

Our
future.
It's in
our hands.

A Guide to
the North East
Labour Market

for those who Work in
Adult Information,
Advice and Guidance



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Introduction

The rapid rate of change in the modern economy can make it difficult for people to appreciate what is happening in the labour market and how these changes impact upon job opportunities. However, it is important that people have an understanding of the job market if they are to make informed choices about their futures. To assist with this process, the Learning and Skills Council (LSC) North East, has commissioned Focus LMI, to produce this resource document for those working in the field of adult careers information, advice and guidance. This document contains information on a range of topic areas of relevance to the labour market.

The Centrality of Work in Human Society

The average person spends over 80,000 hours in work during their lifetime. Our jobs affect our lives in important and deep-seated ways, influencing how we see ourselves and how others see us. Work is a basic feature of human society and is an important element of individual identity and self-worth. People often label themselves by their work in a way that they do not do with other features of their identity. For example, when meeting people for the first time, it is usually not long before the subject of what you do for a living comes up.

Despite the centrality of work in our society, at any one time there are many people who are not in any kind of employment. For many people their absence from employment is either temporary or they have chosen to opt out of the job market for a period in order to focus on something else, before moving back into employment. This could be to return to full-time education or to retrain for a different job for example.

However, for some people, a lack of engagement with the world of work may be a longer-term or recurring problem. Lack of skills, qualifications and experience can mean that some people are effectively excluded from the job market. This exclusion can result in a cycle of worklessness, which can impact upon different generations within families and communities. This can lead to clusters of worklessness concentrated within particular areas.

The concept of worklessness applies to those individuals, groups and even whole communities who are detached from the job market. It does not simply cover those who may be officially classified as unemployed, but also includes others who are without work.

The Labour Market and How it Works

This section will look at:

- What the labour market is and how it works.
- What it is that drives the labour market.
- What labour market information is and why it is important.

Key facts:

- Every pound we spend or pay in taxes helps to keep other people in work in a range of different industries and occupations.
- In some respects the labour market works in the same way that other markets work. For example, when we go shopping we are taking part in a market process when we exchange money for the goods we want to buy. In the labour market employers pay money in exchange for people's labour.
- Human choice plays a central role in the operation of the labour market. For example, people can choose to improve their skills and qualifications or to look for work in a particular occupational area.
- Around a quarter of the North East's workforce is employed in the public sector. This is higher than the national average of around 20%.
- The private sector provides the majority of jobs with around three in every four workers being employed in the private sector (including self-employment).

The Labour Market

The labour market is a forum where those who are in need of labour (employers) and those who can supply labour (people) come together with a view to exchange. Employers exchange a wage and people provide their labour in return for that wage.

In the modern labour market sellers (or job seekers) and buyers (or employers) usually come together when people apply for jobs that have been advertised by employers. The job advertisement may be in a newspaper, recruitment agency window or on a web site. The employer usually highlights what 'labour' they require, what the work involves and the skills and qualifications that are needed. In addition, the employer also usually highlights the wage that will be paid in return to individuals for providing their labour. If individuals are interested in applying for a job vacancy they can supply the details requested by the employer. Employers then usually select likely candidates to be interviewed and/or tested before offering the job to a chosen candidate.

Unique Features of the Labour Market

Whilst the labour market can be said to be similar to other markets, inasmuch as people wanting to buy and sell something come together with a view to exchange, the labour market arguably has some important differences that make it quite distinct from the market for products and services. A key difference is that people are self-aware and can make choices.

What Drives the Need for Labour?

Private sector companies and those who are self-employed need to make a profit in order to stay in business. Any decision to recruit new staff or make existing staff redundant is ultimately influenced by the profit motive. Businesses that do not make a profit are not sustainable and may have to cease trading.

In the public sector the demand for labour is driven by the need to meet organisational objectives. This may be to provide care for the sick (NHS), to tackle crime and disorder (the Police), or to provide education for young people (schools). Organisational objectives are driven by Government policy. Public sector organisations are allocated a budget in order to meet their organisational objectives. This budget includes money to cover wages for employees.

