

Skills

Why is this important?

Investment in human capital is a key driver of regional growth. Skills play a key role in determining the productivity of workers. In general, more highly skilled workers are more productive - but skills must be relevant and reflect the needs of local employers.

The skills programme in the SEP is focused on improving skills levels and improving the matching between labour market demand and supply.

What are the key findings from the data?

- The key challenge that the North East LEP area faces is that there are fewer

employment opportunities per head than England excluding London. The SEP has prioritised this by setting a target to increase the number of jobs by 100,000 by 2024

- The proportion of the North East LEP area population that is working age (that is defined as 16 to 64) is slightly above that of England excluding London
- Whilst the North East LEP area has lower rates of economic activity and employment than England excluding London, these rates have increased since 2014 and the gaps with England excluding London have narrowed on both measures

- The working age population of the North East has a lower qualifications profile than England as a whole with more individuals having no qualifications and fewer with high level qualifications (NVQ level 4 or above). However, the North East LEP area has made progress on this since 2014, with the proportion with high level qualifications increasing and the proportion with no qualifications decreasing
- Fewer employers in the North East LEP than across England excluding London reported that they had experienced skills shortage vacancies.



Skills in the North East LEP economy

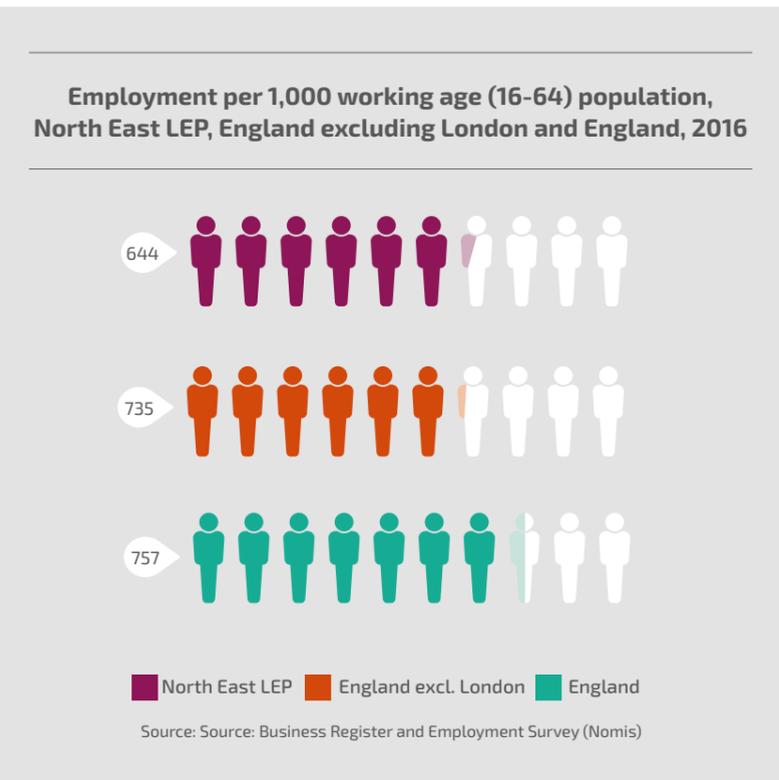
Indicator	Most recent data	Change since 2014	NE as % of England excl. London	Gap closing with England excl. London
Employment density per 1,000 working age population	644 (2016)	Decreased by 7 jobs per 1,000 adult population (2015)	88	No - widened
Working age population as % of total population	63.3% (2016)	Decreased by 0.5 percentage points	102	No change
Economically active as % of working age population	76.1% (Oct 2016 to Sep 2017)	Increased by 1.6 percentage points	97	Yes
Employment as % of working age population	71.2% (Oct 2016 to Sep 2017)	Increased by 3.1 percentage points	95	Yes
% of working age population with Level 4+ qualifications	31.6% (2016)	Increased by 3.1 percentage points	91	Yes
% of working age population with no qualifications	9.3% (2016)	Decreased by 0.5 percentage points	116	No - widened
% of employers reporting skills shortages	27% (2015)	Increased by 3 percentage points (2013)	92	Yes
% of employers reporting skills gaps	14% (2015)	Decreased by 4 percentage points (2013)	101	Yes

Sources: Business Register and Employment Survey (Nomis), Population estimates (Nomis), Annual Population Survey (Nomis) and Employer Skills Survey (UKCES)
 Notes: To ensure that seasonal factors are not affecting comparison, the same time periods are used for both the most recent year and the 2014 benchmark year for each indicator. For example, the most recent Annual Population Survey data is for the period October 2016 to September 2017 - so October 2013 to September 2014 is used as the comparator. Skills shortage vacancies are vacancies that are hard to fill because there is a lack of skilled or qualified people to take the job. Skills gaps are where existing staff are not fully proficient in their job role.

