

LLEP Business Tracker Survey

Wave 4 – December 2022



Research objectives

The Leicester and Leicestershire Partnership (LEP) wished to conduct a Covid-19 Business Tracker survey with the purpose of understanding the needs of local businesses to inform policy-making and ensure support is appropriately targeted.

The core research objective is to provide insight into key issues being faced by businesses.

Specific objectives include:

- Monitoring KPIs / business confidence / perceptions of economy;
- Identifying business support needs;
- Exploring how businesses are adapting to change following the pandemic;
- Providing robust evidence to support funding bids.

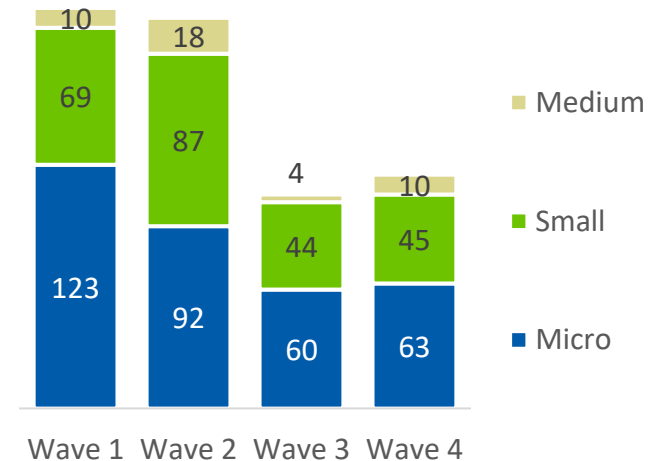
Research landscape

- This survey was the fourth wave of the LLEP Business Tracker
- Wave 1 - 202 businesses were interviewed by telephone (Dec 2020 – Jan 2021)
- Wave 2 used a range of approaches and took place between Mar – June 2021
 - 60 Revisited businesses from Wave 1 (39 online 21 telephone)
 - 137 additional telephone surveys with new businesses
- Wave 3 contacted the 339 businesses who had previously participated (Oct – Dec 2021)
 - 37 online and 71 telephone surveys – 108 overall
- Wave 4 contacted all businesses that had previously participated (Oct - Nov 2022)
 - 28 online and 90 telephone surveys – 118 in all
- The telephone interviews lasted 20 minutes and surveys covered
 - Training and skills
 - Recruitment
 - Digital investment
 - Environmental issues
 - Imports and export
 - Business Performance

Who we spoke to

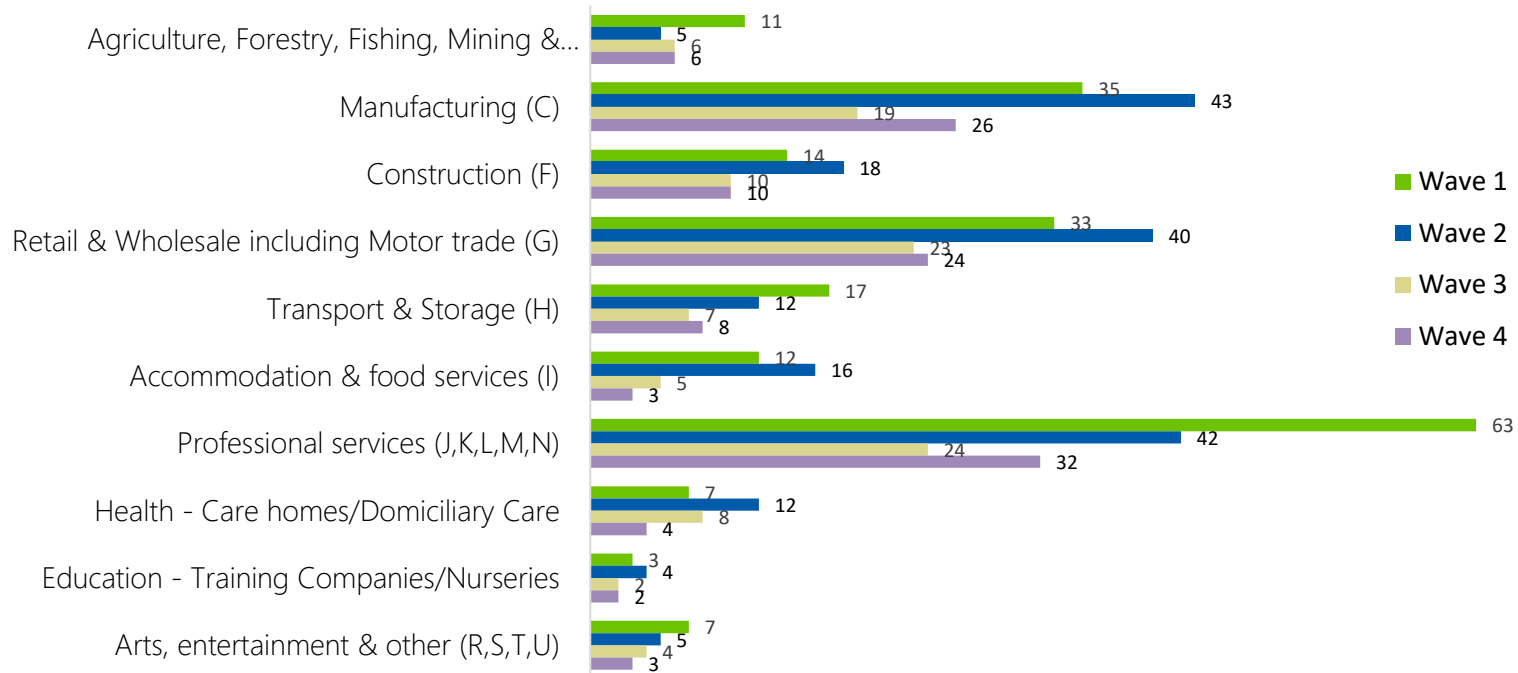
- 23% of the interviews were in Leicester City, the remainder were in Leicestershire. (28% were in Leicester City for Wave 1, 20% for Wave 2, 27% for Wave 3)
- Businesses were categorised in three sizes:
 - Micro businesses have 2–9 employees
 - Small businesses have 10–49 employees,
 - Medium businesses have 50-199 employees.

Business size



Who we spoke to (2)

- The number of businesses interviewed by SIC code is shown below

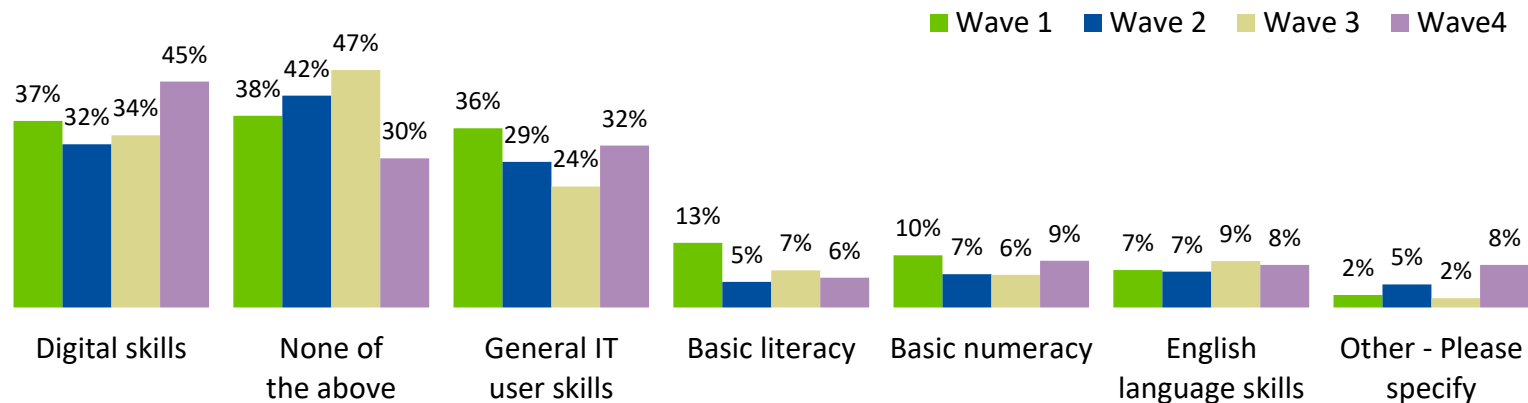


Staff – recruitment, training, skills, and wellbeing



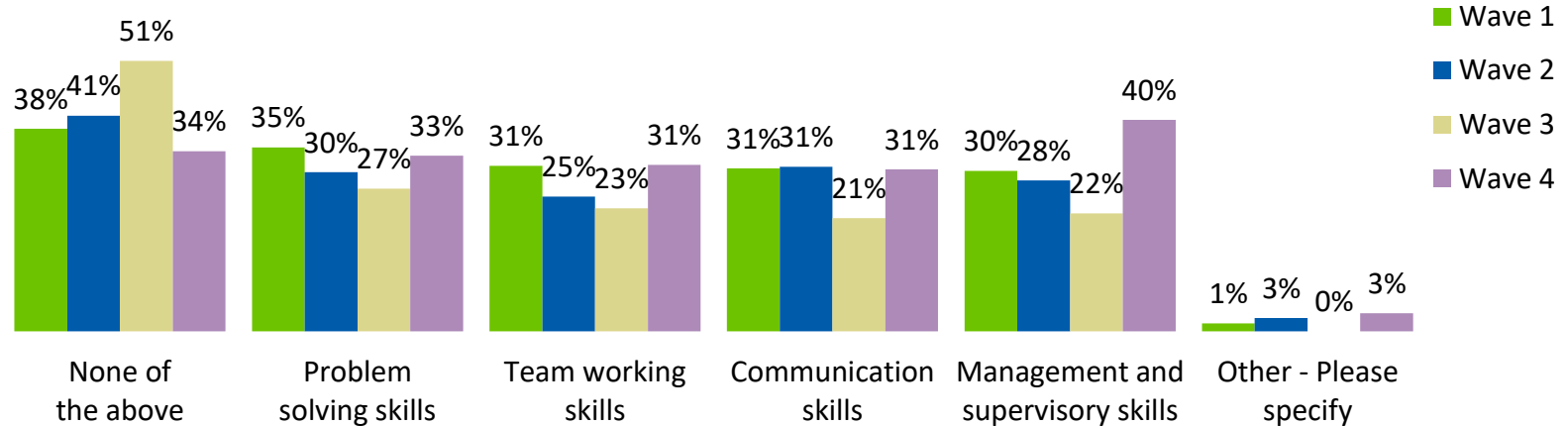
Nearly half feel digital/IT skills need improving

- Three out of ten (30%) organisations were happy with their workforce's basic skills – this is the lowest level recorded.
- The main area of concern remains Digital skills – such as social media, Zoom, MS Teams, Slack – this is a concern for nearly half (45%) of businesses, this is an increase compared with previous waves.
- This waves shows a growth in those who would like to see an improvement in General IT user skills (now 32%) after an apparent decline during previous waves



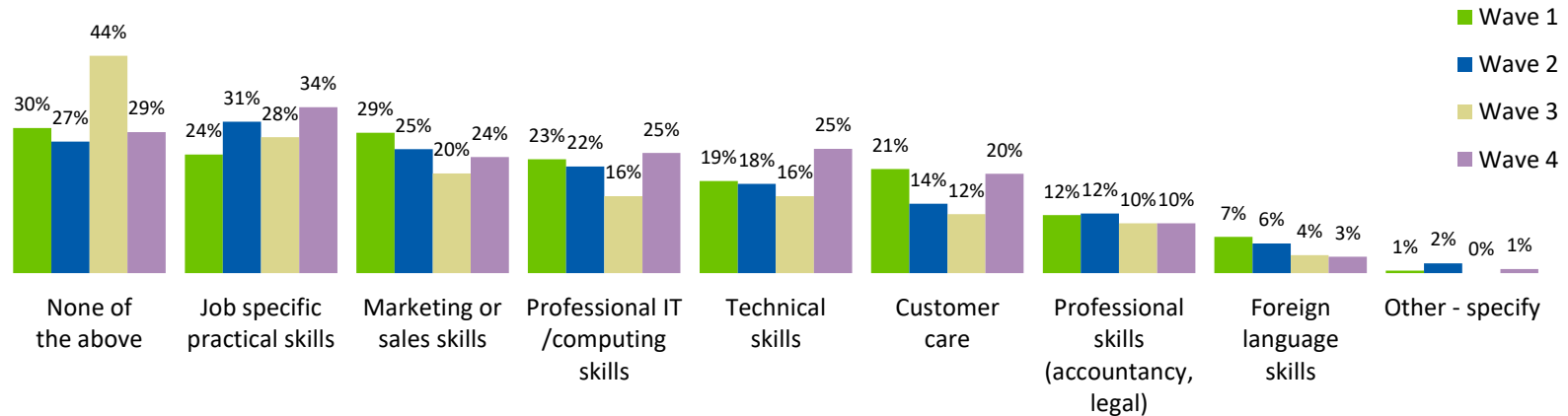
Two thirds have a need for improved work based skills

- Two thirds (66%) of businesses saw some need for improved work based skills.
 - This is higher than in all previous waves.
- As in earlier waves micro businesses were less likely to identify any skill gaps than larger businesses (49% v 85%).
 - Small size may reduce need for some of these work based skills (communication, team working).
 - Micro business are less likely to take on less experienced employees who are entering the labour market for the first time (see [Slide 17](#)).
 - Owner / managers are still fulfilling key roles.