The size of the workforce in any public sector organisation will depend upon the size of their human resources budget. In contrast to goods and services provided by the private sector which are bought in the market, public services are paid for by money from local and national taxes. Around a quarter of workers in the North East and around 20% nationally work in public services. Around 43% of all money spent in the UK is spent by the public sector.

The labour market is ultimately driven by the need for goods and services, whether the public or private sector provides these. The changing needs and spending habits of the public, businesses and Government directly affect the labour market and help to determine which jobs will be available, which sectors will grow and which will decline. For example, in recent years there has been a growth in the amount of money spent on eating out at restaurants and fast-food outlets. As a result, this has helped to increase the demand for chefs, waiters/ waitresses and other staff that work in such establishments.

Private sector companies need to make a profit to stay in business. This drive for profit is a key factor in the operation of the labour market.

What is Labour Market Information (LMI) and Why is it Important?

Labour market information, or LMI, is any information which relates to the operation and nature of the labour market. It could include for example information on job vacancies, wage rates or employment trends. LMI can relate to the current time, the past, or the forecasted future.

LMI can be collected through research or through administrative processes, and this is sometimes referred to as hard information. It is often statistical in nature, like that in the tables and charts contained in this document. Or information can be anecdotal or based on someone's views or perceptions of what is happening in the labour market. This is sometimes referred to as soft information.

Labour market information is important to help people make more informed choices about their futures and assist with career planning and development. LMI can help people understand how and why the job market is changing and what skills and qualities are required both generically and for specific job areas. It can also help us to understand what job openings may be available and what kind of pay we might expect in particular occupations. However, it is important to tailor information to meet individual needs.

Good quality labour market information is essential for career planning and can help people make more informed decisions about their futures.



Limitations of LMI

The labour market is complex and ever changing and whilst LMI can give us an insight into what is happening in the job market, we need to be aware that it has its limitations. In using LMI we should consider asking some questions of it. For example:

- Does the organisation producing the LMI have a particular agenda or viewpoint which they are trying to promote?
- How old is the LMI and is it still valid today?
- At what geographical level does the LMI relate and does it apply locally?
- What conclusions, if any, are drawn from the LMI and do these seem reasonable?
- Are there any additional sources of LMI we can draw on to substantiate claims?
- How accurate is the LMI and can we trust it?

We may not always be able to get satisfactory answers to the above type of questions. But the key point being made here is that a degree of healthy scepticism is not unreasonable.

We can use LMI with clients to:

- Challenge any out of date or unrealistic perceptions that they may have of the job market.
- Help them to understand the broader trends in the job market and why these are happening.
- Provide information on specific local job vacancies or major job creation developments, which may be available to them.
- Provide them with details of training or further education courses and programmes which can help them to up date their skills.
- Identify the positive benefits of being in employment.
- Provide information on skills and qualifications needed to work in particular occupations.
- Provide details of possible earnings linked to particular occupational areas.

People and the Labour Market

This section will look at:

- How the population in the North East is changing.
- The diversity of the region's population.
- How the population is becoming increasingly mobile

Key facts:

- The North East has a combined population of over two and a half million people. Tyne and Wear and Tees Valley are the main urban population centres. County Durham and Northumberland are less densely populated and are more rural in nature.
- During the 1980s and 1990s the population of the North East was falling, mainly due to people leaving the area to live in other parts of the UK, such as London and the South East for example. However, this downward trend appears to have reversed and the population across many parts of the region is now on the increase.
- The North East has an increasingly diverse population with people from many different ethnic backgrounds living in the region. This brings different skills to the North East from other parts of the world.
- The population in the region and the UK as a whole is ageing. For example, those in the 50 plus age group are the fastest growing segment of the workforce.



A Growing Population

It is only in the last two to three years that it has become clear that the trend towards a falling population in the region is now reversing. Up until recently most population forecasts predicted the decline in the North East population to continue into the future. However, global forces have contributed to a change in direction. In recent years there has been an increase in the number of refugees arriving into the region, particularly into the more urban areas such as Tees Valley and Tyne and Wear. In addition, there has also been a significant number of migrant workers arriving in the UK from new member states of the European Union, such as Poland. Official figures suggest that over 40,000 Eastern Europeans have come to the North East in the last few years.

