

For additional copies of this Plan or further information about Skills North East please contact:

Linda Bailey
Linda.bailey@onenortheast.co.uk
0191 2296488

Gill Richardson
gill.richardson@jobcentreplus.gsi.gov.uk
0191 2296524

Skills North East - The Regional Skills Partnership Skills Action Plan 2005 - 2006



The partners of the Regional Skills Partnership are committed to ensuring that:

'The North East will be a region where employers, individuals, communities and government collectively invest in the development of skills and businesses to contribute to the delivery of sustainable economic success and social justice.'

						
John Cuthbert Managing Director Northumbria Water/ Chair, Regional Skills Partnership	Jack Matthews Chief Executive Improve Ltd for the Skills for Business Network	David Houpt Principal Derwentside College/ Chairman, Association of Colleges North	James Ramsbotham Chairman Durham LSC	Andrew Lewis Director Business Group Government Office for the North East	Vince Robinson Regional Director Jobcentre Plus North East	Frank Ramsay Chief Executive NETA Training Group/ Association of Learning Providers
						
Bob Gibson Chairman North East Assembly	Margaret Fay OBE Chairman One NorthEast	Maggie Pavlou HR Director Parkdean Holidays/ North East Chamber of Commerce	Alison O'Connor Director Human Resource Development Arriva plc/ CBI	David Park Small Business Service Director for the North East	Kevin Rowan Regional Secretary Trade Union Congress	Helen Pickering Executive Director Universities for the North East

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John Cuthbert, Managing Director, Northumbrian Water Group and Chair, Regional Skills Partnership

Seaward Electronic, a market leader in electrical safety test instrumentation based in Peterlee, County Durham, has made use of flexible workforce funding from One NorthEast and Europe, and Knowledge Transfer Partnership (KTP) to support the growth of its business and its 90 employees. Thirteen employees have completed a marketing course to develop higher-level skills and exploit an extensive database, define target audiences and find new markets for existing products. Seaward expects that, armed with these new skills, their sales and marketing processes will be improved – resulting in future business success. Over a number of years, Seaward has benefited from academic knowledge and the support of a KTP associate – a recent graduate – and has found this support a low-risk tool to introduce specialist knowledge and inject new blood into their business.

“The ultimate benefit of Knowledge Transfer Partnerships and flexible workforce funding is the increased profitability and productivity of our business.”

Andy Woodhouse, Seaward Electronic



1.0 Foreword

In July 2003, the Government launched the National Skills Strategy, *21st Century Skills* to address the challenges of ensuring that employers have the skills to support the success of their businesses and that individuals have the skills they need to be both employable and personally fulfilled. The National Skills Strategy announced the creation of Regional Skills Partnerships to take forward these challenges at a regional level.

The Regional Skills Partnership - Skills North East - has an important role in transforming attitudes towards learning and developing a highly skilled workforce to underpin a high performing economy. The size of this challenge must not be underestimated. The North East continues to underperform relative to the rest of the UK across a range of indicators including levels of productivity, business start-ups, business survival, innovation, employment and the achievement of higher level skills.

We have made significant progress in recent years with skill levels increasing and unemployment falling and there is some evidence that we are beginning to ‘narrow the gap’ with the UK on a number of fronts including employment growth, productivity, and average earnings. We must rapidly build upon these signs of progress if we are to transform the economy of the North East.

The importance of skills to increasing our economic performance cannot be underestimated. Variations in skills composition are a key factor in explaining regional variations in productivity. In addition the region’s changing economic and industrial structure is increasing

the need for higher level skills. It is likely that over the next decade most new jobs will require skills at technician, skilled craft/trade, associate professional, or graduate level.

Skills is a complex agenda and the **Regional Skills Partnership has a critical role to play in bringing greater clarity to the support available for skills development to benefit both employers and individuals in the region.**

The Regional Skills Partnership has prepared this Skills Action Plan to identify additional action that needs to be taken in the North East, beginning in 2005-2006 to respond to the challenges outlined. We will not get everything right and we will improve our understanding of the issues to be addressed as the partnership develops.

I would like to thank everyone who has given their time to inform the development of this plan, particularly colleagues who have participated in sector skills dialogues. I would urge colleagues to continue to work with Skills North East to ensure its successful implementation.

John Cuthbert, Managing Director, Northumbrian Water Group and Chair, Regional Skills Partnership

2.0 Executive Summary

2.1 The Regional Skills Partnership - Skills North East is committed to driving action to achieve its vision:

‘The North East will be a region where employers, individuals, communities and government collectively invest in the development of skills and businesses to contribute to the delivery of sustainable economic success and social justice.’

2.2 This Skills Action Plan is the starting point in making a reality of this vision. It sets out the challenges of increasing business demand for skills, increasing the achievement of higher level skills to support growth and innovation, and ensuring all individuals have the foundations for future employability and opportunities to achieve their aspirations.

2.3 The following objectives for the Skills Action Plan are identified:

- ⇒ Increase employer demand for, and investment in, skills
- ⇒ Raise individual aspirations and demand for learning and provide individuals with opportunities

throughout life to achieve their aspirations and embrace change

⇒ Enable those excluded from the labour market to access learning and sustainable employment

⇒ Ensure all individuals have the foundations for employability - the attainment of skills for life and a first level 2 qualification

⇒ Increase the achievement of intermediate and higher level skills to support growth, innovation and productivity

⇒ Enable colleges and learning providers to be more responsive to employers’ and learners’ needs

⇒ Influence national policy and funding to ensure regional skills and employment needs are addressed

2.4 The plan outlines action to be taken, commencing in 2005 - 2006. It focuses upon what needs to happen differently to ensure progress towards the achievement of objectives. This includes adding value to existing activity, building upon our success to date, and action to simplify and bring greater

coherence to existing work to support the region’s employers and learners.

2.5 Of the actions outlined in the plan, **three priority areas** have been identified as requiring specific attention by the partnership, these are:

- ⇒ Developing Management and Leadership skills and capability
- ⇒ Increasing the proportion of the workforce qualified to Level 3, building upon our commitment to supporting the achievement of skills for life and Level 2 qualifications
- ⇒ Supporting individuals not currently participating in the labour market to access learning and sustainable employment

2.6 The plan has been informed by the Regional Economic Strategy, National Skills Strategy, analysis of the economy and labour market and discussions with partners including a series of sector skills dialogues involving Sector Skills Councils and others.

3.0 Introduction

3.1 The Regional Skills Partnership for the North East will drive forward action to achieve its **vision:**

'The North East will be a region where employers, individuals, communities and government collectively invest in the development of skills and businesses to contribute to the delivery of sustainable economic success and social justice.'

3.2 The Regional Skills Partnership's Skills Action Plan is the starting point in making a reality of this vision. It sets out the challenge we face to increase business demand for skills, increase the achievement of higher level skills to support growth and innovation, and ensure all individuals have the foundations for future employability and opportunities, throughout life, to achieve their aspirations. Most importantly, it provides **a framework for action by partners during 2005 - 2006** and beyond as outlined in section 5.

3.3 The Plan has been informed by:

- ⇒ Successful work to date in the region, which is summarised in section 6
- ⇒ Regional and national strategies, most importantly the Regional Economic Strategy and National Skills Strategy. These are described within the Skills Framework in Annex I
- ⇒ An understanding of the economy and labour market in the North East. An extensive evidence gathering process has produced a full report on employment and skills issues, in the context of the economy, a summary of which is included in Annex II
- ⇒ A series of eleven skills dialogues involving Sector Skills Councils and others. The dialogues provided an important forum to begin examining and debating evidence on the skills and employment issues facing sectors in the North East. Dialogues will continue to

take place to develop collective understanding of current and future skills and employment needs.

- ⇒ Discussion with partners, including the Learning and Skills Council on evidence arising from the Strategic Area Reviews of learning and skills being undertaken in each sub-region. Partners who have directly contributed to the development of this Plan are identified in Annex III

3.4 This Action Plan will be supported by an Implementation Plan to be prepared by April 2005. This will provide further information on lead organisations responsible for the delivery of identified actions, milestones, outputs and outcomes. Further information on the implementation of this plan is included in section 7.

Electrolux, the world's largest producer of appliances and kitchen equipment, located in Spennymoor, Co Durham has 600 employees. Interest in lifelong learning at the plant, was initiated by the union learning representatives. Learning for All funding has facilitated the development of a bigger pool of learning representatives and the establishment of the Spennymoor Learning Shop. With help from One NorthEast, the Learning and Skills Council and European Funding via the North East Productivity Alliance's (NEPA) 'dissemination of best practice' programme 80% of the workforce have taken part in a variety of courses, ranging from Instigation of Skills Training and Master Class improvement activities.

