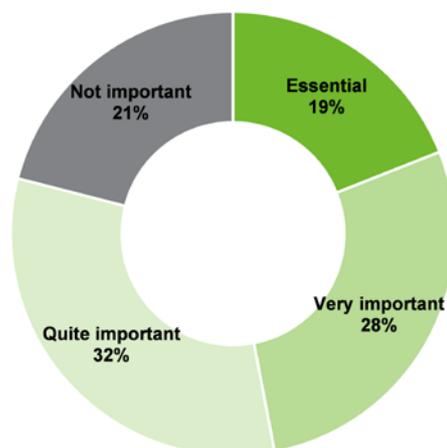
IMPORTANCE OF YOUNG TALENT

Businesses were asked their views about young talent, defined as “employees in the early stages of their careers”. Over three quarters of businesses (79%)³ said recruitment of young talent was important to them: 19% said it was essential, 28% said very important and 32% rated it as quite important. The remaining fifth (21%) said the recruitment of young talent was not important to their business (Figure 5.1).

³ In the responses to this question, 23% answered “not applicable”. The percentages shown in this section are therefore based on those for whom this question did apply (773 respondents).

Figure 5.1: Importance of recruiting young talent to business

Q. How important is it to you to recruit young talent into your business?



Base: All businesses for whom it applied (773)

Variation by type of business

Larger organisations (25+ employees) were more likely than smaller businesses (0-4 employees) to view recruitment of young talent as essential (29% compared with 13%). Conversely, smaller businesses were more likely than larger businesses to say young talent was not important (28% compared with 5%) (Table A.12)

In terms of sectoral variation, creative industries and food and drink businesses were more inclined on average to view young talent as important (89% and 85% compared with 79% overall), whilst tourism businesses were more likely to say it was not important (31% compared with 21% overall) (Table A.13).

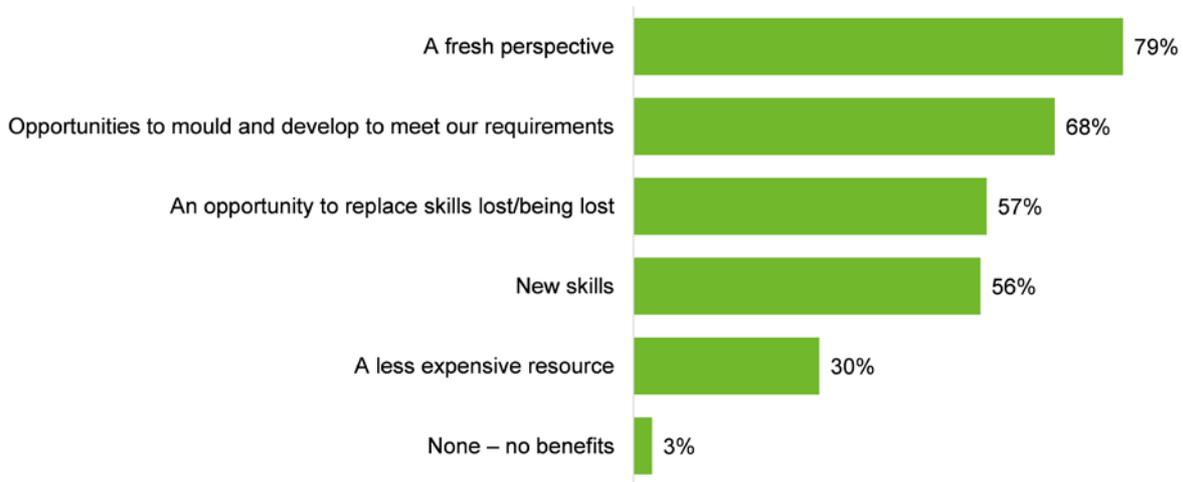
A higher percentage of account managed (91%) businesses than non-account managed (77%) said young talent was important to their business. In contrast, non-account managed businesses were more likely to say young talent was not important (23% compared with 9% of account managed).

BENEFITS OF YOUNG TALENT

In terms of the perceived benefits that young talent could bring to a business, the most common were: bringing a fresh perspective to the business (79%), along with the opportunity to mould and develop employees to meet business requirements (68%). Other perceived benefits of young talent were that they were a means of replacing lost skills (57%) and bringing new skills (56%) to the business. Less than a third (30%) of businesses said they were a less expensive resource, while just 3% did not see any benefits (Figure 5.2).

Figure 5.2: Benefits young talent bring to a business

Q. In your view, what benefits do young people bring to a business, if any?



Base: All businesses

Variation by type of business

Organisations with 11-24 and 25+ employees were more likely on average to say that young talent provided the opportunity to mould and develop employees to fit business needs (80% and 85% respectively, compared to 68%).

Additionally, tourism businesses were more inclined to say that young people offered new skills (65% compared to 56%).

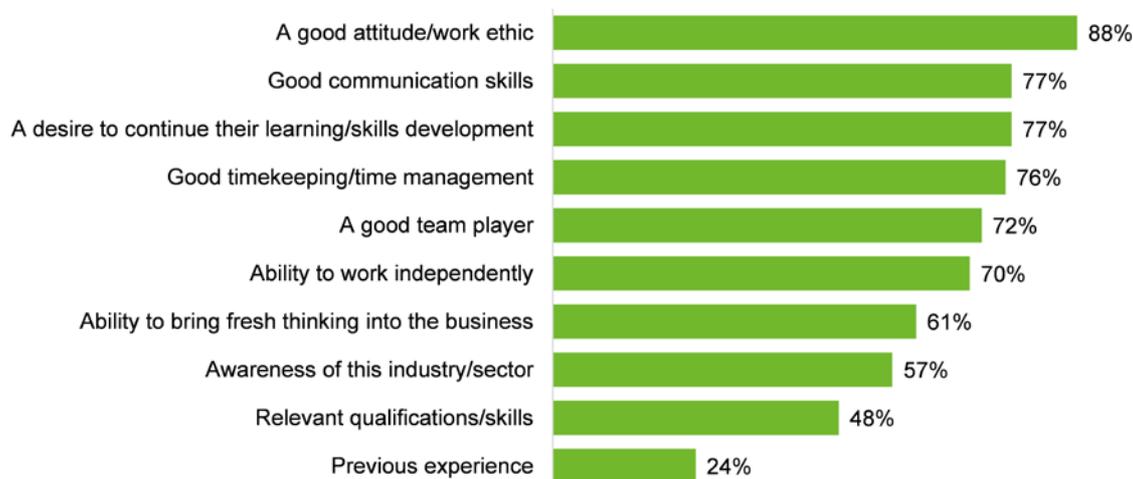
Account managed businesses were more likely than non-account managed to view young talent as providing an opportunity to mould and develop to meet business needs (88% compared with 66%) and an opportunity to replace lost skills (77% compared with 55%).

