

**Skills Development in County Durham**

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**Joint Report of Lorraine O'Donnell, Assistant Chief Executive, and Ian Thompson, Corporate Director of Regeneration and Economic Development**

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**Purpose of the Report**

1. The purpose of the report is to provide members of the Economy and Enterprise Overview and Scrutiny Committee with an update on skills development in County Durham highlighting issues, opportunities and priorities for 2015.

**Background – National Context**

2. In November 2014, the Government published a report *Growth Through People* UK Commission for Employment and Skills(UKCES) looking into the UK skills system and putting forward 5 recommendations for action, with employers leading the way, working with unions and the government to ensure that the UK has the skilled workforce needed to create better jobs and fight off competition.
3. The report describes the changing nature of the workforce, as the previous 20 years has seen a significant rise in technology throughout most working practices, with 4.6 million more high-skill jobs and 1.3 million lower-skill jobs being created, whilst the number of mid-level skilled jobs has declined. The result is that the career ladder would appear to be more difficult to climb and therefore, the workplace more difficult to facilitate all levels of social development.
4. The report sets out 5 priorities for action for the next 20 years:
  - Employers need to lead on skills development and government at national, regional and local level should enable them to do so by encouraging greater collaboration between businesses, unions and the general workforce.
  - Improving workplace productivity is the route to pay and prosperity including better management, better job design and increased employee engagement.
  - There should be a clear career pathway for young people such as apprenticeships and this should be a normal way for business to recruit and develop their workforce.
  - Work experience should become an integral part of education for all young people, bridging the gap between education and work education and therefore preparing people for work.
  - Success should be measured by a wide set of outcomes, including jobs and progression and just academic qualifications.

5. The *Growth Through People* report highlights the importance of industry-wide collaboration and employer-led partnerships in developing a skilled workforce. It promotes the theme of employers investing in training, skills and talent development to ensure that the UK's economy can attract and develop the broadest range of talent.

### **Background – Regional Context**

6. The national context outlined in the UKCES report directly corresponds with the regional approach taken across the whole of the labour market and detailed within recommendations by the NE Combined Authority to encourage an inclusive and skilled workforce that is central to private sector-led growth.
7. Although the NE has a strong reputation for responding to the opportunities presented by a growing and changing economy, the region does face a number of challenges in establishing a better functioning labour market which maximises the contribution of the workforce, including skills gaps where only half of the area's working age population has Level 3 or above qualifications, the relatively low uptake of science, technology, engineering and mathematics (STEM) subjects continues to be of concern and there is a deficit of high level skills compared with other areas.
8. The Strategic Economic Plan (SEP) for the NE sets out the vision for establishing an inclusive and skilled workforce and has an overarching theme to provide a demand led system which reflects the need of employers, including for high level skills in support of better jobs and provides access to high quality training facilities for both general and specialist training.
9. This in turn will address the current and future skills needs, ensure that young people are equipped and qualified to access opportunities and ensure that high quality training facilities are available to engage employers and learners.

### **Background – Local Context**

10. County Durham's Adult Skills Strategy has an economic focus, aiming to develop a more highly skilled workforce with a higher proportion of residents gaining high-level qualifications. With this in place the county will be able to create, grow, and attract more innovative businesses that will provide more highly skilled jobs and higher wages. This, in turn, will support higher levels of growth and a strong economy.
11. To realise this vision, ten key priorities have been identified, separated into three distinct themes of *workforce*, *business*, and *enabling*:

#### ***Workforce***

- Improve the qualifications and skills of County Durham residents
- Develop skills to enable progression into employment
- Improve skills to promote enterprise and entrepreneurial behaviour
- Narrow the skills attainment gap in economically deprived communities