"These learning programmes have proved to be extremely popular and have begun to stimulate a positive change in staff morale and self-sufficiency."

Gavin Townsend, Operations Manager, Electrolux



4.0 The Regional Skills Partnership - Skills North East

4.1 Skills North East is the Regional Skills Partnership for the North East. It was established in June 2004 under the leadership of John Cuthbert, Managing Director, Northumbrian Water Group to be responsible for setting priorities and driving action on skills to contribute to the economic success of the region. The structure and membership of Skills North East is outlined in Annex IV.

4.2 The **role** of Skills North East is to provide a strategic framework and integrated action to determine and address employment and skills needs in the region within the context of the Regional Economic Strategy (RES). The RES recognises the critical relationship between the region's economic success and the quantity and quality of skills in the North East labour market and this Skills Action Plan is informed by the following RES objectives:

- ⇒ Creating Wealth by Raising the Productivity of all Businesses
- ⇒ Establishing a New Entrepreneurial Culture

- ⇒ Creating a Healthy Labour Market Supported by a Skilled Workforce
- ⇒ Recognising Our Universities and Colleges at the Heart of the region's Economy
- ⇒ Meeting 21st Century Transport, Communication and Property Needs
- ⇒ Realising the Renaissance of our Rural and Urban Communities

4.3 The Skills Action Plan will inform the employment and skills element of the RES, when revised in 2005/6, and the revised RES will influence future revisions of the Skills Action Plan.

4.4 The Skills Action Plan will also be the vehicle for taking forward skills and employment action identified through **'The Northern Way'**. The Northern Way sets out a vision to make the whole of the North of England an area of **"exceptional economic opportunity combining a world class economy with a superb quality of life"** and recognises the importance of skills, and the role of the Regional Skills Partnerships

in delivering this vision. Further information on the Northern Way is included within Annex 1.

4.5 The **principles** of Skills North East are to:

- ⇒ Advocate equality and diversity
- ⇒ Focus on fewer priorities rather than many (and ensure priorities are developed independently from funding streams)
- ⇒ Place customer need first
- ⇒ Identify and deliver on targets that matter
- ⇒ Expect high aspirations from ourselves, our partners, our businesses and our people
- ⇒ Build on the strengths of the region
- ⇒ Support the Regional Economic Strategy to encourage sustainability
- ⇒ Create an environment which promotes openness, trust and continuous improvement

5.0 From Vision to Objectives, Priorities and Targeted Action

- 5.1 To achieve the vision of the Regional Skills Partnership and transform the North East into a knowledge driven, high skilled economy we need more businesses with higher value added products and services and more individuals aspiring to and achieving higher level skills.
- 5.2 The skills framework, robust analysis of the North East labour market, sector skills dialogues and extensive discussion with partners has suggested that to achieve our vision action must be taken to address the following objectives:
- A Increase employer demand for, and investment in, skills**
- There is substantial investment by North East employers now in skills development which must be capitalised upon. However, many employers continue to undervalue how a more highly skilled and trained workforce can improve their business leading to greater

productivity. The level of high knowledge intensive jobs (defined by the proportion of jobs occupied by graduates) in the region is low. It is estimated that only 13% of jobs in the North East are in the highest knowledge intensity category, which is much less than the national average of 29%. In addition, low demand for higher-level skills by employers suppresses individual's aspirations to develop skills.

B Raise individual aspirations and demand for learning and provide individuals with opportunities throughout life to achieve their aspirations and embrace change

The North East is characterised by low aspirations with many young people and adults not recognising how the development of skills can help them achieve their goals whether for improved job opportunities, progression in work, for their own personal fulfilment, or for supporting their families and communities.

In addition to taking action to raise aspirations and demand for learning, **opportunities must be provided to enable individuals to achieve their goals throughout life.**

C Enable those excluded from the labour market to access learning and sustainable employment

Over the last 20 years the population of the North East has been declining and its profile ageing. This is being exacerbated by the net outflow of people (predominantly the young) from the region. Despite recent growth in employment, many employers are experiencing recruitment difficulties and are concerned that they will be unable to expand their workforce or meet replacement demand caused by workers leaving the industry. **One of the most significant factors preventing a step-change in growth in employment is the low economic activity rate** in the region with only 74% of

Armstrong World Industries based in Thornaby, is a global leader in the design and manufacture of floors, ceilings and cabinets. Through the TUC Learning For All fund and with support from LSC Tees Valley, the plant has established a tailor-made Learning Centre for its 210 employees offering skills for life courses, it is Learndirect linked and also a National Test centre. In six months the centre has attracted almost 50 learners, and six have completed or are currently undertaking literacy and numeracy courses with several more having undertaken initial assessment.

"Ensuring that all employees have access to new skills, qualifications and lifelong learning opportunities is crucial to the success of this plant. The centre has also brought an added bonus in the form of greatly improved industrial relations - between both unions and management on site."

Alan Turner, Plant Operations Manager, Armstrong World Industries



the population economically active compared with 78% in England and Wales. One of the key reasons for this is the high proportion (16%) of the region's working age population claiming disability or sickness benefits, compared to only 11% nationally.

D Ensure all individuals have the foundations for employability - the attainment of skills for life and a first level 2 qualification

Whilst there has been progress in recent years in supporting people to gain foundation skills (skills for life and Level 2 qualifications), a significant proportion of the region's population continues to have low levels of basic literacy and numeracy and many still lack a first level 2 qualification (estimated at approximately 725,000 people of working age). **Many employers report a lack of basic employability skills as a key issue both in relation to new recruits and existing staff.** A lack of foundation skills limits individual's ability to get and keep well-paid employment, contributes to social exclusion and prevents progression to a more highly skilled workforce.

E Increase the achievement of intermediate and higher level skills to support growth, innovation and productivity

Whilst the supply of skills has improved in recent years, **many sectors of the North East economy are reporting skills gaps at technician, skilled craft or trade level which are impacting upon business performance.** The North East also continues to have significantly fewer people with higher level skills with only 24% of the workforce in the North East being qualified at level 4 or above compared to 28% in Great Britain as a whole. A lack of higher level skills could seriously limit the capacity of the regional economy to grow in the future.

F Enable colleges and learning providers to be more responsive to employers' and learners' needs

There is a need to work with colleges and all providers of learning (including higher education, work based learning providers, learndirect, UK Online centres, voluntary sector providers and adult and community learning providers) to enable them to respond more effectively to provide training relevant to employer and

learner needs. **Employers highlight their need for flexible training provision, designed to meet their needs and that often means provision which is delivered in or near the workplace.** They also require support for skills to be integrated with other business support services. Individuals require information, advice, support and the choice of quality learning opportunities, flexibly delivered with clear pathways for progression.

G Influence national policy and funding to ensure regional skills and employment needs are addressed

Skills North East is committed to action to address the skills and employment needs of employers and individuals in the North East. Where barriers are identified which prevent progress (for example relating to policy, funding, targets, etc.) or opportunities highlighted which cannot be pursued, discussions will be taken forward with national government to ensure progress can be made.

Priorities for Partnership Focus

5.3 The Regional Skills Partnership is committed to taking forward the actions outlined below, beginning in 2005-2006. In addition, three of the areas for action require additional partnership focus. By that we mean an examination by the partnership of existing activity and best practice and the identification of what additional action or coherence can be brought to ensure a step change in progress is made. These are:

⇒ **Developing Management and Leadership skills and capability**

One of the key factors in the development of higher value added product and service strategies and in raising the demand for skills within business is the quality of management and leadership.

Skills North East will review existing initiatives and identify and take forward additional action to improve management and leadership skills in the region.

⇒ **Increasing the proportion of the workforce qualified to Level 3**

Building upon our commitment to supporting the achievement of skills for life and Level 2 qualifications in the region, we need to increase the achievement of technician, advanced craft and associate professional level skills. Skills North East, working closely with the Learning and Skills Council and Sector Skills Councils, will identify occupations within targeted sectors where existing provision should be enhanced.

⇒ **Supporting individuals not currently participating in the labour market to access learning and sustainable employment**

As outlined above, one of the key factors preventing a step-change in growth in employment in the region is the high proportion of the region's population that are registered as sick or disabled. Skills North East will identify additional action that should be taken to address this key issue working closely with Jobcentre Plus, Local Authorities, voluntary and community sector and other partners.