CHARACTERISTICS SOUGHT IN YOUNG TALENT

Asked to consider what characteristics they would look for if they were recruiting young talent, the most common responses were: a good attitude and work ethic (88%), good communication skills (77%), a desire to continue their learning or skills development (77%), timekeeping (76%), being a good team player (72%) and an ability to work independently (70%) – each was selected by at least seven in ten businesses (Figure 5.3).

Figure 5.3: Characteristics sought in young talent

Q. If you were recruiting young talent, what key characteristics would you look for?



Base: All businesses for whom it applied (928)

Variation by type of business

Larger businesses (25+ employees) were more likely than average to look for certain characteristics from young talent, including: a good attitude or work ethic (98% compared with 88% overall), timekeeping (87% compared with 76%), a desire to continue learning or skills development (86% compared with 77%), communication skills (85% compared with 77%) and being a good team player (83% compared with 72%).

Tourism businesses were more likely than average to look for each attribute, particularly: work ethic (94% compared to survey average of 88%), communication skills (90% compared with 77%), timekeeping (85% compared with 76%), being a good team player (85% compared with 72%), fresh thinking (71% compared with 61%) and awareness of the industry (67% compared with 57%) (Table A.14). Elsewhere, those in the financial and business services and creative industries were more likely than average to look for relevant qualification and skills (65% for each, compared to 48% overall).

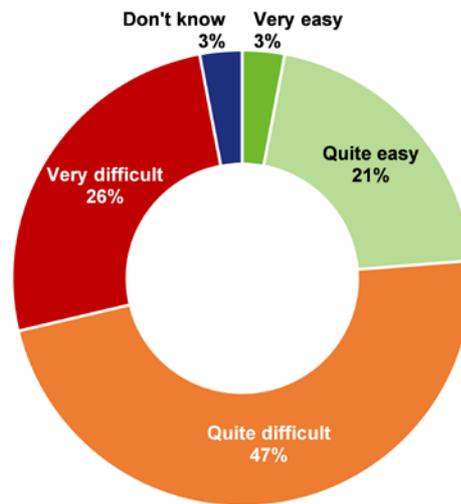
With the exception of industry knowledge, account managed businesses were more likely than non-account managed businesses to view each of the aspects as important (see Table A.15).

EASE OF RECRUITING YOUNG TALENT

In spite of most businesses saying that young talent was important, almost three quarters (73%) said they expected it would be difficult to recruit young talent with the characteristics they needed, with 47% stating it would be quite difficult and 26% very difficult (Figure 5.4).

Figure 5.4: Ease of recruiting young talent with desired characteristics

Q. And how easy or difficult would it be to recruit young talent with these characteristics?



Base: All businesses for whom it applied (922)

In the previous wave, businesses were more optimistic about their ability to recruit staff with the skills they required: 74% said they were fairly/very confident about recruiting permanent staff and 80% fairly/very confident in recruiting temporary staff. These findings suggest that businesses anticipate more challenges recruiting young talent specifically than recruiting staff in general.

6. EXPERIENCE OF RECRUITING YOUNG TALENT

KEY MESSAGES:

Two in five businesses (40%) had recruited young talent in the past two years, while 8% had tried without success and 18% had not tried but were likely to in the future.

Around a third (31%) had not tried to recruit young talent and said they were unlikely to do so in the future. Of these businesses, over half (55%) said this was because they had no plans to grow the business, while slightly fewer (51%) already had the skills they needed. Lack of resources (25%), lack of capacity to train new staff (24%) and being unable to commit to new staff long term (22%) were further reasons for not recruiting young talent.

Among those who have recruited or tried to recruit young talent, almost two thirds (65%) found it difficult, with 39% finding it quite difficult and 26% very difficult. The top challenges faced when recruiting young talent were a lack of suitability skills candidates (69%) and poor attitude and work ethic amongst potential candidates (61%).

In terms of resources available to recruit young talent, most were aware of Modern Apprenticeships (89%) and work placements (81%), while around two thirds had heard of Graduate Placement Programmes (65%) and Student Placement Programmes (61%). Amongst those who had recruited or tried to recruit young talent, 28% had actually used work placements, followed by Modern Apprenticeships (24%), Graduate (20%), and Student Placement Programmes (16%).

Among those who had tried or were likely to recruit young talent, just over half (55%) said they were likely to recruit Apprentices or Graduates in the future.

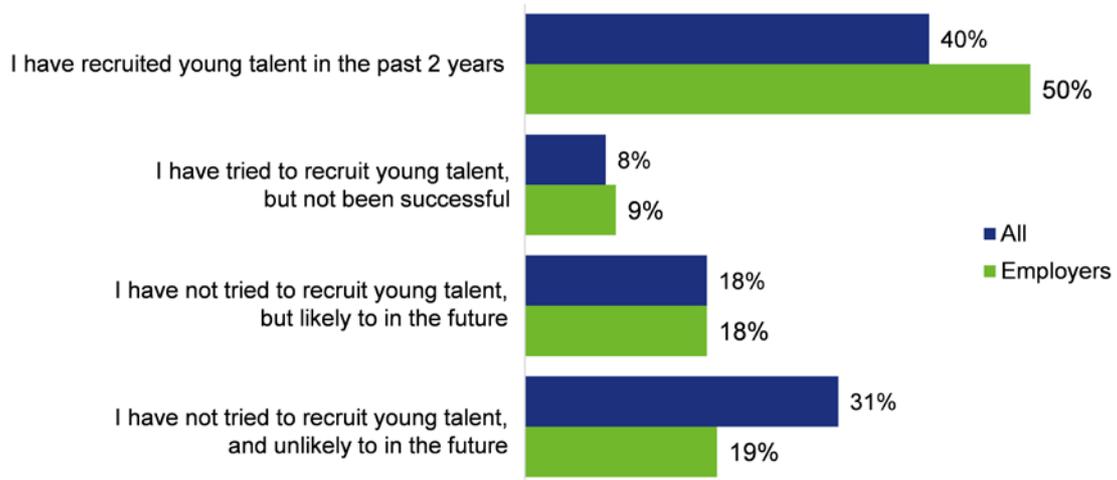
EXPERIENCES OF RECRUITING YOUNG TALENT

Businesses had mixed experience of recruiting young talent: 40% said they had recruited young talent in the past two years, while a further 8% had tried, but not been successful. Amongst the remaining businesses, 18% said they had not tried to recruit young talent, but were likely to in the future and 31% had not tried and were unlikely to do so in the future (Figure 6.1).

Among those that employed staff, the proportion who had recruited young talent in the past two years increased to 50%, while the proportion had never tried and were unlikely to do so decreased to 19%.

