

Skills Economy and Regeneration Scrutiny Panel Policy Review 2014/15

Future Proofing of Skills - Draft Report

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1 Foreword from the Scrutiny Lead Member for Skills Economy and Regeneration

It gives me great pleasure to introduce the Skills Economy and Regeneration Scrutiny Panel's policy review into the future proofing of in Sunderland.

The changing nature of the global economy and the impact of technological and demographic change has resulted in accelerating changes to future skills demands. In this changing economic environment, any growth in the local economy will be highly dependent on the workforce possessing the right skills and in the right numbers

There has been a persistent concern that our national skills system has not been supplying the right type and level of skills. This weakness in skills has manifested itself in a low rate of productivity and low wages compared to other advanced economies

The ability of Sunderland to increase its supply of highly skilled workers is driven primarily by the extent that the city and region is able to grow the overall size of its economy. It is important to encourage growth in all areas of the economy. We need the right quantity and quality of job. We need to increase economic growth generally and in a number of key growth areas in order to increase demand for high skills. It is not enough to prepare individuals for work; we must ensure that quality jobs are available.

In order to respond to these challenges, the city needs to focus on both long standing sectors of the economy such as automotive, manufacturing and contact centres while supporting new and emerging sectors such as software and IT and creative and media.

The review therefore examines the opportunities and challenges for the city in seeking to improve its skills base and meet future skill demands in the city. In doing so, the Panel has spoken with a wide range of organisations from the private and public sector in order to understand the impact of economic change on the people of Sunderland.

In conclusion, I would like to thank my colleagues on the Skills Economy and Regeneration Scrutiny Panel and all of the officers and staff involved for their hard work during the course of the review and thank them for their valuable contribution.

Councillor Dianne Snowdon, Lead Scrutiny Member for Skills Economy and Regeneration

2 INTRODUCTION

- 2.1 During the period up until the late 1970's Sunderland was a city heavily reliant for its prosperity on the shipbuilding and coal mining industries. When these industries fell into decline, the city suffered a sharp economic downturn and a period of severe unemployment.
- 2.2 Since then Sunderland's economy has been transformed through the development of automotive and advanced manufacturing and financial and customer services (contact centres). This has resulted in a dramatic change in the skills required of the workforce of the city.
- 2.3 However, the changing nature of the global economy and the impact of technological and demographic change has resulted in accelerating changes to future skills demands. In this changing economic environment, any growth in the local economy will be highly dependent on the workforce possessing the right skills and in the right numbers.
- 2.5 There has been a persistent concern that our national skills system has not been supplying the right type and level of skills. This weakness in skills has manifested itself in a low rate of productivity and low wages compared to other advanced economies.
- 2.6 While levels of participation in further and higher education have increased in recent years there is a widely held view that this increase is still not enough and that the UK faces the prospect of having a under qualified workforce which will constrain future growth. In effect there are still too many adults and young people who lack basic skills including literacy and numeracy which will be increasingly required in the future.
- 2.7 This has been accompanied by a belief that the UK has historically failed to provide sufficient vocational training to meet skill demands in the workplace and that vocational training has been undervalued by individuals and employers.
- 2.8 This review therefore examines the opportunities and challenges for the city in seeking to improve its skills base and meet future skill demands in the city. In doing so, the Panel has spoken with a wide range of organisations from the private and public sector in order to understand the impact of economic change on the people of Sunderland.

3 AIM OF THE REVIEW

- 3.1 The purpose of the review is to consider the measures being taken to future proof jobs in the city.

4 TERMS OF REFERENCE

4.1 The Panel agreed the following terms of reference for the review:-

- (a) to consider the background to skills development at a national and local level;
- (b) to assess the current and anticipated future demand for skills in the city;
- (c) to consider the work being done to develop the city's skills base focusing particularly on the anticipated growth sectors of advanced manufacturing, engineering; software, professional and financial services and creative industries.

5 MEMBERSHIP OF THE PANEL

5.1 The membership of the Skills Economy and Regeneration Scrutiny Panel consists of Councillors Dianne Snowdon (Lead Member), Michael Dixon, Len Lauchlan, Christine Marshall, Bob Price, Billy Turton, Mary Turton, Peter Wood and Tom Wright.

6 METHODS OF INVESTIGATION

6.1 The following methods of investigation were used for the review:

- (a) Desktop Research
- (b) Evidence from relevant Council officers
- (c) Discussions with key stakeholders from the public and private sectors including Iain Nixon, Executive Director - Sunderland College, Denise Wilson - Springboard Sunderland, Ian Green – NISSAN, Ian Fawdon, Local Response Fund Project, Gemma Taylor - City Hospitals Sunderland, David Dunn - Sunderland Software City, Simon Marshall, Head Teacher Highfield Community Primary School and member of the Education Leadership Board, David Donkin, Assistant Director University of Sunderland.
- (d) Attendance at the Advanced Manufacturing Sector Work Discovery Day held at the Skills Academy for Sustainable Manufacturing and Innovation (SASMI), Washington – hosted by NISSAN
- (e) Attendance at the Software Sector Work Discovery Day held at the Sunderland Software Centre – hosted by Sunderland Software City.

