



HM Government

SME SKILLS HORIZON 2024

A 2024 skills and recruitment barometer
of SMEs across England

It all starts with skills

In partnership with British Chambers of Commerce



Overview

Minister for Skills, Apprenticeships and Higher Education Robert Halfon:

“This report is testament to the hard work and can-do attitude of our brilliant small businesses, and I know that they will welcome the positive forecasts for growth, which have improved thanks to crucial government investment in skills.

“We’ve transformed the skills landscape with expanded apprenticeships and new T Levels, revolutionising opportunities for young people to climb the ladder of opportunity towards their first job or further study, and giving businesses the skills they need to thrive.”

Welcome to the 2024 Skills Horizon barometer – a snapshot of the recruitment and skills landscape for the year ahead. Now in its second year, and with an increased respondent pool, this report brings together year-on-year data and fresh insights, gleaned from 1,500 SME decision makers across England.



As expected, the cost-of-living crisis and its impact on staff wellbeing is a concern for many businesses in 2024. However, SME employers foresee brighter days ahead. They remain optimistic about revenue growth and the opportunities available thanks to advancements in areas such as AI and greater technical education. Embracing the desire to stay one step ahead, SMEs across the board are increasingly open to exploring new ways of recruiting and upskilling their employees. They have also grown in their commitment to diversify their workforces, with a year-on-year increase in those looking to do so via recruitment, despite the broader challenges they are tackling.

Overall, there are hurdles to overcome in 2024 but the outlook is positive. And although there are risks associated with running a smaller business, the 2024 Skills Horizon Barometer highlights how the adaptable, agile and entrepreneurial qualities that SMEs possess are the very qualities that will enable them to thrive in the year ahead.



Section one:

SMEs look past cost concerns and set sights on business growth

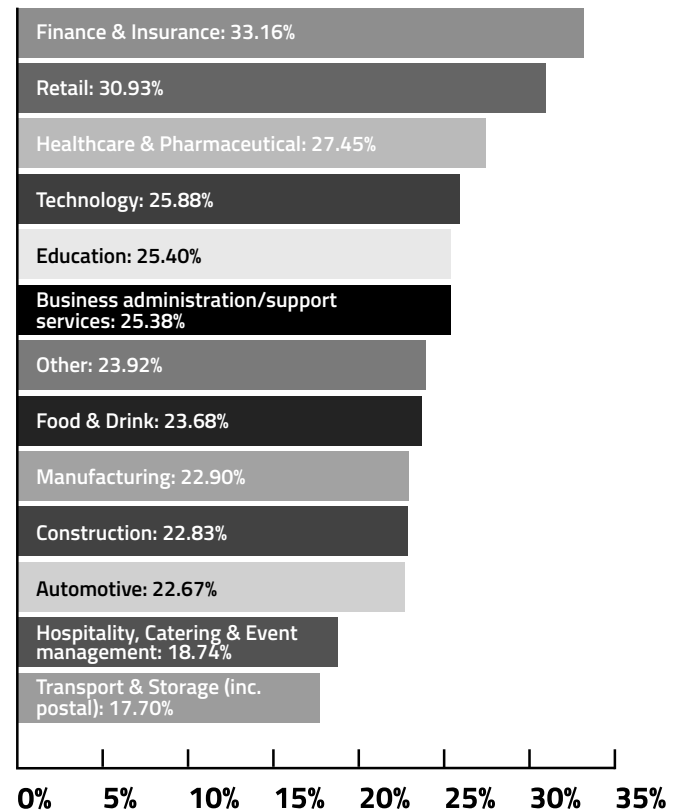
Although the general outlook is positive, the nature of business means there will always be concerns for the months ahead. And with the cost-of-living crisis bumping up energy prices and rent, it's no surprise that high costs featured as a theme across SMEs' top concerns.

SMEs' top five concerns for the year ahead:

- Increased running costs (e.g. energy prices and rent) **(51%)**
- Staff wellbeing linked to the cost-of-living crisis **(41%)**
- Increased staff costs due to wage increases **(35%)**
- Staffing challenges (e.g. retaining & recruiting) **(35%)**
- Increasing supply chain costs **(32%)**.

Despite these anticipated setbacks, **86%** of businesses plan to grow business revenue in 2024, a **3%** increase on last year. On average, SMEs expect to grow **26.43%** in the next year, a slight increase on last year's **26.08%** mean growth, with the most significant growth expected across finance and insurance (**33%**), retail (**31%**) and healthcare & pharmaceutical (**27%**) sectors.

Average expected growth in revenue for 2024 by sector:



Looking across the country, London is feeling most confident, with employers expecting **33%** growth on average, followed by the East of England and the North East, both anticipating business growth at **27%**.