Figure 6.1: Experiences of recruiting young talent

Q. Still thinking about recruitment of young talent, which of these statements best describes your own experience?



Base: All businesses; all who employ staff (769)

Variation by type of business

As shown in Table 6.1, employers who had expressed concern about skills-related issues were generally more likely than employers overall to have recruited or tried to recruit young talent. For example, 73% of those concerned about being able to attract new staff had recruited or tried to recruit young talent, compared with 59% of all employers. Similarly, 72% of those concerned about losing skills due to people leaving the business, and 70% of those concerned about retaining existing staff had recruited or tried to recruit young talent (compared with 59% of all employers).

Table 6.1: Experience of recruiting young talent, by skills-related concerns

Skills-related concerns	% of those concerned				Base
	Have recruited in past 2 years	Tried to recruit but not been successful	Not tried to recruit, likely to in future	Not tried to recruit, unlikely to in future	
	%	%	%	%	N
Being able to attract new staff	60	13	15	9	371
Keeping pace with new skills requirements	49	13	19	17	293
Losing skills due to people leaving the business	59	13	14	12	282
Losing skills due to an ageing workforce	47	15	19	16	276
Retaining existing staff	57	13	19	10	247
<i>Base: All employers concerned about each issue</i>					

In terms of other variation, larger organisations were more likely than average to have recruited young talent in the last two years (82% of those with 25+ and 80% of those with 11-24 employees, compared with 40% overall). In contrast, smaller organisations (0-4 employees) were considerably less inclined to recruit young staff: 46% had not tried and were unlikely to in future (compared with 8% of those with 5-10, 2% of those with 11-24 and 3% of those with 25+ employees).

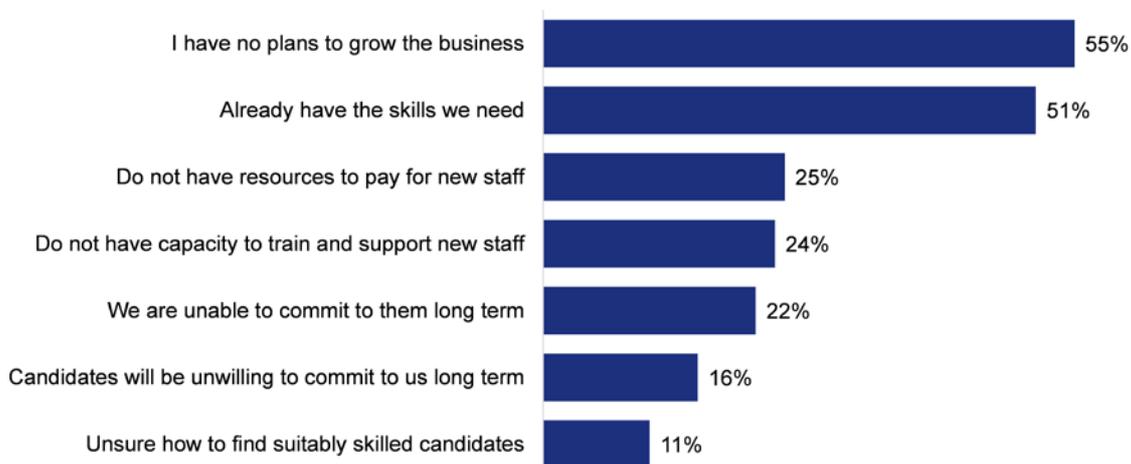
Account managed businesses (64%) showed a much higher tendency to have recruited young talent within the last two years than non-account managed (38%). The same was true of those who were optimistic about their business prospects for the next 12 months: 43% said they had recruited young talent in last two years compared to 30% of those who were not optimistic.

Reasons for not recruiting young talent

Among those who had not tried to recruit young talent, and were unlikely to in the future (31% of businesses), the main reasons given were having no plans for expansion (55%) and already having the required skills (51%). Around a quarter also said that they did not have resources to pay for new staff (25%), did not have capacity to train and support new staff (24%) and were unable to commit to young talent in the long term (16%) (Figure 6.2).

Figure 6.2: Reasons for not recruiting young talent

Q. Why are you unlikely to recruit young talent?



Base: All businesses who have not tried and are unlikely to try to recruit young talent (296)

Variation by type of business

There were few differences by subgroup. However, tourism businesses were more likely than average to say they already had the skills needed (71% compared to 51% overall), while food and drink businesses were more likely to say they did not have the resources to pay for new staff (37% compared to average of 25%) and that candidates would be unwilling to commit to them long term (28% compared to 16%).

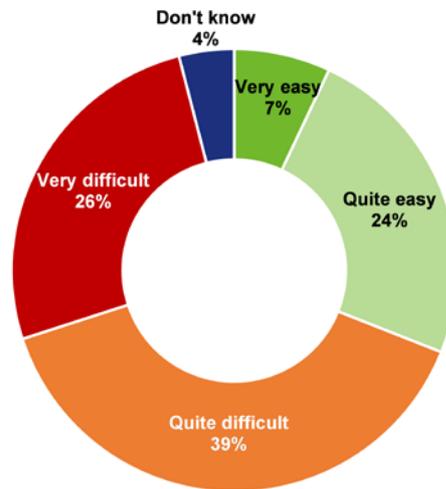
Ease of recruiting young talent

Amongst those who have recruited or tried to recruit young talent, less than a third (31%) found it easy (7% very easy, 24% quite easy) while almost two thirds (65%) found it difficult (39% quite difficult, 26% very difficult) (Figure 6.3).

This reinforces findings from the previous wave where 23% of businesses employing staff said they were concerned about their ability to attract new graduates, while 29% said the same of apprentices.

Figure 6.3: Ease of recruiting young talent with required skills and talent

Q. In general, how easy or difficult have you found it to recruit young people with the skills and talent you need?



Base: All businesses who recruited, tried to recruit or likely to recruit young talent (504)

Variation by type of business

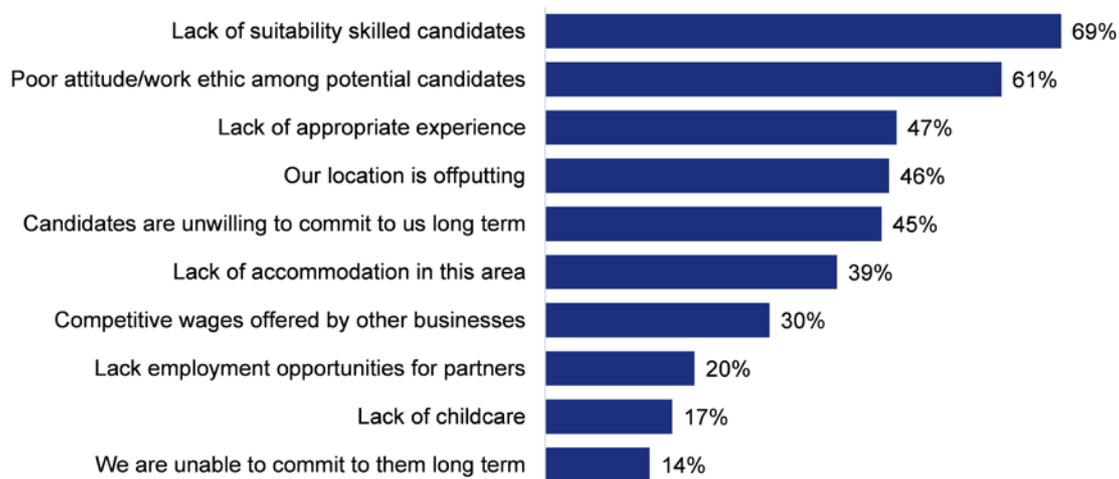
Findings were relatively consistent across subgroups, however account managed businesses were more inclined to have found it difficult to recruit young talent with the needed skills than non-account managed businesses (76% compared to 63%).