7 FINDING OF REVIEW

Findings relate to the main themes raised during the Panel's investigations and evidence gathering.

7.1 National Skills Agenda

7.1.1 In order to help understand the background to the development of skills in the UK, the Panel looked at the legislative and policy framework shaping skills policy nationally, regionally and locally.

- 7.1.2 In terms of the national agenda, numerous strategies, white papers and Acts of Parliament have been introduced aimed at ensuring the UK has a highly skilled workforce equipped to meet the challenges of global competition. These include the Leitch, Wolf and Richard reviews, the Further Education and Training Act 2007; Education and Skills Act 2008; Apprenticeships, Skills, Children and Learning Act 2009; and the Education Act 2011.
- 7.1.3 Since 2009, the Department for Business Innovation and Skills (BIS) has been responsible for national skills policy in England, while the Skills Funding Agency provides around £4bn funding each year for skills training for further education (FE). This funding supports over 1,000 colleges, private training organisations and employers.
- 7.1.4 A growing theme of the national agenda has been the perceived gap between the skills needed by employers as compared to the skills provided by the education, skills and employment system.
- 7.1.5 In recent years, national policy has increasingly focused on a number of key objectives to close this gap including:-
- Transferring funding for apprenticeships from training providers to employers;
 - Ensuring that adult qualifications are fully relevant to the needs of industry;
 - Developing the links between training targets and labour market needs;
 - Forming industrial partnerships between groups of employers;
 - Providing work experience as a central part of vocational training;
 - Incentivising employers to invest in training institutions.

7.2 Regional Skills Agenda

- 7.2.1 As well as the national picture, there is also a regional element to the skills agenda; one that looks likely to grow during the next few years with the recent establishment of the North East Local Enterprise Partnership (NELEP) and the North East Combined Authority (NECA).
- 7.2.2 The North East LEP is a business led strategic vehicle responsible for promoting economic growth in the North East. The North East LEP is the fourth largest in the UK covering the local authority areas of Sunderland, County Durham, Gateshead, Newcastle, North Tyneside, Northumberland and South Tyneside.
- 7.2.3 The North East Combined Authority brings together the same local authorities and has been formed to promote jobs and growth focusing on strategic planning, inward investment, skills and transport.
- 7.2.4 The North East Local Enterprise Partnership (NELEP) has responsibility for providing tailored and integrated responses to skills and employment issues at regional level. The NELEP has recently published a Strategic Economic

Plan for the North East which aims to create 100,000 new jobs by 2024. The Plan looks to address a number of key weaknesses in the north east economy. These include closing the skills gap between the north east and other areas, tackling the comparative lack of private sector jobs and looking to secure better quality jobs to increase productivity.

7.2.5 Through the European Structural and Investment Fund, the North East LEP has been awarded an indicative allocation of £460m of European Regional Development Fund (ERDF) and European Social Fund (ESF) to support this work for the period 2014-2020.

7.3 Local Skills Agenda

7.3.1 The Sunderland Economic Masterplan sets out the direction for the city's local economy and identifies the key actions that public, private and voluntary sector partners need to take to ensure a prosperous and sustainable future.

7.3.2 One of the main themes running through the Masterplan is the need to tackle the prevalence of low skills in the city, improve the range of industries and careers opportunities and the number of well-paid jobs.

7.3.3 The Economic Masterplan refers to a number of key sectors which represent the main opportunities for growth for the city. These priority sectors are:-

- Software
- Creative Industries
- Advance Manufacturing/Low Carbon Vehicles

7.3.4 The remainder of the report will go on to look at the likely future demands for skills in the city and the measures being taken to secure their supply. In doing so the report will refer to the issues highlighted by our partners from the public and private and voluntary sector during our review.

7.4 Future Skills Demands

Global Economy

7.4.1 Given the complexity and speed of change in the global economy, it is can be extremely difficult to anticipate the future demand for skills. For example, how many people could have foreseen the rapid development of technologies such as computers and internet and the extent to which they have transformed the global economy. Indeed, during our discussions it was highlighted that around 65% of today's school children will eventually be employed in jobs that have yet to be created.

7.4.2 However, there are number of global, national and local trends that can help us to gauge the general direction of skill needs in the future.