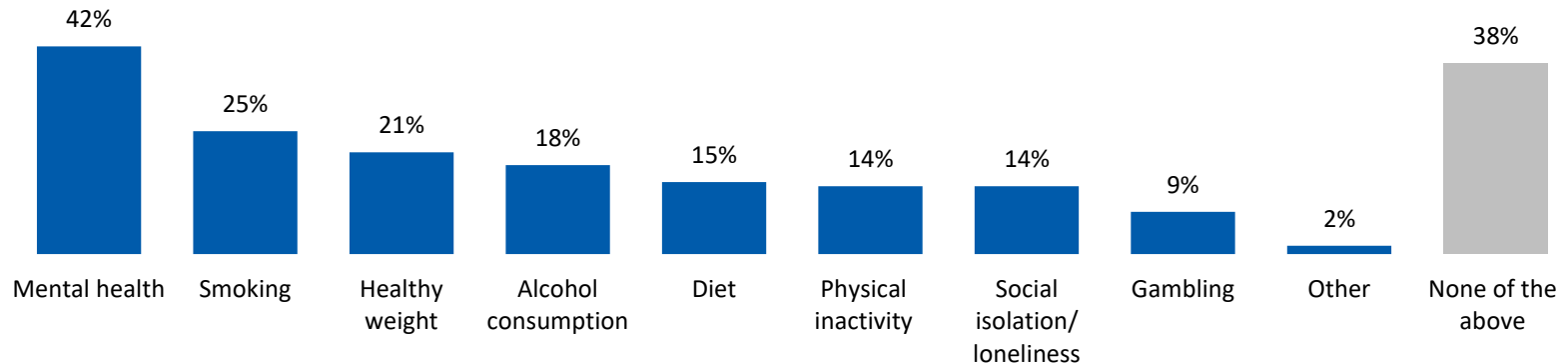
7 in 10 have technical or job specific skill needs

- 71% of businesses identified a technical or job specific skill they'd like to see improved. This is more than in Wave 3 (56%) but in-line with Waves 1 & 2 (73% and 70% respectively).
- The greatest requirement is from businesses requiring job specific practical skills (34%). This is now 10 percentage points higher than in Wave 1.
- Around a quarter (24%) of businesses would like to see marketing or sales skills improved.



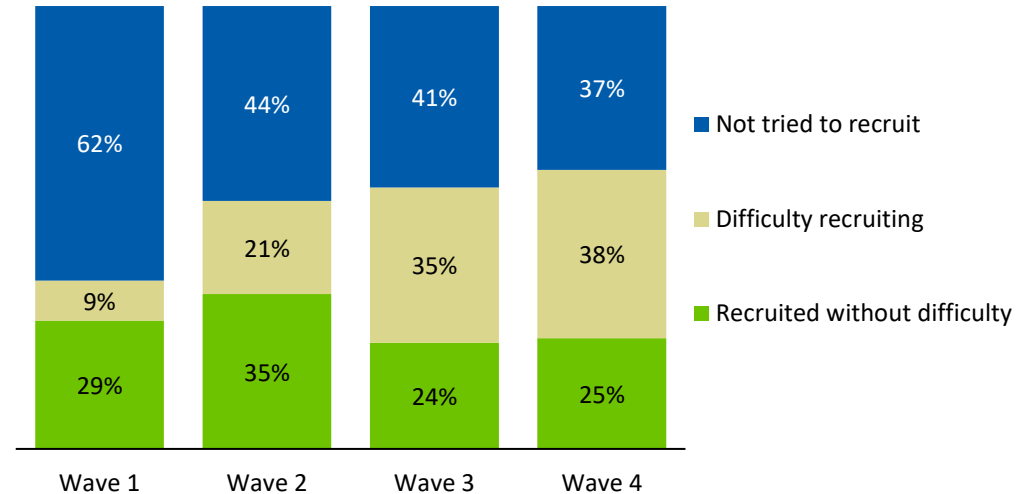
Over two fifths of businesses are concerned about the mental health of their workforce

- Over two fifths (42%) of employers are concerned about the mental health of their employees.
- A quarter (25%) were concerned about smoking
- Around a fifth were concerned about healthy weight and alcohol consumption



Experience of recruitment

- Over three fifths (63%) of businesses have tried to recruit in the last 6 months.
- Around two fifths (38%) of experienced difficulties with recruitment in the last 6 months. This continues an upward trend, with 9% experiencing difficulties in Wave 1, 21% in Wave 2, and 35% in Wave 3.

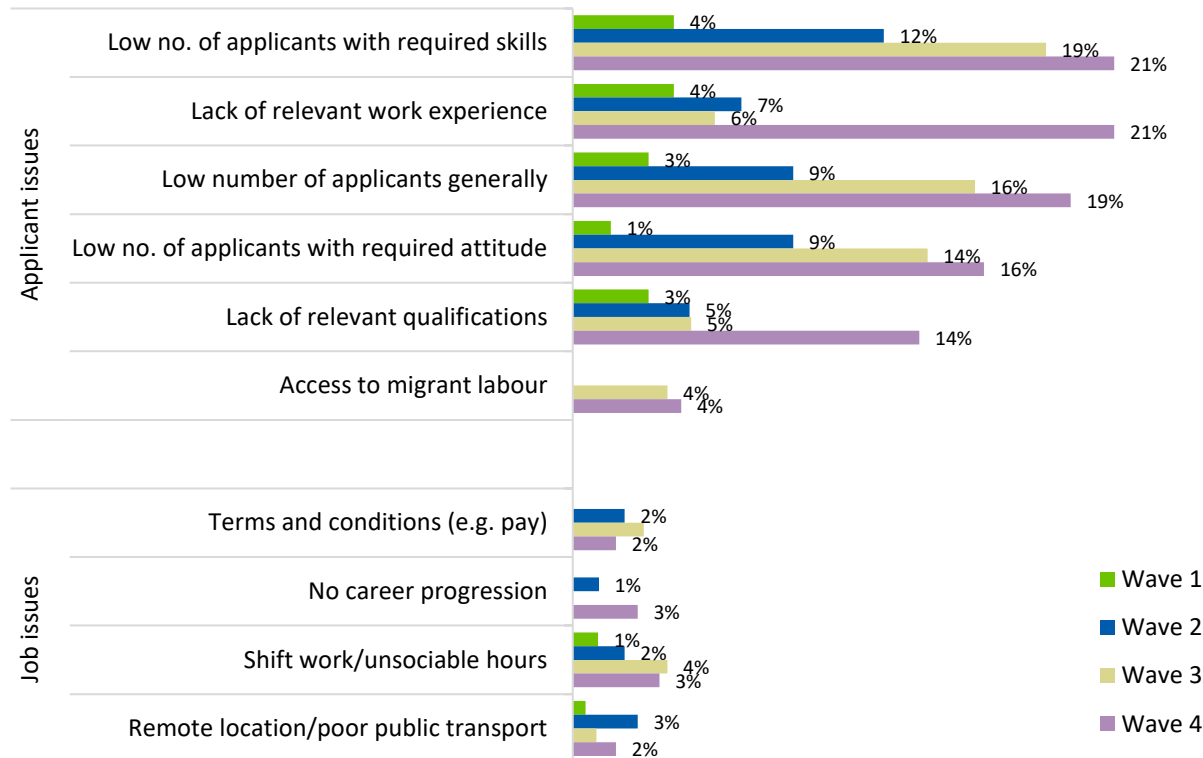


Q7 – Has your business recruited any staff who have started work in the last 6 months?

Q8 – Has your business experienced any difficulties in recruiting staff in the last 6 months?

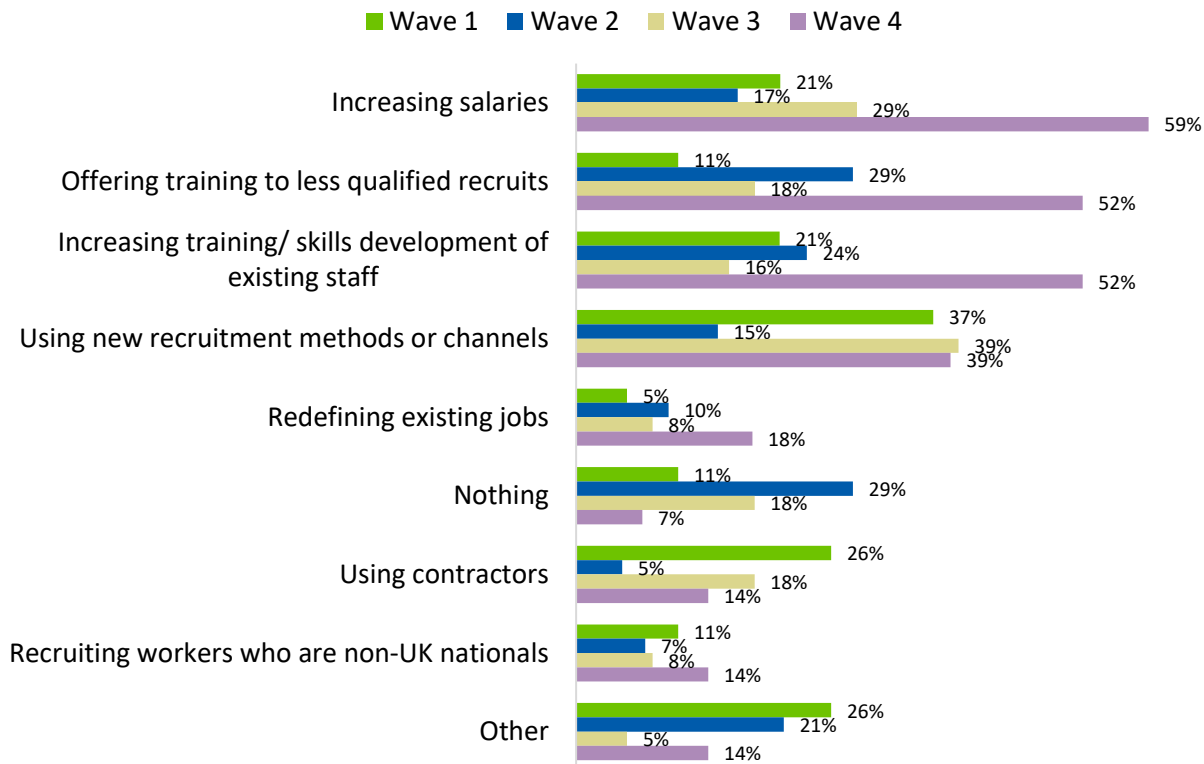
NB: Q7 and Q8 changed in Wave 4 to ask about last 6 months instead of the last 2 months, comparisons should therefore be treated with some caution

Recruitment challenges faced



- In Wave 4 businesses identified a lack of applicants with the required skills (21%), lack of relevant work experience (21%), low numbers of applicants overall (19%), low numbers with required attitude (16%), and a lack of relevant qualifications (14%).
- Applicant issues are up when compared with prior waves of the survey. Job issues remain relatively consistent

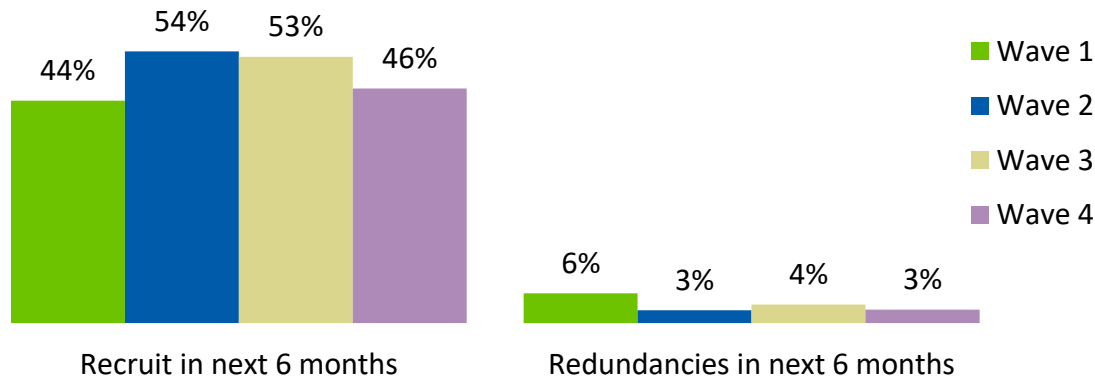
6 in 10 businesses who are having difficulty recruiting are increasing salaries to help recruitment



- Sharp rise in the percentage of businesses increasing salaries in response to difficulties recruiting (29% to 59%).
- Also increases in the percentage of companies offering training to less qualified candidates (18% to 52%) and increasing the training and skills of existing staff (16% to 52%).

Under half expect to recruit in next 6 months

- Just under half (46%) expect to recruit in the next 6 months –
 - Increases to 64% amongst small/ medium businesses (falls to 31% in micro businesses)
- The percentage expecting to recruit has fallen compared to waves 2 & 3 (54% and 53% respectively) and is more in-line with Wave 1 (44%).
- This is likely a product to increasing pessimism about business growth (see slides [56](#) & [57](#)).

