

Sunderland Skills & Employment Demand Study 2011

EXECUTIVE SUMMARY



1. Executive Summary

Sunderland City Council identified a need for greater demand side intelligence on skills and employment issues in Sunderland. Without such intelligence on local employer needs it is difficult to influence local training provision and ensure that the Sunderland workforce has the requisite skills to equip it for current and future labour market opportunities. Evidence is provided within this report which corresponds to a number of the key aims outlined in the Economic Masterplan. This research will support the development and implementation of projects as part of the Economic Masterplan, including a new Skills Strategy for Sunderland.

The overarching aim of this project is:

To provide an overview of the current and future demand for employment, skills and labour in the City within key sectors and gather intelligence and data on recent workforce trends and labour forecasts.

TBR and QA Research were commissioned to conduct this research in April 2011. The study covered a period of 4 months, reporting in August 2011. The research involved telephone interviews with 750 employers in and around Sunderland, 39 in-depth telephone discussions with key employers, training providers and strategically important stakeholders in Sunderland's economy and a research workshop with representatives from Sunderland City Council and other public and Voluntary and Community Sector (VCS) partners, who have a key role to play in shaping the future of the Sunderland economy. This report synthesises and distils the key messages from the different aspects of the research.

1.1 Economic and workforce profile

Sunderland's Economic Masterplan acknowledges that there is a need to support sectors that are capable of delivering employment growth within Sunderland over the next fifteen years. Currently Sunderland's economy, which was historically focused on coalmining and heavy industry, has focused on the following four sectors, which account for more than three quarters of jobs in the city:

- Public administration, education and health (30.5%),
- Retail and leisure (20.1%),
- All Manufacturing¹ (14.9%)
- Financial and related business services (14.2%).

In recognition of this, there is a need to take a broader approach to identifying sectors capable of delivering significant jobs growth in the Sunderland area. This study analysed the Sunderland economy, to identify key employment sectors and focus the research upon employers based within these key sectors.

¹ The Advanced Manufacturing forms a key sector for the analysis within this report. Advanced Manufacturing is a relatively small component of All Manufacturing. The majority of employment in All Manufacturing comes within Basic Manufacturing, which is not analysed further in this report.

The following key sectors were identified:

Table 1: Sunderland's key sectors

| Sunderland's key sectors | |
|--------------------------------|-----------------------------------------------|
| Advanced Manufacturing | Food & Drink |
| Automotive Components | Health & Social |
| Basic Manufacturing | Leisure & Tourism (inc. accommodation) |
| Business Services | Professional, Scientific & Technical Services |
| Voluntary and Community Sector | Retail |
| Construction | Software |
| Creative & Media | Transport & Logistics |
| Engineering | Wholesale |
| Financial Services | |

These were determined as 'key sectors' based on the range of economic indicators and their potential to create future jobs in Sunderland. Qualitative research was conducted and discussions with the client were held to understand which sectors are currently small, but have the potential to contribute future growth to Sunderland's local economy (e.g. software). Sectors which are not defined as key sectors make a very small contribution to employment or GVA in Sunderland (e.g. Utilities; Agriculture, Forestry, Fishing, Mining & Quarrying; Real Estate) or are expected to see a decline in employment in the future (e.g. Public Sector and Education).

1.1.1 Sunderland's workforce profile

Understanding the characteristics of the workforce is essential in order to plan interventions effectively. The opportunity was taken in this project to collect data that could not otherwise be accessed (much of the demographic and diversity data such as gender, ethnicity, age, disability is readily available from national statistics). As such, this analysis considers a range of variables from the telephone survey such as working patterns, labour turnover and residence of workforce that are not as commonly available. The workforce is split into four occupational groups – Management/Professional, Skilled/Technical, Sales, Admin and Process, Elementary².

- 80% of organisations in Sunderland's key sectors employ 9 people or fewer, with 56% employing a workforce of between 1 and 4 people.
- Across the key sectors, employers have recruited an average 1.6 employees in the last 12 months and an average of 1.4 had left the organisation, evidencing modest growth in many companies.
- Across the key sectors an average of 28% of employers offer part-time contracts of less than 16 hours. Part-time contracts are more widely available in the Sales, Admin and Process (22%) and Elementary (33%) than they are in the Skilled/Technical (17%) and Management/Professional (11%) occupational groups. This observation reflects the general pattern of greater job security enjoyed by more senior occupational groups.