- 7.4.3 Increasing global competition encourages and makes it easier for businesses to locate in the most competitive areas. Increasingly more straightforward low skills industries are being transferred to countries with lower wage costs.
- 7.4.4 It is forecast that demand will rise for those able to fill jobs in more highly skilled occupations. The major occupational groups expected to expand in the coming years are managers, professionals and technical. Among engineering high tech IT and science firms there is particular concern that there will be insufficient people to fill their high skilled jobs. Employers will increasingly want more high qualified people and fewer people with low or no qualifications.
- 7.4.5 Employers are looking for an ever widening skill set. In addition to numeracy and literacy they are looking for science, IT skills, creative and social skills. These skills are increasingly required in high value sectors which will be a key to rebalancing the economy.
- 7.4.6 Today's young people face increased competition from more experienced workers to access entry level positions. Traditionally lower skilled jobs have served as labour market entry points for many moving out of unemployment and their declining number emphasises the need for everyone to have a strong platform of basic skills on which to build.
- 7.4.7 The prevalence and rapidity of technological change is altering the way we live and work. The development of new technologies and the digital revolution will fundamentally affect the labour market. For example advanced robots are able to perform an increasing number of manual tasks and the workforce will be increasingly susceptible to automation. The skills of the local population must be able to adapt to new uses of technology and stay at the forefront of changing technological demands. There will also be the need to find new employment for people affected by technology which does away with jobs at the lower end of the skills spectrum.
- 7.4.8 A further challenge for most advanced western economies is the emergence of an older working population. An ageing population brings with it different capabilities within the local labour force that need to be integrated within the local economy. It also leads to requirements for new skills to meet the demands of older people for healthcare, social care and transport provision.
- 7.4.9 It is estimated that approximately 80% of the people who will be in the workforce in 2020 have already left compulsory education. If we are to meet the demands of the future we must also improve the skills of our existing workforce.

Local Factors

- 7.4.10 As well as the global and national development there are a number of factors more specific to Sunderland that will affect future skill demands in the city. These include the resurgence of some parts of the advanced manufacturing and engineering base and the expanding digital economy.

7.4.11 The Panel heard from Ian Fawdon who was undertaking a Local Response Fund Project into the training needs of the existing workforce. This had involved working closely with SMEs in the engineering and manufacturing industries. Ian noted that it was encouraging that most of the companies in the area do have long term strategic plans for growth.

7.4.12 The Sunderland economy has also seen some encouraging signs of growth in the performance of its knowledge-intensive industries and professional and managerial services. Skills shortages were being reports in areas as varied as welding, design skills, mechanical engineering marketing, project management and digital marketing.

7.4.13 During our review we met with representatives from a range of public and private sectors bodies in order to consider in more detail the potential growth areas of the local economy and the potential skill constraints.

Advanced Manufacturing and Engineering

7.4.15 As part of the review, the Panel attended an Advanced Manufacturing Work Discovery Sector Day held at Nissan Car Plant. The event was attended by representatives from Nissan and a number of manufacturing/engineering firms based in the city including Calsonic Kansai, Grundfos and Liebherr.

7.4.16 We heard that manufacturing remains a key sector within the Sunderland economy (17,700 jobs) despite declining trends nationally. Since 1998 Sunderland has seen employment in motor vehicle and transport equipment manufacturing rise to 7.2% of the city total, well above the regional (1.5%) and national (1.2%) equivalents. Of particularly significance is the presence of Nissan and its supply-chain activities.

7.4.17 Nissan is now the biggest UK car maker of all time. In 2013 it made over 500,000 cars for the second year running. Around 81% of its cars are exported to mainland Europe representing 1.4% of the UK's total exports abroad.

7.4.18 Nissan makes a major contribution to the city and the region. Since its inception, around £16bn has been invested in the Washington plant. About 7,000 people work in the Nissan factory and in all 21,000 jobs are supported in the northeast by way of the regional supply chain.

7.4.19 Nissan is also the market leader in Electric Vehicle technology with recent investment in the Sunderland plant to produce the all-electric Leaf and the battery plant.

7.4.20 However there are a number of other developments in the city that are increasing demand for manufacturing and engineering skills.

7.4.21 The City Deal builds on the success of Sunderland's car industry with an International Advanced Manufacturing Park to boost the local supply chain

and attract further investment. It is estimated that City Deal will bring in £295m of private sector investment in advanced manufacturing and create 8,000 jobs in Sunderland by 2051 through projects such as the new bridge crossing the Wear and the International Business Park.

7.4.22 The new International Business Park is located to the west of the A19 and crosses the border of Sunderland and South Tyneside. It will consist of a new International Advanced Manufacturing Park and have automotive, offshore and other high tech investments. The international advanced manufacturing park is due to be completed by 2027 creating 5,000 manufacturing jobs.