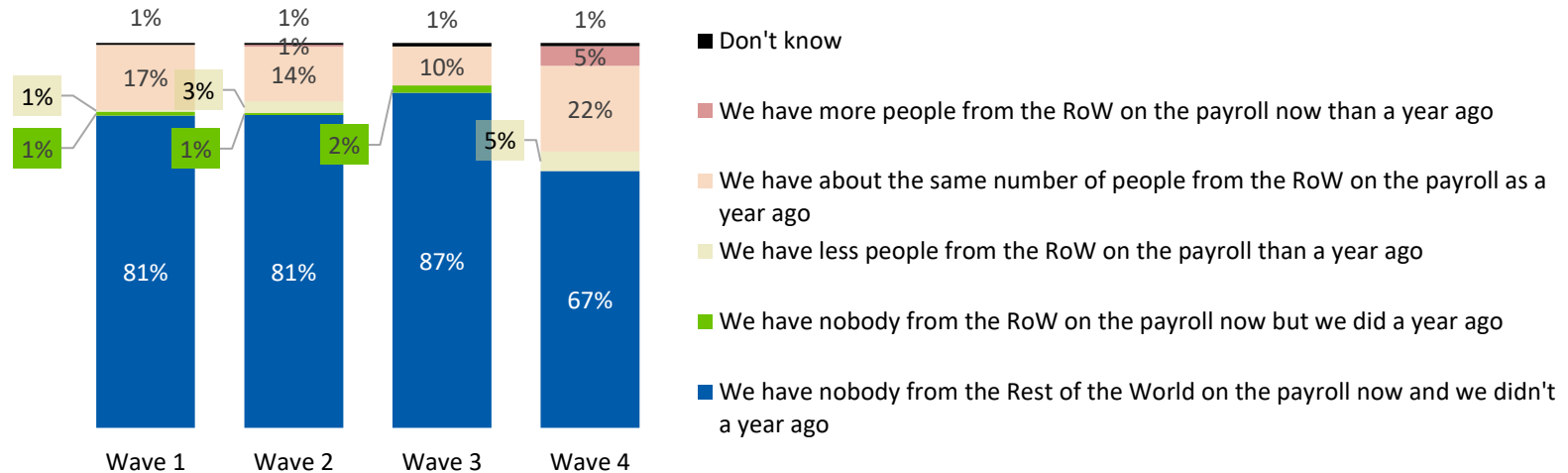


Q11 - Is your business looking to recruit in the next 6 months?

Q12 - Is your business looking to make redundancies in the next 6 months?

Employing staff from elsewhere

- Two thirds (67%) of businesses do not employ anybody from the Rest of the world*
- 5% of businesses have more people on their payroll from RoW than a year ago. This maybe a product of a shortage of domestic labour and easing travel restrictions compared with previous waves.



Q15 - And does your business employ more or less people from elsewhere than a year ago?

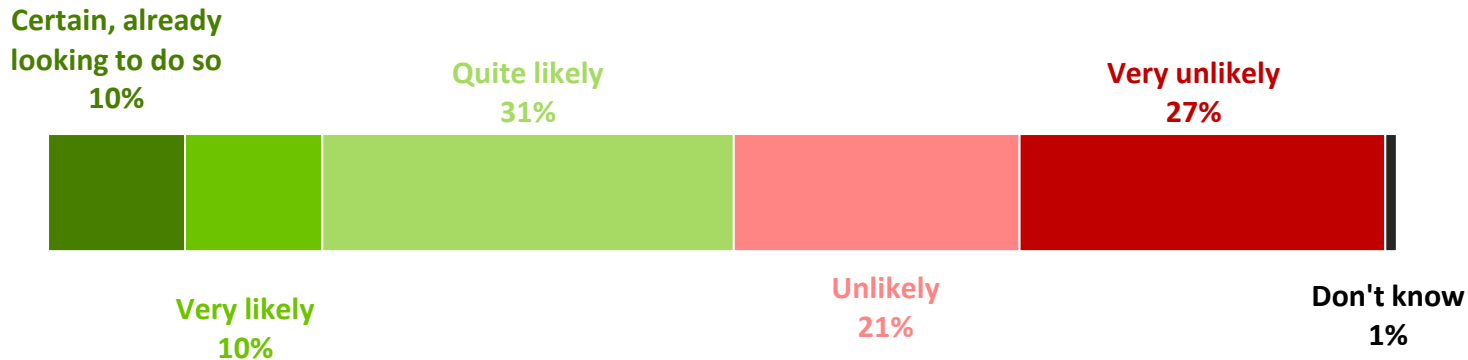
* Rest of the World = anywhere outside EU and the UK

From education to the workplace



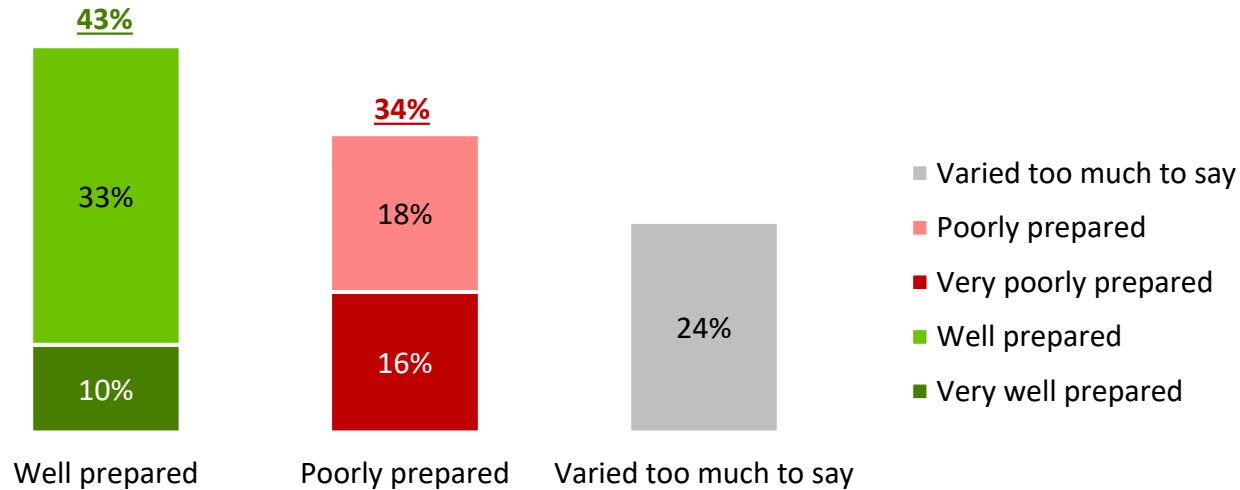
Over half of businesses are likely to hire someone finishing education in the next 12 months

- Over half (51%) of businesses are likely to hire someone for their first job after leaving school, college or university in the next 12 months. A tenth of businesses are already looking to do so.
- Micro firms are less likely to be looking to recruit someone for their first job compared with small and medium sized businesses (35% and 69% respectively).



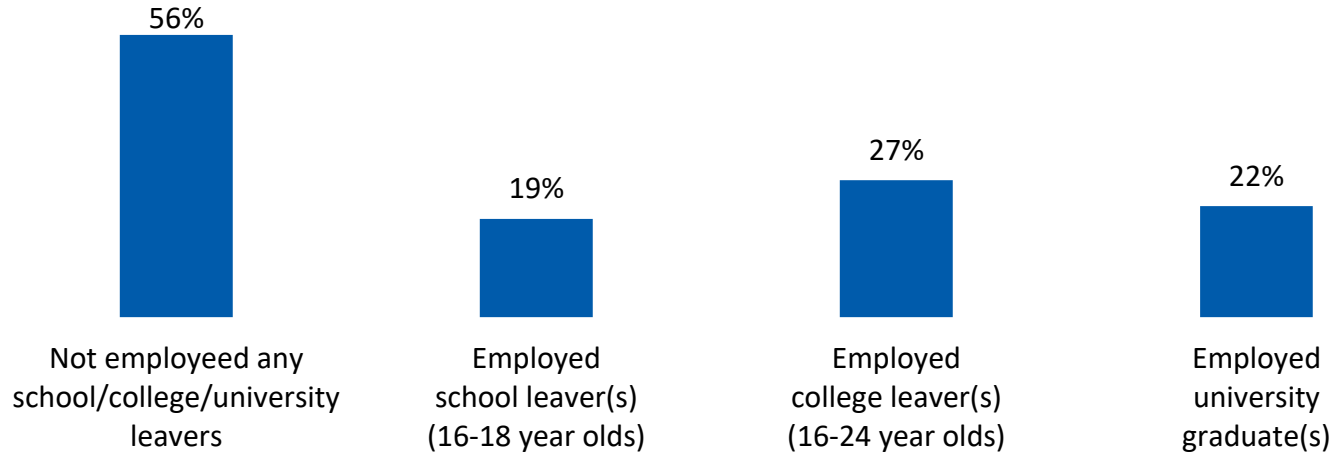
Were those leaving education prepared for work?

- Over two fifths (43%) of businesses that have hired someone for their first job after leaving school, college or university in the last 2-3 years think those leaving education were well prepared for work. Around a third (34%) thought those recruited into their first job were poorly prepared for work



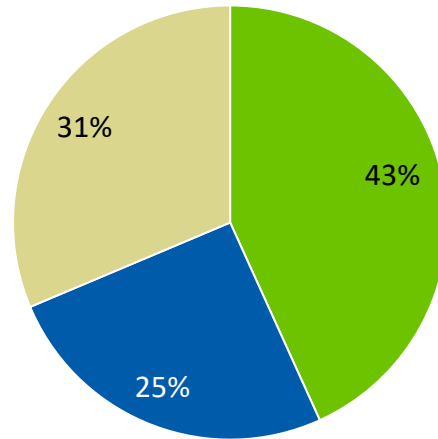
Over two fifths of businesses have hired someone leaving education in the last 2-3 years

- Over two fifths (44%) of businesses have hired someone for their first job after leaving school, college or university in the last 2-3 years.
- The most common source of first job employees was college leavers (27%) followed by university graduates (22%) and then school leavers (19%).



Awareness of the T-level technical qualification

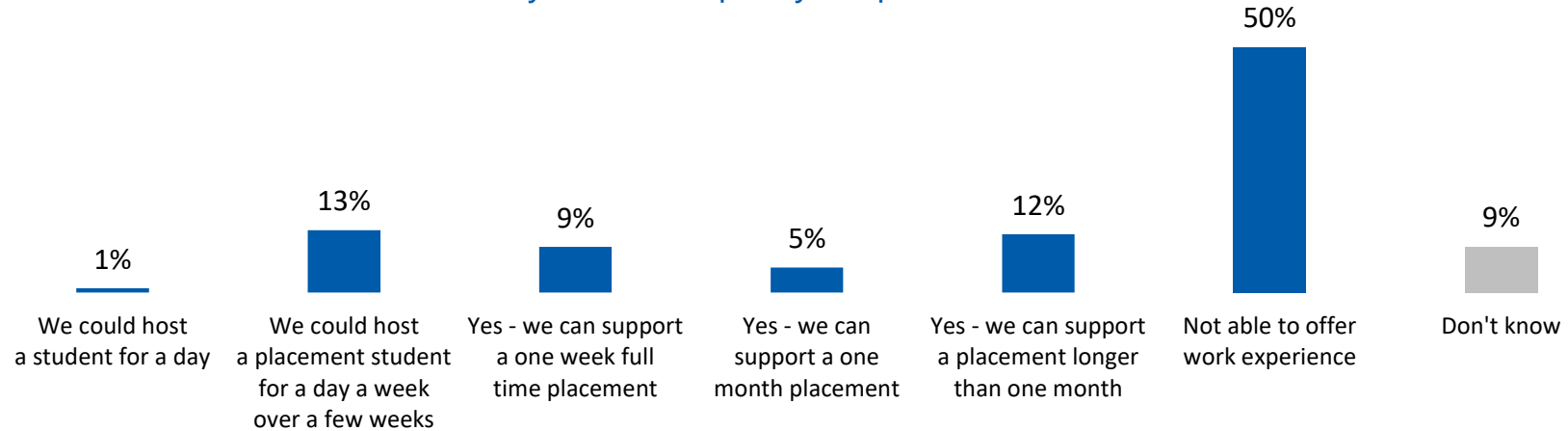
- Over two thirds (69%) of businesses were aware of the incoming T-level technical qualification with over two fifths (43%) aware that the T-level contained requirements for a work experience placement.



- Aware of T-level qualification and aware of work experience requirement
- Aware of T-Level qualification but not aware of work experience requirement
- No - wasn't aware of T-Levels

Over two fifths of businesses have some capacity to offer work experience placements

- Over two fifths (42%) have capacity to offer work experience.
 - 17% can offer a placement of at least a month.
 - 23% can offer placements of a week or less.
- Micro businesses are less likely to have capacity for placements.



W4_NQ7 - Does your business have the capacity to offer work experience including as part of T - Levels?

