

**The Open University Business Barometer 2020**  
**Research Methodology**  
**September 2020**

The Open University Business Barometer, which monitors the skills landscape of the UK, reveals that organisations in the UK are spending £6.6 billion a year as a result of the skills shortage. The research considers four main areas of expense: increased recruitment costs, inflated salaries, training for those hired at a lower level than required and temporary staffing for gaps that could not be filled.

The report highlights the sectors and areas in the UK where organisations are most struggling to fill vacancies, investigating the effect this has on staff and revenues, and looking at senior business leaders' expectations for the future in light of the COVID-19 pandemic.

The full report is available at: <http://www.open.ac.uk/business/barometer-2020>

**About the data**

The Open University commissioned PCP Market Research to survey 1000 senior business leaders between 20 July and 24 August 2020. Senior business leaders were defined as Chief Executive Officers, Chief Operating Officers, Managing Directors, HR Directors and HR Managers. The data was made up of the following:

- 1,000 senior decision makers and HR directors/managers across the UK
  - 500 in England
  - 200 in Scotland
  - 150 in Wales
  - 150 in Northern Ireland
- 50:50 split between SMEs (10-250 employees) and large enterprises (250+ employees)
- Sector breaks (minimum of 30 organisations in key business sectors defined using data from the Office for National Statistics)
- Regional breaks (minimum of 50 organisations in each region of England)

Extrapolations were made based on the survey data and business data from the Office for National Statistics 2019 Business Workbook, which shows there are 275,960 SMEs in the UK (excluding microbusinesses) and 10,480 large enterprises.

**Calculations based on market research data**

The data returned from the market research was analysed and processed by Third City and Anthony Impey, MBE. The following calculations were made using the weighted data for large and small organisations in order to calculate the amount spent in each area. Please note that figures have been rounded for the purpose of this methodology, which leads to some discrepancy between numbers in the report and numbers in the table below – full Excel tables are available on request.

Additional recruitment spend

Respondents were asked if they had spent more on recruitment in the last 12 months than in the past to find applicants with the right skills. All those who agreed were then asked the value of their recruitment spend over the last 12 months, and how much of that expenditure was required because the organisation had struggled to find talent with the right skills. Respondents were asked to give an exact figure if known, or indicate a band (e.g. £5,000-£10,000, £10,000-£15,000). PCP Market Research provided a mean average for the responses by business size, which was then applied to the number of businesses in the UK.

	SMEs	Large Enterprises	Total
Percentage who spent more on recruitment due to the skills shortage in the last 12 months	40%	42%	

Additional spend because organisation couldn't find required skills	£27,935	£52,940	
Total spend calculation	= $275,960 \times 0.4 \times 27,935$	= $10,480 \times 0.42 \times 52,940$	= £3,083,57,040 + £233,020,704
Total spend	£3,083,57,040	£233,020,704	<b>£3,316,597,444</b>

#### Spend on increased salaries

Respondents were asked if they had increased the salary on offer for a role in order to recruit someone with the right skills in the last 12 months. Those who agreed were then asked on how many occasions they had done this (PCP provided a mean average for this by business size). Business leaders were also asked how they had increased the salary on average. Respondents were asked to give an exact figure if known, or indicate a band (e.g. £1,000-£2,000, £2,000-£3,000). PCP Market Research provided a mean average for the responses by business size, which was then applied to the number of businesses in the UK.

	SMEs	Large Enterprises	Total
Percentage who increased the salary on offer for a role in the last 12 months	31%	33%	
Average number of times salary on offer was increased in the last 12 months	2.26	3.1	
Average amount salaries were increased by	£4,416	£4,989	
Total spend calculation	= $275,960 \times 0.31 \times 2.26 \times 4,416$	$10,480 \times 0.33 \times 3.1 \times 4,989$	= £853,778,736 + £53,487,269
Total spend	= £853,778,736	= £53,487,269	= <b>£907,266,004</b>

#### Spend on training to boost skills of those hired at a lower level

Respondents were asked if they had recruited at a lower level than intended because of the skills shortage in the last 12 months. Those who agreed were then asked if they offered these hires extra training to bring them up to the level required for the role. Business leaders who offered training were asked how much extra they spend on training these employees. Respondents were asked to give an exact figure if known, or indicate a band (e.g. £1,000-£2,000, £2,000-£3,000). PCP Market Research provided a mean average for the responses by business size, which was then applied to the number of businesses in the UK.

	SMEs	Large Enterprises	Total
Percentage who hired at a lower level than intended	27%	34%	

Percentage of those who hired at a lower level than intended who then offered extra training to bring these workers up to level required	87%	86%	
Average amount spent on additional training	£18,751	£26,521	
Total spend calculation	= $275,960 \times 0.27 \times 0.87 \times 18,751$	= $10,480 \times 0.34 \times 0.86 \times 26,521$	= £1,251,496,148 + £81,269,679
Total spend	= £1,251,496,148	= £81,269,679	= <b>£1,296,765,827</b>

#### Spend on temporary staff where roles were left vacant

Respondents were asked if at any point in the last 12 months they had left a position vacant because they were unable to find a candidate with the required skills. Those who had left a role vacant were then asked if they hired temporary staff to fill that role. Business leaders who hired temporary staff were asked how much they spent on these workers. Respondents were asked to give an exact figure if known, or indicate a band (e.g. £1,000-£2,000, £2,000-£3,000). PCP Market Research provided a mean average for the responses by business size, which was then applied to the number of businesses in the UK.

	SMEs	Large Enterprises	Total
Percentage who left a role vacant	28%	32%	
Percentage of those who left a role vacant and then hired temporary staff	68%	62%	
Average amount salaries were increased by	£20,731	£29,591	
Total spend calculation	= $275,960 \times 0.28 \times 0.68 \times 20,731$	= $10,480 \times 0.32 \times 0.62 \times 29,591$	= £1,089,264,455 + £61,526,554
Total spend	= £1,089,264,455	= £61,526,554	= <b>£1,150,791,009</b>

#### Additional calculations

The calculations above were repeated for each sector and region included in the report.