² It should be noted that workers in the Elementary occupational group are not 'unskilled'. The term Elementary does not indicate that workers performing these roles are without skills but connotes that they are performing tasks which are often relatively routine. Individuals rarely need specific qualifications to perform elementary occupation tasks, but will often need to undergo specific training to enable them to perform their role.

- Only 12% of employers across the key sectors employ people in the 16-18 age band. The sectors offering the greatest opportunity for employment to this group of young people are Leisure & Tourism and Food & Drink (26% and 23% respectively employ 16-18 year olds). Only 5% of employers in Retail employ 16-18 year olds, which is usually perceived as a strong sector for part-time work for young people.
- A higher proportion of employers (37%) include people aged 19-25 in their workforce. There appears to be much greater opportunities for employment for those in this group, with between 50-55% of employers in a number of sectors (ranging from Automotive Components to the Creative & Media Sector) employing young people in this group.

1.1.2 Future economic profile:

Within Sunderland's key sectors it is estimated that an additional 19,920 employees will be recruited over the next two years, with a relatively even split of people recruited in the next 12 months (9,550 or 48%) and the following 12-24 months (10,370 or 52%).

The majority of these new recruits (11,930 of 19,920) are expected to be in either Elementary or Sales, Admin and Process occupations, which tend to require relatively low level skills. Employers in the following sectors anticipate recruiting the greatest number of workers in the next 24 months:

- Food & Drink
- Health & Social
- Leisure & Tourism
- Transport & Logistics
- Construction³

The sectors that expect to recruit the most Management/Professional workers in Sunderland over the next two years are Food & Drink, Health & Social, Creative & Media, Transport & Logistics and Retail.

The sectors that expect to recruit the most people in Skilled/Technical occupations include Construction, Automotive Components, Food & Drink, Health & Social and Leisure & Tourism.

The sectors that plan to recruit the most workers into Sales, Admin and Process roles in the next two years include Construction, Food & Drink and Transport & Logistics.

The Food & Drink sector plans to recruit 5,000 Elementary workers in Sunderland over the next two years. Additionally, Leisure & Tourism, Voluntary and Community, Health & Social sectors plan to recruit a significant number of Elementary workers over the next two years.

At all occupational levels, Food & Drink is one of the sectors that plans to recruit the largest number of employees. However, given that this sector currently employs more people in Sunderland than any other sector this is perhaps to be expected.

Across the key sectors the pattern of employment growth which is forecast by Sunderland employers over the next 24 months appears to be relatively balanced, with recruitment anticipated across every key sector. Employers in the Wholesale, Advanced Manufacturing, Engineering and Financial Services sectors anticipate recruiting the fewest workers in the next 24 months.

³ It may seem strange that construction firms anticipate recruiting a significant number of people over the next two years given the difficult market conditions under which many firms in the sector are currently operating. However, this may be due to the fact that many construction firms have laid people off during the recent recession, coupled with the fact that construction firms often recruit large numbers of people on a non-permanent basis. As such the additional recruitment of construction workers may not increase the size of firms in the sector particularly significantly.

However it should be noted that Engineering and Advanced Manufacturing sectors account for the smallest share of employment⁴ of any key sector in Sunderland, so the fact that they are projected to create relatively small absolute numbers of new jobs is not particularly surprising.

1.1.3 Consultation findings

The results of the primary research conducted in the course of this study are presented in this section of the report, with a particular focus on skills issues. For comparative purposes interviews were conducted with a sample of employers who are based in areas close to Sunderland (Chester-le-Street, Team Valley and Birtley). It should be noted that the telephone survey was conducted with a sample of employers from the key sectors listed above, rather than with employers from every sector of the Sunderland economy.

The key subjects broached in the telephone survey and depth interviews included:

- Skills shortages and recruitment difficulties
- Skills gaps
- Employment of young people and other people from disadvantaged groups
- Business development aspirations
- Qualifications and training issues
- Future skills issues

A distinction is made between employers experiencing skills shortages and those experiencing skills gaps. The two terms are defined as follows:

- **A skills 'shortage'** is where there is a lack of adequately skilled individuals in the labour market.
- **A skills 'gap'** is where individuals within the existing workforce have lower skill levels than are necessary to meet business objectives.