W4_NQ8 - What length of work experience placement could your business accommodate? i.e. a day, a week, a month or an extended T level placement

Barriers to offering work placements



Size of business

- It's a very small business. There's only three of us and one is part time. We would not be able to devote time to them and do not think what we could offer would be valuable to them.
- Just one staff member here. It is a time issue to train and help any staff when it is just me here.
- Not enough income to support anybody else. It is just a small farm.

Available Time

- A lack of time to train them and a high workload.
- I don't have the time or the work to offer them a placement.
- Sheer workload. We have so much on at the moment. We cannot have anyone who is not working 100 percent or who is not able to complete tasks fully. We don't have the capacity to train anyone.

Technical restrictions

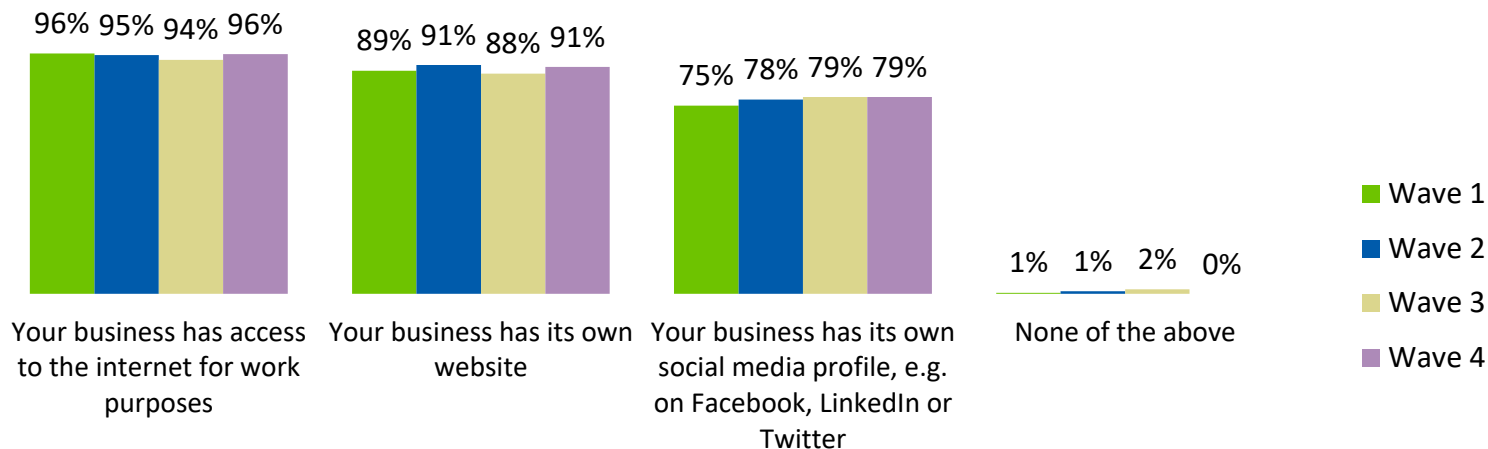
- It's to do with licencing issues. They need an HGV licence to work here.
- We are a specialised area that isn't for mainstream employment. We could train someone, but it's not something you could learn at college or university and then come to us for work experience. We would have to teach them from scratch.
- We are very, very technically specific in what we do. It would take us a year to teach someone what we do in order for them to be useful within the company.

Digital transformation



Four fifths of businesses have social media

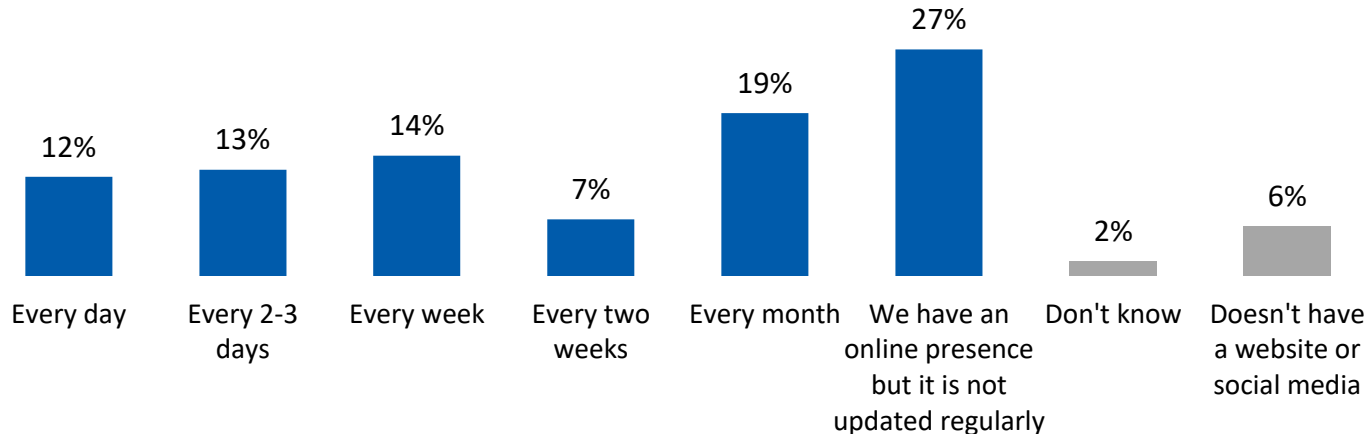
- Almost all have access to internet (96%).
- 91% have a website with micro businesses less likely to do so.
 - 83% of micro businesses and 100% of small / medium businesses.
- 79% have a social media presence (+4 percentage points to Wave 1).
 - Micro business are less likely to be present on social media (71%) businesses.



Updating online content

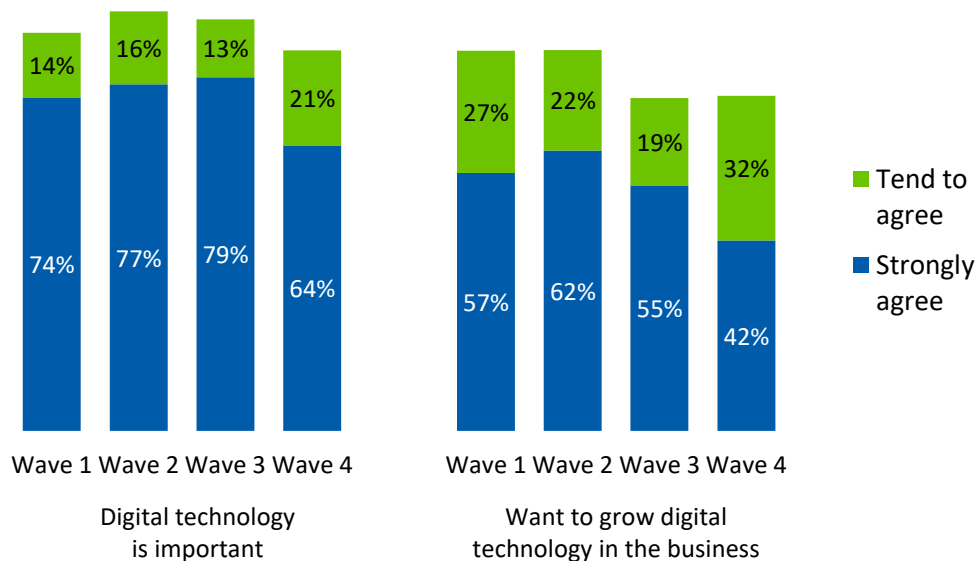
While the vast majority (94%) of businesses have an online presence there is a wide variety in how often content is updated.

- 39% update online content at least once a week.
 - 12% update content every day.
- 27% are present online but only irregularly update content.



Most agree digital technology is important

- Most (85%) agree that digital technology is important – a slight decline since Wave 3.
- The proportion agreeing they want to grow the use of digital technology (74%) matches Wave 3.

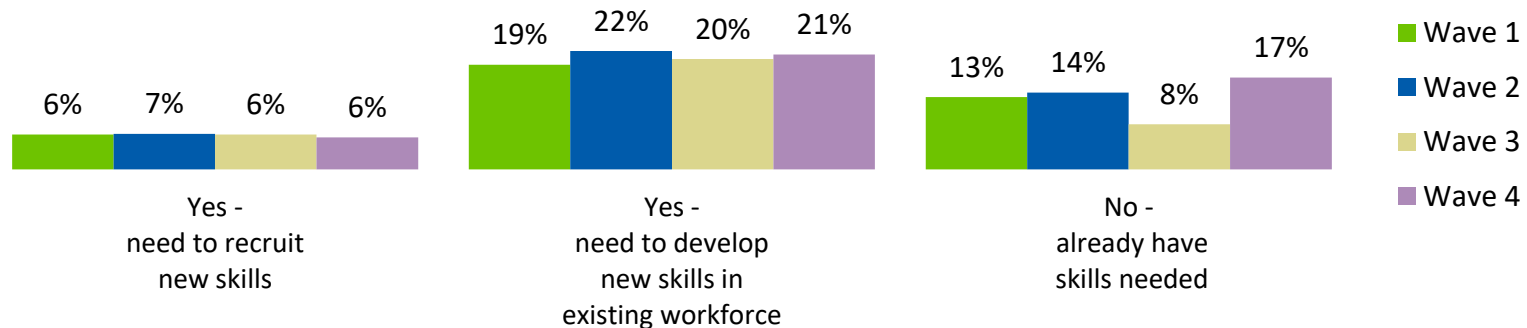


Q17a - How far do you agree or disagree that digital technology is important to your business?

Q17b - How far do you agree or disagree that you want to grow the use of digital technology within your business?

Over two fifths have invested in digital technology in last 6 months

- Over two fifths (44%) have invested in digital technologies over last 6 months.
 - A slight rise compared with Wave 3 (33%) but similar to Wave 2 (41%)*
- Similar to previous waves around one in five (21%) need to develop new skills in their workforce to use these new technologies.
- 17% felt they already had the skills needed in their organisation - an increase compared to Wave 3.



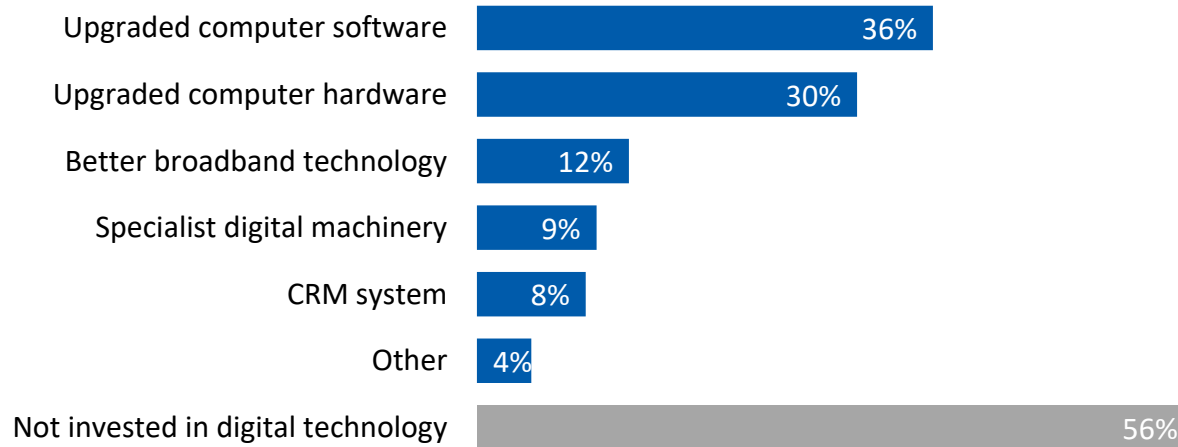
Q18 - Have you invested in any digital technologies (such as software, hardware, better broadband, CRM systems or specialist digital machinery) in the last 6 months?

Q19 - Has this required you to recruit or develop new skills in your workforce

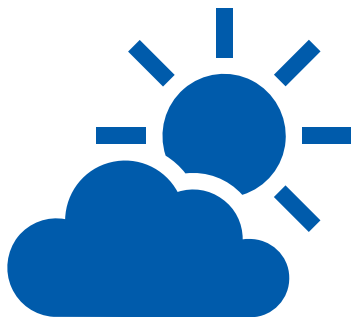
*In prior waves this question was asked about the last 2 months. Comparison with previous waves should therefore be treated with some caution

Over a third have invested in upgraded computer software

- Over a third (36%) have invested in upgraded computer software in the last 6 months.
- This was followed by 30% who upgraded computer hardware and 12% who invested in better broadband technology.



Environmental issues

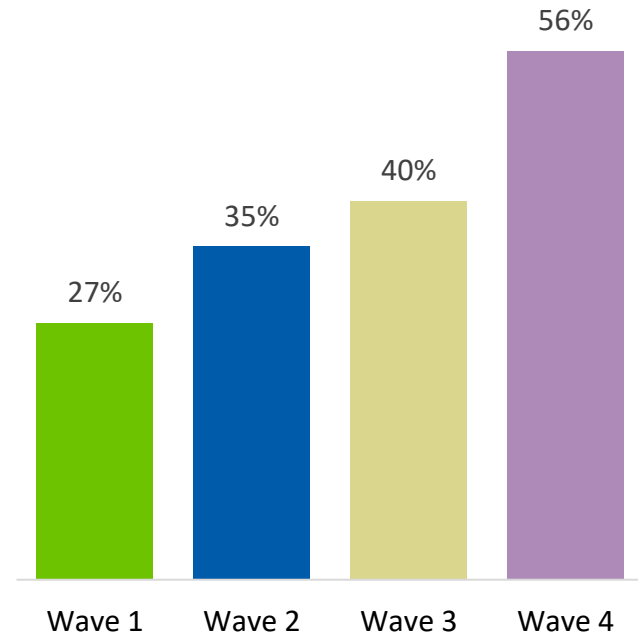


A growth in environmental action

Over half (56%) say they have taken action to reduce their environmental impact in the last 6 months.