7.4.23 The city has also been allocated a £12m grant from the Regional Growth Fund to boost business growth around the city by improving transport links. This funding will improve transport infrastructure at all key points. It will also include new infrastructure around Sunderland's Low Carbon Enterprise Zone and create links in busy areas to pave the way for expansion of its business sectors. These include new roads linking the location of the new bridge with the city centre and infrastructure at the Port of Sunderland to support more offshore and marine engineering activity

7.4.24 While welcoming these developments it is clear that they will create additional demands for skilled workers. All of the firms we spoke to told of particular shortages in technical skills such as welding, tool making, design skills and mechanical engineering. One of the most pressing problems are the implications of a relatively aging workforce; many of whom will be retiring at around the same time. Unless these employees and the skills they possess are replaced then this could result in a major brake on growth. There is also the need to continue to upskill the existing workforce in order to adapt to new processes and technical innovation. For example, Nissan's increasing use of robotics in the construction process has led to more emphasis on IT skills and programming with the resulting need for further training in these areas.

7.4.25 These concerns were repeated by Liebherr and Calsonic Kansai. Like Nissan, these firms are beginning to experience difficulties in attracting staff with the necessary skills. The firms also have an aging workforce with many employees and their skills needing to be replaced in the near future.

7.4.26 Manufacturing and engineering firms in Sunderland are also increasingly facing competition for skilled workers from other parts of the region as exemplified by the Hitachi factory at Newton Aycliffe. It was felt that this could intensify the skills shortages currently being experienced in the advanced manufacturing sector of the economy.

Software

7.4.27 During our review we met with David Dunn, Chief Executive Officer of Sunderland Software City on the challenges facing the software sector in the city.

- 7.4.28 We were told that the software sector was currently the fastest growing part of the knowledge based economy. It was felt that the potential existed for it to grow still further but that such growth was in danger of being constrained by a shortage of skills. This was a problem not just for Sunderland but for the north east and the country generally.
- 7.4.29 It is estimated that there are currently 140 companies operating in the city's software sector in Sunderland, employing around 850 employees and generating £29m in revenue. This represents around 10% of software companies operating in the region. Most are smaller companies and the number and size of these firms are growing.
- 7.4.30 While the software industry is currently a small sector in terms of turnover and employment there do exist real opportunities for growth. Furthermore software sector is an areas where nearly 75% of employment is highly skilled. The sector is therefore associated with relatively well paid jobs, good future job prospects and a rapidly expanding national and international market.
- 7.4.31 It was emphasised that the impact of the software sector cannot be looked at in isolation contributing as it does to the success of other sectors such as creative, media and manufacturing. In fact, the sector was perhaps best viewed as a form of virtual manufacturing.
- 7.4.32 During recent years, the city has continued to build upon its work developing physical infrastructure to support the development of technology, software and manufacturing, most notably the state of art facilities available at the Software Centre, Evolve at Rainton Bridge and Washington Managed Workspace.
- 7.4.33 The Sunderland Software Centre is a £12m state of the art building on the edge of the city centre. The three-storey centre offers space for more than 60 businesses and is purpose built for businesses in the technology field..
- 7.4.34 Washington Managed Workspace is a £6m investment funded by the Council and ERDF. It offers a mixture of managed offices and workspaces and is anticipated to create 200 new jobs and 25 new businesses.
- 7.4.35 The Evolve Business Centre is a state of the art e-commerce centre designed specifically to meet the needs of the area' technology based companies. The Centre is intended as a developing hub for knowledge based information and communication technology businesses.
- 7.4.36 However, the potential of such physical assets will only be fully maximised if the city can deliver staff with the necessary skills.

Health and Care

- 7.4.37 During our review, the Panel heard from Gemma Taylor of City Hospitals Sunderland about the skill shortages being faced by in the Health and Care

Sector. This sector is a major employer in the city and is likely to be a growing sector in the future.

7.4.38 Most of these shortages are in the fields of nursing and health care. New City Hospital is taking part in a National Pilot scheme which gives people the opportunity of spending 1 year as a nursing assistant then starting a course at Northumbria University. It was noted that it can take four years to train a nurse and therefore it was difficult to plug skills gaps in the short term. There is also an increasing need to train staff in the use of IT and digital services.

Creative

7.4.39 Creative Industries represents a diverse set of activities ranging from architecture, crafts, design, music, film, the performing arts, publishing, media, fashion and advertising.

7.4.40 It is estimated that there are approximately 640 companies in the creative industries sector employing around 2,500 people and with a turnover in the region of £136m. While still relatively small the sector has the potential for substantial future growth.

7.4.41 The City has an impressive set of cultural assets which include a history of glass making, the University with its range of Arts, Design and Media facilities (including the National Glass Centre) which have been recognised for its quality, along with new Innovative Creative businesses setting up in the City.

7.4.42 While the sector is still relatively small, the Panel referred to the growing vibrancy and potential of the cultural and creative sector, the contribution it can make to the attractiveness of the city as a place to live and work and its potential for future growth. It is considered important for the sector to look to increase business support with key partners such as the University, improve business skills for start-up and existing business and help with specialised training and advice.

