THE INSTITUTE OF THE MOTOR INDUSTRY

# State of the Sector
# July 2011

# 1 Background

In May 2011, the Institute of the Motor Industry (IMI) commissioned BMG Research to undertake a survey to determine business trends and provide a snapshot of skill shortages and skill gaps within the industry. The survey also aimed at recruiting a panel of employers to facilitate a tracking approach; the survey to be repeated at four monthly intervals with the same set of employers.

The interview covered:

- Trends in business performance in the last 6 months, including orders/sales, employment, finance issues and advertising and market activity.
- Anticipated business performance in the next 6 months.
- Skills shortages (recruitment difficulties) in the last 6 months.
- Current skills gaps (amongst the existing workforce).

In total, 223 telephone interviews were conducted with car dealerships across the UK. The respondent was the person at the site with overall responsibility for personnel and training.

152 respondents agreed to join the panel. These respondents have been written to by the IMI, confirming their involvement in the panel.

Interviews took between 5 and 10 minutes.

A sample size of 223 has a maximum standard error of +/-6.6% at the 95% level of confidence. More information is provided at Appendix One.

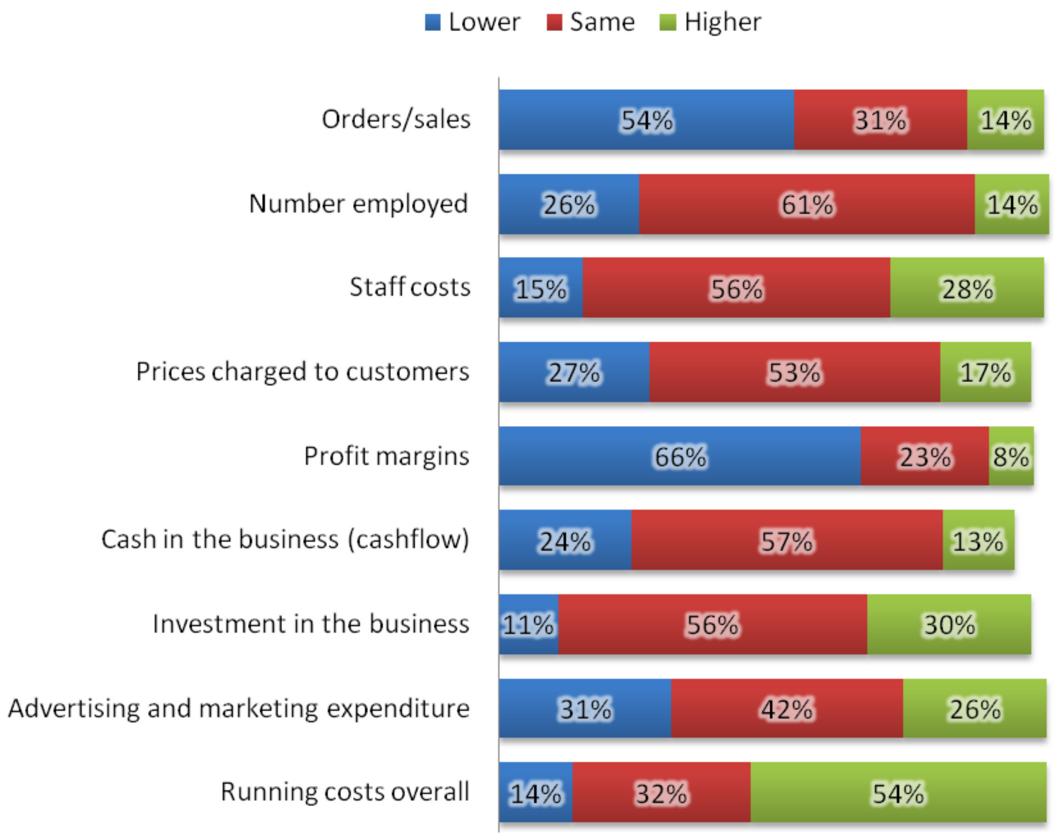
This report provides a summary of the findings of the first Panel survey.

# 2 Business Performance

Respondents were asked to compare their business performance in a number of areas over the last 6 months with that of the previous 6 months.

Their responses are summarised in the figure below.