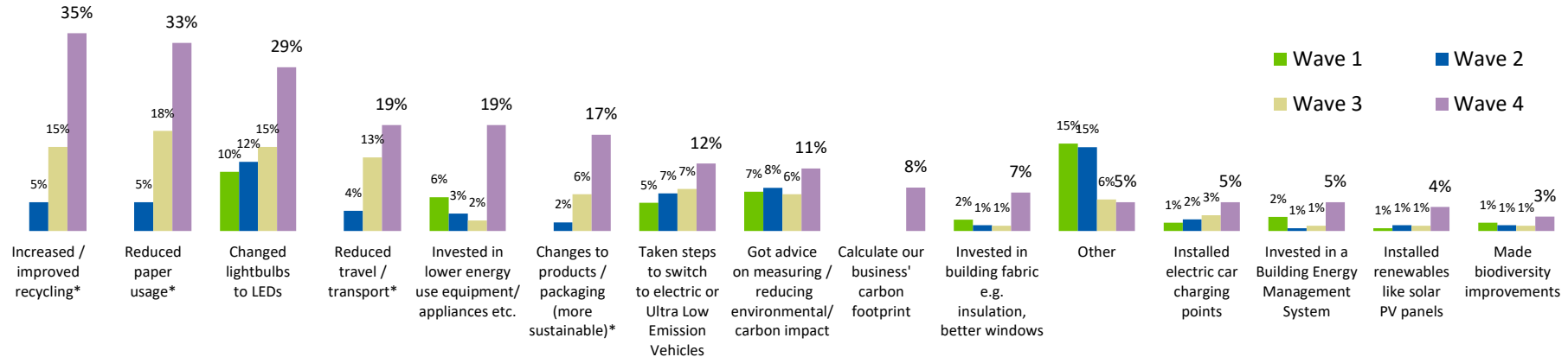
- This continues an upward trend since Wave 1*

Cost was the most commonly mentioned barrier to taking action to reduce their impact on the environment as well as a lack of environmentally friendly alternatives.



A growth in green measures since Wave 1

- The most frequent actions were increased recycling (35%), reduced paper usage (33%), changing lightbulbs to LEDs (29%) and reduced travel/transport (19%).
- All measures have seen increases since Wave 3***



Q21 - Which of the following activities to reduce the carbon impact of your business have you undertaken in the last 6 months?

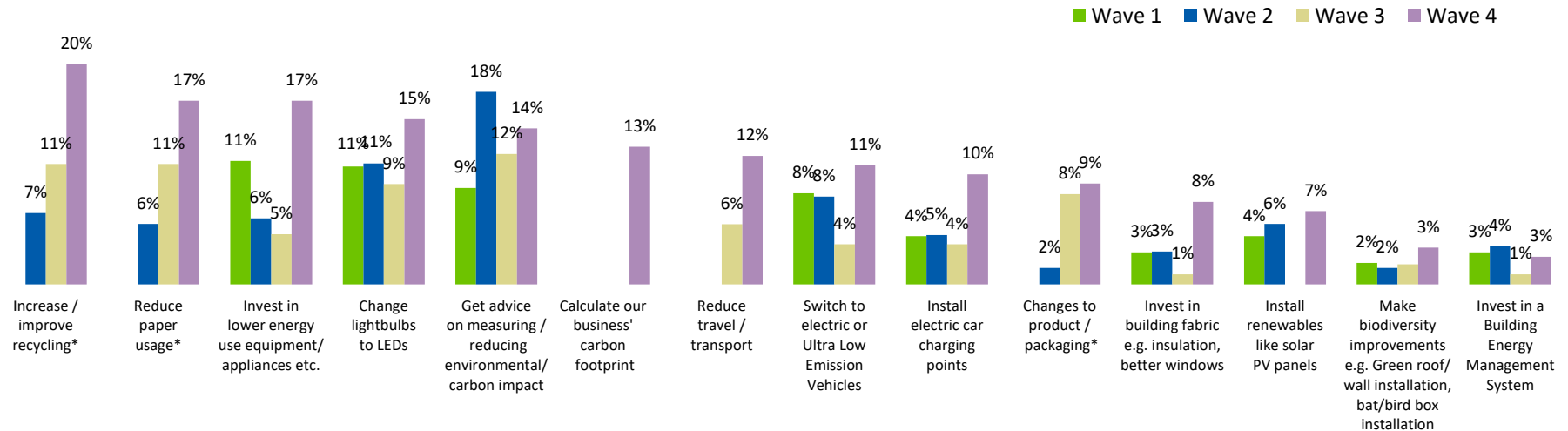
*Answer not available as pre-coded response option in Wave 1

** Response option added in Wave 4

***In prior waves this question was asked about the last 2 months. Comparison with previous waves should therefore be treated with some caution

Green plans for the next 6 months

- More than two fifths (42%) plan to take action to reduce carbon impact in next 6 months.
 - This is higher than in Wave 3 (36%).
- 20% plan to improve their recycling, 17% plan to reduce paper usage and 17% also plan to invest in lower energy equipment.

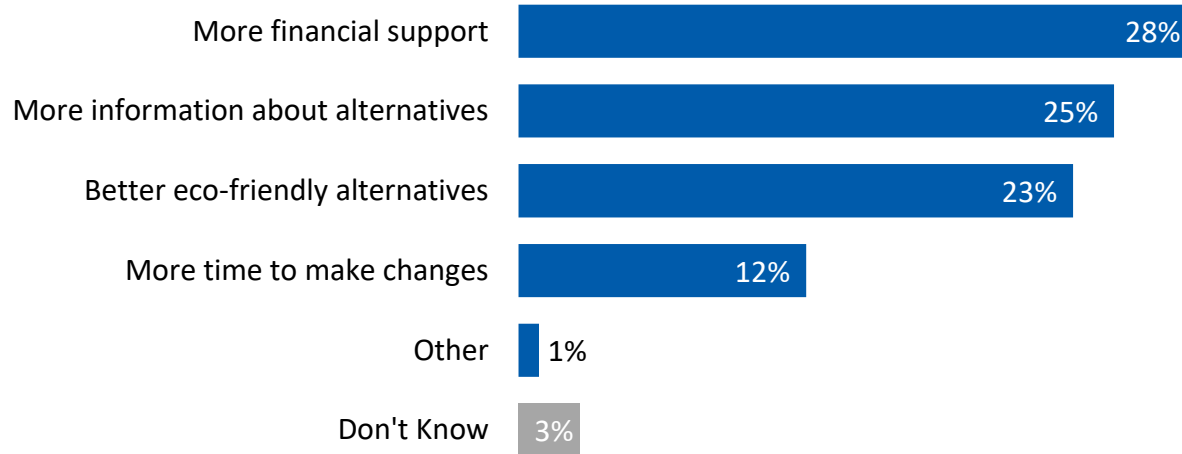


Q23 - Which of the following activities to reduce the carbon impact of your business do you plan to undertake in the next 6 months?

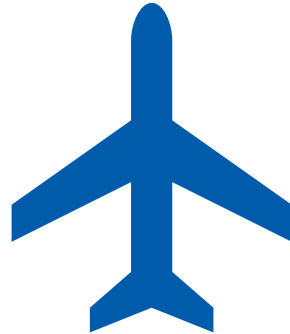
* Answer not available as pre-coded response option in Wave 1

Over a quarter highlight the need for more financial support to make eco-friendly changes

- 28% say more financial support would help them make changes that are beneficial to helping tackle climate change.
- One in four wanted more information about eco-friendly alternatives
- 23% want to see improved alternatives.

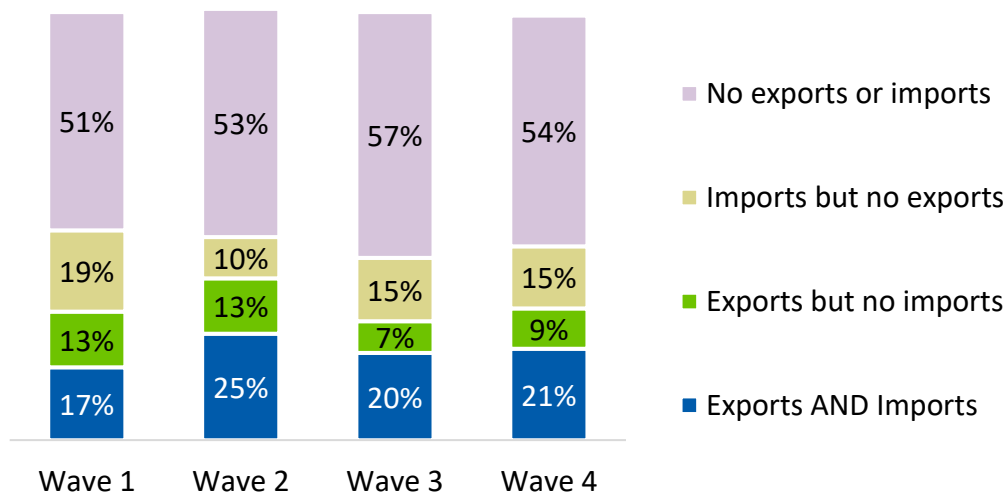


Exports and imports



Exporters and importers

- Over half (54%) of businesses we spoke to are not involved in any international trade.
 - 21% of businesses both import and export products or services from outside the UK.

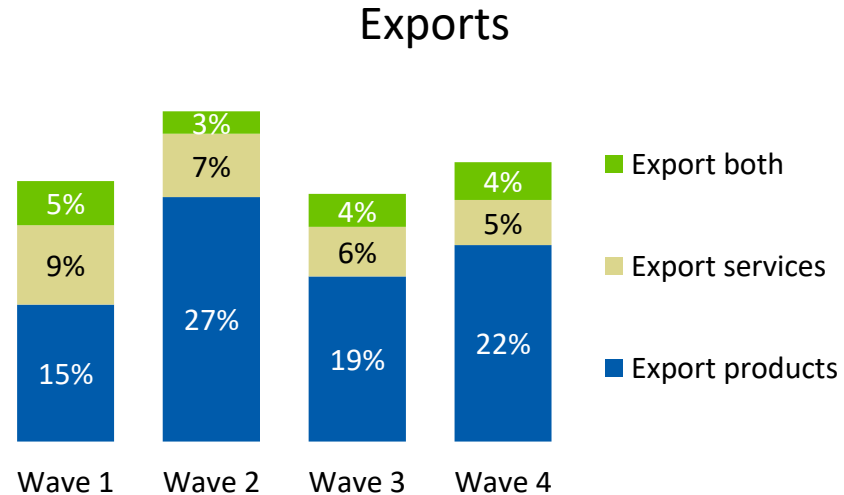


Q24 - Does your business export products or services outside the UK?

Q28 - Does your business directly purchase any physical supplies goods materials or stock from suppliers based outside the UK?

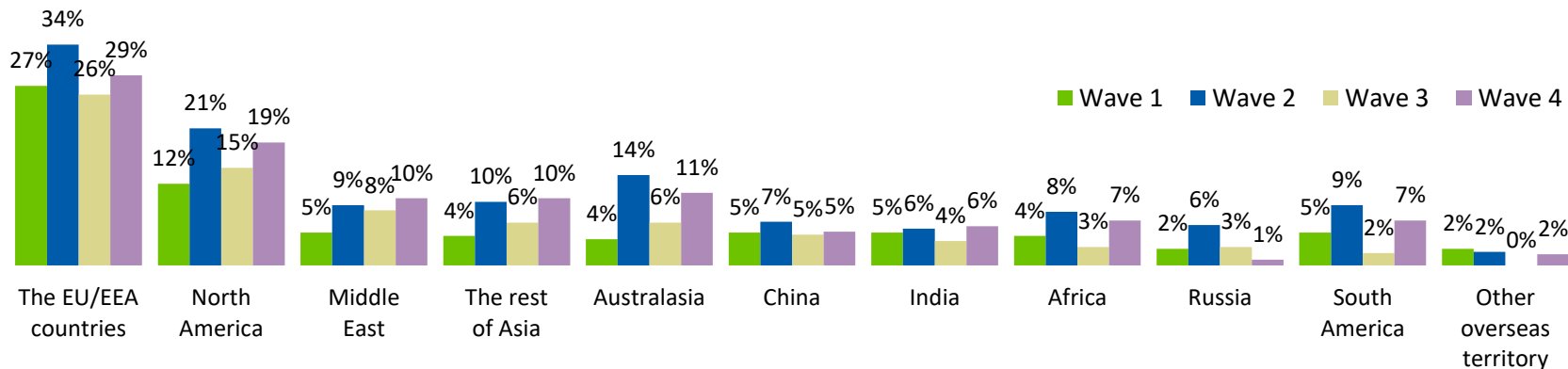
1 in 3 businesses are exporters

- 32% of the businesses we spoke to were exporters.
 - 26% were exporting products.
 - 9% were exporting services.