Challenges faced

The top challenges faced when recruiting young talent were the lack of suitably skilled candidates (69%) and poor work ethic (61%), followed by lack of appropriate experience (47%), the location being off-putting (46%) and candidates being unwilling to commit long term (45%) (Figure 6.4). There were further challenges related to meeting candidates' expectations or requirements, including a lack of accommodation in the area (39%), employment opportunities for partners (30%) and childcare (17%), while over one in ten business said they were unable to commit to candidates long term (14%).

Figure 6.4: Challenges faced when recruiting young talent

Q. What particular difficulties have you faced?



Base: All businesses who have found it difficult to recruit young people (331)

A similar question was asked of respondents in wave nine, exploring challenges faced recruiting all staff types rather than exclusively young talent. The responses given were broadly similar, with the exception of the following notable differences:

- competitive wages offered by other businesses appears less of an issue in relation to young talent: this wave 30% said this was an issue when recruiting young talent, compared to 50% last wave in relation to all staff
- lack of suitably skilled candidates was more of an issue when recruiting young talent: 69% compared with 58% of all staff reported last wave
- poor work ethic also appears more of a problem in relation to young talent: 61% compared with 50% of all staff.

Variation by type of business

There were a number of variations across different types of business. In terms of regional variation, lack of accommodation was more of an issue among businesses in Lochaber, Skye and Wester Ross and Argyll and the Islands (77% and 57% compared with 39% overall). Those in Lochaber, Skye and Wester Ross were also more likely than average to have faced challenges due to lack of employment opportunities for partners (39% compared with 26%) and lack of childcare (31% compared with 17%).

As noted earlier, variation on some of these elements may at least in part be explained by the fact that tourism businesses are over-represented in Lochaber, Skye and Wester Ross (22% compared with 12% in the overall sample) and may reflect the regional variations noted earlier.

Tourism businesses were more likely on average to select almost all the reasons, namely:

- poor work ethic amongst potential candidates (74% compared with 61%)

- off-putting location (73% compared with 46%)
- lack of accommodation in area (68% compared with a survey average of 39%)
- candidates unwilling to commit long term (66% compared with 45%)
- lack of childcare (43% compared with 17%)
- lack of employment opportunities for partners (38% compared with 20%)
- unable to commit to candidates full time (28% compared with 14%).

Elsewhere, businesses in fragile areas were more likely than those in non-fragile areas to have faced challenges due to the location being off-putting (60% compared with 43%), a lack of accommodation in the area (58% compared with 35%) and lack of employment opportunities for partners (29% compared with 18%).

Account management businesses were more likely than non-account managed to have faced challenges with a lack of suitability skilled candidates (83% compared with 66%), lack of accommodation (57% compared with 36%) and lack of employment opportunities for partners (31% compared with 18%).

RESOURCES USED TO RECRUIT YOUNG TALENT

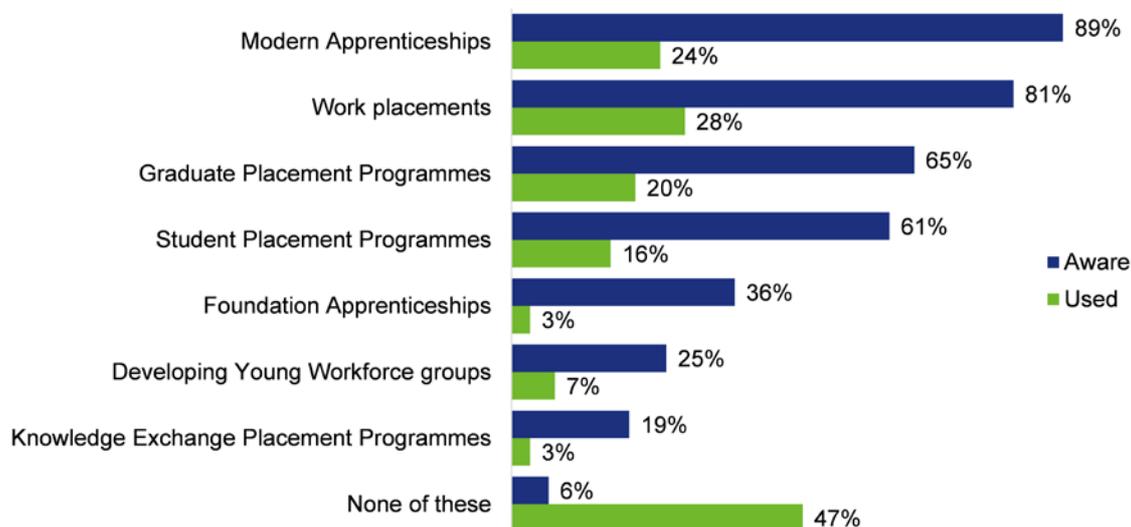
Awareness and use of existing resources

Overall, nine in ten (89%) businesses were aware of Modern Apprenticeships, while 81% were aware of work placements, 65% of Graduate Placement Programmes and 61% of Student Placement Programmes. Fewer were aware of Foundation Apprenticeships (36%), Developing the Young Workforce groups (25%) and Knowledge Exchange Placement Programmes (19%), while 6% had not heard of any of the schemes (Figure 6.5).

Among those who had recruited or tried to recruit young talent, just under half (47%) had not used any of the resources listed. Of the resources they had used, work placements were the most common (28%), followed by Modern Apprenticeships (24%), Graduate Placement Programmes (20%), and Student Placement Programmes (16%).

Figure 6.5: Awareness and use of resources for recruiting young talent

**Q. Which of the following, if any, are you aware of?
Q. And which of these, if any, have you made use of?**



Base: All businesses/All businesses who recruited or tried to recruit young talent (504)

Variation by type of business

Larger organisations with 25+ employees were more likely on average to have heard of and made use of many of the resources:

- almost all (96%) had heard of Modern Apprenticeships (compared with 89% overall), while 54% of those who had recruited or tried to recruit young talent had made use of them (compared with 24%)
- 80% were aware of Graduate Placement Programmes (compared with 65%) and 31% had used this resource (compared with 20%)
- 46% were aware of Foundation Apprenticeships (compared with 36%) and 7% had used them (compared with 3%)
- 45% had heard of the Developing Young Workforce groups (compared with 25%) and 15% had used this resource (compared with 7%)
- 27% were aware of the Knowledge Exchange Placement Programmes (compared with 19%), but use was not significantly above average.