**Figure 1: Business performance in the last 6 months, compared with the previous 6 months (all respondents) Sample base = 223**



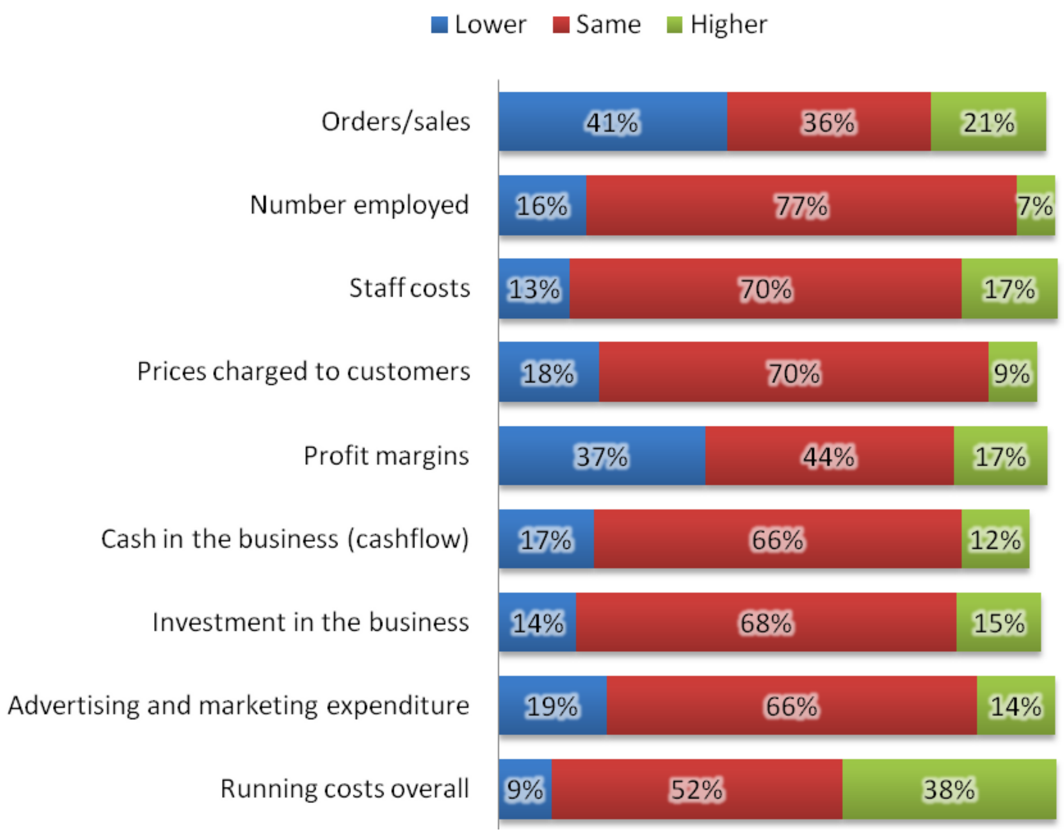

There have been increased costs, particularly in terms of overall running costs, contrasting with shrinking profit margins and lower levels of orders/sales compared with the previous 6 months.

In many areas, staff costs, prices, cash flow and investment, the trend has been static but there is evidence of car dealerships coming under pressure to meet rising costs in the face of declining sales.

Businesses are as likely to have increased advertising and marketing expenditure as they are to lower it. This suggests that there is some variance in the industry in terms of reacting to declining orders/sales. Around a quarter of businesses respond by spending more on promotion, while around a third cut back on promotional spend, perhaps to try and preserve profit margins.

When asked about the next 6 months, the majority of businesses expect little change with regard to employment, costs and advertising and marketing expenditure. They are most pessimistic with regard to orders/sales, which two-fifths see as declining, while more than a third expects profit margins to decline. Furthermore, a significant minority of respondents (more than a third) expect overall running costs to continue to increase.

**Figure 2: Anticipated business performance in the next 6 months, compared with the last 6 months (all respondents) Sample base = 223**