7.4.43 The development of Keel Square should have a highly positive effect on the growth of the cultural and arts sector in the city. But once again this will only be fully exploited if the city has necessary skills base. In this regard, the University can have a major impact in helping to meet these demands.

Professional and Financial

7.4.44 Over the past fifteen years, Sunderland has also developed a growing specialism in financial and related business services, mainly through call centres, especially for life insurance and banking. Although these are not highly paid jobs, they call for skill and interpretation, and are rewarded accordingly.

7.4.45 However, the city has also begun to plan for the development of more high level financial and professional services. Central to this aim will be the establishment of a Central Business District on the Vaux site which should help to bring more high value financial and professional jobs to the city as well as other jobs in retail and the leisure sector. It is hoped that the new Central Business District could generate up to 4,000 jobs in a variety of sectors, increasing spending in the city centre and supporting the development for a broader urban economy. However, the development of the new central business district will be a term development that should reach full fruition over a 10-15 year period.

7.5 Future Skills Supply

General

7.5.1 During our review we heard about the range of sectors experiencing skills shortages within the city. As the next stage in our review, we went on to look at the measures being taken to meet these shortages both in the long and short term.

7.5.2 In doing so we heard from a range of organisations including schools, the University and the FE collage, local training providers and employers. During our discussions a number of general issues were highlighted:-

- There is a need to raise the skill levels of the whole city in order to satisfy the long term trend for a shift in demand for higher skills;
- We must improve transferable skills to maintain a flexible workforce;
- We must tackle the problem of young people and adults who are excluded from training and the jobs market through a lack of basic skills;
- We must increase the supply of intermediate and technical skills to overcome shortages and improve the supply of high level skills;
- We must increase the number and quality of apprenticeships within the city;
- The area continues to have a higher proportion of its workforce qualified to NVQ levels 2 and 3 than the national average. The area lags behind in the terms of the highest skills levels NVQ 3 and 4;
- The most effective way of increasing the supply of highly skilled people will be through the retention of graduates;
- We need to improve maths and science achievements by 16 yrs olds and strengthen technology skills;
- Employers believe that it is important for children to start developing employability skills including self-discipline, team working and effective communication skills.

Employers

7.5.3 As we have previously mentioned, the role of employers in the development of skills is a key one.

- 7.5.4 For many years, employers have been critical of the role of schools and colleges in preparing young people for the world of work. For the business sector, the skills possessed by those leaving full time educations and training do not adequately meet their requirement and has therefore contributed to persistent skill shortages.
- 7.5.5 Many employers have been critical of the literacy and numeracy skills of young people entering employment. There is also concern at the lack of young people with so called STEM skills (Science, Technology Engineering and Maths).
- 7.5.6 While many employers regard qualifications and high standards of literacy and numeracy as essential they also strongly value certain attributes that they feel are sometimes lacking in job applicants. Such employability skills include skills in teamwork, problem solving, communication, time management and information technology as well as qualities such as self-confidence, creativity, flexibility and empathy.
- 7.5.7 During our review, employers also expressed concern at the low level of interest among women for jobs in growing sectors such as advanced manufacturing, engineering, IT and software. It was felt that more could be done to change the perception of these sectors in order to make them a more attractive career option for women.
- 7.5.8 We heard that there is a commitment that the local business community will enable every school and learning provider to establish a strong link with at least one employer. This will help bridge the gap between education and employment enrich the curriculum and provide positive role models. Employers are being encouraged to offer first-hand experience of the world of work, broaden the horizons of children and their families, and inspire learners to success.
- 7.5.9 One initiative designed to help the skills challenge is the Skills Academy for Sustainable Manufacturing and Innovation located next to Nissan which is a £9.8 million state of the art facility. It is the only one of its kind in Europe and is dedicated to training and development in the Low Carbon Vehicle sector.
- 7.5.10 We also heard that Nissan is trying to reach out to the community and create an environment to encourage engineering training. A school engineering event for 2,000 children is held every year in order to encourage young people to be more interested in a career in engineering and manufacturing.
- 7.5.11 During our review we heard that Nissan is continuing to look to develop links with schools and make schools, parents and pupils more aware of the opportunities available in engineering and advanced manufacturing. However, it is recognised that while Nissan have the resources and capability to work with schools, many smaller firms struggle to free up resources for such work.
- 7.5.12 David Dunn highlighted a number of initiatives taking place in the software sector to ensure that there are a sufficient number of skilled young people

entering the sector. The software businesses in the city have developed a close relationship with University of Sunderland and this relationship continues to develop. Software City also does a lot of work with schools aimed at boosting the image of the software sector and dispelling the myth that there are few opportunities in the software sector.