South Shields manufacturer, Solar Solve Marine, export tailor-made anti glare sunscreens for marine and shipping companies. They took advantage of eQ8's training subsidies and wage compensation, to enhance the skills of its workforce, to provide training to NVQ Level 2 standard in Performing Manufacturing Operations for eight of the company's 15 strong workforce.

"With such a unique product and a specific manufacturing process, it is vital that all new recruits are trained as quickly as possible. With the emergence of new markets in the Far East, this has become even more critical. The option of being able to offer training in the latest techniques to new staff and existing workers in parallel means we can stay ahead of the competition. As well as being good for team integration, this makes commercial sense."

Carl Johnson, Plant Factory Manager, Solar Solve Marine



Priorities for Public Sector Investment

5.4 There is substantial investment in skills development made each year by employers in this region. In addition, the public sector spends approximately, **£500 million** each year on learning and skills for those aged 16 and over (excluding higher education).

5.5 **This plan seeks to identify what action needs to be taken to invest in skills to support the move to a high skill economy in the North East.** This investment is by all partners, including the public and private sectors. Limited resources mean that the public sector cannot pay for everything and decisions have to be made as to where

public funds should be focused. The National Skills Strategy, in considering this issue, suggested that account should be taken of, 'market failures which block investment in skills, as distinct from where the rates of return to individuals and their employers make it fair to expect them to contribute to the costs of their own learning'. Skills North East supports this rationale and the following priorities for the use of public funds.

⇒ The introduction of and entitlement to free learning for adults without the foundations for employability, for example, a Level 2 qualification

⇒ Supporting those who are developing their skills and qualifications to a higher level, particularly where those meet sectoral and regional skills needs

⇒ Supporting those who are re-skilling for new careers, and those preparing to return to the labour market, again particularly where that meets sectoral and regional skills needs

5.6 Where additional public sector support for skills development is required outside these priority areas clear justification of market failure will be required.

Target Framework

- 5.7 There is significant activity currently underway in the region to address the Regional Skills Partnership objectives. This is driven by employers, One NorthEast, Learning and Skills Council, Local Authorities, Further and Higher Education, Jobcentre Plus, North East Business Links, Skills for Business Network, TUC, learning providers, voluntary and community sector, schools and others. This activity is often shaped by **nationally determined** targets and funding regimes. Those national targets directly relevant to skills and employment are included in Annex V.
- 5.8 A key action for the Regional Skills Partnership, to be achieved by April 2005, is to establish interlocking regional targets and measures against

- which the progress of the partnership, implementation of the Skills Action Plan and contribution of individual partners can be assessed. The regional targets will reflect, and in some cases augment, the national targets.
- 5.9 Measures of success for the Skills Action Plan are likely to include:
- ⇒ More people participating in learning
 - ⇒ Higher skill levels of the workforce
 - ⇒ Increased employer investment in skills
 - ⇒ Increased employment levels

All of these measures will contribute to improved economic performance in the region.

Targeted Action

- 5.10 The Regional Skills Partnership is seeking to focus upon **what needs to happen differently** to ensure progress towards the achievement of objectives.

This includes adding value to existing activity, building upon our success to date, and action to simplify and bring greater coherence to existing work to support the region's employers and learners.

Outlined opposite is action that must commence in 2005-2006 to ensure progress towards the achievement of objectives.

Lumley is a 14th century castle aiming to meet the needs of the 21st century. To do so they have introduced a new management system to provide a more efficient and quality service for their customers. All of the hotels employees from waiting and reception staff to deputy managers are undertaking training to streamline their systems. With support from the Skills Account established through the Adult Skills Pilot, Lumley Castle received a contribution of 50% of the costs of the training, for over 40 staff.

"The customer experience is paramount - and the flexibility of the funding has made possible the implementation of a training programme to aid our customer service and management information systems."

Sylvia Lowes, Business Development Manager, Lumley Castle



A Increase employer demand for, and investment in, skills

A1 Ensure an accessible business support network within which support for skills and recruitment can be readily accessed.

This will involve continuing the work of the Adult Skills Pilot in developing the capacity and knowledge of brokers and evaluating their performance in supporting employers to identify their current and future skills needs and become informed purchasers of training provision. It will also include action to ensure effective engagement with Sector Skills Councils, Colleges, Universities and other providers to ensure employers can access support for skills development at all levels through the business support network.

A2 Examine how employers from all sectors access publicly funded skills provision, interface with providers and provide feedback on their experiences with the aim of improving the market place for skills development in the region.

A3 Improve employer awareness and access to training provision

through the identification and promotion of best practice in colleges and learning providers meeting employer needs, and through piloting and evaluating methods of improving the interface between employers and colleges, for example, the 'Skills House' project.

A4 Define the North East skills and recruitment offer to employers, including information on who pays, and communicate this effectively to employers and other key stakeholders.

A5 Ensure flexible funds are available to contribute to small and medium size businesses upskilling their workforce to improve business performance (from skills for life through to management and leadership) where existing funds are unable to meet need. Funds will be made available to continue the 'Skills Account' established through the Adult Skills Pilot and accessible through Business Links to contribute

up to 50% of the cost of skills development for employees (accredited or non-accredited), where this contributes to business improvement.

A6 Pilot the introduction of a national credit framework within sectors, for example, in Construction, Engineering, IT, and Transport and Communication sectors to support the achievement of units of qualifications where this meets employer need.

A7 Analyse and promote the impact of investment in skills on business performance, building upon existing work in the region and research undertaken in other areas of the UK.

A8 Investigate the potential influence of procurement and supply chain activity to encourage skill development activity. This will, for example, include a focus on the Construction sector where opportunities to encourage skill development through this activity have been highlighted.

A9 Promote greater diversity in recruitment practices. In the first instance this will involve identifying and disseminating best practice within the following sectors: Chemical, Construction, Engineering, Health and Social Care, Manufacturing, Transport and Communication, and Professional and Other Business services (primarily focusing upon Contact Centres). These sectors are identified as having the potential to alleviate recruitment difficulties by adopting more diverse recruitment practices.

A10 Undertake additional measures to improve the recruitment and retention of employees in the following sectors: Construction, Creative and Cultural, Food and Drink, Health and Social Care, Manufacturing, Professional and Other Business Services (including Contact Centres), Retail and Distribution, Textiles and Clothing, Tourism and Hospitality and Transport and Communication.

B Raise individual aspirations and demand for learning and provide individuals with opportunities throughout life to achieve their aspirations and embrace change

B1 Change young people's perceptions by demonstrating the wide range of opportunities for employment and self-employment in the region and through supporting activity to increase a young person's knowledge of employment and learning routes, building upon the work of Connexions, Education Business Link Organisation Consortia and ASPIRE.

B2 Develop young people's and adult's enterprising and creativity skills through, for example, ensuring an improved and coherent interface between education and business and by promoting entrepreneurship to those undertaking all forms of learning.

B3 Further develop the network of union learning representatives and other workplace and community learning champions to promote learning to all individuals.

B4 Review the provision of information, advice and guidance to individuals in the region to consider if it meets need and ensure action is taken to implement the findings.

KNW is a not for profit organisation, which aims to improve the energy efficiency of homes and businesses from the Scottish Borders to the Wear Valley. With the help of Jobcentre Plus New Deal and Ambition Energy, KNW has trained twelve previously unemployed people as gas fitters leading to them being employed on permanent contracts.

"These schemes are making a real difference. They help people acquire the skills and experience needed to gain permanent employment. The individuals we have trained and employed have proven to be good workers, who are eager to learn and a real asset to the organisation."

Ken Middlemas, Chairman, KNW



C Enable those excluded from the labour market to access learning and sustainable employment

C1 Widen participation and progression in learning and employment through targeted activity in test-bed learning communities and areas of deprivation to support those not currently participating in the labour market, building upon existing partnership activity. This will include supporting the implementation of relevant aspects of the Equality and Diversity and Skills for Life strategies in the region.

C2 Develop employer led employment routeways in the following sectors: Construction, Creative and Cultural, Food and Drink, Health and Social Care, Manufacturing, Professional and Other Business Services (including Contact Centres), Retail and Distribution, Textiles and Clothing, Tourism and Hospitality and Transport and Communication. This will involve providing additional support for those on benefits without a level 2 qualification

to develop their skills, overcome barriers to work and access employment thereby supporting employers with recruitment difficulties.