Skills shortages:

- One fifth (21%) of businesses that had recently tried to recruit had experienced difficulties. This compares with 22% amongst employers based outside Sunderland.
- Over half of Sunderland employers surveyed had experienced difficulty in recruiting to skilled/technical roles.
- The most frequently cited skills that employers struggle to access are 'technical skills' (36%) related to the sector.
- The employers that reported the highest proportion of difficulties were those in medium sized businesses (between 50 and 99 employees).
- The main reported impacts of skills shortages include an increased workload for others, lost business and increased operating costs.
- Due to higher unemployment, there may be a larger labour pool to draw on for employers in some sectors, resulting in a better choice of candidates.

⁴ As discussed previously, the Basic Manufacturing sector employs a far greater number of people. This is what causes All Manufacturing to be a major employer in Sunderland.

Skills gaps

- 18% of employers in Sunderland's key sectors reported skills gaps. This is higher than the comparative figure for the outside Sunderland area of 16%.
- A slightly smaller proportion of employers in Sunderland reported skills gaps than the proportion that reported skills shortages in Sunderland, suggesting that this is a bigger issue for more employers than skills shortages.
- As with skills shortages, the sector with the largest proportion of employer reported skills gaps was Transport & Logistics.
- Just over half of employers reported skills gaps in skilled and technical roles.
- A difficulty in keeping up with change was the most frequently cited reason for skills gaps.
- As with skills shortages⁵, a larger proportion (36%) of medium sized businesses in Sunderland (with between 50 and 99 employees) perceive skill gaps in their workforce than smaller or very large businesses.
- Increased workload for others, increased operating costs and lost business were the most frequently reported impact of skills gaps in Sunderland.

Employment of young people

Participants in the in-depth interviews articulated generally positive experiences of employing young people, although there were issues with the work readiness and discipline of younger employees. A number of (business and stakeholder) respondents noted that the schooling which young people had received was not suitable to find work. The result of this was that some young people would have a poor grasp of basic skills, which excluded them from job opportunities. There was a feeling that some young people are not sceptical about their ability to achieve their potential and that this dents their ambitions. Occasionally, young people give the impression that they lack sufficient 'drive' to try and become employable, with some suggestion that young people face pressure from their families not to accept work because of the impact (real or perceived) on household benefit entitlement.

The job market is perceived to be difficult for young people at the moment, whilst certain sectors are felt to only employ people with a certain (minimum) skills and experience level, which means that young people are precluded from employment in these sectors (e.g. software companies were seen to recruit people with experience which is beyond that which a young person could gain). Stakeholders felt that if the labour market is not responsive to young people, it can be challenging for the individuals, consigning them to periods of poor economic quality of life and associated difficulties.

Apprenticeships are seen as a valuable passage into employment for young people. Interview respondents noted that there needs to be more access for young people through this route.

Young people are felt to suffer from poor transport links within communities, which is a particular issue for those who cannot drive. Some interview respondents felt that young people were not prepared to travel. However, without accessible and scheduled transport, young people cannot access employment opportunities. There is also a need for transport to be affordable for young people. The cost of public transport can be a barrier to young people entering the workplace or accepting a work experience opportunity.

⁵ 46% of employers in this size band were found to have skills shortages

A key aim of Sunderland's Economic Masterplan is to create an inclusive city economy for all ages. A key component of this aim involves attracting and retaining young people in the city and ensuring provision of suitable employment opportunities for them. The Economic Masterplan also recognises the importance of providing children and young people with the skills required to support the local economy in the future.

Employment of people from disadvantaged groups

Stakeholders felt that many firms did not employ people from disadvantaged groups as they were seen as a risk and that firms often had negative perceptions of people from disadvantaged groups. Some employers felt that they did not have the right type or enough work to offer positions to people from disadvantaged groups. Stakeholder interviews suggested that as a result of the employment market being tough at the moment, disadvantaged groups were affected disproportionately.

In employing people from disadvantaged groups, interviewed companies note a number of hurdles which exist, including CRB checks and legislation concerning working with vulnerable people. Furthermore, companies that use employment agencies have experienced people from disadvantaged groups being 'filtered out' from the selection process.

Some businesses noted that people from disadvantaged groups provided a valuable employment source. Businesses that were interviewed suggested that if training was subsidised and more information was provided to firms on the benefits of, or steps to take when, employing people from disadvantaged groups then this could make a positive difference in opportunities for disadvantaged individuals. Stakeholders also identified subsidies as being important for employing people from disadvantaged groups, helping to pay for training or equipment which aids the individual.