### **Business**

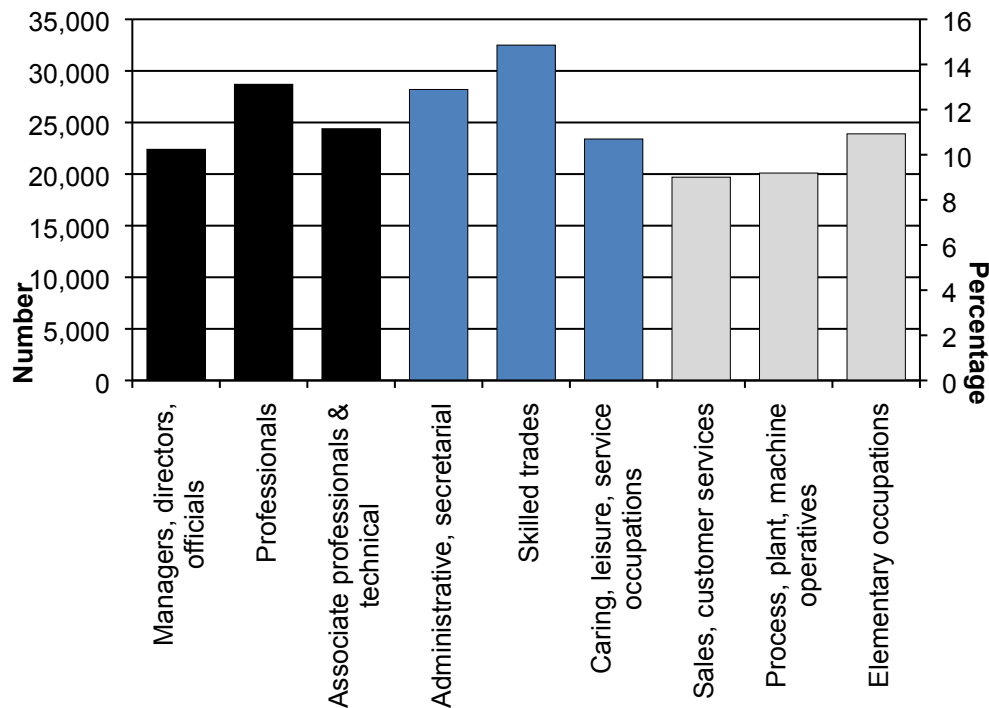
- Develop skills to meet demand of growth sectors
- Increase the number of Apprenticeship opportunities
- Stimulate demand for higher level skills to increase productivity and growth

### **Enabling**

- Develop high quality Information, Advice and Guidance
- Develop market intelligence for employers, learners and providers in order to match supply with demand and to improve the relevance of skills provision
- Support employers to utilise the skills funding system

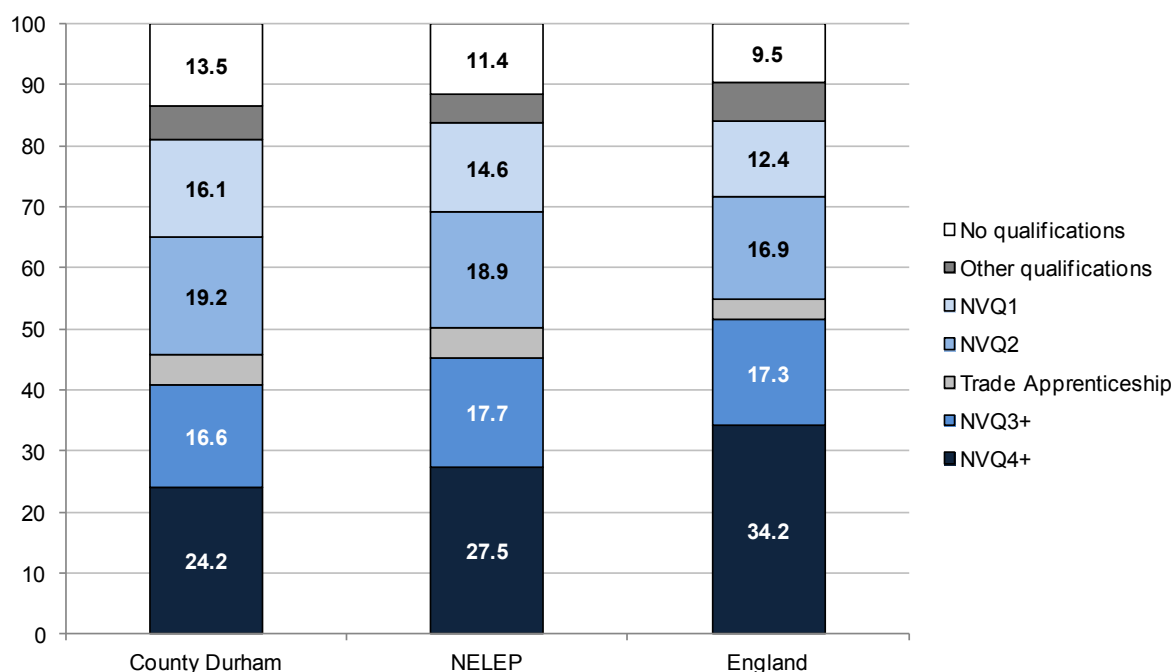
12. County Durham has a relatively high proportion of employment in the public sector and low-value manufacturing, and a relatively weak base of professional and business services. However, there are close economic linkages with neighbouring areas in Tyne and Wear and County Durham residents compete for jobs across the NE.
13. The county's economy has undergone significant sectoral changes recently, in line with the rest of the country. The fastest growing sector was financial and professional services with an additional 4,900 jobs (31%), which is higher than the national rate of growth for this sector. However, the high growth rate is from a low base which has lagged national growth in this sector for several decades.
14. Despite a reduction in expenditure, the public sector has shown strong job growth in the last decade (4,300 jobs), primarily in the healthcare and education sub-sectors. However, this is modest compared to high proportion of people employed in the sector and low compared to the proportionate increases in employment in this sector at regional and national levels. The distribution, hotels and restaurants (including retail) sector has shown outstanding growth in the last decade (12%) compared to regional and national averages, overtaking manufacturing as the second largest sector in employment terms. Allied to this, growing consumer expenditure and an increased number of visitors to the county have supported strong growth in the retail and hospitality sectors. Despite a long-term decline, manufacturing as a whole, continues to be a significant feature of the local economy.
15. The positioning of the county, infrastructure and availability of local labour continues to attract inward investors with companies such as Hitachi Rail Europe, Mazars and Compound Photonics establishing operations locally. Similarly, it enables specialist organisations, such as the national High Value Manufacturing and Satellite Applications catapult to operate from County Durham. It also supports local businesses such as CAV Aerospace, Sunderland Mutual Marine Insurance, Thomas Swan, The Banks Group, Kromek, and Inov-8, to set-up headquarters. The area is also a low-cost base for businesses when considering costs for land, premises, labour and housing. This is complemented by high quality places and an excellent quality of life.
16. However, the fact that County Durham is predominantly rural with a diverse geography does present a number of challenges in terms of ensuring there is good access to transport between residential areas and employment centres, especially in more rural areas.