Those in the financial and business services sector also showed greater than average awareness of Modern Apprenticeships (96% compared with 89% overall), Graduate Placement Programmes (83% compared with 65%) and Student Placement Programmes (72% compared with 61%). However, use of these initiatives was above average for this sector in just one instance: Developing Young Workforce groups (15% compared with 7%).

As is illustrated in Table 6.2, account managed businesses showed higher levels of awareness and use of many of the schemes than non-account managed. The grey shading indicates significant differences between subgroup (i.e. account managed and non-account managed).

Table 6.2: Awareness and use of resources by account management

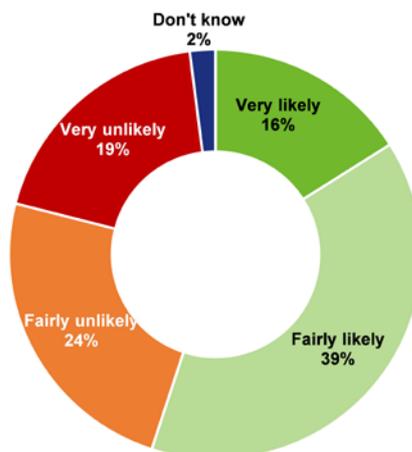
Characteristic	Awareness of schemes		Use of schemes	
	Account managed (%)	Non-account managed (%)	Account managed (%)	Non-account managed (%)
Modern Apprenticeships	98	88	40	22
Work placements	91	81	43	26
Graduate Placement Programmes	92	62	53	15
Student Placement Programmes	69	60	29	15
Foundation Apprenticeships	42	35	4	3
Developing Young Workforce groups	43	24	17	5
Knowledge Exchange Placement Programmes	31	18	5	2
None of these	1	6	20	51
<i>Base: All businesses for whom it applied</i>	95	905	74	430

Likelihood of recruiting Apprentices or Graduates

Businesses were asked about their views on Apprentices and Graduates specifically. Among those who had recruited or tried to recruit young talent, or were likely to in the future, over half (55%) said they were very likely (16%) or quite likely (39%) to recruit Apprentices or Graduates (Figure 6.6).

Figure 6.6: Likelihood of recruiting Apprentices or Graduates in future

Q. Thinking specifically about Apprentices or Graduates, how likely or unlikely would you be to recruit using these in the future?



Base: All businesses who recruited, tried to recruit or likely to recruit young talent (670)

Variation by type of business

Those who had previously used Apprentice or Graduate schemes (Modern Apprenticeships, Foundation Apprenticeships or Graduate Placement Programmes) were considerably more inclined to do so again in the future: 86% of those who had used any scheme said they were likely to do so in the future, compared to 46% of those who had not (Table A.16).

In keeping with the findings outlined thus far, organisations with 25+ employees were more likely than average to say they would recruit using Apprentices and Graduates in the future (67% compared 55%).

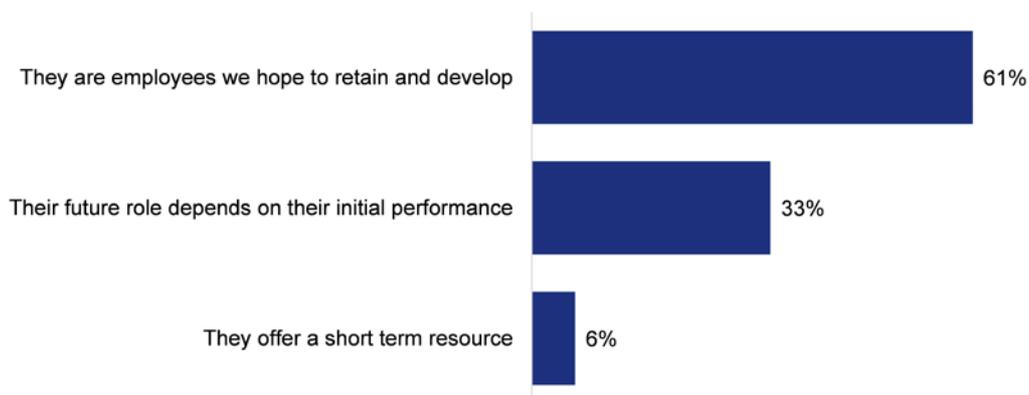
Further, a higher percentage of account managed (75%) than non-account managed (52%) businesses said they were likely to make use of the schemes in the future.

Role of Apprentices or Graduates

Of those that had used, or were likely to recruit Apprentices or Graduates, three in five (61%) viewed them as employees they hoped to retain and develop, while 6% viewed them as a short-term resource. A third (33%) said their future role depended on initial performance (Figure 6.7).

Figure 6.7: Role of Graduates or Apprentices within business

Q. Which of the following best describes the role you see these employees playing in the organisation?



Base: All businesses using/likely to use Apprentices or Graduates (398)

Variation by type of business

Results were relatively consistent, with few differences between subgroups. The only notable exception was that 48% of businesses in the food and drink sector said the future role of apprentices or graduates depends on their initial performance (compared to 33% overall).

Reasons for not recruiting Apprentices or Graduates

The main reasons businesses gave for not recruiting Apprentices or Graduates were: a preference to use their own standard recruitment practices (37%), feeling that these approaches did not offer the skills needed (28%), not having the capacity to offer the training or support required (24%) and lack of availability of

Apprentices or Graduates in their area (21%). Affordability (16%) and lack of awareness (12%) were also issues, though to a lesser extent (Figure 6.8).

Figure 6.8: Reasons for not recruiting Apprentices or Graduates

Q. You said you are not using/likely to use Apprentices or Graduates when recruiting staff, why is that?



Base: All businesses not using modern apprenticeships or placements (506)

Variation by type of business

Organisations with 0-4 employees were more likely on average to say that they did not have capacity to offer the training or support required (30% compared with 24%) and could not afford to recruit using these approaches (23% compared with 16%).

Businesses in Argyll and the Islands (29%) and tourism businesses (37%) were more likely than average (21%) to say that Apprentices and Graduates were not available in their area. The higher than average findings in the Argyll and the Islands perhaps reflect the fact that tourism businesses are over-represented in this area (17% compared with 11% in the overall sample).

7. RETAINING YOUNG TALENT

KEY MESSAGES:

Of those with young talent in their workforce, three in five (60%) said they found it easy to retain these employees, while 38% said this was a challenge. Amongst those who found it difficult, 58% said young talent want to move on once trained, while approximately two in five said they could not offer competitive wage levels (41%), career progression (41%) or an attractive office location (40%).