7.5.13 With regard to IT and software, it is felt that many people are not entering the sector because of lack of understanding of the opportunities and an awareness firms located in the area. It was felt that more could be done to publicise these firms and the range of jobs opportunities available.

7.5.14 A lot of work was currently going on to link firms with schools within the city. For example the Panel was invited to attend a Software Sector Work Discovery Day held at the Sunderland Software Centre. During the event secondary school children were given the opportunity to meet with local software firms operating in the area and learn more about the range of opportunities available.

Apprenticeships

7.5.15 Another area where employers play a key role in skills development is in the creation of apprenticeships.

7.5.16 As mentioned previously, apprenticeships can play a significant role in improving the city's skills base and are increasingly becoming the norm for those going into work via the vocational route.

7.5.17 An apprenticeship can be defined as a real job with training. As employees, apprentices earn a wage and work alongside experienced staff to gain job-specific skills. Most of the training is 'on the job' but usually includes off the job training to work towards a nationally recognised qualification, such as a National Vocational Qualification (NVQ) provided by a local college or by a specialist learning provider.

7.5.18 There are three age groups for apprenticeships; 16-18 yr olds, 19-24 yr olds and those aged 25+. Apprenticeships can take between one and four years to complete depending on the level of apprenticeship, the apprentices' ability and the industry sector.

7.5.19 All apprenticeships operate to a rigorous framework of requirements. All require a competent level of English and Maths, IT skills and technical certificate. Employers are involved in their development and they can be tailored to meet the specific needs of the business.

7.5.20 Based on the figures presented to us and our discussion with representatives of employers and providers, there is clearly a shortage of apprenticeship places available within the city.

7.5.21 We need to increase the overall number of apprenticeships, particularly the number of high level apprenticeships and ensure that apprenticeships are

particularly targeted at those areas of the local economy that suffer from skills shortages that is constraining economic growth. Apprenticeship recruitment tends to be higher among the city's larger employers, such as Nissan, Rolls Royce and Gentoo, whereas recruitment among small and medium sized businesses is much less prevalent.

7.5.22 For Nissan there remains a pressing need to increase the number of apprentices, together with the number of firms offering apprenticeship schemes. In 2009, 15% of companies had apprentices. In 2013 this had grown to 27%. So while there has been a significant increase there is still considerable room for improvement. Indeed, it is estimated that 29% of all engineering companies in the north east have done no training in the last 12 months.

7.5.23 There remains the question of whether the message is getting out to smaller employers about the potential benefits of apprenticeships and whether they are being made sufficiently aware of the incentives available. Many smaller employers are wary of apprenticeship scheme because of the perceived cost and bureaucracy involved. We need to make apprenticeship more accessible for smaller businesses.

7.5.24 There is also a belief that young people, parents/carers and schools are not receiving adequate information on apprenticeships and that more needed to be done to raise the awareness of the benefits of apprenticeships. We need to ensure that all schools offer informed and impartial guidance to young people and are fully aware of the value of apprenticeships.

Further Education Sector

7.5.25 The Panel heard from Iain Nixon Executive Director of Sunderland College about the contribution being made by the College to improving the skills of the city.

7.5.26 Based on exam results, Sunderland College is one of the most successful colleges in England and provides training in skills directly relevant to the city's economy, including retail and manufacturing.

7.5.27 The Panel heard that in last two years the college has been more outward facing. While always strong academically, a greater emphasis was now being placed on vocational and apprenticeship training. The College was looking to developing key growth sectors such as digital, IT, health, advanced manufacturing and work more closely with local employers. This included receiving input from employers on courses to make them more tailored to their needs and providing more specialist training. In the experience of the College, employers are increasingly looking for employees with the skill set to make an immediate contribution to their business.

7.5.28 We heard that the College is increasingly playing a central role in the provision of apprenticeships; work based training lifelong learning and upgrading adult skills. They are increasingly involved in the development of

industry designed short courses often involving shorter courses that meet employer needs.

Training Providers

7.5.29 The Panel heard from Denise Wilson from Springboard Sunderland, one of the largest training providers in the North East who work with unemployed people. She emphasised that in the future the nature of work make it essential to be literate, numerate, have good communications skills and the ability to adapt.

7.5.30 Overall it was felt that weaknesses in literacy and numeracy can be a huge barrier to getting a job. It was therefore important to ensure that a young person gets a job early and is able to find an entry point in the jobs market. It was important that the apprenticeship scheme was expanded and support provided to ensure that NEETS are able to gain entry to the job market.

7.5.31 Springboard are currently working with schools to raise aspirations. But it is also important to manage expectations and ensure that people are realistic about the jobs that they can access in the jobs market. While there will be less demand for unskilled jobs in future, some demand will still exist and it is important that young people aware that they may need to start at bottom of the ladder and work up.