## County Durham Occupational Profile



17. As the chart shows, Co Durham has a more balanced occupational profile compared to the North East LEP area and England. The County has fewer residents employed in higher-level occupations (managers, directors, professional, and technical occupations) to the North East LEP area and England but similar levels in lower-level occupations (sales, customer service, plant and machine operatives, and elementary occupations). The largest proportion of the County's workforce work in mid-level occupations (administrative, skilled, caring and leisure occupations) and it is this group that has seen the largest increase since 2004.
18. Mid-level occupations generally require a level of education, training, experience, or competence which is above basic literacy and numeracy; which suggests they may have the potential to move up to higher-level occupations during their careers. Similarly, the occupation profile of the County does not necessarily reflect the significant improvements in education levels of the workforce in the last decade. Therefore, due to job shortages there may be a significant number of people who are in occupations that require lower levels of skills and qualifications than those they possess; so the County's workforce should be well placed to drive growth when there are more jobs requiring higher skills and qualifications. This could lead to a significant shift in the County's occupational profile; towards a larger number of workers in mid-level and higher-level jobs in the future. Whilst growth is subdued, it is vital that we retain these well-educated and skilled workers, particularly well-educated younger people, to offset the large proportions of older generations in the workforce that will retire in the next decade.

## Qualifications profile comparison (%), December 2014



19. County Durham's qualifications profile, illustrated above, is significantly different to that of the North East LEP and England. Fewer individuals of working age hold NVQ4+ qualifications. Similarly, County Durham has a higher proportion of individuals with NVQ1 or no qualifications.

### Programmes of Support

20. The County Council has a responsibility to support the creation and take up of jobs across County Durham by identifying labour force priorities and raising awareness of opportunities with employers and existing and/or potential employees. The scope of the service includes activity to track new and emerging economic sectors, engaging with funders, employers, higher and further education, work based learning providers and schools to ensure the continued availability of a competitive workforce.

21. Partnership arrangements are firmly in place to deliver services with JCP, National Apprenticeship Service, SEMTA, National Careers Service, NELEP and the countywide AAPs and include:

### Generation North East

22. The Generation North East programme provides an opportunity to test out local models of business engagement, to change the conversation with employers – to drive up opportunities for young people and business engagement with the wider support system.

**The Vision:** *To offer a simplified, responsive and coordinated service; ensuring 'quality assured' support for businesses and young people.*

## **Objectives**

- *To put employers at the forefront of meeting their future workforce needs*
  - *To drive up opportunities for young people's employment and development*
  - *To implement a simplified and coordinated package of high quality support by all stakeholders in the employment and skills agenda*
  - *To broaden and deepen business relationships between stakeholders. Particularly local authority teams with the wider business community in order to support economic growth.*
23. The programme offers a clearly branded proposition, supported by a clearly articulated offer of support. The object is to start a dialogue with businesses, not to sell them a service, but to engage them in the process of improving the employment prospects of younger people.
24. The message to businesses is not necessarily predicated on employment and skills, but nonetheless engages business in a support structure that, amongst other things, supports the delivery of those ends. The programme proactively supports both sides of the equation, with the aim of making it easy for businesses to provide opportunities for young people.
25. Generation North East has been introduced as a locally responsive programme to provide additional employability support to young people (18-24), with the aim of increasing off-flows into work. The programme is seen as an opportunity to establish stronger working relationships with JCP and trialling activity which might be rolled out as part of the 2014-2020 European programme.
26. The project provides one to one tailored support for the target group to achieve sustained employment. The principle of the model that has been developed is to co-ordinate a programme of pathways into employment; enable workless people to access opportunities and build the skills that lead to sustainable employment and work with local employers to identify staffing needs to help fill vacancies from the target group.