EU is most common destination for exports

- EU remains the most important export destination in all four waves.
 - Around 1 in 3 businesses (29%) export to the EU.
 - 14% identify EU as their main export market.
 - Of the EU countries, Ireland is the main export destination of 4% of businesses.
- North America is the second most common area providing a market for 19% of businesses but is only the main export market for 7%.



Q26/Q27 - Which areas does your business export to? And which is your main destination, in terms of level of sales, for exports?

Q27B - Which country within the EU/EEA is your main export destination?

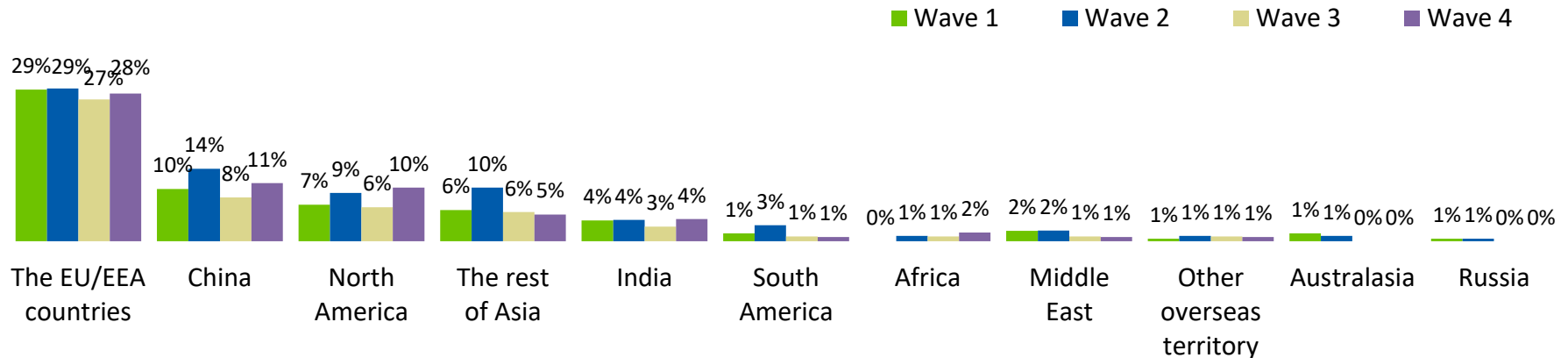
New exporting challenges

- 18% (21 companies) had experienced challenges with exporting recently.
- The majority believed Brexit to be the main cause.
 - 19 companies blamed Brexit.
 - 14 companies blamed shipping issues i.e. cost, timings.
 - 7 companies blamed rising inflation and
 - 7 companies blamed the fall in value of Sterling.



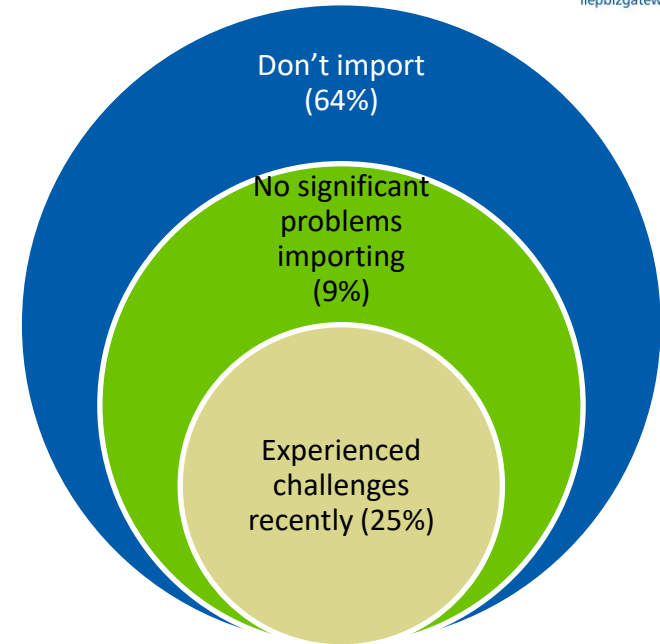
EU is most common source of imports

- Over a third (36%) of businesses had imported physical goods from outside the UK– (in-line with the previous 3 waves).
- The EU is the most common source for imports during the last 12 months.
 - 28% of businesses imported from the EU.
 - 11% of businesses identified the EU as their main source for imports.
- 11% had imported goods from China, up slightly since Wave 3 where 8% imported from China.

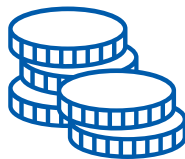


New importing challenges

- 25% (29 companies) had experienced challenges with importing recently.
- Shipping issues and Brexit were the most mentioned reason behind import challenges.
 - 21 companies blamed shipping issues i.e. cost, timings.
 - 20 companies blamed Brexit.
 - 16 companies blamed Supply chain issues.
 - 16 companies blamed the fall in value of Sterling.

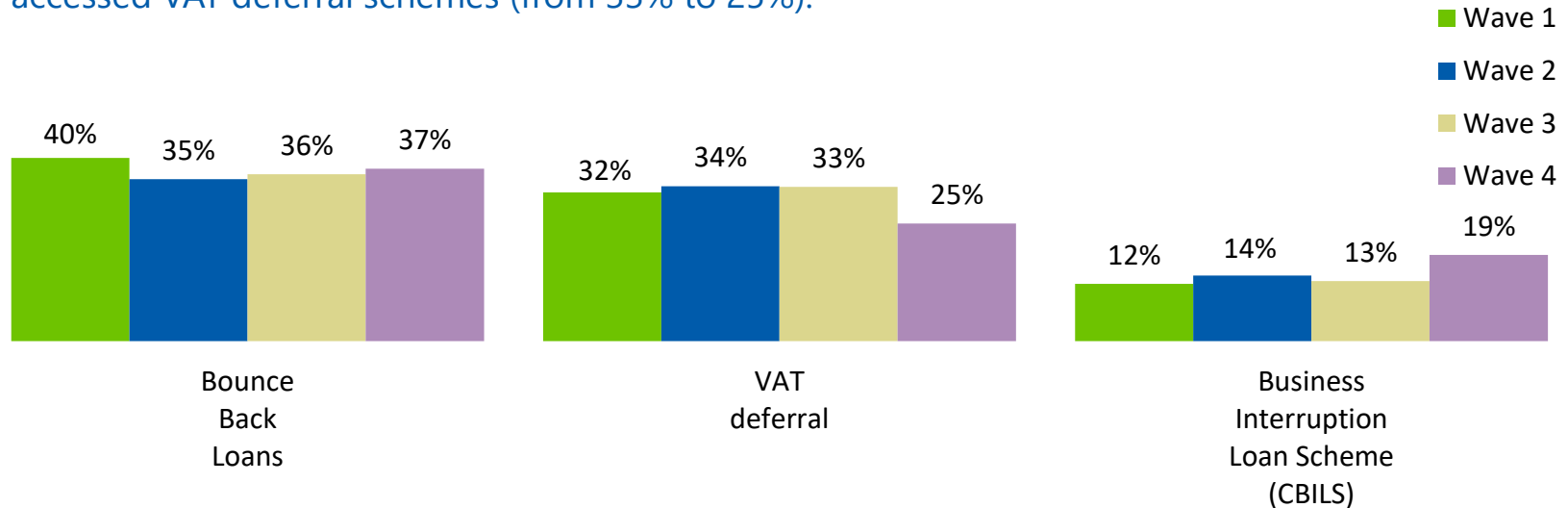


Government Support



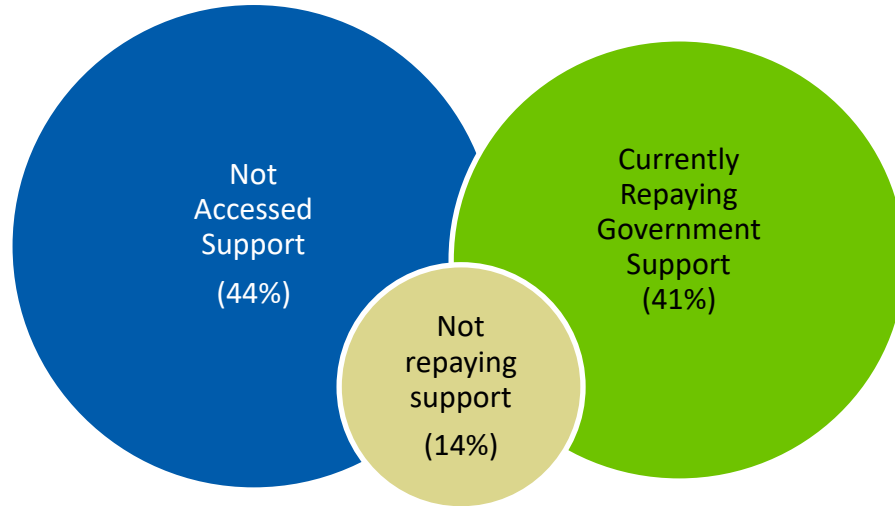
Over a third have accessed Bounce Back Loans

- Wave 4 shows a higher proportion accessing Business Interruption Loan Scheme (19%) than in previous waves.
- There has been a decline in the percentage of businesses we spoke to who had accessed VAT deferral schemes (from 33% to 25%).



2 in 5 are currently repaying Government support

- 14% of businesses are not currently repaying the government support that they accessed.
- 8% of businesses are having difficulty repaying the Government support
- 32% are making repayments without difficulty

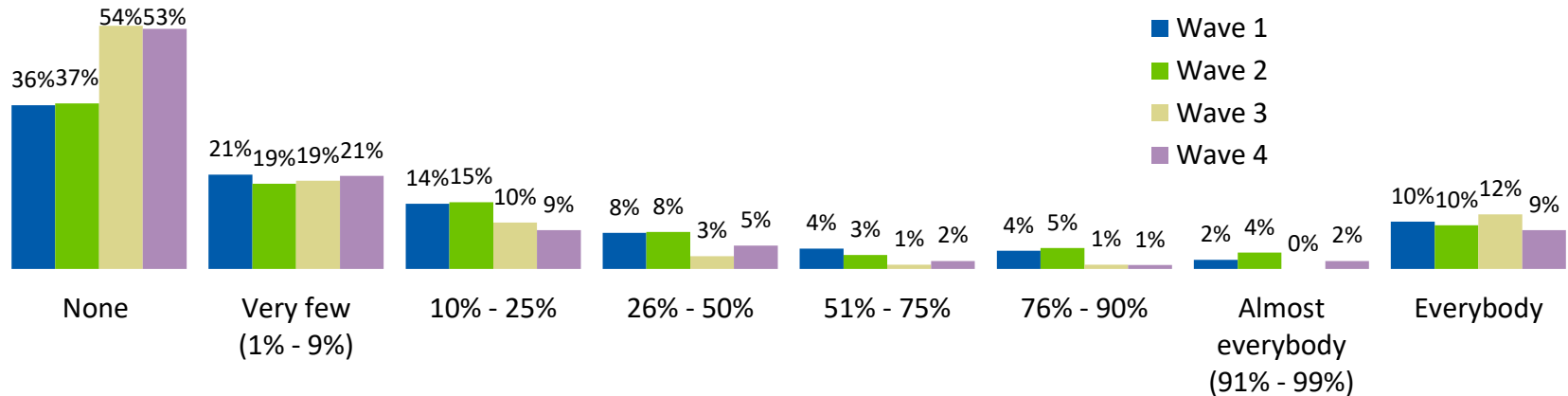


Work from Home



Proportion wfh over last 6 months

- Similar to Wave 3, over half (53%) of businesses have had no staff working from home in the previous 6 months*
- Around a tenth (9%) had all staff working from home.
- Clearly a flexible approach to work from home has become a standard for many businesses and the move back to the office has slowed.



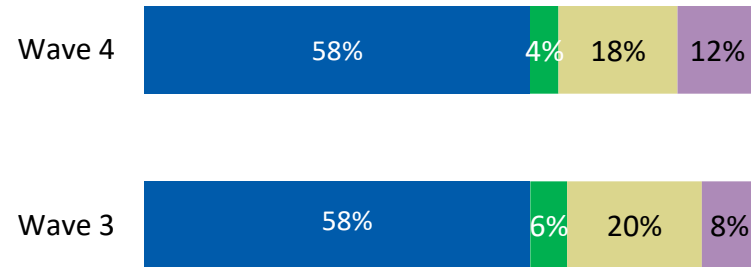
Q33 - Roughly, what proportion of your workforce has been working from home, at least some of the time over the last 6 months?

*In prior waves this question was asked about the last 2 months. Comparison with previous waves should therefore be treated with some caution

3 in 10 businesses will increase WfH

- As with Wave 3, we can see that 3 in 10 businesses intend to allow some level of WfH into the long-term.
- Only 4% of businesses are looking to get staff back to the workplace as soon as possible.
- 3% of companies are looking to reduce their physical occupancy space/office footprint as they allow more staff to work flexibly.