Meanwhile, in the East Midlands and North West, employers are anticipating an average growth of **21.5%** and **21.6%** respectively with the South West anticipating the lowest growth, with the average amount expected landing at **21.3%**.

Steve Young, Apprenticeship Supervisor at North York Moors National Park Authority, in Yorkshire anticipates growth this year:

"We expect to see growth in our business revenue this year, as a result of better income generation and external grant funding. To meet this growth, in 2024 we will continue with our apprentice programmes and upskilling our workforce."

Section two:

A shift in focus

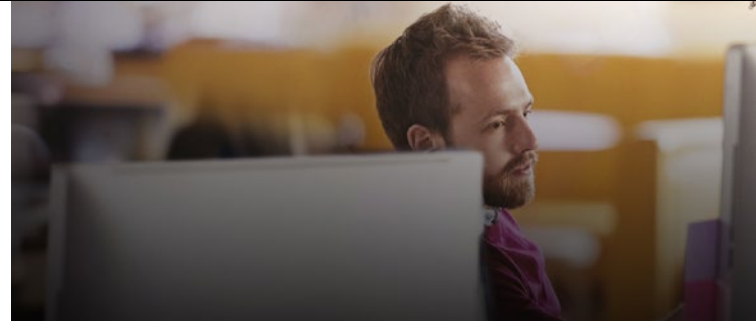
When looking to the future, adaptability is key and, with 73% of SMEs agreeing that as they can be more agile with recruitment and upskilling, they may well have the advantage.

Austen Adams, Managing Director of Avingtrans' Advanced Engineering Services division which owns, Cambridgeshire-based SME, Metalcraft:

“Smaller businesses can offer employees a wider array of day-to-day experiences, which enables them to develop their skill sets more quickly than they would in larger organisations and help to plug skills gaps.”

Steve Young, Apprenticeship Supervisor at North York Moors National Park Authority, Yorkshire agrees:

“Being a relatively small organisation means that we can be nimble and easily resolve challenges. This agility has enabled us to adapt our recruitment approach to bring in younger people and provide great training opportunities to help longer term with the retention of key skills.”



One example of this is the significant move towards investing in existing talent with 71% of SMEs planning to invest in their current workforce in the year ahead. This is up by 3.5% on last year and can be seen in particular across the finance & insurance (86%), technology (78%), manufacturing (77%), retail (76%) and construction (76%) sectors.

% of SMEs planning to invest in upskilling existing workforce by sector:



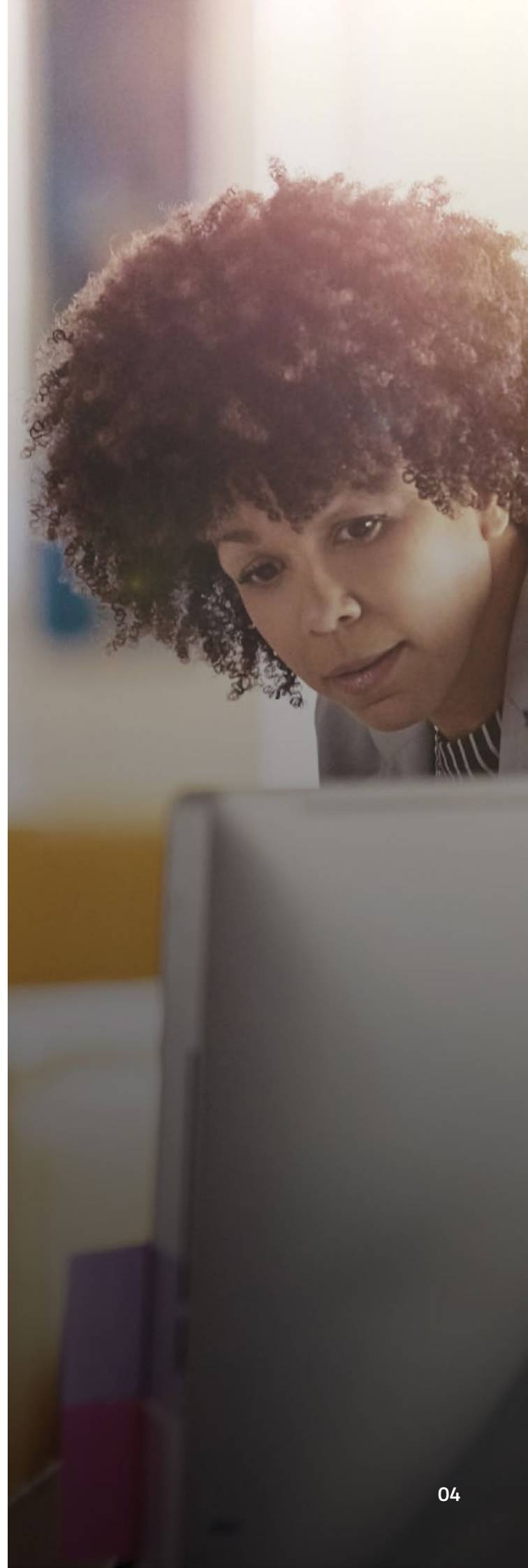
With **26%** more businesses* considering offering training and employment schemes such as apprenticeships, Higher Technical Qualifications and Skills Bootcamps, it's no wonder that employers across England feel less concerned about retaining their existing workforce (**40% vs 41%**).