C3 Develop Pathway to Work pilots to provide a range of innovative, flexible and locally designed support to enable people on incapacity benefits to take steps towards formal employment.

C4 Support micro and small businesses in the effective management of human resources, including the recruitment and training of employees and workforce development.

D Ensure all individuals have the foundations for employability - the attainment of skills for life and a first level 2 qualification

D1 Support measures to continue to raise school level attainment and ensure clear vocational and academic progression routes exist from compulsory education through to post-16 education

and learning. This will include supporting the introduction of vocational qualifications for young people; transferring best practice from Increased Flexibility pilots into mainstream provision; the adoption of the Key Stage 3 strategy in Foundation subjects in all schools; supporting access to high quality work related learning experiences; and supporting partnerships between schools, colleges, learning providers and employers.

D2 Promote the achievement of employability skills and progression to further learning by supporting the development of personalised learning projects, building on agreements between employers and young people.

D3 Raise the achievement of skills for life through, for example, sharing of best practice to improve skills for life completion and achievement rates.

D4 Raise the achievement of level 2 qualifications through the successful implementation of the national roll-out of the Skills Strategy trial, including the level 2 entitlement and Employer Training Pilot.

D5 Embed the key principles learnt through the Employer Training Pilot in training provision throughout the region (including the use of an impartial broker to stimulate demand for learning and to support the identification of skill needs; provision delivered at a time and place to meet employer need; assessment of existing skills of individuals and training focused on identified skill gaps).

D6 Develop clear vocational and academic progression routes to higher-level skill development, working with the Sector Skills Councils and building upon existing activity such as AimHigher.

E Increase the achievement of intermediate and higher level skills to support growth, innovation and productivity

E1 Increase the proportion of the workforce qualified to Level 3 (technician, advanced craft and associate professional) to support business performance and regional economic need in occupations related to the following sectors: Automotive, Banking and Insurance, Construction, Chemicals, Creative and Cultural, IT and Digital, Engineering, Food and Drink, Health and Social Care, Professional and Other Business Services, Public Administration, Textiles and Clothing, Tourism and Hospitality.

E2 Pilot the introduction of adult apprenticeships in Health, Engineering and Construction and ensure the development of a long-term, sustainable model.

E3 Promote innovation by supporting companies to access skilled expertise from universities, colleges and research organisations through increasing the capacity and flexibility of the Knowledge Transfer Partnership programme.

E4 Develop management and leadership capability, including embedding an understanding of innovation and innovative practice. This is a priority area for the partnership and as outlined earlier, we will review existing activity and best practice, and identify what additional action or coherence can be brought to ensure progress is made.

E5 Identify and develop clear employer-led progression routes through all skill levels to support the achievement of higher level skills.

The Construction Crafts Training Centre at Northumberland College in Ashington is helping bridge skills gaps in essential parts of the construction industry. With funding from the Learning and Skills Council the centre is addressing employers needs and the shortage of skills and training in areas such as brickwork, carpentry, joinery, painting and decorating, plumbing and plastering.

"Bowey Construction's links with the Construction Crafts Training Centre at Northumberland College is a demonstration of how employers in our sector can benefit from this innovative training centre.

"We work closely with the Centre and believe the idea of specialised education centres for vocational training is an excellent one. The Centre's enable employers to have a greater involvement ensuring a mix of academic and practical study is on offer, preparing people for a career in."

Arnold Macdonald, Director of Bowey Construction



E6 Review and implement, as appropriate, the recommendations of the regional Foundation Degree Supply and Demand study and the National Task Force report.

E7 Ensure alignment of sectoral approaches to meeting skills needs, including the requirements of the region's Centres of Vocational Excellence, clusters and Centres of Excellence.

E8 Increase retention and attraction of those with higher level skills, including the implementation of recommendations arising from the graduate supply study.

F Enable colleges and learning providers to be more responsive to employers' and learners' needs

F1 Increase innovative work-based methods of meeting skills need at intermediate and higher level skills, including further exploiting the potential of e-learning.

F2 Increase capacity to deliver skills for life provision by further increasing the number of qualified basic skills tutors in all strands of provision, by exploring a more systematic role for the voluntary and community sector, by reducing the complexity of provision and by examining and promoting innovative approaches to delivery, including e-learning.

F3 Increase capacity to deliver relevant training provision in the following sectors: Construction, Creative and Cultural, Engineering, Health and Social Care and voluntary and community sectors.

F4 Develop and accredit new curriculum and training programmes (including Foundation Degrees) led by employers or developed in close co-ordination with employers through fostering closer links with Sector Skills Councils.

G Influence national policy and funding to ensure regional skills and employment needs are addressed

G1 Identify and address obstacles and barriers to progress, working with national partners.

G2 Identify additional flexibilities and opportunities to further enhance regional progress.

G3 Examine any policy tensions and the potential impact on the work of the partnership.

Sector Focus

- 5.11 Many of the actions detailed above will specifically respond to the skills and employment needs of sectors of the North East economy. These have been determined by the dialogues undertaken with Sector Skills Councils and with partners and also by an examination of a range of indicators, for example:
- ⇒ Existing and forecasted levels of employment
 - ⇒ Gross Value Added, including recent trends in productivity output
 - ⇒ Relative qualification concentrations within sectors and potential for improvement
 - ⇒ Businesses with job vacancies
 - ⇒ Recruitment difficulties
 - ⇒ Skills gaps
- Further information on indicators which were examined against each of the actions identified in the table opposite can be found in the Skills North East report, 'Employment and Skills Issues in the North East', accessible on www.skillsine.co.uk.

Equality and Diversity

- 5.13 **The Regional Skills Partnership and its partners are committed to promoting and mainstreaming equality of opportunity and achievement, to enable all learners and potential learners to benefit from publicly funded provision.** All learners, regardless of age, sex, race, disability, sexual orientation or any other characteristic, can expect to learn successfully in an environment that is free from discrimination of any kind.
- 5.14 The Regional Skills Partnership is not in itself a delivery body for the skills and employment actions included in this plan but works through its partners to take forward agreed action. It will be important for the partnership and lead funding and delivery partners to promote the use of Equality and Diversity Impact Measures to address key equality gaps by monitoring participation, retention and achievement within provision to ensure that learners are not being systematically disadvantaged and to set targets to address any identified inequality.

- 5.12 **The table seeks to summarise where action needs to be taken to respond to identified need and to support growth within sectors.** The actions identified will be reviewed and amended on a regular basis taking into account, when appropriate, those priorities for action identified in Sector Skills Agreements prepared by Sector Skills Councils. The sectoral groupings have been chosen to reflect, as closely as possible, the footprints of the Sector Skills Councils within the limitations of existing data.

- 5.15 Realising the potential of the North East's diverse communities is a key challenge for all partners. There is, for example, untapped potential for women to participate in sectors currently dominated by men and vice versa; for harnessing the skills of refugees and immigrants; and in finding ways to maximise the use of the skills of the ageing population. The Regional Skills Partnership will take every opportunity to promote and address this agenda.

SEtech specialises in offshore geotechnical engineering. With a successful track record of projects throughout the world maintaining a technical leadership in engineering design is of paramount importance. Much of the technical development depends on working with universities, and in particular through the recently completed Teaching Company Scheme completed in conjunction with Newcastle University. The TCS work, on the design of foundations for offshore wind farms, led to an innovative solution, which has received DTI funding to develop prototype foundations.

"Working with Newcastle University has been a rewarding experience, with the Universities innovative staff contributing ideas and providing facilities to substantiate the industry needs that we have identified.

"By working together we have been able to develop initial concepts into a final solution - this has helped us maintain our technical edge and has contributed significantly to the continuing success of our business."

