

TIPPING THE BALANCE

Maximising the North East as a skills hub

IPPR
NORTH

Anna Round | August 2016

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The North East has historically been considered a 'low-skills' region, with low levels of formal qualifications among the adult population and a record of 'exporting' much of its brightest talent. This is now changing, with positive indications that the region has the potential to become a significant hub for professional and technical skills.

Despite low overall qualification levels, rates among young people and city residents are comparable with similar areas outside London, and take-up of some new forms of vocational training is high. There are good employment opportunities, and rates of pay, for technical staff in science, engineering and technology. The region's post-compulsory education sectors perform well in attracting students from elsewhere, retaining graduates in the region, and providing programmes in areas which support the North East's industrial strengths.

Challenges include forecasting future skills needs; business engagement and collaboration in providing training; and some issues around understandings of education, training and careers. We make specific recommendations for North East and Tees Valley skills bodies to address these.

Rewiring the North East

This is the second in a series of three reports 'Rewiring the North East', which challenge common assumptions about the region's economy and highlight ways in which it can play a critical 'hub' role in relation to wider northern and national prosperity.

KEY FINDINGS

On qualifications

In the North East, 26.5 per cent of the population aged 16 and above have no formal qualifications, the second highest rate for any English region. It also has the lowest proportion of residents qualified to Level 4 (equivalent to an undergraduate degree).

However, there are important indications that this situation is beginning to change.

- Qualification levels for younger people are much higher. Only 11 per cent of 16–34 year olds have no qualifications and one-third of those aged 25–34 hold a degree or equivalent.
- Within the North East, Newcastle has skills levels broadly in line with other core cities.
- Despite a lower proportion of graduates across its adult population, the North East has the highest proportion of people with an apprenticeship qualification and or a vocational qualification at Level 4 or 5, suggesting that new forms of employment-related training are particularly important for North East residents.

On skills shortages, skills gaps and job opportunities

Anecdotal evidence suggests that some skills problems persist in the North East. The rate of skills shortage vacancies in the region (23.5 per cent of vacancies) is very similar to the national one

(22.6 per cent). These appear to be most marked in professional and sales and customer service roles, both of which are identified as growth areas for employment. However, the North East has fewer skills shortage vacancies than other regions in associate professional and skilled trade occupations.

Rates of skills gaps are again similar national ones. Slightly higher rates in professional and machine operative roles may be due primarily to the introduction of new products and services, and to gaps in 'complex analytical skills'. These could become problematic as initiatives to boost innovation in the North East come to fruition.

Recent forecasts suggest that private-sector jobs growth in the North East will be relatively strong, especially in IT, construction and services; developing skills for these is important for the regional economy.

On higher education and graduate retention

The North East has five universities with over 83,000 students in 2013/14. Far from exporting talent, the North East appears to attract students, with some evidence for good rates of graduate retention and strong graduation rates in subjects which support the region's economic specialisms.

- Nearly one-quarter of all students come from outside the UK and international postgraduate students represented 8.4 per cent of the total.

- North East universities attract a net inflow of students, and the proportion of students studying in the region who also grew up there is falling.
- North East universities have a good track record of widening participation in higher education.
- The North East retains around 58 per cent of its degree course graduates (undergraduate and postgraduate) six months after graduation – lower only than London (71 per cent) and the North West (70 per cent).
- The North East awards a high number of research degrees relative to the size of its higher education sector, particularly in key subjects for the regional economy such as maritime, electronic, chemical, process and energy engineering. The region has high levels of first and taught postgraduate graduations in computing and IT.

Engagement in further education is also strong with the second highest regional rate of growth in Level 2 and Level 3 completions since 2005/06; only London fared better.

Attracting and retaining a high-skilled workforce

For a region to retain a highly skilled workforce, its labour market must offer both access to jobs in the short term, and the option of pursuing a whole career there. In the North East:

- Employment rates for people with qualifications at Level 3 or above are good compared with other regions, but the same is not the case for people with no qualifications. This highlights the importance of raising skills levels.
- Employment has risen since 2004/5 for professional, associate professional and technical workers, and in roles requiring Level 3 or apprenticeship qualifications.
- Technical staff in science, engineering and technology have rates of pay which are comparable to, or even higher than, those for similar regions. Lower wages for managerial and professional roles may be counterbalanced by lower costs of living and higher quality of life.

RECOMMENDATIONS

Despite a surprisingly positive outlook for the North East as a ‘skills hub’, particularly in technical and engineering sectors, our research identified three significant challenges and areas of uncertainty.

Considerable gaps persist in our knowledge of current skills shortages, and potential future skills needs. At present this makes it difficult to plan skills provision strategically to support the region’s industrial strengths. There is even the potential for labour market disruption if companies compete for skilled labour rather than prioritising in-house training and skills development. We recommend:

- Skills bodies in the North East and Tees Valley combined authorities should work with other agencies and businesses to clarify current and future skills needs, and develop regional sector skills forums to encourage business collaboration in appropriate training initiatives.

The North East has relatively high rates of new enterprise formation and a good record for business survival. However, business and public expenditure on research and development is lower in the North East than in some other regions. This brings a significant risk to the potential for the North East to exploit innovation and provide opportunities for highly skilled workers in the future. We recommend:

- Improving and enhancing business support, particularly for workforce training; business startup; and finance for startup and research and development.
- Establishing a single body with oversight of knowledge transfer partnerships (KTPs) in the North East to help retain postgraduate research graduates and promote university–business collaboration.

There are still some ‘cultural’ challenges around the understanding and perceptions of education, training and careers in the North East. These vary for different age groups and include gaps in knowledge about available opportunities, issues around parental approaches to education, aspirations and attitudes towards particular kinds of work; and gender stereotyping in recruitment and in the workplace. We recommend:

- The North East and Tees Valley combined authorities’ skills bodies should work with schools to enhance careers advice and guidance; improve understanding of links between school, further study, and careers; and develop projects to engage with older workers who would benefit from reskilling opportunities.

For the full report, including all references, data sources and notes on methodology, see: www.ippr.org/publications/tipping-the-balance-maximising-the-north-east-as-a-skills-hub

Citation: Round A (2016) *Tipping the balance: Maximising the North East as a skills hub*, IPPR North. <http://www.ippr.org/publications/tipping-the-balance-maximising-the-north-east-as-a-skills-hub>

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