

# **DURHAM COUNTY COUNCIL**

## **OVERVIEW AND SCRUTINY SUB-COMMITTEE FOR ECONOMY**



### **LIGHT TOUCH REVIEW WORKING GROUP**

## **SKILLS DEVELOPMENT**

April 2008



Making a difference where you live

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## **Context**

1. The primary focus of the Overview and Scrutiny light touch review was to look at issues in relation to skills development within an economic development context.
2. The Leitch Review published in 2006, highlighted the pivotal link between the UK's competitiveness in an increasingly globalised economy and its investment in the skills of young people and adults. The Review highlights the fundamental need for both employers and individuals to achieve a step change in their attitudes to the attainment of improved skills if the UK is to retain its economic competitiveness and sets out some challenging targets to drive up attainment.
3. The Government published 'world class skills' - its response to the Leitch Review. The plan recognises the scale of the Challenge inherent in Leitch's ambitious proposals for skills attainment by 2020 and sets out some intermediate targets for basic, intermediate and higher level skills for 2011 and 2014. The implementation plan sets out the Government's commitment to significantly increasing investment in employer-focused training programmes, and sets out a clear expectation that individuals and employers will take more responsibility for improving their skills and qualifications.
4. Much of the gap in County Durham's economic output stems from low levels of business productivity, which in turn is a result of low workforce skills. This creates a low skills equilibrium, where businesses fail to create higher level employment opportunities as a result of their inability to fill vacancies of this type and individuals lack the motivation to acquire higher level skills.

## **Introduction**

### **The County Durham Economic Partnership and Draft Strategy**

5. The County Durham Economic Strategy has been prepared by the County Durham Economic Partnership, a group of more than 50 public, private and voluntary sector organisations working to promote economic development and regeneration across the County. The Strategy provides a framework for a more detailed Action Plan, which will be prepared following the consultation on the Economic Strategy, which will highlight priorities for delivery over the next 3-5 years and longer term actions.
6. The County Durham Economic Partnership (CDEP) wants to create a more prosperous County where our businesses are creating more, high quality jobs for local people and where County Durham residents can access training and well paid jobs. The draft Strategy sets out an aspirational and challenging vision for the growth of the County Durham economy and to translate this into broad objectives and priorities which will guide the actions and investment of the CDEP and its public, private and voluntary/community sector partners to deliver the Strategy.

7. However realising the vision will require a step change in the productivity of businesses, in the skills of the workforce, in the ability to work together in partnership and to influence regional, national and European partners in their policies and investment.

8. Efforts must focus on actions which will truly make a difference. The Economic Strategy identifies three key objectives:

- To make businesses more competitive and productive and rebuild a culture of enterprise across the County.
- To improve the employability and skills of the workforce.
- To improve the economic competitiveness of our major towns.

9. Creating a more competitive economy will support the development of truly sustainable communities where people want to live. In turn, this will help to attract and retain the skilled, entrepreneurial workforce that will drive the economy of the County in the future and increase County Durham's contribution to a more prosperous North East.

10. The Strategy sets out a number of priorities under the themes of competitive business, competitive people and competitive places.

11. The recent Comprehensive Performance Assessment commented under 'areas of improvement', that the Council and its partners need to reduce the widening economic gap between County Durham and the region and the rest of England.

12. In addition the CPA highlighted that the Council is a key player in the County Durham Economic Partnership and the development of the Partnership's new strategy provides an opportunity to identify a clear strategic leadership role for the realisation of economic ambitions, set challenging targets for job creation that reflect the scale of the ambition and which tackle the high levels of worklessness and low level of skills in the County, engage more effectively with the business community and develop a robust action plan to deliver the strategy.

### **Focus of Light Touch Review**

13. It was against the above backdrop that Overview and Scrutiny members decided that a light touch review should be established to focus on the 'competitive people' aspect of the County Durham Economic Strategy, how the Strategy will raise aspirations, participation and educational attainment of young people across the County, increasing adult participation in the Labour market and building the skills of the workforce.

## **Membership of Light Touch Review Group**

14. The Review Group consisted of six members including the Chairman and Vice-Chairman of the Overview and Scrutiny Committee, Councillors Armstrong, Graham, Mason, Pye, Stradling and Walker supported by Diane Barrow, Scrutiny Officer and John Russell, Economic Policy Officer, Economic Development and Regeneration Unit.