Higher Education Sector

7.5.32 The Panel heard from David Donkin on the contribution being made by the University of Sunderland in developing out skills base of the city.

7.5.33 A great deal of work was going on to try to anticipate where jobs will be in the future and help to equip people with the necessary skills. This could only be done by widening the participation agenda and building on the existing strong links with schools.

7.5.34 It was recognised that many students were choosing courses that are not associated with strong job prospects. The University are keen to encourage more people to be looking to choose courses relating to computing, IT, science engineering and maths by making such courses attractive to young people through initiatives such as the Fab Lab; the first digital fabrication laboratory. This was an innovative project started by the Massachusetts Institute of Technology (MIT) in the States, which enables people to prototype and try out new product ideas. FabLabs are packed with 3D printers, CAD software, scanners, and CNC machines which allow entrepreneurs, small businesses, students and schools to experiment with new products, with the support and expertise to bring them to market.

7.5.35 It was felt that moving the influence for training to the hands of employers can have a potentially positive effect and it would be important for employers to develop links with Universities in activities ranging from sandwich years to other placements, internships. Indeed some employers are involved on a

more direct role in shaping the content of degree courses by partnering with universities

7.5.36 The University has a relatively high number of students who are from the local area and quite a few from disadvantaged backgrounds. They do a lot of work with schools to encourage aspiration and encourage young people to see the benefits of going to University. The University is interested in going into the area of degree level apprenticeships which should help to promote vocational training within the city.

7.5.37 The economic impact of the University will obviously be greater if the city is able to retain a high proportion of its graduates. The University has 70% student retention rate in the area and the principal reason why students choose to leave is because of the conditions of the local labour market. In essence, the problem for Sunderland and the whole of the North East is that they often do not have enough high quality jobs for graduates who are thereby forced to move.

7.5.38 The University has undertaken a number of specific initiatives that are contributing to the development of the skills base of the city. These include Institute of Automotive and Manufacturing Advanced Practice, the Sunderland Media Centre, Knowledge Transfer Partnerships and the Graduate Internship Scheme.

7.5.39 The Panel also heard about the Hatchery Business Incubator which provides support for people who were interested in starting a business. The scheme allows students to set up mini projects and work with other students to support one another. The scheme was designed to develop useful and practical projects but also develop a person's employability skills and make them more attractive to potential employers. The Software Hatchery provides office space, facilities and mentoring to graduates and entrepreneurs with innovative software business ideas. It also provides the opportunity for networking with potential funders, developers and partners. While student start-up companies were currently small in numbers they did have the potential to grow particularly in terms of start-ups in the software and creative and cultural sectors of the economy.

Schools

7.5.40 The Panel heard from Simon Marshall, Head Teacher Highfield Community Primary School on the role of schools in developing skills within the city.

7.5.41 Over the past 10 years we have seen an increase in educational attainment figures in schools. However, employers still contend that our young people are lacking the necessary skills to be prepared for the work place. There are on-going concerns regarding the standards of literacy and numeracy and the low number of pupils following STEM subjects and new technology.

7.5.42 It was noted that in many ways our school curriculum is still close to an almost Victorian model with a few concessions to modernity such as IT and

technology. The focus is on a narrow set of subjects and it could be argued that a broader curriculum would better reflect the needs of job market.

- 7.5.43 Many schools are understandably reluctant to take risks given the emphasis on performance tables. However, this may be the time to look again at the system of league tables for schools and look at ways of seeing success as reflecting more than just qualification but also other factors such as employability skills and preparation for work. It was also suggested that it may be an appropriate time to approach Ofsted to include in their assessments consideration of the work going on in schools to prepare our young people for the world of work.
- 7.5.44 There was general agreement that the quality of careers advice provided in our schools was of major importance in helping guide young people towards occupations in growth sectors of the economy. We need to make sure that our young people receive high quality and impartial careers advice grounded in information about the local jobs market to allow them to make informed choices about their future careers.
- 7.5.45 There is a feeling that there is a lack of high quality careers advice in many schools. Young people need help to gain a better understanding of the varied routes open to them.
- 7.5.46 It was also important to acknowledge the influence that parents can have on their children's career choices. We therefore need to look to engage with parents in order to develop their knowledge of the labour market.
- 7.5.47 It was also suggested that schools should take the lead in working together to sharing of good practice careers advice.

Council Education and Skills Strategy

- 7.5.48 During our review, the Panel was consulted on the contents of the Council's emerging Education and Skills Strategy for the city. The Strategy has been developed by the Education Leadership Board which includes representatives from the private and public sectors.
- 7.5.49 The Education and Skills Strategy – 'Get Ready...', seeks to raise achievement throughout the education system and to close the gap in attainment between those suffering disadvantage and the rest of the population. This includes a major focus on science, technology, engineering and mathematics (the STEM subjects) and also the so called soft skills such as communication, team working and problem solving. The strategy recognises that while attainment has significantly improved in the city there are still too few Sunderland residents with higher level skills and too many without any qualifications and skills.
- 7.5.50 The emphasis is on ensuring that children, young people and adults can be prepared for different phases of their lives – in order that they are ready for school, ready for work and ready for life.