Peter Allan, Managing Director, SEtech



Sectoral Groupings*	Skill development up to & including Level 2	Level 3 qualifications	Graduate level qualifications & above	Critical issues relating to learning infrastructure	Promotion of greater diversity in recruitment	Other measures to address recruitment & retention	Development of management and leadership capability
Automotive	▲	▲	▲				▲
Banking & Insurance	▲	▲					▲
Chemicals	▲	▲	▲		▲		▲
Construction	▲	▲		▲	▲	▲	▲
Creative and Cultural	▲	▲	▲	▲		▲	▲
IT and Digital	▲	▲	▲				▲
Education	▲		▲				▲
Engineering	▲	▲	▲	▲	▲		▲
Food & Drink	▲	▲				▲	▲
Health & Social Care	▲	▲	▲		▲	▲	▲
Land Based Industries & Utilities	▲						▲
Metal Manufacturing	▲				▲	▲	▲
Other Manufacturing	▲				▲	▲	▲
Professional & Other Business Services (including Contact Centres)	▲	▲	▲		▲	▲	▲
Public Administration	▲	▲					▲
Retail & Distribution	▲					▲	▲
Textiles & Clothing	▲	▲				▲	▲
Tourism & Hospitality	▲	▲		▲		▲	▲
Transport & Communication	▲				▲	▲	▲
Voluntary & Community	▲			▲			▲

*Sector Skills Councils which relate to these sector groupings are detailed in Annex vi

The Sunderland Experiment enabled the College, Learning and Skills Council, Business Link and 3 Sector Skills Councils (CITB ConstructionSkills, e-Skills UK and Skillsmart) to work together to respond to demand led provision for employers in Sunderland. The pilot covered a wide range of business sectors, from putting together a bespoke health and safety course for hundreds of staff at Storey Carpets, to the individual development requirements for employees at the 2Touch call centre at Doxford International Business Park.

"Training provision is often supplier-led instead of demand-led, with the focus on accredited qualifications rather than the specific training requirements of individual employers. The Sunderland Experiment turned this concept on its head".

Kathy Bland, Head of Work, City of Sunderland College



6.0 Building on our Success

6.1 Much progress has been made in co-ordinating employment and skills strategies in the North East through the preparation and implementation of the FRESA (Framework for Regional Employment and Skills Action) during 2002. **The FRESA identified three key issues to be addressed:**

- ⇒ Improving quality intelligence
- ⇒ Improving co-ordination and alignment
- ⇒ Identifying North East priorities

6.2 Action has been taken on the first of these issues by the creation of **Skills Intelligence North East (SINE)**, whose role is to work with partners to improve knowledge and understanding of the needs of the economy and of the current and future workforce.

SINE has recently been confirmed as the intelligence arm of the Regional Skills Partnership.

6.3 The second of these issues (improved co-ordination and alignment) was, in part, taken forward through the creation of the **Adult Skills Pilot (ASP)** in the region. The ASP brought together the strategic and funding agencies for skills (One NorthEast, Learning and Skills Council and Jobcentre Plus) along with other partners, to put in place a more demand led system for skills in the region and to integrate strategic planning. The ASP made considerable progress in:

- ⇒ Developing a culture of collaborative working between partners
- ⇒ Designing an integrated strategic planning process with partners, which enables consideration of national policy in a regional context, and has led to the production of this Action Plan
- ⇒ Reviewing existing intelligence, developing sector skills action plans and supporting new initiatives to address the skills

needs of the following sectors: Construction, Chemical and Pharmaceuticals, Engineering Manufacturing, Health and Social Care, Transport and Communication, Tourism and Hospitality and Digital. This activity has been taken forward by Regional Skills Development Managers

- ⇒ Building the capacity of skills brokers within the Business Link network to work with employers to identify and resolve skills needs
- ⇒ **Bringing greater simplicity for employers by clarifying what support can be offered in relation to adult skills**
- ⇒ Creating a 'Skills Account' combining a number of existing funding streams to ensure support can be provided to fund skills development from basic skills through to management and leadership, where it supports business improvement
- ⇒ Building a framework for communication with key regional stakeholders, including,

for example, dialogue with the Further Education sector to examine how to develop a more effective entry point to college provision by employers and brokers

- ⇒ Testing new ways of working between partners at a regional level to put in place a more demand led system for skills
- ⇒ Supporting approximately 2,000 employers to develop the skills of around 5,000 employees, with many gaining qualifications

6.4 Due to our strong partnership structures and record of delivery, the North East was selected as one of two regions to trial a number of key elements of the National Skills Strategy during the 2004 - 2005 academic year. As a result **the region is able to offer, ahead of the rest of the country, a coherent package of skills support aimed at people who do not have a first level 2 qualification (a Level 2 NVQ or 5 GCSEs at A*-C grade).** The elements of the trial include:

- ⇒ An entitlement to free learning towards a first Level 2 qualification
- ⇒ A new support grant for all adult learners undertaking a first level 2 or level 3 qualification
- ⇒ A refocused information and advice service for adults plus marketing activities targeted at those parts of the region which have the highest numbers of people with low or no qualifications
- ⇒ The Employer Training Pilot (known as eQ8) offering subsidised training, wage compensation and other support to employers and employees who have literacy and numeracy needs or who want to undertake a first level 2 qualification

6.5 Recent analysis by SINE suggests that there are around 725,000 people of working age in the North East, (of which around 260,000 are in employment) who lack a first Level 2 qualification.

6.6 The FRESA also took forward the third of these issues by identifying and taking action to address three priorities in 2002 - 2003:

- ⇒ Accelerating demand for high level skills
- ⇒ Creating a step change in the performance of young people at Key Stage 3 and beyond
- ⇒ Targeting improvements in the delivery of basic skills of the current workforce

This Skills Action Plan will update and replace the Framework for Regional Employment and Skills Action.

To address the issue of bringing new young people into the industry, 12 Tees Valley companies agreed to sponsor a new production technician advanced apprenticeship at TTE in partnership with Learning and Skills Council. This programme extends previous programmes both in breadth and depth and is aimed at the most talented young people. Initially 12 students were accepted onto this programme and going forward, the companies are committed to sponsoring around 25 places each year. A crucial factor is that on completion the students will be eligible for permanent jobs at any of the sponsoring companies.

“Highly trained flexible workers aren’t just something we all wish for, they are what we need. Without the skills that these young people will attain over the next 4 years, no modern plant would be able to function efficiently. Part of the programme is designed to give them a vocational route to Higher Education and hopefully many will go on to be our engineers and managers of the future.”

George Ritchie, SembCorp Utilities UK



The **considerable progress** that has been made in the region is evidenced by:

- ⇒ Above average employment growth in the North East since 2000
- ⇒ Recent improvements in productivity as measured by Gross Value Added per head of population
- ⇒ Unemployment rates falling at a faster rate than nationally
- ⇒ Over 150,000 unemployed people benefiting from New Deal since April 2002 (with almost 34,000 entering employment); of those over 50,000 were lone parents and 14,000 disabled people
- ⇒ Over 80,000 people increasing their basic skills over the last three years

- ⇒ Largest regional increase in the proportion of pupils achieving 5 or more A*-C grades at GCSE (8% increase in the North East between 2001/2 and 2003/4, compared with 3% in England)
- ⇒ Increase in the number of young people who move on to education and training at 16, with over 13,000 currently studying for apprenticeships
- ⇒ Funding of over 250,000 learners in Further Education in each of the last three years
- ⇒ Increase in the proportion of the economically active qualified to at least Level 3 from 33% in 2000 to 38% in 2003
- ⇒ Increase in the proportion of the economically active with graduate level qualifications (+3.6 percentage points in the North East (2000-2003) compared to +2 percentage points in Great Britain)

6.7 We can now build on this progress through the delivery of this Skills Action Plan.

7.0 Implementation, Monitoring and Review

7.1 The delivery of the Skills Action Plan will be taken forward by lead organisations who are partners within Skills North East.

7.2 Skills North East recognises sub-regional (and local) variations in skills and employment needs that exist and the distinct responses that are required to meet such needs. Delivery of the Skills Action Plan will therefore take place at the most appropriate level i.e. regional, sub-regional, local and community level. Many of the actions within the plan focus upon sectors of the economy and therefore a defined geographical focus for delivery will not always be appropriate.

7.3 The Skills Action Plan will be developed into a delivery plan which will become the performance management tool of the partnership. This will include information on: action to be taken, level of delivery (sectoral, regional, sub-regional, local, community), responsibility for funding and delivering the action, timescales, milestones and outcome and output measures. Progress against

identified actions, milestones, outcomes and outputs will be monitored on a regular basis.

7.4 **Skills North East will establish a small number of time-bound Task Groups to support the implementation of action** in the following areas:

- ⇒ Skills for Life (currently in existence)
- ⇒ Management and Leadership
- ⇒ Level 3 prioritisation
- ⇒ Support for those not currently active in the labour market

Consideration is also being given to the potential establishment of a Task Group focusing upon the needs of young people.

7.5 As described earlier, regional targets and indicators will be established, in the context of the Regional Economic Strategy and building upon existing national targets, to provide a means by which progress in the overall implementation of the Skills Action Plan can be assessed. Indicators may include measures of customer satisfaction based upon the

responses of employers and individuals to annual surveys conducted by individual agencies and organisations.