Wider commentary

Labour demand

VAT/PAYE registered organisations employed 802,000 in the North East LEP area in 2016. This is equivalent to 644 jobs per 1,000 working age population - a measure known as employment density. If we had the same employment density as England excluding London, there would be 916,000 jobs in the North East, an additional 114,000 jobs.



Looking forward, demand for labour in service sectors is projected to grow.

Strong growth in demand is also forecast for highly skilled occupations including managers directors and senior officials; professionals; and associate professional and technical occupations.

The largest employing sectors in the North East LEP area are:

Health (15.7%)

Manufacturing (11.0%)

Retail (10.0%)

Education (9.4%)

Employment by sector

Sector	% of total employment
Agriculture, forestry and fishing	0.2
Mining, quarrying and utilities	1.0
Manufacturing	11.0
Construction	4.1
Motor trades	2.0
Wholesale	2.6
Retail	10.0
Transport and storage (including postal)	4.1
Accommodation and food services	8.2
Information and communication	2.7
Financial and insurance	2.0
Property	1.7
Professional, scientific and technical	5.6
Business administration and support services	8.0
Public administration and defence	6.6
Education	9.4
Health	15.7
Arts, entertainment, recreation and other services	4.9
Total	100.0

Source: Business Register and Employment Survey (Nomis)

Labour supply

The proportion of the population that are of working age (aged 16 to 64) in the North East LEP area (63.3%) is similar to that of England excluding London (62.1%) and England (63.1%). However, the North East LEP area has an older age structure than the comparators with:

- A larger proportion of its population in the 50-64 and 65+ age bands
- A smaller proportion of its population in the 0-15 and 25-49 age bands

Looking forward, the North East LEP area population is projected to grow by 3.2% over the 10 year period from 2016 to 2026.

- This is below the rate of growth projected for England excluding London (6.2%) and the majority of the other core city LEPs

- 0-15 and 65+ are the only age bands projected to grow in the North East LEP area over the next 10 years

- The population is projected to decline in 16-24, 24-49 and 50-64 working age population groups in the North East LEP area. Combined, this will result in there being 24,000 fewer individuals of working age in the North East LEP area in 2026 than in 2016. This is equivalent to just 60.1% of the population in North East LEP area being of working age and is the lowest percentage of any core city LEP.

Qualifications and skills

The North East has a lower qualifications profile than England excluding London with:

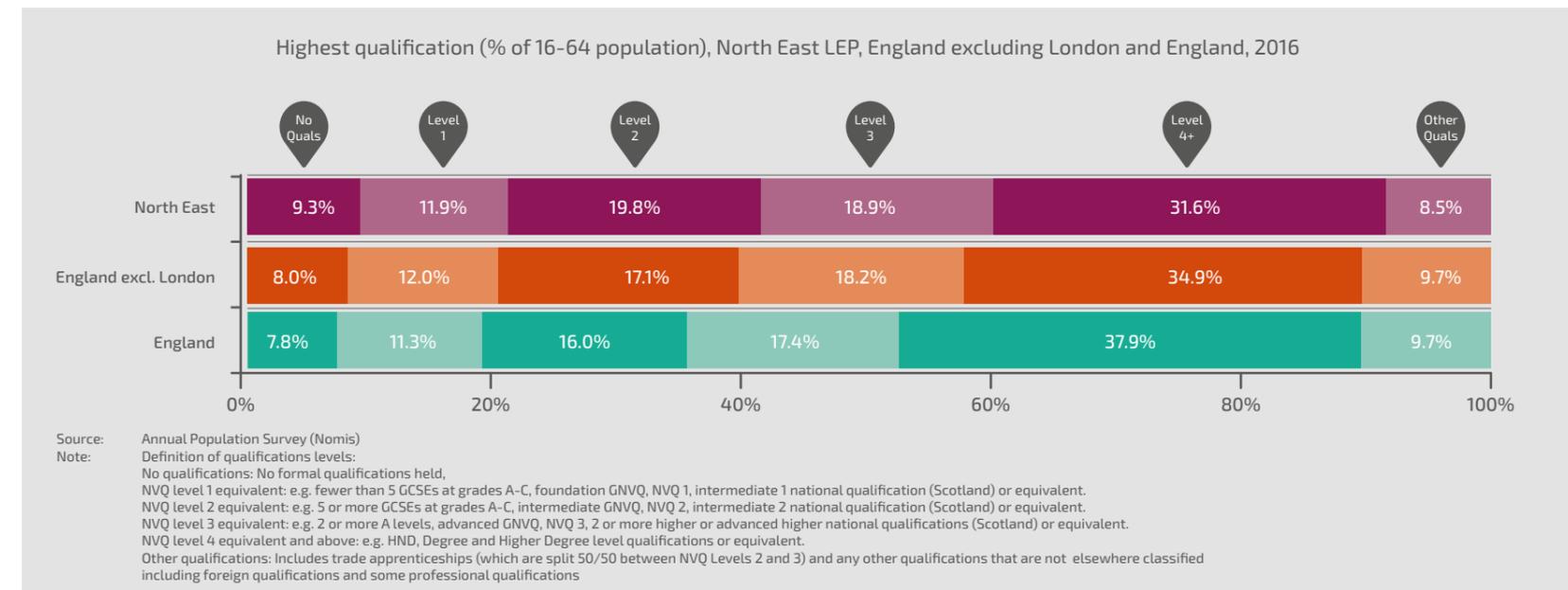
- More individuals with no or low (Level 1 and 2) qualifications

- Fewer individuals with high (Level 4+) qualifications.

In addition, only two core city LEPs have a lower proportion qualified to Level 4 and above than the North East LEP area and no core city LEP has a larger proportion qualified at Levels 1 and 2.

The qualifications profile of the North East is beginning to change. Since 2014, only Greater Birmingham and Solihull LEP and Liverpool City Region LEP have experienced larger increases in the proportion of their population that are qualified to Level 4 or above.

Young people have a higher qualifications profile than older age groups with, for example, 37.3% of 30-39 year olds in the North East LEP area having Level 4+ qualifications, compared to 26.7% of 50-64 year olds. The North East is the core city LEP that has seen the largest increase in the proportion of its 25-29 population qualified to Level 4+ and has had the second largest increase in the proportion of its 30-39 population qualified to this level.



Skills provision

Further education

The North East LEP area has 9 colleges:

- Bishop Auckland College
- Derwentside College
- East Durham College
- Gateshead College
- Newcastle College
- New College Durham
- Northumberland College
- Sunderland College
- Tyne Coast College.

There were 112,130 adult learners (19+) participating in government-funded further education (including apprenticeships) in the North East LEP area in 2016/17. Whilst this is a decline of 22% compared to 2013/14, this reflects the national trend with participations having fallen by 24% across England as a whole over the same period. Of these:

- 21% were in Level 2 courses
- 18% were in Level 3 courses.

The total number of adult learners in the North East LEP area achieving a government-funded further education qualification in 2016/17 was 81,750. The number achieving a qualification has fallen by 29% since 2013/14.

No data is currently available on the subjects being studied. However, previous analysis has suggested the most popular subject areas include:

- Engineering and manufacturing technologies
- Health, public services and care
- Arts, media and publishing.

Apprenticeships

Apprenticeships are a key element of skills provision, helping individuals to develop job-related skills while in employment. Apprenticeship training is delivered by colleges and training providers.

In 2016/17, there were 24,790 apprenticeship starts in the North East LEP area. 55% of apprenticeship starts were at Intermediate level, 38% at Advanced and 8% at Higher. The most common subject areas for apprenticeships in 2016/17 included:

- Business, administration and law
- Health, public services and care
- Engineering and manufacturing technologies
- Retail and commercial enterprise.

Universities

The North East LEP area is home to four universities:

- Durham University

- Newcastle University
- University of Northumbria at Newcastle
- University of Sunderland.

In 2016/17, the North East universities had:

- 64,460 undergraduate students (4.5% of all undergraduates at English HE providers)
- 18,610 postgraduate students (4.1%).

