Regional Priorities Statement

This statement synthesises the priorities for sectors, spatial targeting and targeting by employer and learner types. It sets out overall priorities for the **North East Region** for the year 2010/11.

Historical Trends

These reflect progress towards skills targets / impacts and identified need for investment..

- The proportion of people within the North East with no qualifications has, in recent years, converged with the average across England. The North East now has a higher proportion of its working age population than England qualified to NVQ L2 or above.
- Due in large part to economic restructuring there is a mismatch between skills supply and demand. Identified cold-spots within the North East experience deprivation and present greater proportions of residents with no qualifications than the regional average along with higher levels of economic inactivity and unemployment.
- The North East has a lower proportion of its working age population than England qualified to NVQ L3 and above. Increasing the proportion of the workforce with intermediate and higher level skills is a priority for the region, but the value of achieving this will only be realised if employment opportunities requiring these skills and offering the requisite wage premium materialise. There is a need to stimulate both individual and employer demand for higher level skills.
- Educational attainment up to key stage 4 remains, despite improvements in recent years, below the England average. Rates of those aged 16-18 and NEET are also higher in the region than across England. Although SFA investment will not directly be addressing these challenges, it is important to recognise and understand the legacy of this experience.

Current needs

These will be based on replacement demand, demand identified by Business Link and Jobcentre Plus, current skills vacancies and shortages and inward investment opportunities – distinct regional information which will inform adult skills in today's economy.

- In the North East, a key priority is to meet the employer demand for skills – identified needs are both basic and higher level skills. Basic and Level 2 targeted at those with no or low level skills.
- The recession has had an uneven impact, with the north of the region faring better than the south. To counter this, basic and Level 2 targeted at the south as well as specific urban disadvantaged communities and identified cold-spots.
- The NE has a substantial short-fall in the numbers of businesses per capita. Whilst the number of North East business start-ups and stocks have increased at a faster rate than the national average, there needs to be further and continued improvement to make any significant inroads in closing the enterprise gap with the rest of the country. Promoting the skills to support an 'enterprise surge' is a priority in the North East, building on pre-19 cohort to embed enterprise skills and encouraging 'manager led' spin outs from existing companies. This has become more urgent in the aftermath of the recession.
- The NE expects employment growth in managerial, senior official, professional, associated professional and technical occupations. Growth is also predicted in occupations/sectors that present a higher level skills profile. Therefore, supporting progression to higher level skills – through promoting Level 2 and Level 3 qualifications – is an investment priority for the region.
- STEM skills are a key priority – these skills are required to support the predicted growth sectors outlined in 'future needs' as well as 'high growth' sectors. These sectors have competing demands for the same STEM Skills. Calculations suggest that 1,600 STEM graduates will be required each year up until 2014 for the region's energy producers and supply chain, the majority of these will in Engineering and Physical Sciences, rather than Biological Sciences.
- Development of relevant engineering skills is vital to the continued delivery of high value foreign direct investment into the North East. This should be led by industry and public sector collaboration – through apprenticeship schemes and bespoke training schemes.

- The number of people claiming JSA and other work related benefits has increased dramatically over the last year. Whilst programmes have been introduced to support people to return to work it is essential that these programmes are based on the future needs of the regional economy as well as current actual vacancies. It is also essential that these programmes are made as flexible as possible to respond to employer needs. These programmes need to also recognise that individuals face a multitude of barriers to employment so any skills based response need to put in the context of the wider needs of the individual and community.
- With the roll-out of the Digital Strategy there will be enhanced individual and employer demand for technical and IT skills as well as business development skills.
- The NE has a relatively high proportion of manufacturing which continues to adapt to new and emerging technologies for the future. The impact of lean manufacturing and business improvement techniques has led to significant improvement in productivity and to GVA gains - an ongoing priority.
- Management and leadership skills are necessary to support entrepreneurialism, increased productivity and innovation.
- Current levels of activity in relation to Train to Gain in the NE should be maintained, however there is a need to re-focus areas to the current and future needs of the RSP. The NE has a good record in relation to participation in Work Based Learning / vocational education which should continue with sharper focus on those areas identified as the regions priorities.