7.6 Consideration is also being given as to how the partnership can measure its strategic added value and this may include qualitative measures to assess the extent to which partner behaviour has changed through the work of the partnership.

7.7 The Skills Action Plan will be reviewed on a regular basis to ensure the Regional Skills Partnership is able to drive action when it is needed and respond to changes in the economy and labour market. It will be formally revised and updated on an annual basis.

7.8 **It will be particularly important for the Skills Action Plan to be reviewed in response to the revised Regional Economic Strategy in 2005.** In addition, it will be important for the partnership to have the opportunity to reflect upon Sector Skills Agreements being produced by Sector Skills Councils as they emerge and take action, as appropriate.

Annex i Skills Framework

A number of existing and developing regional and national strategies have informed this Skills Action Plan the most important being the Regional Economic Strategy for the North East and the National Skills Strategy.

Regional Economic Strategy

Both *Unlocking our Potential*, the first Regional Economic Strategy (RES) and *Realising Our Potential* (the 2002 update), recognised the critical relationship between the region's economic success and the quantity and quality of skills in the North East labour market. The RES describes the North East's under performing labour market in terms of a low skills equilibrium where low demand for advanced skills amongst employers dampens the aspirations of individuals to gain qualifications, develop new skills and seek advancement in their job. Subsequent analysis suggests it may be more useful to consider the skills system in the North East in terms of a "trajectory" rather than "equilibrium". A high skills trajectory is generally associated with high quality, high value added approaches of a sector or firm and low skills trajectory is generally linked to low quality, low value added approaches.

The concept of a trajectory is useful as it recognises that many sectors and individual firms are at any time moving towards one end of the spectrum or the other. It is also useful as it emphasises the central role of decision-making processes and therefore the management skills of firms. In some sectors of the economy, for example, improving the supply of skills may fail to make any difference where owners have decided against "up-skilling" the workforce. This in

turn emphasises the need to integrate consideration of skills within approaches to examine all aspects of business performance and, specifically, consideration of what stands in the way of organisations moving to develop higher quality, high value-added products or services. This is the approach we are taking in the North East through the Business Support Network and programmes such as the North East Productivity Alliance.

This Skills Action Plan – like the FRESA before it - is informed by the following objectives of the RES:

- ⇒ Creating Wealth by Raising the Productivity of all Businesses
- ⇒ Establishing a New Entrepreneurial Culture
- ⇒ Creating a Healthy Labour Market Supported by a Skilled Workforce
- ⇒ Recognising Our Universities and Colleges at the Heart of the region's Economy
- ⇒ Meeting 21st Century Transport, Communication and Property Needs
- ⇒ Realising the Renaissance of our Rural and Urban Communities

The Skills Action Plan will, in turn, drive the employment and skills element of the RES, when revised later this year. The revised RES will also incorporate the inter-regional policy developments associated with the Northern Way.

Northern Way

Launched in February 2004, The Northern Way sets out a vision to make the whole of the North of England an area of "exceptional economic opportunity combining a world class economy with a superb quality of life". The Northern Way recognises the role of the Regional Skills Partnerships in supporting the achievement of this vision through focusing skills and employment provision to meet the needs of businesses.

Skills North East will support the achievement of the following strands of activity identified through the Northern Way:

- ⇒ Pathway to Work pilots which seek to enable people on incapacity benefits to take steps towards formal employment
 - ⇒ Raising the achievement of level 3 qualifications in line with regional need
 - ⇒ Supporting the rollout of the Employer Training Pilot
- Under the auspices of the Northern Way, One NorthEast and the Learning and Skills Council agreed to the principle of operating a 'dual-key' approach to the management of their adult skills budgets. This involves both organisations aligning their budgets in support of the achievement of actions and priorities identified in this Skills Action Plan.

National Skills Strategy

21st Century Skills, launched in July 2003, set out a cross-government agenda for change to address the challenge of raising skill levels to compete with the best in the world. It highlighted action in the following areas:

- ⇒ Putting employers' needs for skills centre stage
- ⇒ Raising ambition in the demand for skills
- ⇒ Motivating and supporting many more learners to re-engage in learning
- ⇒ Enabling colleges and work based learning providers to be more responsive to employers' and learners' needs
- ⇒ Achieving better joint working across government and the public services
- ⇒ Increasing ease of access to and demand for business and skills support

Whilst some of these actions will be taken forward at a national level, through, for example, the reform of the qualification system and the development of Sector Skills Councils, government views Regional Skills Partnerships as playing a critical role in addressing the above areas for action and thereby ensuring the successful delivery of *21st Century Skills*. This has recently been emphasised in the Five Year Strategy for Children and Learners.

Annex ii The North East - Overview of the Economy and Workforce

1. Introduction

The actions included within the Skills Action Plan have been informed by extensive analysis of the economy and labour market and discussions with partners, including a series of sector skills dialogues with Sector Skills Councils

and others. These dialogues provided an opportunity to examine and discuss the skills and employment issues facing sectors in the North East. The key issues arising from this activity are summarised below. A full report is available at www.skillsine.co.uk.

Headline Statistics	North East	United Kingdom
Total Population (ONS, 2003)	2,539,400	57,851,100
Population Change 1998-2003 (ONS, 2003)	-0.8%	+1.9%
GVA per head 2003 (ONS, 2005)	£12,736	£16,383
Growth in GVA per head 2001-2003	+10.4%	+9.9%
Total Workforce (ONS, LFS Dec 2004)*	1,107,000	28,440,000
Unemployed Claimants (ONS, Dec 2004)	2.2%	2.8%
Unemployed^ (ONS, Dec 2004)	6.0%	4.7%
Economic Activity Rate (LFS, 2003)	73.5	78.2
Total Businesses (ABI, 2003)	66,634	2,123,793
Change in VAT Registered Stock of Businesses 1998-2003 (DTI, 1996, 2003)	+4.2%	+5.4%
Businesses per head of population (ABI 2003, ONS 2003)	262 (per 10,000)	367 (per 10,000)
New Business Registrations (DTI, 2003)	4,640	189,890

Source: As cited in table; Note: GVA is used to denote estimates that were previously known as GDP at basic prices. GVA was introduced in order to be consistent with the European System of Accounts 1995.

2. Overview

The North East remains one of the worst performing UK regions on most economic and labour market indicators, although there is some recent evidence of the gap between the North East and the UK narrowing.

Slow employment growth has been a feature of the North East labour market for at least two decades. The North East has experienced employment growth of 1.7% between 1998 and 2000, but the growth rate nationally was almost double over the same period (+3.6%). More recently, however, this trend has reversed with employment growing by 5% in the North East compared to only 2% in Great Britain as a whole.

The productivity gap between the North East and the rest of the UK widened throughout the 1990s, with lower growth in GVA per head. Since 2000, however, the annual growth rate has been higher in the North East and the gap may be beginning to narrow.

Average earnings in the North East are well below the national average and this is contributing to the outflow of workers from the region, particularly amongst high skilled occupation groups where the differential is greatest. In addition, low earnings may undermine a key incentive for workers to upgrade their skills. As with employment growth and GVA, recent evidence suggests that growth in average earnings in the North East has outstripped national growth and that the earnings gap may be starting to narrow.

Below average growth in the regional business base and low productivity levels within existing businesses are of

particular concern. The stock of VAT registered businesses in the North East increased by 4.2% between 1996 and 2002, compared with a growth rate of 5.4% in the United Kingdom as a whole.

The North East has a workforce of over 1 million people with the majority employed in the service sector, which accounted for 79% of jobs in 2003. Within the service sector, Retail & Distribution, Health & Social Care and Education are the most important sources of jobs, with the latter three being more important in the region than in the country as a whole. In contrast, employment in Banking & Insurance is significantly lower than the national average (2% compared with 4% nationally). Another 147,000 people work in the manufacturing sector which accounts for a relatively high share of total jobs in the region (14.5% compared to 12.6% nationally) and highlights the continuing dependency of the North East on the fortunes of this sector.

Claimant unemployment in the North East currently stands at 2.8% (Dec 2004) compared to 2.2% in the UK as a whole. Using the ILO definition of unemployment, which includes those seeking work, as well as those claiming Jobseekers Allowance, the unemployment rate in the North East is 6.0% compared to 4.7% within the UK as a whole (Dec 2004). Although the difference between national and regional unemployment rates has narrowed, claimant unemployment rates in some districts (e.g. South Tyneside) within the North East are considerably higher than the national average. The high levels of unemployment in parts of the region are associated with socio-economic deprivation.