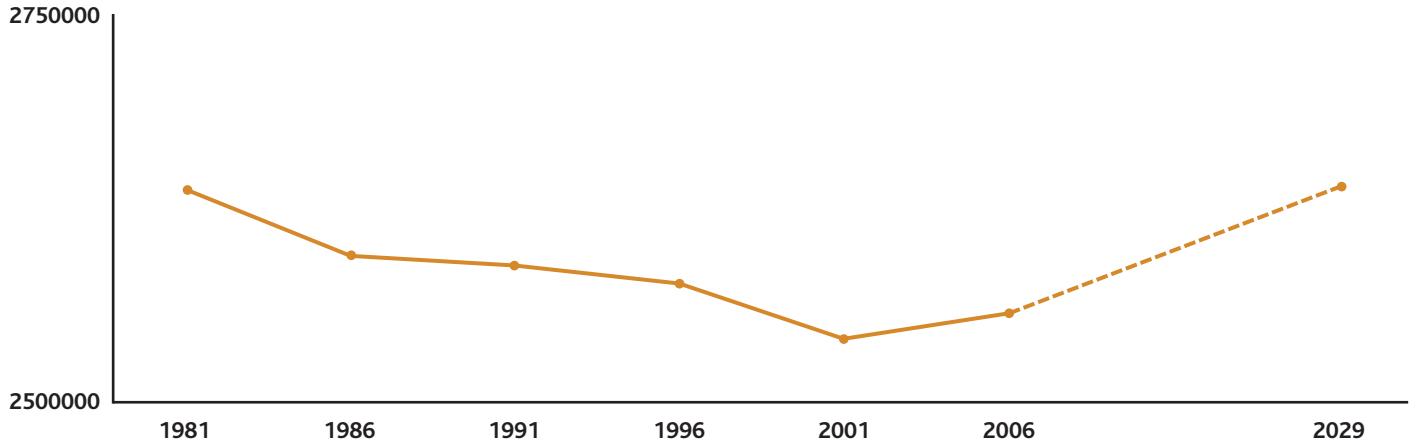
These factors have contributed to the reversal in the downward population trend locally. However, it is not clear what the longer-term impact of these recent migrations will be. For example, we don't yet know how many migrant workers will return to their own countries once pay and conditions there improve. For the moment the changing demographics of the region will require a response in terms of public services, including careers advice and guidance.

The size of the UK population is increasing. On current trends, the population of the country as a whole is expected to grow by up to ten million in the next 20 years, taking it to the 70 million mark. The majority of this forecasted growth will be because of new people coming to live in the UK from abroad.

In the context of a rising national population, it is likely that many parts of the region will see population growth too.

At the global level, 200 million people live and work in countries other than where they were born and around one in every ten British citizens lives abroad.

Population Change in the North East 1981-2029



Source: Mid Year Population Estimates 1981-2006. National Statistics (Nomis: www.nomisweb.co.uk).

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What the chart shows us: During the 1980s and 1990s the population of the region was in decline. This was largely due to people leaving to live in other parts of the country or abroad. However, in recent years this downward trend has stopped and the size of the population is now increasing. This is largely because of people moving into the region, particularly immigrants and migrant workers from overseas.

Population forecasts from the Office for National Statistics suggest that there will be over 80,000 more people in the region by 2029 than there are at the moment. This represents an increase of over 3% and is roughly the size of the population of a town or city such as Hartlepool or Durham.

A Mobile Population

People are increasingly mobile, both within countries and their regions and also between countries. Increased access to relatively cheap flights means it is now easier for people to move around the globe to live and work. Research carried out by Focus LMI in 2007 shows that there are a number of migrant workers who effectively commute between Tyne and Wear and Eastern Europe via Newcastle International Airport.