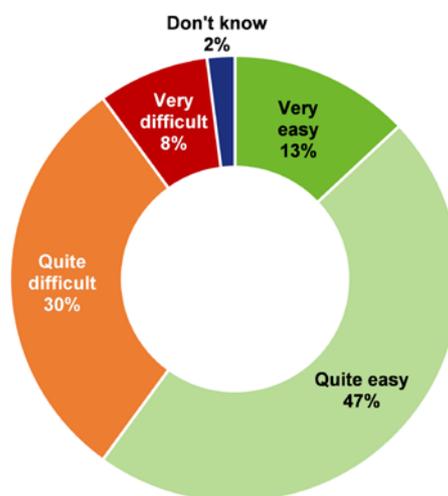
Amongst those with young talent, providing training opportunities was the top means through which they tried to retain staff (83%) followed by competitive levels of pay (79%) and mentoring and feedback (73%).

EASE OF RETAINING YOUNG TALENT

Among those businesses that employed young talent, or had done so in the past, three in five said they found it very easy (13%) or quite easy (47%) to retain these employees, while 38% said they found it difficult to (Figure 7.1).

Figure 7.1: Ease of retaining young talent

Q. Thinking about any young talent you have, or have had, in the business, how easy or difficult have you found it to retain them?



Base: All businesses for whom it applied (700)

Variation by type of business

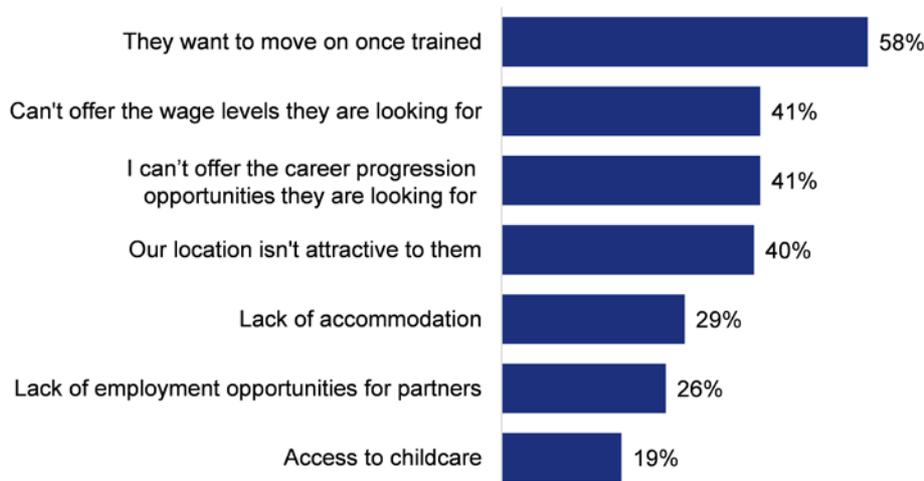
Small organisations of 0-4 staff were more likely to find it difficult to retain young staff (43% compared to the average of 38%), as were tourism businesses (65%) and those based in Lochaber, Skye and Wester Ross⁴ (49%). There were no other differences by subgroup.

DIFFICULTIES RETAINING YOUNG TALENT

The biggest challenge to retaining young talent was that these employees wanted to move on once they were trained (58%). Additionally, around two in five said they could not offer competitive wages (41%) or career progression opportunities (41%) to keep young talent and a similar percentage said their location was not attractive (40%). These findings echo those seen in relation to recruiting young talent, outlined in section 6.

Figure 7.2: Difficulties retaining young talent

Q. What particular difficulties have you faced?



Base: All businesses who have found it difficult to retain young talent (271)

Variation by type of business

Reflecting the pattern seen in relation to recruiting young talent, tourism businesses were more likely than average to have experienced a number of difficulties retaining talent, namely: unattractive location (60% compared to 40%), lack of accommodation (51% compared with 29%), lack of employment opportunities for partners (43% compared to 26%) and access to childcare (36% compared to 19%).

Lack of accommodation and lack of employment opportunities for partners were also particularly problematic for those in Lochaber, Skye and Wester Ross (52% and 41% compared with 29% and 26% overall).⁴

⁴ As noted earlier, the higher than average figures for Lochaber, Skye and Wester Ross may be driven by the higher than average proportion of tourism business in this area.

Further, as shown in table 7.1, those in fragile areas tended to have faced more of the challenges retaining young talent, particularly in terms of location, accommodation, employment for partners and childcare (the shaded cells show findings where there are statistically significant differences from those in non-fragile areas).

Table 7.1: Difficulties faced in retaining young talent – fragile area

	Fragile (%)	Non fragile (%)
They want to move on once trained	54	59
Can't offer the wage levels they are looking for	33	42
I can't offer the career progression opportunities they are looking for	47	39
Our location isn't attractive to them	66	34
Lack of accommodation	42	26
Lack of employment opportunities for partners	41	22
Access to childcare	34	15
<i>Base: All businesses who have found it difficult to retain young talent</i>	55	216

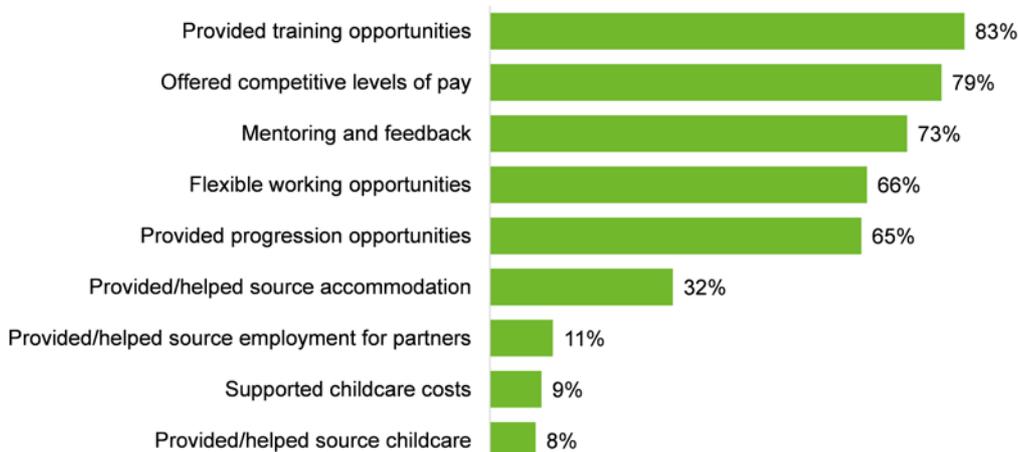
STEPS TAKEN TO RETAIN YOUNG TALENT

Amongst those employing young talent (65% of businesses), providing training opportunities was the top means through which they tried to retain staff (83%) followed by competitive levels of pay (79%) and mentoring and feedback (73%). Flexible working opportunities (66%) and progression opportunities (65%) had been offered by two thirds of respondents, while a third (35%) had provided or helped source accommodation (Figure 7.3).