# 3 Skills Issues

## 3.1 Skills shortages

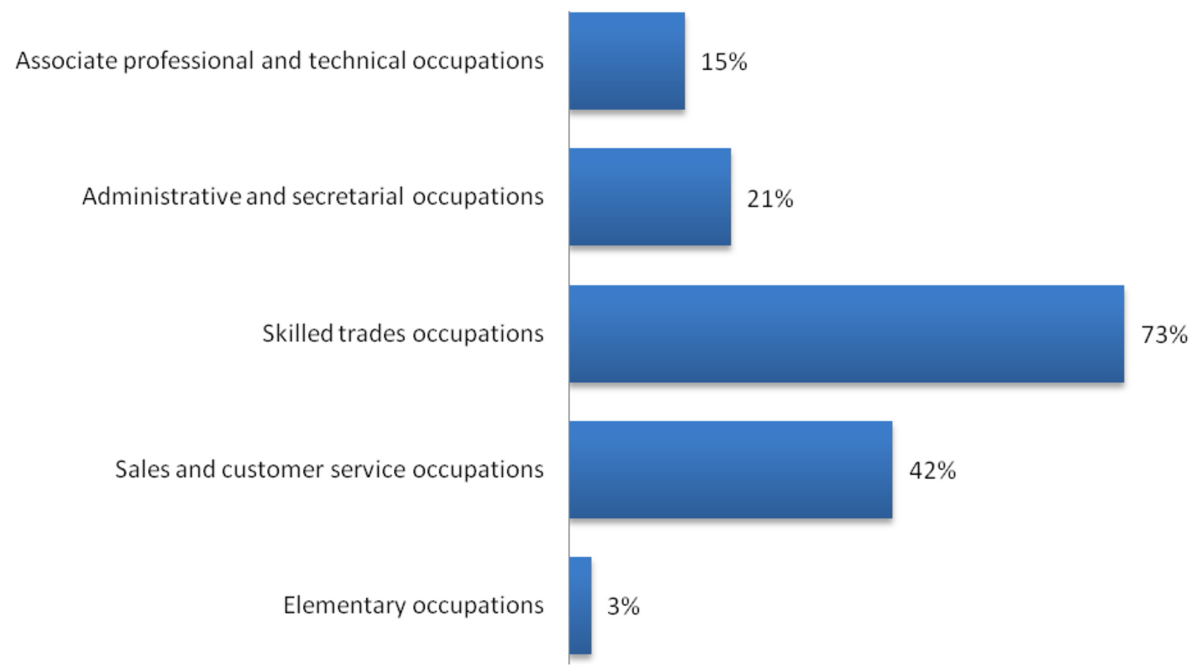
Skills shortages are defined as a shortfall in the number of workers with the skills needed to fill the jobs currently available.

Nearly two-thirds of respondents (59%) reported that their establishment has had vacancies in the last 6 months.

A quarter of respondents (25%) that reported any vacancies in the last 6 months has had hard to fill vacancies in this time.

In terms of the occupations in which hard to fill vacancies have been experienced, these are most likely to have been within skilled trades occupations (73% of those reporting hard to fill vacancies). More than two-fifths of respondents (42%) that reported hard to fill vacancies mention sales and customer service occupations.

**Figure 3: Occupations in which establishments have experienced recruitment difficulties in the last 6 months (where have had hard to fill vacancies) Sample base = 33**




The actual occupations listed by respondents included:

- Technician and technical staff, particularly those with MOT experience
- Workshop mechanics
- Parts department staff
- High skilled engineering roles
- Warranty administration people

- Valeting staff
- Customer service staff
- Sales personnel
- Service advisors
- Fleet staff
- Receptionists