3. Current and future demand for skills

The demand by employers for high skill employment in the North East is forecast to grow much faster than overall employment demand, but projections forecast that the growth rate for high skill employment nationally will be higher still. Without intervention to stimulate demand for higher level skills the gap between the skills profile of the North East's workforce and that of London and the South East will continue to widen.

There have been improvements in skill levels in the North East over recent years. The proportion of workers with high level skills (level 4 qualifications and above) has increased from 20% in 2000 to 24% in 2003 and there has been a decrease in those with no qualifications or qualified to Level 1 (from 32% in 2000 to 29% in 2003). While intermediate skilled workers (qualified to Level 3) are well represented in some sectors in the North East, discussions with partners revealed that there are serious shortages in others, such as Engineering.

The proportion of high knowledge intensity jobs, as defined by the proportion of jobs occupied by graduates, is low in the region. It is estimated that only 13% of jobs in the North East are in the highest knowledge intensity category (K1), which is well under half the national average of 29%. On the other hand, low knowledge intensity jobs (K4) account for 42% of jobs in the region compared with 29% nationally, highlighting the low skill nature of employment in the North East. The Level 3 shortages, reported in the skills dialogues in some sectors, are exacerbating problems at Level 4 because this causes a reduced pool of potential individuals to move to higher level occupations with specific working knowledge of the industry.

Reported levels of recruitment difficulties and skills shortages in the North East are now slightly higher

than the national average with 18% of employers reporting job vacancies in the North East (compared to 17% in England). A higher proportion of these vacancies are hard to fill (41% in the North East compared to 40% in England) and attributed to skill shortages (21% compared to 20% nationally). Employers report that recruitment difficulties are due to a lack of applicants with appropriate skills and competencies and that this is often exacerbated by negative perceptions of certain industries. Information and advice available to young people and adults is considered by some employers not to be addressing this issue and many are now adopting new approaches to attract recruits.

Generic skills, including communication skills, organisational skills, problem solving, IT, literacy, numeracy, customer service skills, and the motivation of employees remain important issues for employers.

Employers identify that some 10% of workers in the North East have skill gaps, with workers not being fully proficient in their jobs. Industries where skill gaps are a particular problem are Food, Drink and Tobacco, Metal Goods and Transport Equipment manufacturers and Public Administration, Health & Social Care and Hotels & Catering in the service sector. Preliminary analysis of the unverified survey data for 2004 suggests there has been little recent change to this picture. Many employers highlight management and leadership skills as a specific skill gap which requires attention.

Discussions with employers and their representatives highlighted that employers are often unclear how to access support to meet their training requirements and that increased flexibility is needed in the content of training and how it is delivered. The need for provision to be delivered on-site is reported as a particularly important issue for small businesses.

4. Supply of skills

The North East has an ageing and declining population. Whilst the ageing population is a national phenomenon, outward migration of young people is exacerbating the problem in the North East and reducing the potential supply of skilled labour.

The North East has a lower than national average economic activity rate. Economic activity rates in the North East are low for all age groups, though particularly low amongst those aged 50 or over. This limits the available workforce for economic growth and contributes to socio-economic deprivation. The North East also has particular problems of high rates of sickness and disability. For example, 16% of the region's working age population is claiming disability or sickness benefits, compared to only 11% nationally.

Academic performance, particularly after Key Stage 2, remains below the English average with 48.7% of candidates at GCSE receiving 5 or more A*-C grades, compared with 52% nationally. However, the North East is narrowing the gap with a +8.3% increase in the proportion of the region's pupils achieving 5 or more A*-C grades compared with +3.0% in England between 2001 - 2002 and 2003 - 2004.

There is an increased supply of graduates to the region. However, although the number of graduates in higher education institutions and the number of graduates entering the regional workforce has increased, there appears to be under-utilisation of these graduates. Fewer are being employed in graduate or graduate-track occupations (six months after graduation), particularly in managerial, administrators and professional occupations.

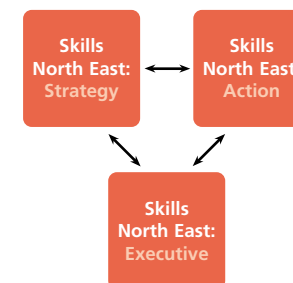
There has been significant progress in recent years in supporting people to increase their basic skills. However, a significant proportion of the region's adult population has low levels of basic literacy and numeracy that limit their ability to engage fully in either learning or employment. Improving adult basic literacy and numeracy will be vital to the long-term employability of a vulnerable section of the community and ensuring progression to a more highly skilled workforce.

Annex iii Organisations Involved in the Preparation of the Skills Action Plan

Arts Council England North East ASSA Ltd	Huntsman Polyurethanes Improve	Northumberland Strategic Partnership
Association of Colleges	James Burrell Limited	One NorthEas
Association of Learning Providers	Jobcentre Plus	Penny Plain
Association of North East Councils	Lantra	People 1st
Aurora Project	LDR ² Ltd	Road Haulage Association
Automotive Academy	Leighton Group	SEMTA
Centre for Process Innovation	Learnirect/Ufi	Skillfast UK
City of Sunderland College	Learning and Skills Council	Skillset
Codeworks	Libraries and Archives Council	Skills for Business network
Cogent SSC Ltd	NIACE	Skills for Care and Development
Confederation of British Industry	North East Assembly	Skills for Justice
Connexions Partnerships	North East Business Links	Skills for Logistics
Constructing Excellence	North East Business Support Network in County Durham	Skillsmart Retail
Construction Skills	North East Centre for Diversity and Racial Equality	Small Business Service
County Durham Economic Partnership	North East Chamber of Commerce	Sunderland City Council
County Durham Lifelong Learning Partnership	North East Employers' Coalition	SummitSkills
Creative and Culture Industries Sector Skills Council	North East Employers' Organisation for Local Government	Teesside Chemical Initiative
Culture North East	North East Food and Drink Sector Skills Network	Tees Valley & Co Durham Workforce Development Confederation
Durham & Houghall Community College	North East Microelectronics Institute	Tees Valley Engineering Partnership
e-skills UK	North East Museums Libraries & Archives Council	Topss North East
Energy & Utility Skills	North East Work Based Learning Providers' Network	Trades Union Congress
Esh Group	Northern Cultural Skills Partnership	Tyne and Wear Education Business Link Organisation
Freight Transport Association	Northern Defence Industries	TyneWear Partnership
Gateshead Voluntary Organisations Council	Northern Film and Media	Universities for the North East
GoSkills	Northern TUC	Voluntary Organisations Network North East
Government Office for the North East	Northumberland and Tyne & Wear Strategic Health Authority	Workers Educational Association
		Yorkshire & North East Graduate Support Centre

Annex iv Regional Skills Partnership Structure and Membership

The Structure of the Regional Skills Partnership - Skills North East is illustrated in the diagram below.



The role of **Skills North East: Strategy** is to provide strategic direction in determining and addressing employment and skills needs in the region within the context of the Regional Economic Strategy.

Membership:
 Chair: John Cuthbert, Managing Director,
 Northumbrian Water
 Association of Colleges
 Association of Learning Providers
 Confederation of North East Councils
 Confederation of British Industry
 Government Office for the North East
 Jobcentre Plus
 Learning and Skills Council
 North East Assembly
 North East Chamber of Commerce
 One NorthEast
 Skills for Business Network
 Small Business Service
 Trades Union Congress
 Universities for the North East

The membership of Skills North East: Strategy will be reviewed early in 2005. The review will take account of suggestions made by partner organisations during the consultation on this Skills Action Plan.

Skills North East: Action is the former Joint Venture Board of the Adult Skills Pilot. Its role is to align funding and action to meet skills needs identified by Skills North East: Strategy.

Membership:
 Chair: Pat Ritchie, Director of Strategy and Development,
 One NorthEast
 Learning and Skills Council
 Skills for Business Network
 Jobcentre Plus
 Government Office for the North East

Skills North East: Executive, the former Executive Group of the Adult Skills Pilot, provides support to both Skills North East Strategy and Skills North East Action. The membership of Skills North East: Executive will also be reviewed early in 2005.

Membership:
 Chair: Chris Roberts, Regional Director, Learning and Skills Council North East
 Business Link
 Federation of Awarding Bodies
 Government Office for the North East
 Jobcentre Plus
 Learning and Skills Council
 One NorthEast
 Skills for Business Network

Annex v National Targets

Government has set challenging targets relating to the improvements in educational attainment, skills and improving labour market performance. These targets are illustrated below.