Less common steps include providing or helping to source accommodation (11%), supported childcare costs (9%) and providing or helping to source childcare (8%).

Figure 7.3: Steps taken to retain young talent

Q. And still thinking about young talent in the business, what steps have you taken to help retain young talent?



Base: All businesses where it was relevant (657)

Variation by type of business

Businesses with 0-4 employees were less likely than average to have provided training opportunities (71% compared to 83% overall), competitive pay (73% compared with 79%), mentoring and feedback (62% compared with 73%) or progression opportunities (51% compared with 65%).

In terms of sector, financial and business services were more likely than average to have offered mentoring and feedback (85% compared with 73%) and supported childcare costs (19% compared with 9%). Tourism business, meanwhile, showed a greater tendency to provide or help source accommodation (53% compared with 32% overall) and provide or help find employment for partners (25% compared to 11%).

Account managed businesses were more likely than non-account managed to have taken several measures, namely: providing training opportunities (91% compared with 82%), mentoring and feedback (86% compared with 72%), progression opportunities (77% compared with 64%) and provided/helped source accommodation (43% compared with 31%).

8. SUMMARY

Businesses remained pessimistic about the economic outlook in Scotland, with more saying their confidence had decreased (25%) than increased (15%). However, the gap between the two positions narrowed since January/February 2018.

Differences by sector were minimal, with the exception of tourism businesses who were more likely to say their confidence had increased. As seen in previous waves, confidence in the economy was linked to views on business performance: business that had performed well in the previous twelve months were more likely to report an increase in confidence, while those who had struggled were more likely to say their confidence had decreased.

In keeping with previous waves, businesses remained more positive about their own performance than about Scotland's economy overall: over two fifths said their business had performed well in the last twelve months, while a similar proportion reported steady performance. Approximately a fifth said they had struggled.

Again reinforcing findings from previous waves, tourism businesses were more positive on average about their performance over the last year, while food and drink businesses were more likely to have struggled. Larger organisations (with 11-24 or 25+ employees) tended to have had a better year than smaller organisations, as did account managed businesses in comparison with non-account managed. Businesses once again largely reported stability in performance in terms of training, employment, working hours and exports. Views were again more mixed in relation to financial aspects of business performance (sales/turnover and profit margins).

Businesses remained optimistic for the future, with four in five expressing optimism for the year ahead. Reflecting this sentiment, 40% of businesses expected growth within the next year or two, while half expected to stay the same and 8% anticipated a contraction.

Businesses continued to view the European Single Market as more important to the Scottish economy than their business overall. They also considered the free movement of people across the EU as more important to the economy overall than their own business.

Turning to workforce and skills-related issues, nine in ten businesses were confident they were equipped with the skills they needed for the next two years, while eight in ten said the same of the next 2-5 years. Confidence dropped to two thirds when looking beyond this time period to the next 5-10 years.

Amongst employers, almost half expressed concern about being able to attract new staff beyond the next two years. Other concerns for employers included keeping pace with new skills requirements, losing skills due to people leaving the business, an ageing workforce, and retaining existing staff. Levels of concern were generally lower amongst sole traders, though their top workforce related issue was keeping pace with new skills requirements.

Almost all employers who expressed concern with at least one of the workforce related issues covered in the survey had taken measures to address these concerns, whilst seven in ten sole traders had done the same. Common approaches used to address these concerns included upskilling and developing existing staff, and investing in their own training and development.

Turning to young talent specifically, four in five said young talent was important to their business. A majority of businesses saw young talent as bringing a fresh perspective and an opportunity to mould and develop talent to meet business needs. Further, over half viewed young talent as central to skills development: both as a means of replacing lost skills and in providing new skills.

Characteristics sought from young talent included good attitude and work ethic, communication skills, a desire to continue their learning/skills development, timekeeping, being a good team player, and an ability to work independently. However, almost three quarters of businesses anticipated difficulty in recruiting young talent with these characteristics.

Two in five had actually recruited young talent within the last two years, whilst 8% had tried, but not been successful and 18% had not attempted, but were likely to do so in the future. Less than a third had not recruited young talent and were unlikely to do so in the future. Those who had recruited within the last two years tended to be employers, larger organisations, account managed and those that were optimistic about their business prospects for the next 12 months. Amongst those who had not tried to recruit young talent and were unlikely to do so in the future, the main reasons given for this were having no plans for expansion and already having the required skills.

Of those who had recruited or tried to recruit young talent, two thirds had found it difficult to do so, with a lack of suitably skilled candidates being the top issue faced. In terms of resources available for introducing young talent to the workforce, most were aware of Modern Apprenticeships and work placements, while around two thirds had heard of Graduate Placement Programmes and Student Placement Programmes. Amongst those who had recruited or tried to recruit young talent, around a quarter had actually used work placements and Modern Apprenticeships, while fewer had used Graduate and Student Placement Programmes.

Finally, for those with young talent in their workforce, three in five businesses said they found these employees easy to retain. Small organisations (0-4 staff) were more likely to find it difficult, as were those in the tourism business. The primary challenge businesses faced in retaining young talent was employees wanting to move on once trained. Lack of competitive wages, lack of opportunities for career progression and unattractive locations were also seen as challenges. Those in fragile areas tended to have faced more challenges retaining young talent than other businesses, particularly in terms of unattractive locations and lack of accommodation, employment for partners and childcare.

Approaches taken to retain young talent included providing training opportunities, competitive levels of pay, mentoring and feedback, flexible working and progression opportunities. Other approaches were more prominent among tourism businesses, specifically providing or helping to find accommodation and employment for partners.

9. APPENDIX

BUSINESS PERFORMANCE

Table A.1: Business performance by growth sector⁵

	Performed exceptionally well	Performed quite well	Been fairly steady	Struggled slightly	Struggled markedly	Don't know	Base
	%	%	%	%	%	%	N
Overall	9	34	38	14	5	1	1000
Tourism	19	36	28	13	3	1	122
Financial and business services	10	38	34	11	6	1	89
Creative industries	11	42	25	18	5	-	47
Non-growth Sector	9	35	40	11	4	1	458
Food and drink	2	24	46	20	7	*	227
	N	N	N	N	N	N	
Energy	2	8	6	5	1	-	23
Life sciences	-	2	-	-	-	-	2

Base: All businesses in each sector

Table A.2: Aspects of business performance in the last six months

	Increased	Decreased	Stayed the same	Don't know	Base
	%	%	%	%	N
Sales or turnover	42	17	39	2	973
Working hours	28	5	67	*	996
Staff training	23	4	73	-	823
Exports	27	5	60	8	181
Profit margins	27	23	46	4	972
Employment	20	8	72	1	942

Base: All businesses saying each aspect applied to them

⁵ As the base size for Energy and Life Sciences is less than 30, the number of responses (rather than percentages) are shown. As number of responses have been weighted, the base size shown for these sectors are the weighted, rather than unweighted, base.