Austen Adams, Managing Director of Avingtrans' Advanced Engineering Services division which owns, Cambridgeshire-based SME, Metalcraft:

"We expect the recruitment market to remain challenging but we have seen a slowdown in the movement of staff. Many of the initiatives to help retention, such as upskilling and flexible working are having a positive impact and businesses are learning to adapt."

It's good news for employers too with many believing there are a number of advantages to embracing new ways of upskilling staff including:

1. The opportunity to shape young talent (**55%**)
2. The ability to upskill existing staff members (**52%**)
3. Opportunities to address skills gaps in businesses (**50%**)
4. Access to a new talent pool (**49%**)
5. An economic way of upskilling and recruiting (**48%**)





Section three:

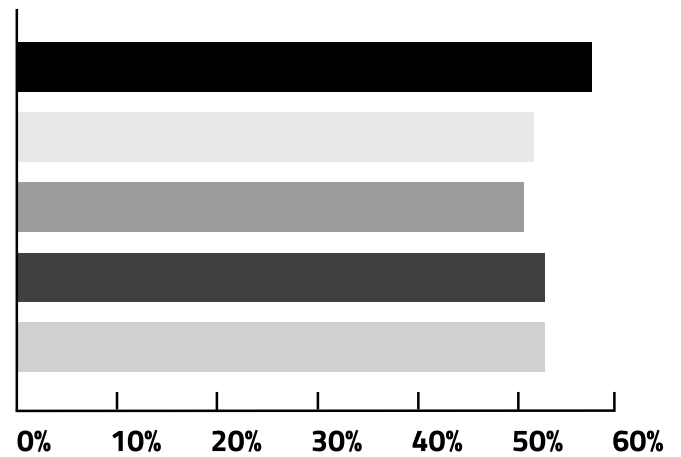
The business value in new recruits

Another big shift for 2024 are the attitudes towards recruiting staff, with more SMEs recognising the value new recruits bring to the business. These benefits include upskilling the existing workforce (50%), increasing employee morale (49%), encouraging new ways of working (49%) and providing wider staff productivity (49%).

Louise Campbell, Group Human Resources Director at 2Excel Engineering Ltd in Hampshire agrees:

“Our business success is down to the exceptional people who work for us. Our apprenticeship scheme means our skilled workforce is passing down their knowledge and skills to our next generation of engineers, and our apprentices are ensuring we have a good succession plan in place.”

The age of employers impacts the top advantages they expect to see from new hires in the next year:



- **18–24-year-olds** see the most value in them encouraging new ways of working (58%)
- **25–34-year-olds** believe they will improve wider staff productivity (52%)
- **35–44-year-olds** feel new staff will increase employee morale (51%)
- **45–54-year-olds** hope new staff will develop management skills for the existing workforce (53%)
- **55–65-year-olds** expect them to upskill the existing workforce via skills and knowledge sharing (53%)



James Scudder, Founder of 76 Services in Buckinghamshire has seen benefits of working with T Level placements in the past year:

“We currently work extensively with colleges to offer T Level placements and find this an effective way of working with people who have different perspectives. It particularly benefits the business as they tend to have a new and refreshing approach to tackling issues that those who have been in the industry a while may not have considered.”

Businesses reported feeling less concerned about not being able to recruit employees with the right skills in 2024 – a 15% decrease on last year’s figures. This feeling is reflected across all sectors, with Healthcare & Pharmaceutical (29%) and Retail (26%) reported as being the least concerned.

Perhaps this lack of concern is because a quarter of SMEs are expecting to grow their employee count by just 10% or less in the year ahead.

Reassuringly, diversity, equality and inclusion remains crucial for employers, with 40% believing that new talent recruited in 2024 will help diversify the workforce ahead of 2025. An increase of 4% on last year.

Louise Campbell, Group Human Resources Director at 2Excel Engineering Ltd in Hampshire agrees:

“Increasing diversity within our workforce remains a real priority for us – we’re looking to widen the advertising routes we use for our apprenticeship scheme to aid this.”