7.5.51 The Strategy considers that all families with young children in Sunderland will have access to high quality, inclusive and affordable early year's education and childcare. There is also a commitment that schools will reach out into communities, working closely with families, nurseries, childcare providers and other services to ensure that they are ready for every child and the transition into school is as smooth and as seamless as possible.

7.5.52 The Panel consider that the strategy can make a major contribution to the development skills in the skills base in the city. We support the emphasis on addressing issues at an early stage of a young person's development and also the impact of stressing flexibility and adaptability to meeting the needs of the changing jobs market.

8 CONCLUSION

- 8.1 The ability of Sunderland to increase its supply of highly skilled workers is driven primarily by the extent that the city and region is able to grow the overall size of its economy. It is important to encourage growth in all areas of the economy. We need the right quantity and quality of job. We need to increase economic growth generally and in a number of key growth areas in order to increase demand for high skills. It is not enough to prepare individuals for work; we must ensure that quality jobs are available.
- 8.2. In order to respond to these challenges, the city needs to focus on both long standing sectors of the economy such as automotive, manufacturing and contact centres while supporting new and emerging sectors such as software and IT and creative and media.
- 8.3 We have had an improvement in skills but much still needs to be done. In future global demographics and technological change will demand a greater skilled workforce. We need to tackle the number of adults with low numeracy and literacy skills, invest in more intermediate skills and increase the number of adults holding degrees. Within this economic environment it is essential that the workforce is able to constantly refresh their skills.
- 8.4 The city needs to encourage the development of its skills base through high quality schools, good career opportunities and career advice and vocational routeways to employment such as apprenticeships and graduate internships. We need to recognise the importance of increasing youth apprenticeships. While there has been an overall growth in apprenticeships and the number taking up opportunities, it is important that we increase the number of apprenticeships in the Advanced and Higher categories and also 16-18 age range. It is vital that apprenticeships reflect the needs of the economy and target areas of economic growth, such as manufacturing and new technologies.
- 8.5 With an aging workforce, it is important that we work with schools, colleges and the University to promote the lifelong development of skills and replacement skills for those that are lost through retirement. It is important to ensure as far as possible that the people of Sunderland are in a position to benefit most from the jobs created in the city.
- 8.6 We need to look to find a compromise between two conflicting aims: training people to work in a specific occupation, and ensuring that individuals' training is broad enough so that their occupational choices are not limited.
- 8.7 It was also important that the work going on between business, schools and the Council is joined up and coordinated and that the key people are talking to each other. We need to ensure that information sent to schools was disseminated as broadly as possible – to heads, governors and teachers to ensure that the message is being heard.

- 8.8 The University and Sunderland College has an important role in the future of the local economy. They have a central role in promoting skills, innovation, research and development and providing high quality training in the city.
- 8.9 We need to capitalise on regional structure framework such as the North East Local Enterprise Partnership (NELEP) and the North East Combined Authority (NECA) and the prospect of greater regional influence over skills policy in the future.
- 8.10 We need to raise the profile of vocational education and ensure that it is held in the same esteem as academic based qualifications. We need more apprenticeships and of better quality. We must work with employers to encourage the take up of apprenticeship particularly among the SME's. It is important that we celebrate the success of firms, large and small, operating in the city and continue to work to publicise the importance of firms such as Nissan to the national economy.
- 8.11 Improving skills can help to break the cycle of deprivation and help people to gain employment and move out of poverty. Those most at risk of the changes to the global economy are the long term unemployed, those with low qualifications and those with disabilities and health problems. We must make sure that they are not left behind. There is the danger that the future will create social and economic divides with the workforce polarising between those in relatively well paid secure jobs and those in lower paid lower skill jobs. Too many jobs being created are insecure and temporary with poor access to training and low rates of pay. What we need is more highly skilled and well-paid jobs with long term prospects.

9 RECOMMENDATIONS

9.1 The Panel's recommendations are as outlined below:-

- (a) Look at measures to improve the engagement of local businesses, the health and care sector and other public employers in primary and secondary schools, such as the work currently being delivered through the Economic Leadership Board's Work Discovery Sunderland programme.
- (b) that the Council and its partners continue to work to raise the profile of firms operating in growth areas such as advanced manufacturing and software sectors;
- (c) that the Council and its partners look at ways of raising the profile of apprenticeships and vocational training for example through highlighting local successes stories;
- (d) that further work be undertaken to look at measures to increase the interest of girls and young people in areas such as advanced engineering, software and information technology.