Business development aspirations

Sunderland employers' recruitment intentions are tentatively positive over the next 24 months. Comparing the proportion of firms that **are** intending to recruit against the proportion that **are not** provides a basic index that enables straightforward comparison. Almost two fifths (39%) of employers surveyed indicated that they would be recruiting in the next 24 months; compared to 34% of employers that indicated that they would not – giving a headline index score of +5. The overall recruitment intentions of firms in the three areas studied outside Sunderland were slightly more positive than in Sunderland itself. Using the basic index, intentions over the next 24 months are +12.

The employers who do not intend to recruit cited prevailing macroeconomic uncertainty as the primary reason for not anticipating growth in their business, with some firms focusing on survival in the short term. The recruitment outlook for the Creative & Media (+43) and Business Services (+33) sectors is markedly more buoyant than the Sunderland average. Sunderland's Economic Masterplan identifies the Creative & Media sector as a specific economic opportunity for the future growth so it is encouraging to see that employers in this sector are optimistic about future prospects for growth in their firm. Furthermore, green industries, which use transferable skills from advanced engineering and manufacturing, were considered to be important future economic drivers. This again ties in positively with Sunderland's Economic Masterplan which outlines the area's ambition to become a national hub for low carbon technologies.

A greater proportion of respondents (49%) suggested that their demand for labour is likely to be driven by business expansion than by replacing existing workers (26%).

Qualifications and training

Employers in Sunderland's key sectors are apparently ambivalent towards qualifications with the same proportion of employers (38%) viewing qualifications as either important or very important as the proportion of employers who deem an applicant's qualifications as not influential when recruiting a new employee. Employers felt that it was more important for applicants to possess experience, soft skills (such as communication, good presentation) and basic skills in numeracy and literacy. However, some qualifications can be a strong signal to prospective employers that individuals have these desired skills. Firms outside Sunderland were considerably more likely to recognise and value professional qualifications than firms within Sunderland.

Respondents who had previously experienced recruitment difficulties placed more value on qualifications than those that have not had these difficulties. This suggests that perhaps it is an absence of appropriately qualified applicants that have been the cause of their difficulties.

Vocational skills were seen as important to some employers, especially within Engineering or Manufacturing firms. Many firms and businesses in these sectors had a relationship with a local college or university, either formally (e.g. learning partnerships) or informally (e.g. individual contacts at a college). Interview respondents saw linkages between training providers and businesses as vital. Employers are seen to benefit through knowledge transfer, partnerships, and problem solving coming from close relationships. It was felt by stakeholders that these linkages need to be stronger, whilst many employers felt that in the future they would like to work closer with local universities and colleges.

Feedback from survey participants on their knowledge and understanding of the availability and benefits of training in their local area was generally positive. However, qualitative consultation with employers revealed that many of them were confused by the array of qualifications within the marketplace; for example many employers were unaware that it was possible to share an apprentice between more than one firm.

When asked about the methods used to provide training for staff, the most frequent selection made by respondents was 'on the job coaching' (57%), followed by 'training developed internally by the organisation itself' (48%) and 'mentoring', 'personal knowledge development' and 'NVQs' (all 31%).

The majority (65%) of training undertaken is fully funded by the firms themselves. However, some employers rely upon subsidies or grants to provide training and felt that their training and education programme might have to change in the future if this funding was cut. Stakeholders also commented that changes to funding for post 19 apprenticeships make it less financially viable for some companies to take people on. Some employers commented that economic pressures might make internal training more attractive in the next few years.

Future skills issues

Customer Handling Skills and Oral/verbal Communication Skills were identified by employers in Sunderland's key sectors as the most critical to the success of their organisation over the next 24 months. Interview respondents saw that skills associated with the green economy would be important. There is also a need to retain skills which will be important after the economic downturn (but that may be at risk if a lack of job opportunities in certain sectors prevent workers from finding a job role which utilises their skills). For example, the construction sector will need skilled trades people when it starts to grow in the future.

There is a weak but discernible positive correlation between the number of people a firm employs and its anticipated demand for Elementary labour. Firms who have faced recruitment difficulties previously, place significantly greater emphasis on the importance of Skilled/Technical occupations to the growth of their business. When asked how they expected to satisfy demand in these occupational groups, the majority of respondents (69%) indicated that they intend to train existing staff. This was in preference to training new members of staff who have been recruited with the potential to develop into roles (44%) and to recruiting staff who already have the skills required (38%).