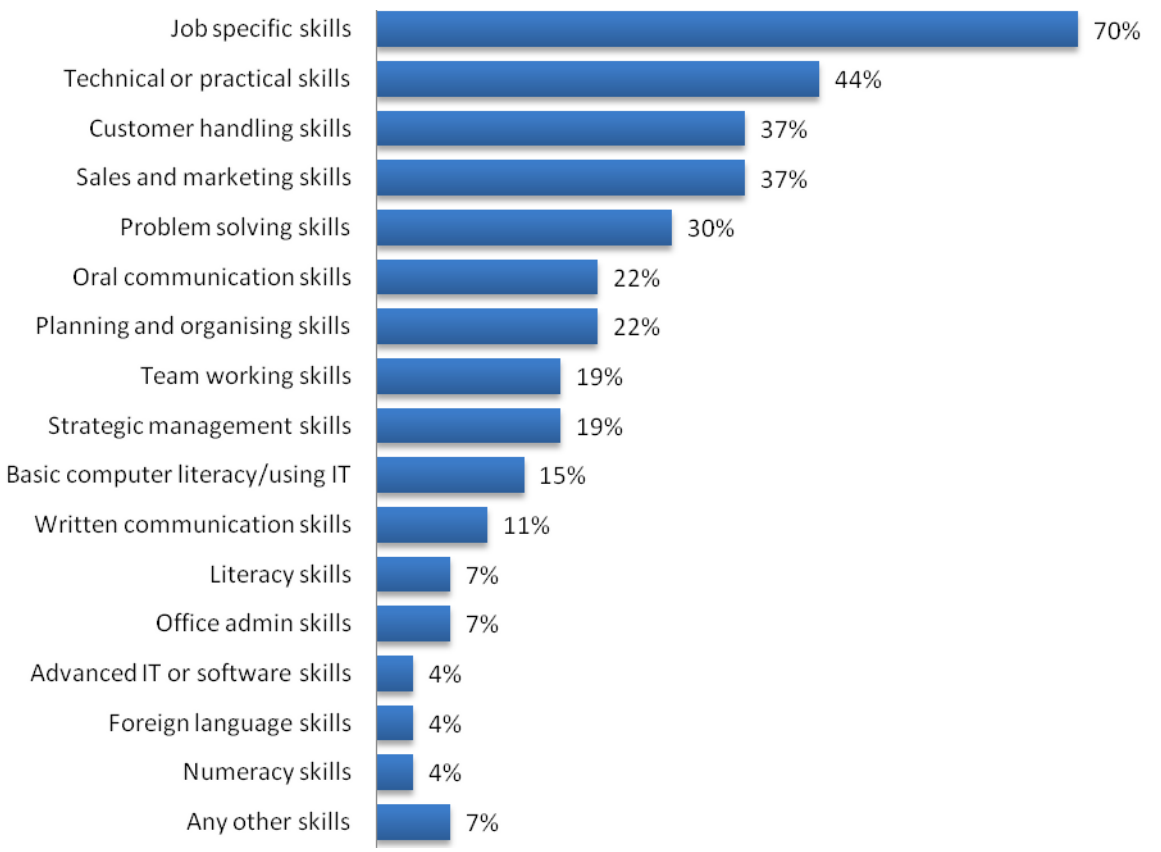
## 3.2 Skill gaps

A skill gap analysis identifies the skills that employees need, but may not have, to carry out their jobs or to perform certain tasks effectively. The analysis determines what the training requirements of the workforce currently are.

One in eight respondents (12%) identified any skills lacking in their workforce.

The skills they identified as lacking are summarised in the figure below.

**Figure 4: Skills that respondents identified as in need of improvement in their establishment (where identified skill gaps) – prompted, multiple response Sample base = 27**



The majority of respondents that identify any deficiencies in skills within their workforce cited job specific skills.  This suggests that skills specific to job roles that are largely non-transferable between job roles predominate in terms of those most likely to be required.  Other skills will of course vary in nature according to job role but are more likely to be transferable across roles.

This includes technical or practical skills that tend to be job specific but transferable between establishments, skills focusing on specific disciplines, such as customer handling, sales and marketing, management and IT, as well as more generic ‘soft’ skills such as problem solving, team working, planning and organising and oral communication skills.

Soft skills tend to be described in terms of personality traits and are mainly personal attributes that enhance someone’s interactions, job performance and career prospects. ‘Hard’ skills are about someone's skill set and ability to perform a certain type of task or activity.

# 4 Appendix

## 4.1 Statistical reliability

Although respondents are “representative” of a given population, the Panel is a sample. Therefore, we cannot be sure that the data we have collected is exactly the same as would be found by interviewing the entire population.

However, using statistical techniques, we can estimate the variation between the sample results and the "true" values, from a knowledge of the sample base for the results, and the proportion of cases that give a particular response. The level of confidence with which we can make this prediction is generally chosen to be 95% - we can be "reasonably sure" (the chances are 95 in 100) that our findings are representative of the population within a specified range. The table below illustrates the predicted ranges for different sample sizes and percentage results at the 95% level of confidence.

| SIZE OF SAMPLE ON WHICH SURVEY RESULT IS BASED | RANGE OF SAMPLING ERROR FOR PERCENTRESPONSES AT OR NEAR THESE LEVELS | | |
|---|---|---|---|
| | 10% OR 90% | 30% OR 70% | 50% |
| | +/- | +/- | +/- |
| 20 | 13 | 20 | 22 |
| 30 | 11 | 16 | 18 |
| 50 | 8 | 13 | 14 |
| 100 | 6 | 9 | 10 |
| 200 | 4 | 6 | 7 |
| 300 | 3 | 5 | 6 |
| 400 | 3 | 4 | 5 |
| 500 | 3 | 4 | 4 |
| 1000 | 2 | 3 | 3 |

So, in a sample of 100 where 10% give a particular response, the chances are 95% (19 in 20) that the "true" proportion that would have been obtained if the entire population had been surveyed, would fall within +/-6% of the sample result.

When results are compared between different sub-groups within a sample, differences may be observed. These differences may be genuine, or they may occur by chance, because not everyone in the population has been surveyed. To test whether the difference is genuine, that is, if it is statistically significant, we again use the sample size, the percentage giving a particular response, and the chosen degree of confidence. If we assume a confidence level of 95%, the difference between the results of two different sub-groups must be greater than the values given below to be a "genuine" difference.

| SAMPLE SIZE OF SUB-GROUPS TO BE COMPARED | SIZE OF DIFFERENCE REQUIRED FOR SIGNIFICANCE AT OR NEAR THESE PERCENTAGE LEVELS | | |
|---|---|---|---|
| | 10% OR 90% | 30% OR 70% | 50% |
| | +/- | +/- | +/- |
| 100 AND 100 | 7 | 13 | 14 |
| 100 AND 200 | 7 | 11 | 12 |
| 100 AND 250 | 7 | 11 | 12 |
| 200 AND 200 | 7 | 10 | 11 |
| 250 AND 400 | 5 | 7 | 8 |
| 100 AND 400 | 6 | 9 | 10 |
| 200 AND 400 | 5 | 8 | 9 |
| 500 AND 500 | 4 | 6 | 6 |

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