

SOUTH EAST ENGLAND REGIONAL ASSEMBLY SELECT COMMITTEE ON SEEDA'S APPROACH TO LABOUR FORCE AND EMPLOYMENT

Submission from: **Federation of Small Businesses**

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Lifting the Barriers to Growth 2008: Employment data analysis

The latest data on employment levels from the FSB 2008 Lifting the Barriers survey¹ reveals that in the South East 10.6% have no employees, 63.7% have 1-4 employees, 21.1% have between 5-19 employees and 4.5% have 20 or more employees.

Contrast this with their expected employment levels in two years time the figure for those having no employees rises to 16% and the numbers employing between 1-4 employees' falls by 9.8% to 53.9%. On an encouraging note the percentage of businesses that expect to have between 5-19 employees increases by 3.6% to 24.7% and there is also an increase by 0.9% in the number of business owners expecting to have 20 or more staff.

As 99% of businesses in the South East employ less than 50 people much of the success or failure of SEEDAs targets for increasing the labour force and employment in the South East rests on their shoulders.

The barriers data therefore gives both positive and negative indicators in terms of the number of employees. The significant drop in the numbers of businesses expecting to employ between 1-4 employees coupled with the increase in predictions for businesses having no employees could have a significant impact on SEEDAs ability to deliver on their employment targets. The positive note being that there is an increase in the expectation of business owners that the numbers employing 5 or more staff will grow over the next two years.

Analysis from the Barriers data on the average number of (full time) employees clearly demonstrates that business owners have been expanding their workforce. Indeed the average number of full time employees has risen from 4.01 two years ago to 5.18 currently, with predictions from business owners are that this will rise to 5.36 in two years time².

¹ The 2008 survey carried out by Glamorgan University for the FSB includes responses from nearly 1500 business in the South East.

² The trend towards increasing levels of employment in small businesses indicated by the findings does not take into account the impact of the credit crunch/recession on small business growth expectations, as the data was gathered from small businesses just prior to the credit crunch.

Within the RES, does SEEDA adequately capture the range of key issues and challenges regarding labour force and employment in the region?

The issue is not actually really about whether when it was brought in the RES captured the right balance of key issues and challenges; this is because the business environment has changed so dramatically during the first half of 2008 with the credit crunch/threat of recession. This issue is now whether as a “living document” the RES can adapt its labour force and employment targets to meet the changing business environment.

Uncertainty as to the future business environment can only serve to undermine business owners’ plans to recruit further staff or expand the business. SEEDA cannot restore business owners’ confidence in a market place that is consistently undermined by the media’s obsession with doom and gloom predictions for the future of the UK economy.

The balance of SEEDA RES targets needs to be re-assessed and until business confidence returns they should be concentrating resources on helping businesses to become more productive.

The Barriers data demonstrates that the vast majority of training that businesses undertake is on the job training (47.6%) and learning by doing (61.9%) which aims to improve the ability of employees to do their job and at the same time learn new skills that benefit the business. SEEDA need to find ways to encourage more small businesses to carry out on-the-job training and the best means to do this is to identify a method so that this can be formally accredited.

SEEDA’s Corporate Plan gives considerable emphasis to higher level management and technical skills. Is this focus appropriate and what should it do to also ensure development of basic skills and employability?

The South East is a “world class” region and as such there has to be an emphasis on ensuring that we have the higher level management and technical skills if we are to improve our standing in relation to the other “world class” regions.

The “Barriers” survey data emphasises that businesses regard a lack of technical skills as a major constraint on their business performance. There is less concern over the constraint imposed by a shortage in managerial skills in contrast to that expressed over the impact of shortages in the following areas: literacy, numeracy, communication, customer service skills and even the ability to speak English.

Employers want school leavers that can read, write and add up. They also want to employ people who can communicate and have the right work ethic. SEEDA need to ensure that sufficient resources are given to addressing the issue of engaging pupils in vocational subjects in school at an earlier age. This would establish education, employment and training as a natural progression.

Is the range of SEEDA's activities appropriate and suitably targeted to tackle labour force and employment issues?

SEEDA actions such as ICT support for flexible working and improving the work-life balance seem to have less relevance towards tackling labour force and employment issues, and far more to do with reducing commuting times and congestion on the roads.

SEEDA needs to recognise that the reality in a small business is that the employees need to be at work to enable the firm to make money, pay their wages and grow to employ others. The employer must continue to have the final say in granting flexible working to ensure that the business does not suffer.

What has been your experience of the Regional Skills for Productivity Alliance? What needs to be done to ensure its long term effectiveness? What can SEEDA or other partners do to support the evolution of Local Skills for Productivity Alliances into revised roles as local Employment and Skills Boards?

The FSB as a member of the Regional Skills for Productivity Alliance tends to regard the committee as a talking shop. FSB enthusiasm for remaining as a member of the RSPA comes back to its ability to starting demonstrating that it can actually take decisive actions. Simply put the RSPA it has to show that there is greater value for the time given up by our member to sit on the group.

To support the evolution of the LSPA into the local Employment and Skills Boards, SEEDA needs to ensure that these bodies are given the necessary resources and manpower to carry out their roles.

The LSPAs should take a task and finish group approach rather the allowing themselves to repeat the talking shop format of the RSPA.

Training of some description would be a sensible proposition to bring the group to some equal level of knowledge and to explain operational processes.

Businesses are used to things happening at a faster rate that the public sector is generally capable of moving, we therefore have to address the problem of managing business owners expectations. Too often business owners become frustrated at the slow pace of progress and lose motivation.

The ability to effectively monitor how the board is making a difference at the local level will be a key to keeping business owners engaged in the group. They will want to see how many people have had their skills improved, how many new jobs have been created and what level of impact has this made on the local economy. Less that this level of feedback will suggest a weakness in the boards and business engagement with gradually diminish.

In the light of an increasing role for local authorities in this area, what more needs to be done to ensure effective joined-up working arrangements?

As the South East is an area with very high levels of employment this has not been an issue that local authorities have viewed as much of a priority. The changes to the local area agreements (LAAs) have started to help focus the attention on local authorities on economic development and this is very much welcomed by the FSB.

Across the South East there are a network of Local Strategic Partnerships (LSPs) who have as part of their duties responsibility to promote economic development and sustainable prosperity. These LSPs struggle to secure business engagement and it needs to be made easier for businesses to get on their local LSP by removing the red tape that goes with applying to be on a partnership.

LSPs should produce an annual statement detailing how they have engaged local businesses and business support bodies in support of their economic development targets, as well as what progress has been made towards meeting the targets.