- Do not intend to allow WfH / not possible in our business
- Don't intend to continue WfH - will get staff back in as soon as possible
- Intend to provide more flexibility than before
- Intend to allow/ encourage as much WfH as possible



NQ13 - The experience of the last 2 years has changed many people's attitude to the idea of staff working from home at least some of the time. Which of these best describes how your business is likely to treat home working in the future?

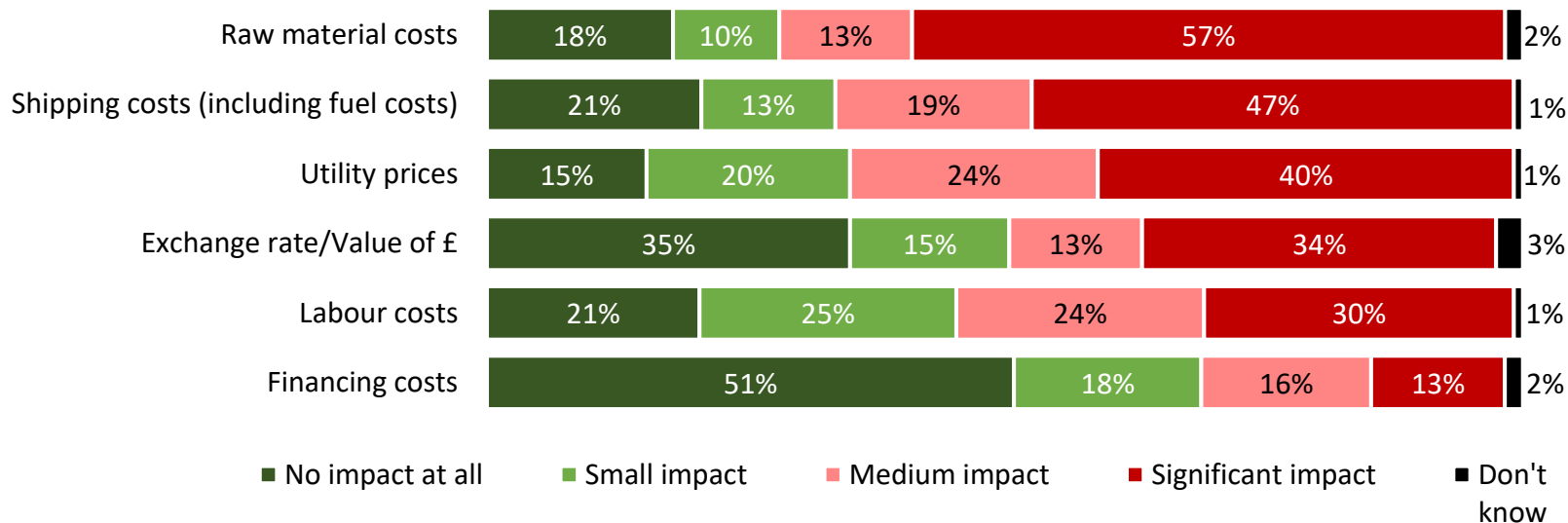
W4_NQ16 - Will you be looking to reduce your physical occupancy space/office footprint as you allow more staff to work flexibly?

Inflation

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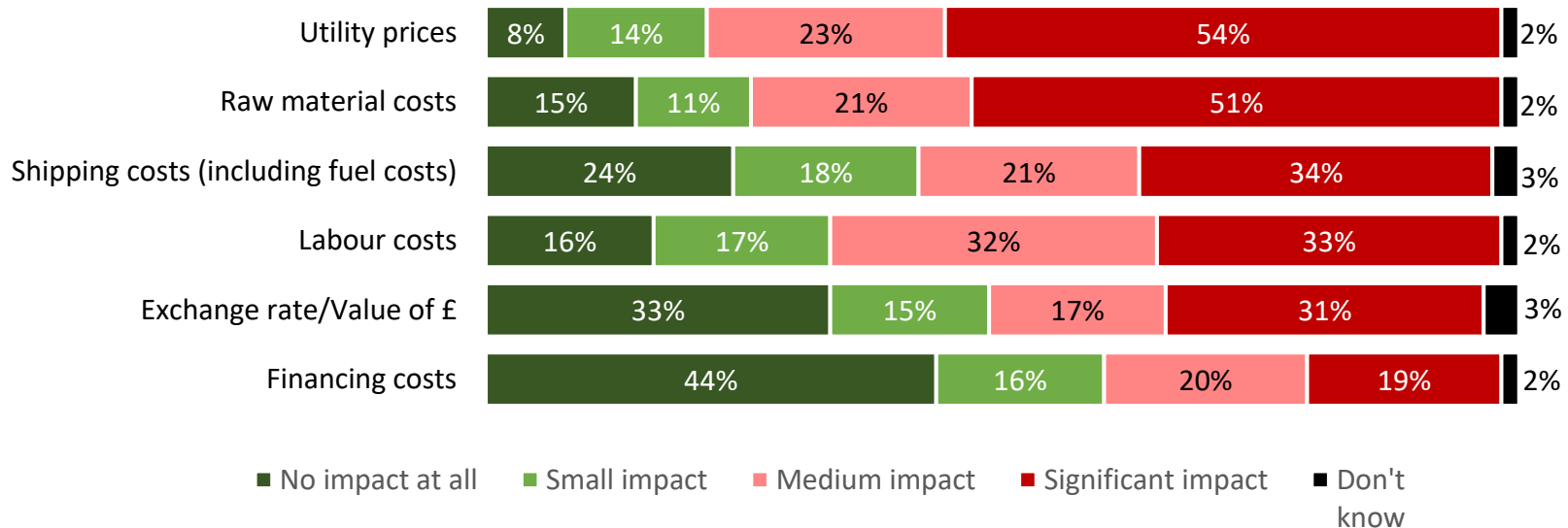
Impact of price rises

Around three fifths (57%) of businesses have been significantly impacted by increases in raw material costs in the last 6 months, followed by 47% significantly impacted by shipping costs, and 40% by increases in utility prices.



Inflation expectations

Over half of businesses are expecting to be significantly impacted by increases in utility prices (54%) and raw material costs (51%). Around a third expect to be significantly impacted by shipping costs (34%), labour costs (33%), and the value of the pound (31%).



Mitigating impacts of inflation

Increasing prices for customers

The most common response of businesses to inflation is to pass on the increased costs to customers:

- *Increasing the price passed on to the customer.*
- *Putting up prices.*
- *We are charging our customers for the fuel.*
- *We increased our hourly labour charge-out rate and increased finished goods' prices where necessary*

Reducing costs

Business are also looking to cut their own costs to mitigate inflation:

- *We are switching off appliances when not in use, checking our daily energy consumption*
- *Cutting costs wherever we can and reducing our use of vehicles.*
- *Spending less, using less, doing less on advertising, not having the heating on, using fewer outside subcontractors, working longer hours.*

Changing suppliers

Business are altering their suppliers to get more competitive prices:

- *Widening our supplier base, getting more competitive rates, trying to fix energy bills for the next year*
- *We've put up prices and looked at other supply sources.*
- *Deferring investment in the short term, looking to source supplies locally*

No control

Many businesses feel the situation is out of their control:

- *It's out of our control really. We are hoping the government does something. People will be made redundant in general.*
- *Nothing really. It's difficult in the business we're in.*
- *There is a limit to what you can do for the previous options. We monitor it closely and we manage them as best we can.*

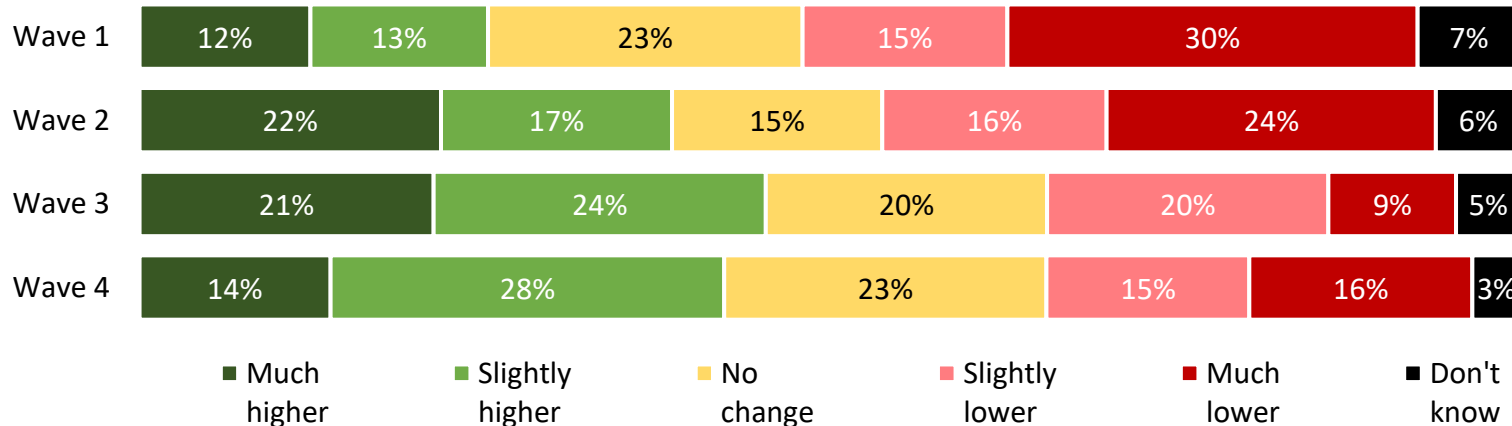
Business performance



Changes to turnover

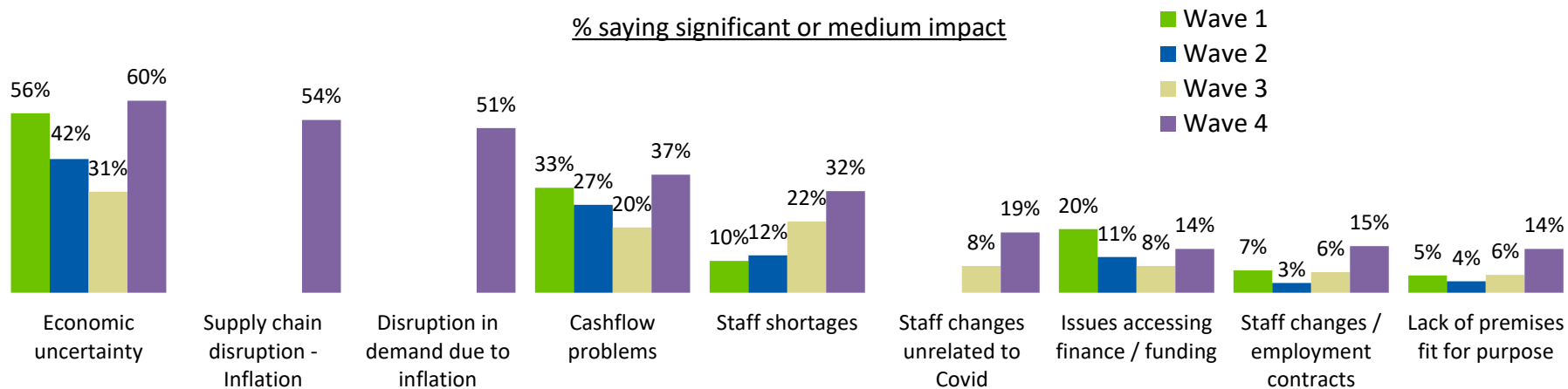
In Wave 4, 42% have seen an increase in turnover compared with 45% last year.

- Overall the picture is slightly more negative compared with Wave 3 with a notable increase in the number of businesses whose turnover is “much lower” (9% to 16%).
- However, Wave 4 was still an improvement on Waves 1 and 2.



Impact on business in last 6 months

- The top four impacts (rated significant or medium) over the last 6 months were
 - Economic uncertainty (60%) up compared with previous waves (31% in Wave 3).
 - Supply chain disruption due to inflation (54%) – this was the first wave this question was asked.
 - Disruption in demand due to inflation (51%) – this was the first wave this question was asked.
 - Cashflow problems (37%) – an increase compared to prior waves (20% in Wave 3).
- Staff shortages continue on an upward trend – now at 32%.