Section four:

Embracing new ways of working

This business savvy mindset is also impacting how SMEs are approaching recruitment in 2024, with the rising costs of running businesses prompting employers to consider lower cost tactics **(64%)**.

When comparing these approaches year-on-year, the data highlights a rise in the number of businesses that would consider employment schemes suitable for school leavers which allow them to train talent on the job to have the skills their business needs. This includes apprenticeships **(53% in 2024 vs 50.9% in 2023)** and work placements such as T Levels **(60% vs 55.2%)** with **57%** considering offering entry level employment schemes.

It's promising to note these shifts in perspectives over the past year with nearly three quarters **(74%)** having reported seeing a business benefit from offering technical education schemes.



74%

of SMEs have reported seeing a business benefit from offering technical education schemes



The main barriers to using technical education routes remain similar to last year, including concerns around whether they would provide the right benefits to the business, the associated costs and uncertainty over whether their existing staff would want to participate in such skills offerings.

Interestingly, youth plays a large part in openness to new ways of working, with employers aged **18-24** most likely to consider investing in upskilling their current workforce **(81%)**, offering work placements **(63%)** and employing the more vulnerable (e.g. care leavers/prison leavers) **(57%)**.

Section five:

What's on the job description for SMEs in 2024

The increased appetite for new recruitment and upskilling routes is reflected in the characteristics SME employers are looking for in new employees.

A set level of qualification might have once been a non-negotiable on most job descriptions, but it is now at the bottom of the agenda **(14%)**.

Instead, recruitment will be about looking broadly at a candidate, including their soft skills, and seeking attributes that enable them to thrive in fast-paced environments and rise to challenges.

The top skills that would stand out to an SME in 2024 are:

1. A good work ethic **(38%)**
2. A team player **(37%)**
3. A quick learner **(31%)**
4. Confidence **(27%)**
5. Ability to work under pressure **(26%)**.

A close sixth was 'being a good personality fit for the business' **(26%)**, suggesting employers are looking for people they can shape, rather than hiring someone with a lot of experience in the field.

James Scudder, Founder of 76 Services in Buckinghamshire has found hiring for attitude over experience to be successful:

"When it comes to hiring talent, we find it most effective to employ someone who fits well in the business and is willing to learn – that way we can shape them to be a really valuable employee."

The stage candidates are at in their career also will come into consideration in 2024, possibly driven by the implications of aging workforces.

For instance, hiring people who have some experience but are early in their career is the most preferable by a long way **(63%)**, trumping university graduates **(39%)** and those with a lot of experience **(34%)**.



Section six:

Predictions for the year ahead

SMEs see both opportunities and challenges, with some clear trends emerging:

A brighter horizon:

Brighter days ahead are predicted – with many expecting to see more confidence in the market and customers, as well as business growth

Adapting to the new recruitment landscape:

SMEs expect an uplift in new hiring routes and upskilling raw talent to shape new recruits into the workers they need

The rise of AI:

Some foresee AI's benefits for productivity and efficiency, whilst others fear it will lead to a reliance on technology or put manual jobs at risk

Challenges to overcome:

Employers predict some challenges, particularly concerning increased running costs and the impact of the cost-of-living crisis on their staff's wellbeing

Shifting perspectives:

Agility will be needed to respond to changing societal priorities, including demonstrating business ethics, being environmentally friendly and mitigating cyber risks





Section seven:

An overview of SMEs in England***



- North East - 156,112
- North West - 544,060
- Yorkshire and the Humber - 388,387
- East Midlands - 381,618
- West Midlands - 447,792
- East of England - 568,611
- London - 1,047,306
- South East - 851,358
- South West - 524,005

Jane Gratton, Deputy Director – Public Policy at the British Chambers of Commerce, said:

“Investing in a skilled and diverse workforce makes good business sense and is crucial to addressing the economic challenges and opportunities that lie ahead.

“While experience and qualifications are valued at recruitment, businesses are increasingly looking to develop their workforce on the job.

“This means accessing a wide range of flexible, technical and vocational training to upskill their staff and create an internal pipeline of talent. They know this will put them on the best footing possible, as the workplace evolves and demand for new skills and knowledge emerges.”

*Data is based on year-on-year average and not reflective of the increased sample size in 2024

**Research carried out with 3Gem Research & Insights between 11/12/2023 - 22/12/2023, commissioned by DfE and Kindred, with 1,500 SME senior decision makers in England

*** There are 4,910,864 SMEs (businesses with 0 to 249 employees) in England: <https://www.gov.uk/government/statistics/business-population-estimates-2023/business-population-estimates-for-the-uk-and-regions-2023-statistical-release#uk-countries-and-the-regions>