Table A.3: Overall assessments of business performance by growth sector⁶

Growth Sector ⁷	Assessment of business performance (mean score)	Base
Creative industries	1.1	43
Tourism	1.0	108
Financial and business services	0.9	93
Non-growth Sector	0.7	458
Food and drink	0.7	244
	N	
Life Sciences	4.0	2
Energy	1.0	23

Table A4: Overall assessments of business performance by location

Location	Assessment of business performance (mean score)
Lochaber, Skye and Wester Ross	1.2
Outer Hebrides	1.0
Argyll and the Islands	0.9
Moray	0.8
Inner Moray Firth	0.8
Orkney	0.6
Shetland	0.5
Caithness and Sutherland	0.4

Table A.5: Overall assessments of business performance by size of business

Size of business	Assessment of business performance (mean score)
0-4	0.6
5-10	0.9
11-24	1.6
25+	1.3

⁶ As the base size for Energy and Life Sciences is less than 30, the number of responses (rather than percentages) are shown. As number of responses have been weighted, the base size shown for these sectors are the weighted, rather than unweighted, base.

⁷ Although Energy had an average score of 1.6 and Life Sciences had an average score of 1.4, these do not represent a significant difference from other sectors due to the small base size for these sectors.

BUSINESS PROSPECTS IN THE NEXT SIX MONTHS

Table A.6: Business prospects over the next 12 months by confidence in the economic outlook in Scotland

	Optimism for future business prospects					
	Very optimistic	Fairly optimistic	Not very optimistic	Not at all optimistic	Don't know	Base
Confidence in the economic outlook in Scotland	%	%	%	%	%	N
Increased	41	55	1	1	1	144
Stayed the same	16	72	10	1	1	587
Decreased	4	54	29	9	3	248

Table A.7: Optimism for future business prospects by past business performance

	Optimism for future business prospects					
	Very optimistic	Fairly optimistic	Not very optimistic	Not at all optimistic	Don't know	Base
Past business performance	%	%	%	%	%	N
Performed exceptionally/quite well	30	62	6	1	2	424
Been fairly steady	8	77	11	2	2	382
Struggled slightly/markedly	4	46	37	12	2	186

RELATIONSHIP WITH THE EU

Table A.8: Comparison of importance of membership of the European Single Market to the economy and to business

	Importance to the economy				
	Very important	Quite important	Not very important	Not at all important	Base
Importance to businesses	%	%	%	%	N
Important	71	26	2	1	503
Not important	23	33	26	18	395

Base: All businesses excluding those saying 'don't know' to either measure

Table A.9: Comparison of importance of membership of free movement of people across the EU to the economy and to business

	Importance to the economy				
	Very important	Quite important	Not very important	Not at all important	Base
Importance to businesses	%	%	%	%	N
Important	73	26	1	-	393
Not important	38	40	14	8	542

Base: All businesses excluding those saying 'don't know' to either measure

SKILLS

Table A.10: Confidence in skills by size of business

Size of business	Next 2 years		2 to 5 years		5 to 10 years	
	Confident	Not confident	Confident	Not confident	Confident	Not confident
	%	%	%	%	%	%
0-4	93	7	84	10	62	13
5-10	96	4	85	11	66	14
11-24	90	10	88	11	73	14
25+	85	15	85	18	64	19

Table A.11: Confidence in skills by account management status

Account management status	Next 2 years		2 to 5 years		5 to 10 years	
	Confident	Not confident	Confident	Not confident	Confident	Not confident
	%	%	%	%	%	%
Account managed	83	17	81	19	65	21
Non-account managed	93	6	85	10	64	13

PERCEPTIONS OF YOUNG TALENT

Table A.12: Importance of recruiting young talent, by size of business

	0-4	5-10	11-24	25+
	%	%	%	%
Essential	13	20	29	29
Very important	26	27	32	35
Quite important	33	34	29	31
Not important	28	19	10	5
<i>Base</i>	<i>388</i>	<i>151</i>	<i>133</i>	<i>101</i>

Table A.13: Importance of recruiting young talent, by sector⁸

	Creative industries	Food and drink	Financial and business services	Non-growth sector	Tourism	Energy	Life Science
	%	%	%	%	%	N	N
Essential	31	19	14	19	19	4	-
Very important	22	33	27	26	33	5	-
Quite important	36	33	36	31	33	5	2
Not important	11	15	22	24	15	5	-
<i>Base</i>	37	166	71	356	166	19	2

Table A.14: Characteristics sought in young talent, by sector⁹

	Food and drink	Tourism	Financial and business services	Creative industries	Non-growth sectors	Energy	Life Science
	%	%	%	%	%	N	N
A good attitude/work ethic	87	94	93	88	87	18	1
A desire to continue their learning/skills development	70	79	78	86	79	18	1
Good communication skills	64	90	81	86	78	15	2
Good timekeeping/time management	70	85	78	74	77	17	2
A good team player	61	85	72	79	73	16	2
Ability to work independently	62	74	75	75	72	17	2
Ability to bring fresh thinking into the business	53	71	63	75	61	13	2
Awareness of this industry/sector	52	67	66	53	57	11	-
Relevant qualifications/skills	41	44	65	65	45	12	-
Previous experience	24	26	28	16	23	4	-
<i>Base</i>	212	111	83	44	422	22	2

⁸ As the base size for Energy and Life Sciences is less than 30, the number of responses (rather than percentages) are shown. As number of responses have been weighted, the base size shown for these sectors are the weighted, rather than unweighted, base.

⁹ As the base size for Energy and Life Sciences is less than 30, the number of responses (rather than percentages) are shown. As number of responses have been weighted, the base size shown for these sectors are the weighted, rather than unweighted, base.

Table A.15: Characteristics sought by account management

Characteristic	Account managed	Non-account managed
	%	%
A good attitude/work ethic	97	87
A desire to continue their learning/skills development	90	76
Good communication skills	89	75
Good timekeeping/time management	92	75
A good team player	90	70
Ability to work independently	83	69
Ability to bring fresh thinking into the business	77	60
Awareness of this industry/sector	47	58
Relevant qualifications/skills	59	46
Previous experience	22	24
<i>Base: All businesses for whom it applied</i>	93	835

Table A.16 – Comparison of likelihood of recruiting Apprentices/Graduates by past use

	Likelihood of recruiting Apprentices or Graduates in future				
	Very likely	Quite likely	Fairly unlikely	Very unlikely	Base
Prior use of Apprentice/Graduate schemes ¹⁰	%	%	%	%	N
Used	39	47	10	7	199
Not used	8	38	30	24	455
<i>Base: All businesses who have recruited, tried to recruit or likely to recruit young talent excluding don't knows</i>					

¹⁰ Modern Apprenticeships, Foundation Apprenticeships or Graduate Placement Programmes.

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