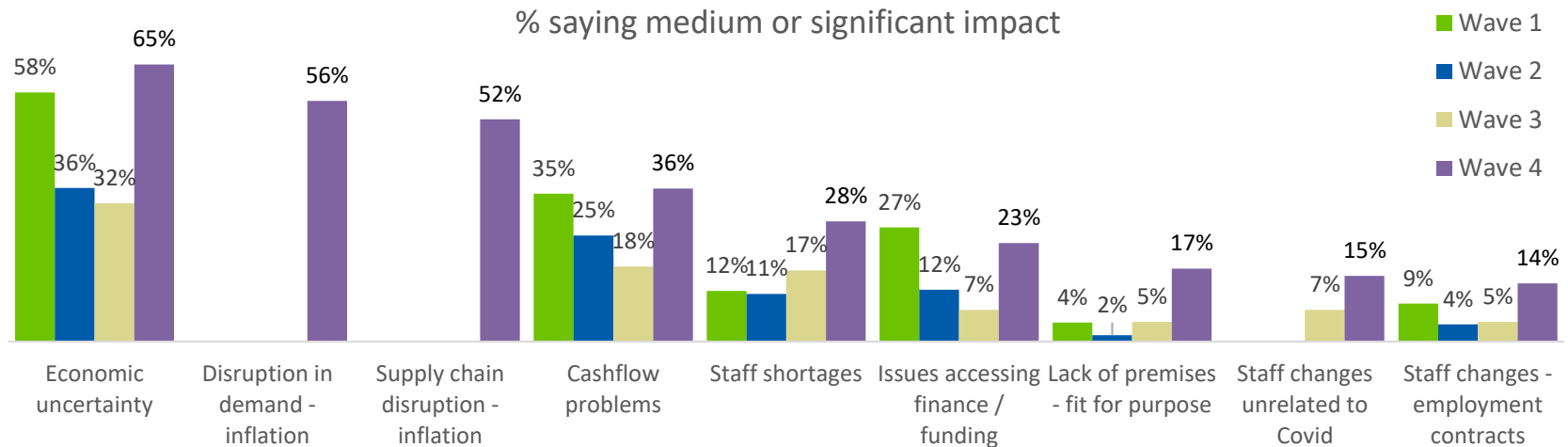


Q37 - How far have each of the following had an impact on your business in the last 6 months?

*Previous waves asked the question about a 2 month period

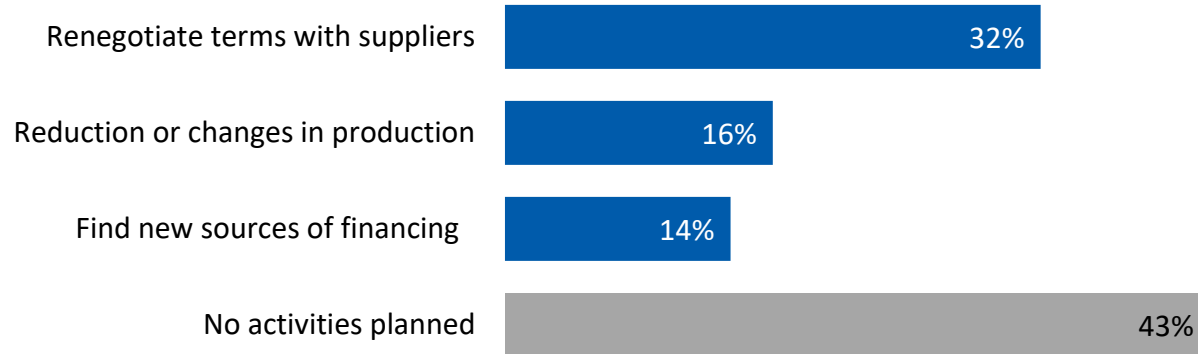
Business impacts expected in next 6 months

- Concerns around economic uncertainty, inflation's impact on demand and supply chains, cashflow and staff shortages have all seen large increases.
 - Concern over economic uncertainty has doubled since Wave 3 with around two thirds (65%) now expecting to be impacted (significantly/medium impact) in the next six months.



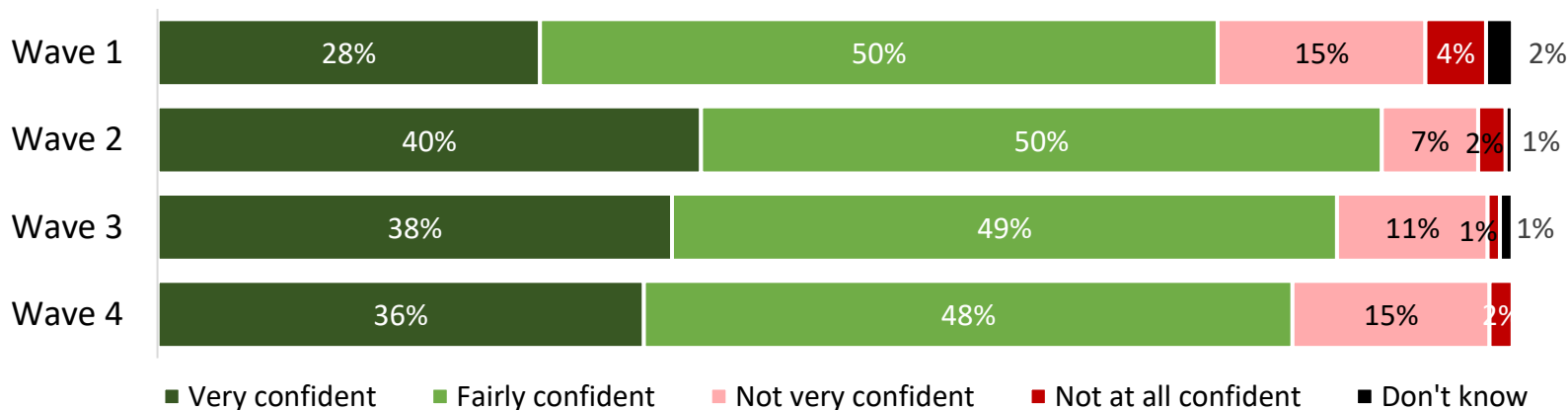
Mitigating expected impacts

- Around a third (32%) of businesses are planning to renegotiate with suppliers to mitigate these impacts.
- 16% are reducing or changing production, followed by 14% who are looking to find new sources of financing.



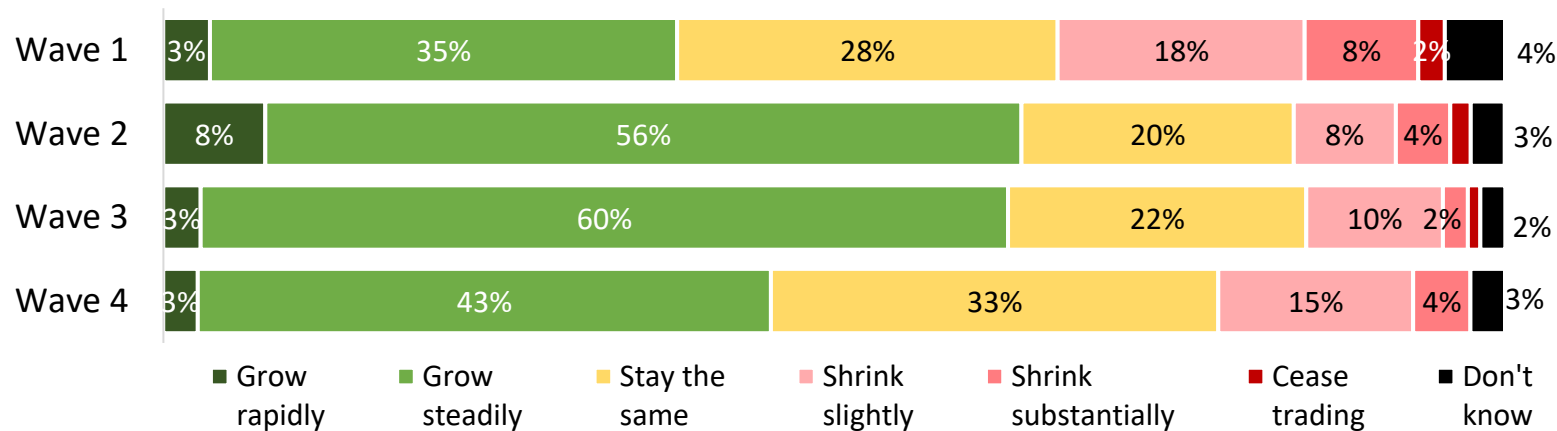
Business confidence for next 6 months

- 84% feel very or fairly confident about the future of their business in the next 6 months.
 - Lower than Waves 2 and 3 (90% and 87% respectively) but remains higher than in wave 1 (78%).

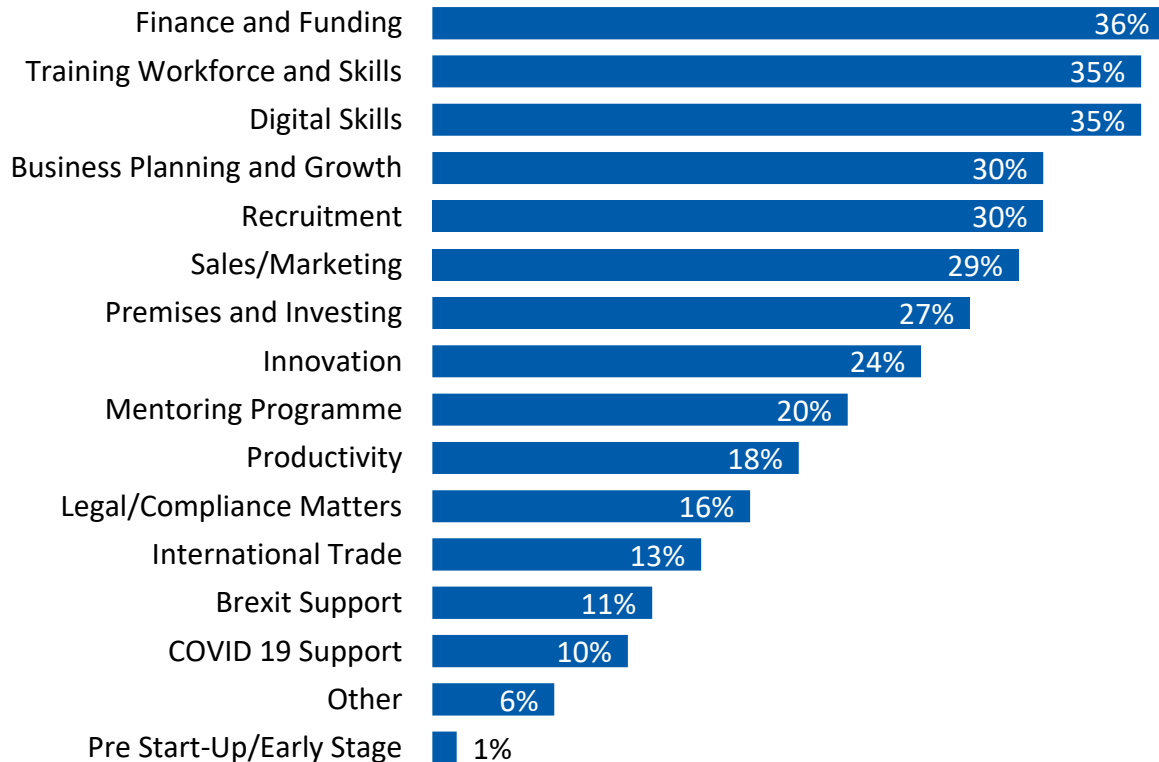


12 month forecast

- Companies are less optimistic about the next 12 months than they were during Waves 2 & 3.
- Less than half of businesses (45%) expect to grow during the next 12 months – down from 63% in Wave 3.
- Around a fifth (19%) of businesses are expecting to shrink over the next year, up from 12% last wave.



Business Support



- Over a third of businesses would like support with finance and funding (36%), training their workforce and skills (35%), digital skills (35%).
- 3 in 10 also would like support for business planning and growth and recruitment.

Summary



Summary (1)

- Staffing
 - Around two fifths (38%) of businesses had experienced difficulties with recruitment in the last 6 months
 - In particular there was a lack of qualified candidates (lack of relevant skills and experience)
 - 59% of businesses are increasing salaries in response to recruitment difficulties
 - Less than half (46%) expect to recruit more staff in the next 6 months – a fall compared to Waves 2 & 3
 - Over half (51%) of businesses are likely to hire someone for their first job after leaving school, college or university in the next 12 months.
 - Over two fifths (42%) of businesses have some capacity to offer work experience placements
- Digital
 - While the majority of businesses have an online presence, 27% only update content on an irregular basis
 - Over two fifths (44%) have invested in digital technology in past 6 months
 - Over a third (36%) have invested in computer software
- Environment
 - Over half (56%) have taken environmental action in last six months – continuing the upward trend since Wave 1
 - Over a third have improved recycling and a third have reduced paper usage
 - 28% say more financial support would help them become more eco-friendly

Summary (2)

- Exports / Imports
 - The EU remains the most important trading partner for both imports and exports
 - Over half of those involved in exporting were experiencing challenges which most blamed on Brexit
 - Import challenges were blamed both on Brexit and shipping issues
- Inflation
 - Many businesses have been significantly impacted by price rises over the past 6 months – in particular raw material costs and shipping costs
 - Most businesses expect price rises to continue to impact their business – especially rising utility prices and raw material costs
 - Business are mitigating these effects by passing on the cost to customers with higher prices and reducing costs where possible
- Performance – businesses are less optimistic about the future
 - Over 8 in 10 businesses feel confident about the future (84% down from 87% in Wave 3)
 - Over half are expecting to be impacted by economic uncertainty and inflation impacting demand and their supply chains
 - Businesses' growth forecasts for the next 12 months are substantially more pessimistic than in Waves 2 & 3
 - Over a third of businesses would like more support with finance and funding (36%), training their workforce and skills (35%), and digital skills (35%).

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