## **Local Response Fund**

27. For County Durham, the manufacturing and engineering sectors, amongst others, hold potential to drive economic growth in terms of productivity, employment rates and business stock. It is imperative that advantage is taken of regional and local opportunities to enable the development of the industries and supply chains to support the growth of these sectors.
28. The skills issues within the County's engineering and manufacturing sector are not straightforward and are compounded by a number of elements which place immense strain on both employers and the skills needed to perform effectively and keep development at a required pace. The sector has a perceived skills shortage in terms of a lack of entrants to the workforce and therefore a skills gap whereby the skills do not necessarily match the requirements of the role in many instances. In addition, the general view (from an employer's perspective), is that the sector carries an ageing workforce without the longer term plan for replacement or succession.

29. The opportunities provided by the Local Response Fund (LRF) specifically target the skills gap and associated issues as detailed above, reducing the skills shortage and helping to establish a business plan of progression and succession across the sector. In addition, there should be other positive outcomes such as;
- Enhancing and promoting the image of the engineering and manufacturing sector as a positive area to develop a career and using examples of best practice to encourage young people into the sector;
  - By supporting new skills development within the existing workforce, this will create opportunities within the skills chain for advancement and therefore back-filling of jobs at a lower (entry level) base, with apprentices, graduates and trainees being able to fill these gaps.
  - The LRF is part of the national SFA initiative – Skills Support for the Existing Workforce and compliments the contracts delivered through the Council's training service, Durham Employment & Skills and through the countywide Adult Skills provision.
  - The programme of support has been introduced in partnership with business forums in the Aycliffe and Consett areas with local businesses being identified and targeted in order to identify skills needs and progression routes.

### **Co Durham Apprenticeship Programme**

30. The Co Durham Apprenticeship Programme was launched in November 2011, with the aim of assisting in the creation of apprenticeship opportunities for unemployed residents who live in Co Durham and who are aged between 16-24 years.
31. Since launching the programme of support, the Council has worked with over 450 employers, colleges, training providers, NAS, JCP and in the early stages, the Coalfields Regeneration Trust (CRT) in order to promote the benefits of the apprenticeship route and to match the various opportunities with relevant individuals and employers.
32. At the end of October 2014, there have been 813 starts across a variety of sectors, with the most popular apprenticeship frameworks being;
- Business Administration – 158 (NVQ Level 2 = 133, Level 3 = 25)
  - Engineering – 118 (NVQ Level 2 = 50, Level 3 = 68)
  - Electrical – 47 (NVQ Level 2 = 9, Level 3 = 37, Level 4 = 1)
33. Of the 813 starts to date, 458 (56%) are aged 16-18 years, with 324 (40%) between 19-24 years, with the remaining 3.9% of starts being over 25 years, using the discretionary element of the funding to assist with bespoke opportunities. The range of statistics indicates that we are making good progress in terms of focussing on the younger age range which continues to be a priority of NAS and identified within the DCC Apprenticeship Action Plan.

34. Uncertainty over the future of NAS AGE grant as a matched funding source. The current criteria will change from January 2015, with eligibility for the grant being restricted to those employers with less than 50 employees rather than 250. In addition, the number of apprentices funded will be reduced from 10 to 5 opportunities.

### **Recommendations**

35. Members of the Economy and Enterprise Overview and Scrutiny Committee are requested to note the content of the report and presentation and comment accordingly.

### **Background papers**

- The Growth Through People Report (UKCES – 2014)
- County Durham Skills Strategy 2014-2018
- NE Combined Authority Leadership Board report for Employability, Inclusion and Skills
- NE Local Response Fund Project Proposal
- ED&H SMT Co Durham Apprenticeship Programme report - Oct 2014

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**Appendix 1: Implications**

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**Finance** – None

**Staffing** – None

**Risk** – None

**Equality and Diversity** – None

**Accommodation** - None

**Crime and Disorder** – None

**Human Rights** – None

**Consultation** – None

**Procurement** – None

**Disability Discrimination Act** –None

**Legal Implications** – None