Skills

- ⇒ Increase the proportion of 19 year olds who achieve at least Level 2 (equivalent of 5 GCSEs) by 3 percentage points between 2004 and 2006, with a further 2 percentage points between 2006 and 2008
- ⇒ Increase the proportion of young people who achieve Level 3 - targets to be set regionally to reflect the priorities of Regional Skills Partnerships and regional skills needs
- ⇒ Reduce the proportion of young people not in education, training or employment by 2 percentage points by 2010
- ⇒ Improve the basic skills of 2.25 million adults between 2001 and 2010, with a milestone of 1.5 million in 2007
- ⇒ Reduce by at least 40% the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010
- ⇒ Increase participation in Higher Education towards 50% per cent of those aged 18 to 30 by 2010, by making significant progress to increasing access, year on year, and reducing the rate of non-completion of courses

Employment

By Spring 2006:

- ⇒ Demonstrate progress on increasing the employment rate and reducing the unemployment rate over the economic cycle
- ⇒ Increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle – lone parents, minority ethnic people, people aged 50 and over, those with the lowest qualifications, and the local authorities with the poorest initial labour market position, and significantly reduce the difference between their employment rates and the overall rate
- ⇒ Reduce proportion of children in households with no one in work by 6.5%
- ⇒ Increase the employment rate of people with disabilities, taking account of the economic cycle, and significantly reduce the difference between their employment rates and the overall rates

Annex vi Sectoral Groupings

The footprints adopted by many Sector Skills Councils encompass a broad spectrum of 1992 Standard Industrial Classification (SIC) groups - see Appendix A of the Skills North East report 'Employment and Skills Issues in the North East' for a detailed breakdown (available at www.skillsine.co.uk). This table shows the relationship between the Sector Skills Council footprints

and the sectoral groupings adopted for the analysis of Labour Market Intelligence for the Skills Action Plan, based on the 1992 SIC group definitions. Some SSC Footprints remain in development and these are subject to change (see * in table below).

Identified in Skills Action Plan	Sector Skills Councils
Land Based Industries & Utilities	Lantra EU Skills Cogent ProSkills*
Food & Drink	Improve
Textiles & Clothing	SkillFast ProSkills*
Chemicals	Cogent SkillFast SkillSet
Metal Manufacturing Engineering	SEMTA SEMTA SummitSkills ProSkills*
Automotive	SEMTA SkillsActive ProSkills*
Other Manufacturing	EU Skills E-Skills SkillSet ProSkills*
Construction	EU Skills ConstructionSkills SummitSkills ProSkills*

Retail & Distribution	EU Skills SkillSmart Automotive Cogent SummitSkills SkillFast GoSkills* Creative & Cultural Industries*
Tourism & Hospitality	Skills Active People 1st
Transport & Communication	People 1st EU Skills E-Skills Cogent Skills for Logistics GoSkills*
Banking & Insurance Professional & Other Business Services	Finance AssetSkills SkillSet ConstructionSkills Automotive People 1st Creative & Cultural Industries* ProSkills*
IT & Digital Education	E-Skills Lifelong Learning* Creative & Cultural Industries* GoSkills*
Health & Social Care	Lantra Skills for Health Skills for Care and Development*
Creative & Cultural	SkillSet Lantra Lifelong Learning* Creative & Cultural Industries*
Voluntary & Community Public Administration	Skills for Justice EU Skills SkillFast ProSkills*

Note: * SIC Footprint subject to change

Annex vii Glossary

AimHigher	This programme funds partnerships and collaborative working between schools, colleges and universities in disadvantaged areas. The aim is to encourage and support young people to increase attainment, raise aspirations and enable them to apply successfully to higher education	CBI	Confederation of British Industry
		Connexions	Information and advice service for young people aged 13-19 years
		Centre of Vocational Excellence	A network of Centres of Vocational Excellence has been established across the North East to meet the skills needs of employers in various important sectors of the regional economy
Ambition	The Ambition Programme, created by Jobcentre Plus, provides high quality training designed by employers to meet their skill needs, providing jobseekers with the right skills for the right vacancies. There are four schemes in the Energy, Retail, IT and Construction sectors	DfES	Department for Education and Skills
		DTI	Department of Trade and Industry
		DWP	Department for Work and Pensions
		EBLO	Education Business Link Organisation Consortia
ASP	Adult Skills Pilot	eQ8 (ETP)	eQ8 is a regional Employer Training Pilot and offers financial help for training employees in a range of essential skills and Level 2 NVQs and provides impartial job-related advice and guidance. eQ8 is managed by Business Link and funded by the Learning and Skills Council
ASPIRE	The ASPIRE campaign is challenging negative perceptions of the regional economy by demonstrating that the North East offers young people a wide range of employment opportunities. It promotes the help that the business community can give in raising the educational aspirations, expectations and performance of young people	FRESA	Framework for Regional Employment and Skills Action
Business Link	Business Link is an independent broker of business support. BL can provide access to a network of specialist advice and a wide range of business information	GONE	Government Office for the North East

Graduates for Business	Graduates for Business aims to match recent graduates with local small and medium-sized enterprises. The programme offers a wage subsidy for 15 weeks and graduates offer specialist skills and up-to-date knowledge to support business development. Graduates for Business is managed by Entrust with financial support from One NorthEast and European Regional Development Fund	These are: Key Stage 1 Key Stage 2 Key Stage 3 Key Stage 4 KTP	5-7 years 7-11 years 11-14 years 14-16 years Knowledge Transfer Partnerships (KTP) enable businesses to benefit from a wide range of expertise in the region's knowledge base. At the heart of each KTP, is a relationship between the company and staff in a knowledge base institution, such as a college or university. KTP is part funded by dti and supported by One NorthEast	LfAF	The Learning for All Fund (LfAF) promotes lifelong learning and workforce development, through partnerships between unions and employers to develop workplace learning initiatives. The fund is managed by TUC with financial support from One NorthEast, Learning and Skills Council and eQ8	RSP	Regional Skills Partnership - Skills North East
GDP	Gross Domestic Product			LMI	Labour Market Information	SBS	Small Business Service
GVA	Gross Value Added			LSC	Learning and Skills Council	SINE	Skills Intelligence North East
HE	Higher Education			LSP	Local Strategic Partnership	Skills Account	Skills Account supports training and workforce development for employees in small and medium-sized enterprises. It provides flexible skills funding through a business diagnostic process to support business development in the North East. The Skills Account is managed by Business Link with financial support from One NorthEast, Learning and Skills Council and European Social Fund
IA	Information and Advice	LEA	Local Education Authority	National Skills Strategy	See Annex 1		
ICT	Information and Communication Technology	Learndirect	Developed by University for industry, learndirect operates a network of more than 2,000 online learning centres in England, Wales & Northern Ireland providing access to a range of e-learning opportunities	NEPA	The North East Productivity Alliance (NEPA) provides practical support to achieve productivity improvements for manufacturing companies, focused on people and skills, new technologies and best practice dissemination. NEPA receives financial support from One NorthEast, Learning and Skills Council and European Social Fund	SME	Small and Medium Size Enterprise
ITQ	The Information Technology Qualification (ITQ) is a flexible and modular NVQ developed in partnership with employers, e-Skills UK – the Sector Skills Council, Learning and Skills Council and others. ITQ offers customised training to meet employer need and is available through the Learning and Skills Council	Level 2 Qualification Level 3 Qualification	Equivalent to 5 or more GCSEs at A*-C, an NVQ level 2 or an intermediate GNVQ Equivalent to 2 or more A levels (or AS equivalents), an NVQ level 3 or an advanced GNVQ			SSC	Sector Skills Council
Key Stages	A child's period of compulsory education is divided, by the criterion of age, into four key stages.			Northern Way	See Annex 1	SSDA	Sector Skills Development Agency
				NVQ	National Vocational Qualification	Strategic Area Reviews	The reviews will look at what's currently on offer for post-16 learners and produce recommendations to ensure that provision and needs are matched as closely and effectively as possible
				Pathways to Work	Pathways to Work pilots seek to enable people on Incapacity Benefits to take steps towards formal employment	Test-bed Learning Communities	Initiative to widen participation in learning focused in Middlesbrough, Easington, Tynedale and Gateshead
				RDA	Regional Development Agency	TUC	Trades Union Congress
				RES	Regional Economic Strategy - See Annex 1		

Notes