## **Evidence Gathering**

15. Members received information provided on the County Durham Economic Strategy and the issues that related to skills development so that they had an informed view of the issues and challenges.

## **The Issues/Challenges**

### **Improving Access to Employment/Reducing Worklessness**

16. County Durham has a particularly high proportion of people of working age who are economically inactive, with some parts of East Durham amongst the most "employment deprived in England".

17. In 2006 there were more than 73,000 economically inactive people of working age (including students, people retired early and those with family and care responsibilities) of those wanting work most cited long-term sickness or disability or caring responsibilities as the primary barrier.

18. Nearly half of all those who are economically inactive in the County are claiming Incapacity Benefit, totalling 37,200 (12.1%) of the County's working age population which is significantly higher than both the regional and national averages. Research indicates that 83% of the County's economically inactive do not want a job.

19. Incapacity benefit claimant rates are 170% of the national level. Worklessness is concentrated in Easington, where one in five people of working age receive Incapacity Benefit, nearly three times the national average, in addition Sedgefield, Wear Valley and Derwentside also have a large proportion of IB Claimants.

20. Worklessness in some parts of County Durham has become an inter-generational problem and is no longer directly related to the decline of the traditional industries. Worklessness amongst younger people is often associated with mental health issues such as depression and anxiety, this together with low aspirations and a lack of employment opportunities has meant that in some communities not working has become the norm. Nationally 44% of Incapacity Benefit claimants say they want to work at the appropriate time, this equates to over 16,000 people.

## **Building the Skills of the Workforce**

21. County Durham has a comparatively low-skilled workforce. There are at least 50,000 adults lacking in basic literacy or numeracy skills and without any formal qualifications, and although the proportion of adults with an NVQ Level 1 (76.9%) is only marginally below the GB average, the gap in attainment widens dramatically at NVQ levels 2 and 4 with many employers unable to recruit and retain the staff they need.

22. Poor attitudes to travel also constrain the operation of the labour market, some County Durham employers are finding it hard to fill vacancies and some are increasingly looking to Eastern Europe and beyond to fill both low and high skills vacancies.

23. The limited availability of more highly skilled labour prevents local companies from moving up the value chain and limits the prospects of attracting knowledge based inward investors which has resulted in a concentration of employment growth in lower paid occupations. However at the same time employers do not appear to be willing to invest in higher level skills for their current workforce (maintaining the low skills equilibrium).

## **Raising Aspirations, Participation and Attainment**

24. Educational attainment is improving, particularly amongst younger pupils at Key Stage 2 and Key Stage 3 where performance is slightly better than in the North East though slightly behind national levels. Performance at Key Stage 4 has improved 51.2% of pupils achieving 5 grades at A\*-C in 2006 - still lags behind the North East (53.6%) and England (57.1%).

25. County Durham has an above average number of 17/18 year olds who are not in education, employment or training (NEET). The number of young people progressing into Higher Education is well below the Government's 50% target. In addition graduate retention rates are lower than other areas that are home to an internationally recognised HE Institution.

26. A cause of the underperformance is clear, that for many years young people in County Durham have grown up against a back drop of a declining and more recently an under performing economy with local opportunities for work having reduced significantly. This is particularly true for the major towns and villages in the coalfield areas. The long term effect has been to reduce aspirations and ambitions amongst young people. The lack of aspiration amongst young people is now endemic in some communities.

## **How the County Durham Economic Strategy will tackle the issues**

### **Improving Access to Employment/Reducing Worklessness**

27. The aim of the County Economic Strategy is to increase the number of residents in employment through the provision of high quality support which removes barriers to individuals entering and re-entering the Labour market. The following priorities have been identified within the Strategy.

- Reduce the number of people on Incapacity Benefit in Easington
- Focus additional and/or discretionary resources on those recently claiming Incapacity benefit and those with dependent children
- Increase the number of advisors working with difficult to reach groups on Incapacity Benefit or in neighbourhoods where the claimant rate is exceptionally high
- Provide additional support to young people most at risk of becoming long-term unemployed/workless
- Work with employers, public and private sector, to increase the number of training and employment opportunities suitable for those returning to work
- Providing employment and training opportunities in Tyne and Wear and Tees Valley City Regions
- Support actions which reduce barriers to residents taking up opportunities in the main urban centres of the County and the region

### **Building the Skills of the Workforce**

28. The aim of the Strategy is to improve the skills levels of the workforce at all levels, has a means of increasing the competitiveness of the business base of the County. The following priorities have been identified within the Strategy.