Despite this increased mobility, some sections of the community are less mobile than others. People who are dependant upon public transport for example may find it more difficult to access jobs in certain areas because of lack of services. This is a particular issue in rural parts of the region, such as parts of Northumberland, County Durham and East Cleveland. In addition, those living in many of the former coalfield areas may find it difficult to access jobs that are based in the region's major towns, cities and industrial estates, which are often several miles away from the ex-coalfield areas.

A Diverse Population

The region's population is becoming increasingly culturally and ethnically diverse. This is a process which is happening across the country and throughout most other western economies. The Annual Population Survey suggests that 3.5% of the population of working age in the North East are from (non white) ethnic groups. This is lower than any other region in England. The national average is 10.7%, whilst London has the highest proportion of people of working age from (non white) ethnic groups at around 35%. Ethnic minority groups living in the UK tend to have a much lower age profile than the population as a whole and this factor, along with continued immigration into the UK, will mean that the population will continue to become more ethnically diverse in the future.

An Ageing Population

The North East has an ageing population. This is primarily as a result of a decline in birth rates and an increase in life spans. In 1971 the average age of a person living in the UK was 34 years old. This now stands at around 39 years old and by 2031 it will have reached 43 years old. This trend means that in the future there will be proportionally more older people and fewer younger people.

The ageing population has a number of implications. Employers will increasingly have to rely on those in the 50 plus age group as a source of employment, if labour shortages are to be avoided. In addition, up to 40% of the working population have not made adequate provision for their retirement by contributing to a pension scheme. This means that they may have to remain in work for longer in order to earn enough money to get by. However, new legislation, which comes into force in 2012, means that employers will have to automatically enrol employees into a pension scheme if they are not already a member.

The Government is committed to equalising the age at which males and females can claim a state pension. By 2026 the state retirement age for males and females will rise to 66 years old. It is then scheduled to rise in line with the increase in average life spans, rising to 68 years old by 2046. Conversely, new rules planned by the Government mean that young people will remain in learning until age 18 by 2015. However, after leaving compulsory education they will be expected to work longer than any other generation in history.

The Government wants people to have the right to work longer, particularly as many people are living longer, healthier lives. This is one of the reasons why it has changed the law to protect workers from discrimination on the basis of age.

Despite a general increase in life expectancy, people living in many poorer areas have lower life expectancy than average. For example, Middlehaven in Middlesbrough has the lowest average life expectancy in the country at 67.8 years, whilst the Pelton Fell ward in Chester-le-Street has the third lowest life expectancy in the country at 70.4 years. These figures compare with a national average life expectancy of 77 years. Lower life expectancy has been associated with poverty and lifestyle.

Labour Market Exclusion and Welfare to Work

This section will look at:

- The relationship which people have to the labour market in terms of being employed, unemployed or economically inactive.
- Trends in the employment rate.
- Welfare to work issues.

Key facts:

- The employment rate in the North East is 71%. However, this means that 29% of people of working age are not in any kind of employment.
- In recent years there has been a growth in the number of people moving into employment in the region. However, the North East still has proportionally fewer people in work than the national average.
- The Government has a long-term aim of achieving an employment rate of 80%. In order to achieve this, it will be necessary to get more people in key target groups into work. These include those claiming Incapacity Benefit, those in the 50 plus age group and lone parents.

- There are around 162,000 people of working age in the North East claiming Incapacity Benefit. This equates to around one in every ten people in this age group.

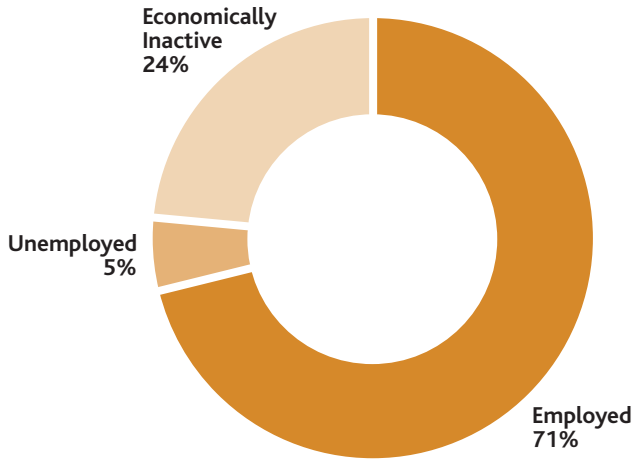
People and their Relationship to the Labour Market

To help us understand the relationship which people have to the labour market it is useful to divide the population of working age into three broad groups. These are:

- (i) Those in work, whether they be employees or self-employed.
- (ii) Those who are classed as unemployed.
- (iii) Those who are referred to as economically inactive.