Future needs

These will be based on known demand and expected form key investments in places (the strategic sites identified in the Regional Funding Advice) and the regional Innovation and Enterprise Strategies and more generic needs (customer service skills, adaptability, enterprise team working communications, etc)

- Continued focus on building the ‘enterprise surge’, which seeks to increase the conversion of enterprise aspirations into new business start-ups
- Continued focus on developing the digital infrastructure and digital media.
- Languages are a priority. The RES identifies languages as a barrier to accessing international markets, and is cited as a critical ‘unique selling point’ for businesses operating in key industries.
- Continued focus on higher level and STEM skills as outlined in ‘current needs’. Shift towards occupations requiring higher levels skills – with employment growth in managerial, senior official, professional, associated professional and technical occupations and growth in sectors that have a higher level skills profile. This will require progression through to intermediate and higher level skills. It will also require both up-skilling and re-skilling of people for the opportunities that will come available through the restructuring of the occupational areas and sectors of the economy.
- The NE RES seeks to improve GVA through the twin drivers of improved productivity and participation in the labour market. To achieve this, 9 priority sectors were identified: Process Industries; Healthcare and Health Sciences; Energy and Environmental Technologies, Digital and Creative Industries; Automotive; Knowledge Intensive Business Services; Defence and Marine; Tourism and Hospitality; and Food and Drink Industries. Some of these sectors are high value, growing sectors – including process technologies, energy and health sciences (see section on high growth sectors). Other sectors, such as food and drink and tourism and hospitality contribute through the volume of employment. NE region anticipates employment growth to occur strongly in the following broad sectors, over the next fifteen years. The current skills profile of these four sectors – relative to the overall skills profile – are summarised in brackets, with differences highlighted.
  - Health (46% employed are L4+, against 29% across all sectors);
  - Construction (50% employed are L3, against 25% across all sectors);
  - Business Services (Closely track cross-sector profile, 71% qualified between L2 & L4);
  - Transport and Communication (L3 and below over-represented, only 13% employed are L4+, against 29% across all sectors).
- In summary, lower level skills provision should focus on Transport and Communications; intermediate skills provision should focus on Construction and, to a lesser extent Business Services; and higher level skills should focus on Business Services and, to a greater extent, Health.

- The need to maintain flexibility to support the necessary skills to deliver productivity gains within business is critical for the regions GVA. The continuing use of ESF to provide a non-qualification driven support package is a critical component to deliver the economic impact necessary.

High growth opportunities

These will be based on inward investment opportunities and identified regional sectors under New Industry, New Jobs.

The RES identifies a number of high growth priority sectors (see Future Needs section) and the NINJ industrial areas are elements of these sectors. Aligned to the New Industry, New Jobs agenda, we anticipate:

- **Ultra-Low Carbon Vehicles and Low Carbon Economic Area**: Technical skills have been cited as an area for development by Automotive Skills and NAIGT have suggested a need for industry-university collaboration to provide research structures to develop the LCV area. North East Universities, Nissan and Smith Electric Vehicles are international centres of expertise.
- **Low Carbon Industries including Offshore Wind:** NAREC, REMTEC are centres of international expertise. Recent work done by ONE based on research for the Northern Way shows that the wind industry will require approximately 3100 highly skilled engineers by 2019 for wind energy. To put these figures into context, in 2008, North East institutions supplied approx. 950 engineers, therefore to hit a target of 3100 by 2019 around a third of all engineers graduating in the North East over the next ten years would be required to choose careers in the wind industry, rather than progress into other more established sectors. Flexible and modular up-skilling and re-skilling programmes will be critical, working alongside the more traditional educational routes.
- **High growth opportunities for low carbon** include de-carbonising the power industry, energy from waste and carbon capture and storage. Also, de-carbonising industry – low carbon processing, alternative fuels and reduced emissions with Tees Valley, Tyne and Wear and Northumberland well placed to respond to these market opportunities.
- **Plastic Electronics**: The national Plastics Electronics prototyping centre, PETEC, is based in the North East. Technology is at early stage of development. Views are mixed on the extent and availability of skills sets given the nascent value chains in place
- **Industrial biotechnology**: IB currently accounts for less than 5% of total chemical and pharmaceuticals sales, but continued growth is expected, driven by the low carbon economy. IB is predicted to become a significant contributor to the European economy over the next 20 years, with the Tees Valley as significant asset to the region.
- In addition to the above industrial areas, the North East has a significant presence in **Marine energy and Micro-technology**.
- **Advanced Engineering**: both in its right and to support the low carbon economy.
- **Green Construction**

Information on NE consultation:

- Consultation has taken place with key skills stakeholder, including business/sector organisations, Business Link, SSCs, and providers. The Regional Employment and Skills Partnership within the NE have placed significant priority upon the regions support to both employers and individual adversely affected by the recession. Evidence that underpins the priorities of the NE comes from Regional Funding Advice 2009, the current Regional Economic Strategy 2006 -2011, and recent national/regional work on NINJ.

- Consultation has been conducted to set the Regional Employment and Skills Partnership priorities for 2009-10 as part of the process of the development of the Integrated Regional Strategy. This paper was discussed at the RESP's Executive on the 19th January 2010 to sign-off this concise summary of this work.

- Ongoing consultation as part of the evolving IRS with extensive engagement of the NE Regions Leaders Board, employers and key stakeholders. This is an ongoing process.

- The NE Business Link has been consulted to determine the immediate skills priorities of employers accessing this service within the region.