The most common subjects being studied at undergraduate level are business and administrative studies, subjects allied to medicine, social studies, biological sciences, languages and engineering and technology.

The North East is particularly overrepresented compared to England as a whole in the number of undergraduates studying architecture, building and planning; physical sciences; languages; and medicine and dentistry.

The most common subjects being studied at postgraduate level are business and administrative studies, education, subjects allied to medicine and engineering and technology.

The North East is particularly overrepresented compared to England as a whole in the number of postgraduates in agriculture and related subjects; languages; mass communication and documentation; and computer science.

Students at North East LEP area universities, 2016/17

	Undergraduate	Postgraduate	Total
Business and administrative studies	10,190	3,955	14,145
Subjects allied to medicine	7,225	1,800	9,025
Social studies	6,975	1,260	8,235
Biological sciences	6,650	1,150	7,800
Engineering and technology	4,235	1,655	5,890
Languages	4,320	905	5,225
Creative arts and design	3,720	605	4,325
Physical sciences	3,565	670	4,235
Law	2,970	860	3,830
Education	1,400	2,130	3,530
Computer science	2,575	845	3,420
Historical and philosophical studies	2,610	620	3,230
Architecture, building and planning	2,225	595	2,820
Medicine and dentistry	2,045	735	2,780
Mass communications and documentation	1,260	525	1,785
Mathematical sciences	1,550	155	1,705
Combined	610	0	610
Agriculture and related subjects	325	160	485
Veterinary science	0	0	0
Total	64,460	18,610	83,070

Source: Higher Education Statistics Agency

Job-related training

In addition, employers also make a significant investment in developing the skills of their workforce.

- When surveyed in 2015, 44% of North East LEP area businesses had a training plan in place and 29% had a budget for training. Both are similar to England excluding London (43% and 31%)
- 67% had funded or arranged training for their employees in the last 12 months (again, similar to England excluding London, 66%)
- The most common types of training funded or arranged by North East employers were job specific training (provided by 86% of employers who funded or arranged training), health and safety and/or first aid training (76%) and basic induction training (62%). Whilst a smaller proportion, the 46% providing training in new technologies are also notable.

7.8% of North East residents surveyed between October 2016 and September 2017 had received job-related training in the last 4 weeks and 14.6% had received job-related training in the last 13 weeks.

The North East had a lower proportion of its residents receiving job-related training than England excluding London and most other core city LEPs, with only Greater Birmingham and Solihull having a lower proportion.

Alignment between labour demand and supply

To have a well-functioning labour market, there must be a strong alignment between labour supply and demand – people need to have the skills employers need.

One way to measure this is to establish if any employers have hard-to-fill and skills shortage vacancies. When surveyed in 2015, 18% of North East LEP area employers had at least one vacancy in last 12 months (compared to 19% across England excluding London).

Of these:

- 38% had a hard-to-fill vacancy (compared to 41% across England excluding London)
- 27% had a skills shortage vacancy (compared to 29% across England excluding London).

This finding suggests more needs to be done to help ensure individuals in the North East are developing the skills required by employers and to encourage skilled workers to relocate to the region.

Looking at the existing workforce, 14% of employers in the North East LEP area reported having skills gaps. Whilst this is the same percentage as England excluding London, a smaller proportion of staff in the North East LEP area than nationally are considered 'not fully proficient' by their employers (4.2% compared to 5.2% across England excluding London).

What next?

Employment is growing, with many of the additional jobs in highly-skilled occupations. In addition, employment rates and economic activity rates are improving and qualification levels are increasing. Building on this success, the priorities for the North East are:

- Increasing the number of jobs in the North East. All strands of the North East SEP help contribute towards this goal, with business growth and access to finance playing the key role in jobs growth.
- Ensuring individuals develop the skills required by North East employers. This requires an improved understanding of employer skills needs, ensuring education and training opportunities reflect these needs and ensuring that individuals are aware of the good quality opportunities in the region. The North East LEP is working with partners to tackle these issues including:
 - Improving careers guidance in schools and colleges through North East Ambition
 - Preparing the region for technical skills reforms (T-levels) and championing a regional Institute of Technology that focuses on the key areas of opportunity in the North East
 - Encouraging more graduates of North East universities to stay in the region post-graduation through the Live Work and Stay campaign
 - Supporting employers to retrain, regain and retain the 50+ workforce

