



120/06

Tuesday 7 November 2006

UK Firms Cite Skills Gap As Bigger Threat To Business Than Bird Flu Or Terrorism

A third of UK firms believe a shortage of quality staff poses the biggest threat to their business and that the talent drought is forcing them to offer above-inflation pay rises to attract and retain employees.

Data from the **Lloyds TSB Corporate Markets Business in Britain** survey of over 2,200 UK businesses with turnover between £1m and £750m, shows that 33 per cent of firms cite the skills gap as posing the biggest threat to their firm over the next six months. In comparison, just 4 per cent believe that avian flu represents their biggest challenge, while the same percentage - 4 per cent – consider terrorism to be the main threat.

The scarcity of skilled labour is now so acute that 48 per cent of all firms surveyed experienced difficulty recruiting skilled staff this year, while a further 17 per cent have had similar problems recruiting unskilled labour, despite the influx of workers from Eastern Europe.

The problem seems to be particularly acute in Scotland, where 56 per cent of Scottish businesses are struggling to recruit skilled workers, compared with 47 per cent of firms in England and 46 per cent in Wales. This underpins the response from 45 per cent of Scottish firms that the lack of quality staff is their number one threat, compared to 31 per cent in England and 30 per cent in Wales.

What's more, there is a continued knock-on effect on pay pressures which has serious inflationary implications. When asked about their next salary review, 33 per cent of employers said they will be offering pay rises above the rate of inflation. Wage pressures are highest in London and Scotland where, respectively, 42 per cent and 40 per cent of firms are planning to offer inflation-busting salaries.

.../more

UK FIRMS CITE SKILLS GAP AS BIGGER THREAT TO BUSINESS THAN BIRD FLU OR TERRORISM/...2

Diana Brightmore-Armour, managing director of Lloyds TSB Corporate Markets, said: “All the signs are that the skills gap is deteriorating, putting additional strains on the management of UK businesses as they try and attract talent ahead of overseas competition. This is having a domino effect on salaries as employers have to pay more to keep staff, at a time when escalating energy prices are already stretching the purse strings for most UK businesses. It’s a sensible time for managers to focus on their people management as well as their financial management.”

The problem seems most intense in the transport and construction industries, with 57 per cent of firms in both sectors reporting difficulties attracting skilled workers. Correspondingly, 47 per cent of construction firms and 39 per cent of transportation companies view this shortage as their biggest threat.

SURVEY RESPONSES	NAT AVG	ENG	SCOT	WALES
Difficulty recruiting skilled staff	48%	47%	56%	46%
Difficulty recruiting unskilled staff	17%	16%	28%	16%
Shortage of quality staff biggest threat	33%	31%	45%	30%
Having to offer above inflation pay rises	33%	31%	40%	28%

-ends-

Notes to Editors:

- The Business in Britain survey collates responses from 2,224 firms with a turnover greater than £1m. Data is available by region, industry sector and size of firm.
- Lloyds TSB Corporate Markets provides a comprehensive expert financial service to businesses ranging from privately owned firms to multinational corporations and financial institutions. Specialist expertise meets firms’ long term financial requirements, provides innovative, flexible funding packages, designed to suit the particular requirements of a business and can identify opportunities to maximise the profitability and minimise the risk of investments on the international financial markets. Lloyds TSB won ‘Corporate Bank of the Year’ in the 2005 and 2006 CBI/Real Finance FD’s Award.

For more information:

Kirsty Clay

Lloyds TSB Press Office

Tel: 020 7356 1517

www.lloydstsb.com/corporate