- Increase the investment made by employers in the development of their own workforce especially in recognised and transferable qualifications.
- Use the public sector as a role model of recruitment and skill development with targets in place for ensuring all employees are qualified to at least Level 3 and for recruitment and training of young people and workless groups.
- Raise employer demand for high level skills, particularly in manufacturing, financial and business services, tourism and in the public sector.

- Enhance links with the emerging Employment and Skills Boards in Tyne and Wear at the Tees Valley to ensure County Durham residents benefit from a more streamlined employment and skills system and improved access to opportunities.
- Accelerate efforts to retain and attract graduates in the workforce.
- Enhance provision of Foundation Degrees and other pathways to adults into Higher Education.
- Development of skills and employment strategies for each of the partnerships major projects, including the 'Competitive Places' Strategy and develop clear responsibilities for linking education and skills actions within the County to the needs of excluded groups and disadvantaged communities to increase participation in the economy.
- Draw more heavily on the assets of Durham University.

### **Raising Aspirations, Participation and Attainment**

29. The aim of the County Durham Economic Strategy is to increase the number of young people participating in learning and work and enhance attainment. The following priorities have been identified within the Strategy:

- Enhance take up and delivery of initiatives designed to raise aspirations for work and learning, including links with employers.
- Increase the quality and scope of information, advice and guidance for young people, ensuring this is informed by knowledge of opportunities throughout the Region.
- Further enhance the delivery of learning at KS3 and KS4 through a more flexible approach to development of the curriculum and non-vocational routes.
- Increase the GCSE attainment levels to above the regional and subsequently the national average with special emphasis on achievements of maths and English.
- Ensure a full range and type of work related opportunities are available in the manufacturing, business services, logistics and tourism for young people age 14-19 linked to higher education and employment wherever possible.
- Promote progression to Higher Education in the Region through partnership arrangements between schools, further education and training sectors and universities in the Region.



## **Conclusions**

30. The Light Touch Review Group concluded that a response should be prepared by Overview and Scrutiny, focusing on the Skills Development aspect of the draft County Durham Economic Strategy. The response would feed into the Consultation process in relation to the Strategy.

31. The response highlighted the following general and specific issues.

### **General Issues**

- Overview and Scrutiny consider Economic Development to be a major priority of the Authority and the County. This was confirmed in the recent Comprehensive Performance Assessment (CPA), where it was emphasised in the areas for improvement, that the Council and its partners need to reduce the widening economic gap between County Durham and the region and the rest of England. The CPA report also highlighted the need through the County Durham Economic Partnership and the development of the strategy to provide an opportunity for the Authority to set challenging targets for job creation which tackle the high levels of worklessness and the low level of skills in the County, and engage more effectively with the business community.
- The County Durham Economic Strategy is a useful document as it highlights the challenges and opportunities facing the County from 2008-2013. Overview and Scrutiny look forward to the production of the Action Plan to deliver the strategy and will provide challenge to the Partnership in support of that delivery.

### **Specific Issues**

- Overview and Scrutiny feel that it is essential the Strategy and Action Plan clearly define the role of the Further Education Colleges in relation to joint working and collaboration.
- In addition members highlighted the need for all Further Education Colleges to be pro-active in targeting young people Not in Education, Employment and Training (NEET's).
- Models of Good Practice such as 'The Esh Partnership' should be replicated throughout the County and it was further highlighted that such models should target children as they enter secondary school to increase aspirations at a younger age.
- Where possible the Authority and Partners should seize the opportunity and use procurement to commission services/provision which results in the generation of employment locally.

- Overview and Scrutiny will have a major role in relation to monitoring the impact of the work of the CDEP and its achievements towards delivery of the realistic targets for 2013.
- That a copy of the Overview and Scrutiny Working Group report focusing on the issue of Worklessness be forwarded to the County Durham Economic Partnership, as it identifies solutions to some of the employability issues raised in the Strategy.

**Councillor E Mason**  
**Chair of the Working Group**

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