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Skills Revolution

SMEs Skills Horizon: 2023



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A 2023 skills and recruitment
barometer of SMEs across England

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Overview

Welcome to the Skills Horizon barometer – a culmination of insights from 1,250 SMEs from across England, on their skills and recruitment obstacles and opportunities for the year ahead.

While many are aware of challenges facing them when it comes to staffing their business and ensuring the required levels and mix of skills, the mood is optimistic and solutions-driven. Across the board, there's a clear appetite to upskill existing staff – and a recognition that doing so doesn't just improve levels of ability, but also provides wider benefits such as improving productivity, boosting morale and encouraging new ways of working. Businesses are also tackling recruitment challenges head on, with many being more open to recruiting from educational routes they may not previously have considered, such as apprentices and T Level students.

Overall, the picture looks positive. SMEs by nature have to be flexible, adaptable and forward thinking and this barometer just shows how that unique set of attributes will help business across the country thrive in the year ahead.

**Over
two thirds
of SMEs
set to invest
in upskilling
workforce**

“Boosting skills in key sectors like digital, manufacturing and healthcare is essential to building a skills nation and the government is investing in resources and skills qualifications - spending over £3.8bn this Parliament.

“This investment is being recognised by SMEs who are planning to invest in upskilling their workforce this year, and I would encourage businesses of all sizes follow suit.

“Whether it's through apprenticeships, T Levels or courses in essential numeracy and literacy skills, there are free and flexible ways for employers to tap into the highly skilled workforce they need to thrive.”

Robert Halfon, Minister for Skills,
Apprenticeships and Higher Education



Trying new skills building blocks for SME business growth

While SMEs are aware of the challenges in the year ahead, many remain optimistic. On average, they're expecting a 26% growth in revenue throughout the year. Perhaps unsurprisingly London tops this list, expecting the largest growth (31%) but ambitions remain high outside of the capital, with the likes of SMEs in the East of England expecting above average growth too (28%).

2023 looks particularly positive for the Finance and Insurance sector, which is anticipating the largest growth (34%), followed by Technology sector SMEs (27%).

1 in 3
SMEs think the hires they make in the year ahead will help boost wider employee morale

There's good news for employment too, as it appears many are expecting to match this growth in revenue with a boost in staff numbers. On average, SMEs anticipate increasing their number of employees by 27% - once again with the largest increases in London (31%), the East of England (28%) and the Finance and Insurance sector (31%). Manufacturing SMEs look set to over invest in employee numbers, with the sector expecting an average revenue growth of 23% versus a 27% growth in staff - perhaps a positive sign of the sector's optimistic outlook for coming months and years.

It's clear SMEs are not just investing in recruiting to help meet their growth targets for the months ahead. Two thirds (69%) say they expect to invest in upskilling their current workforce in 2023, rising to three quarters (76%) of SMEs in London.

Peter Anderson, Managing Partner of Troup Bywaters + Anders engineering partnership, says: "Our apprentices are the leaders of tomorrow and key to the future of our business. We continue to look at ways of upskilling our people and this year are particularly focusing on embedding sustainable thinking as part of the knowledge and behaviours through apprenticeships."

Businesses are focusing on a range of solutions to bolster staffing and recruitment in 2023

Many employers are finding the ways they recruit and retain staff are changing - although they acknowledge this also brings opportunities.

Kim Slater, Brand Strategy and Operations Manager at financial consultancy FD Works based in Bath and Bristol, says they recognise "the world of work is changing". She believes the key to successful recruitment and retainment is "understanding what employees want" and being flexible as an employer to provide this. For her, progressiveness is key, "We take a progressive approach rather than rely on old school ways of doing things."

"The world of work is changing. It's key for employers to understand what employees want."
Kim Slater, FD Works

Staffing (retainment and recruitment) is the second biggest concern for SMEs in 2023 (second to running costs), as more than a third (36%) saying it is on their mind for the year ahead. Within this, the main challenges SMEs feel they need to be aware of and prepared for are retaining staff (for 41% of SMEs), not being able to recruit new employees with the right skills (40%) and not having enough employees with the right skills (38%).

Businesses are citing a number of reasons for this. Hollie Whittles is Director at data analytics consultancy Purple Frog Systems based in Telford in the West Midlands. She says "attracting and retaining talent is a key concern". For her, working in the niche technical sector of data analytics means it can be difficult to attract people with the right skills, as those who do have the right qualifications tend to search for jobs in big cities.

"We have recruitment challenges... it can be hard attracting talent to the niche sector of data analytics."
Hollie Whittles, Purple Frog Systems

However, SMEs realise this is a priority for the year ahead and are examining the way they train and recruit and how to best approach this in 2023. Many have even already started seeing the benefits of being early adopters of different recruitment routes. Prabhu Mudliar, IT Director at Yandiya Technologies, says: “We’ve been fortunate as we’re working with a local college, so have a workforce of apprentices and T Level students who are already being upskilled as they work with us. We have a great relationship with apprenticeship providers, which enables us to access and create a talent pipeline of skilled employees, specifically for our business.”

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Prabhu Mudliar, Yandiya Technologies

27% are seeking to hire from different education routes

They are exploring different ways to approach recruitment too. For instance, more than a quarter (27%) are seeking to hire from different education routes, such as apprentices and T Level students. The North West is the second most likely region outside of London to consider these different routes, with 30% of SMEs in the area saying they’re considering this as an option for 2023. More than half (55%) would also consider offering entry level employment schemes (i.e. for those with no prior experience in the sector), with the Finance and Insurance industry leading the charge as 66% say they would consider offering these schemes.

Kim Slater, FD Works, says: “We’re big fans of entry level programmes. People who undertake them are given a skills coach who can teach important skills for the workplace, as well as the technical aspects. It’s a holistic way to fill skills gaps and create a well-rounded workforce.”

New ways of working

We can see that SMEs do have an appetite to recruit and upskill this year – despite the challenges they are facing. Many appear to be using this as an opportunity to trial different ways of building skills within their workforce. For instance, more than two in five (43%) are planning to invest in building digital skills within their company (e.g. through offering courses). With a demand for digital skills increasing, it appears many SMEs see this as a solid way to bolster their workforce – giving employees the opportunity to strengthen their skillsets too. More than a third (35%) are also planning to encourage staff to engage in free training courses, such as Skills Bootcamps.

43% of SMEs plan to invest in building digital skills with their organisation

“Entry level programmes [are structured as] a holistic way to fill skills gaps and create a well-rounded workforce.”

Kim Slater, FD Works

Daniel Lewin of Lewin Electrical Services in Leicester, East Midlands says: “We have found working with T Level Students or entry level employees gives you a chance to work closely with them – teaching them the trade as well as the business as they are the future of the industry and trade.”

Benefits of embracing new ways of working

There are many benefits to embracing these new ways of recruiting and upskilling staff. The SMEs we spoke to reported the top five ways they expect these changes will help benefit them in the year ahead:

1. Additional staff will help to upskill existing workforce (e.g. by sharing skills and knowledge) (40%)
2. Having additional staff will develop management skills for existing workforce e.g. through mentoring, managing) (38%)
3. Additional staff will improve wider staff productivity (36%)
4. Additional staff will encourage new ways of working (35%)
5. Additional staff will improve employee morale (33%)

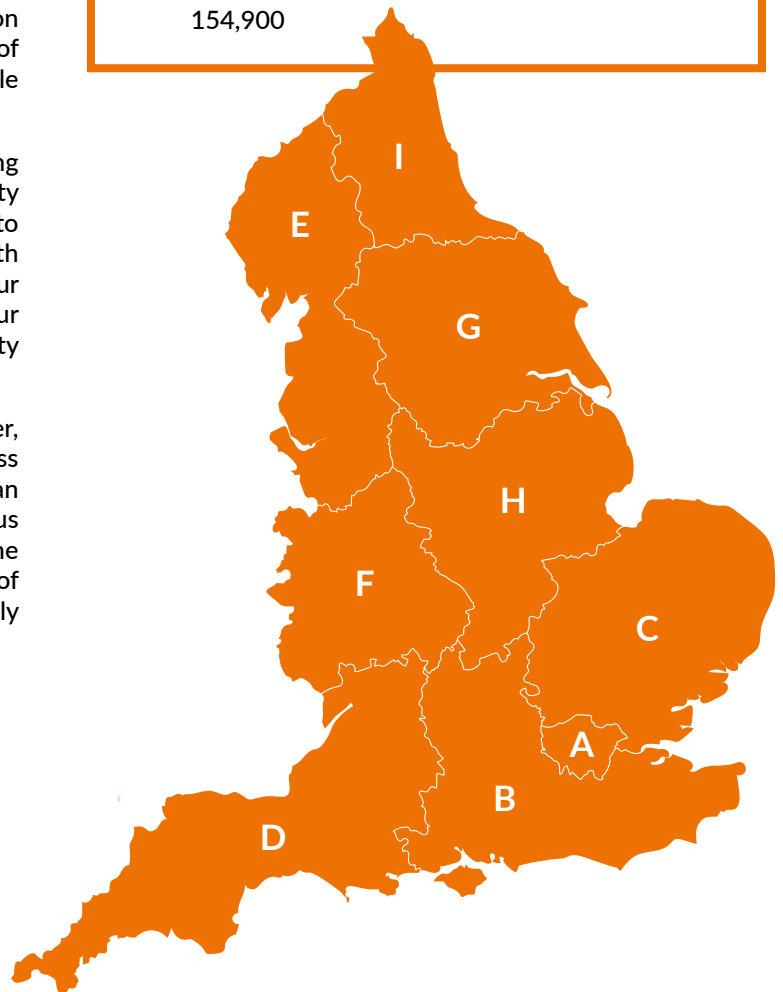
Hollie Whittles, Purple Frog Systems, says “We are recruiting mid-level and senior staff as well as junior, as we need a mix of skills. Older people can miss out on recruitment opportunities, but they can bring a lot of experience and skills, so we try to be as diverse as possible when recruiting.”

Becky Toal, Managing Director at Crowberry Consulting – an environment, ethics and corporate responsibility management consultancy – says, “We will continue to offer apprenticeships as we know they add a real strength to the organisation. It enables us to mould people to our vision and values and give them the training needed for our businesses. It helps them by giving them an opportunity and it helps us as it’s economically effective.”

Lily Brothwood, Marketing and Communications Manager, Intellect says, “Every employee is an asset to the business – and we know that the positive impact training can have leads to long term benefits which have carried us through many challenges in recent years. Over 50% of the apprentices we have taken on over the past 25 years of our programme are still working here today, so it really demonstrates a real long term commitment.”

An overview of SMEs in England**

A	LONDON	1,036,300
B	SOUTH EAST	842,800
C	EAST OF ENGLAND	542,200
D	SOUTH WEST	536,900
E	NORTH WEST	512,300
F	WEST MIDLANDS	436,600
G	YORKSHIRE AND THE HUMBER	385,000
H	EAST MIDLANDS	367,500
I	NORTH EAST	154,900



REFERENCES:

* Research carried out with 3Gem Research & Insights between 14/12/2022 - 21/12/2022, commissioned by DfE and Kindred, with 1,250 SME senior decision makers in England

** There are 4,814,500 SMEs (businesses with 0 to 249 employees) in England: <https://www.gov.uk/government/statistics/business-population-estimates-2022>



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