The economically inactive group are not in work and not seeking employment. They are also not officially counted as unemployed. People in this diverse group include those who are claiming Incapacity Benefit, those with full-time caring responsibilities and people who have taken a career break. However, what they share in common is being without a job and not actively seeking work.

Relationship to the Labour Market People of Working Age in the North East - 2007



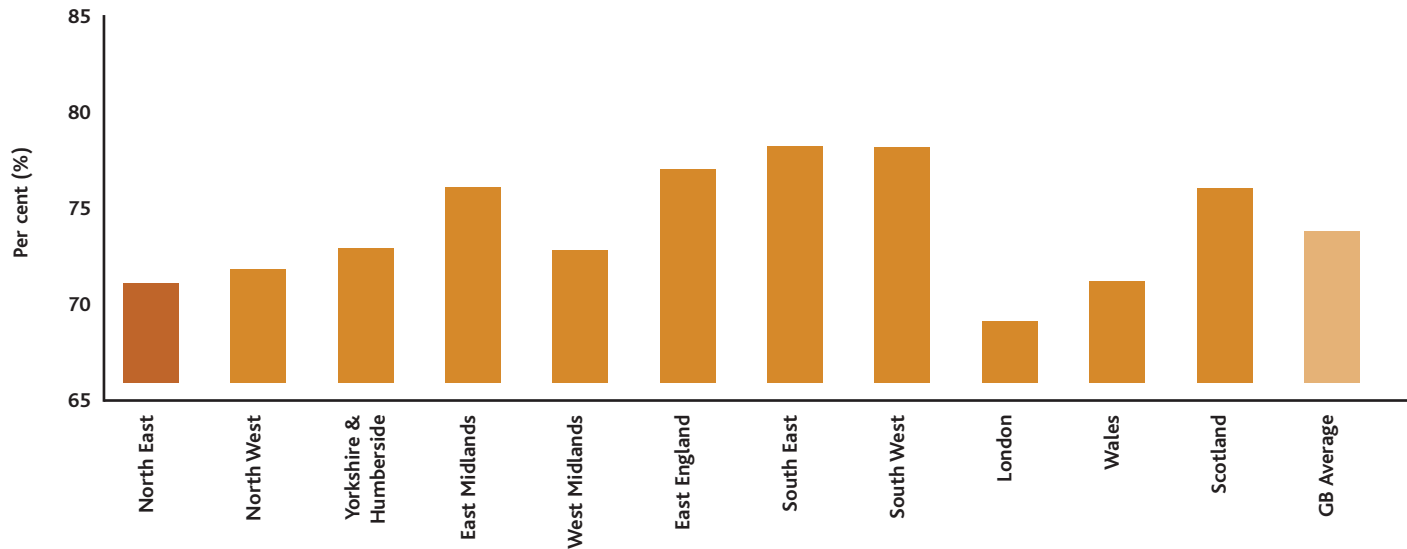
What the chart shows us: The majority of people of working age in the North East are in employment (71%), with an additional 5% being classified as unemployed according to the Government's preferred definition of unemployment. However, 24% - that's around one in every four people of working age - are economically inactive. This means that they are not in employment and not actively seeking work. This group includes those on Incapacity Benefit.

Source: Labour Force Survey 2006/2007. National Statistics (Nomis: www.nomisweb.co.uk).

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Note: The definition of working age used by the Labour Force Survey covers males aged 16-64 and females aged 16-59.

Regional Employment Rates - 2007



Source: Annual Population Survey 2000. National Statistics (Nomis: www.nomisweb.co.uk).

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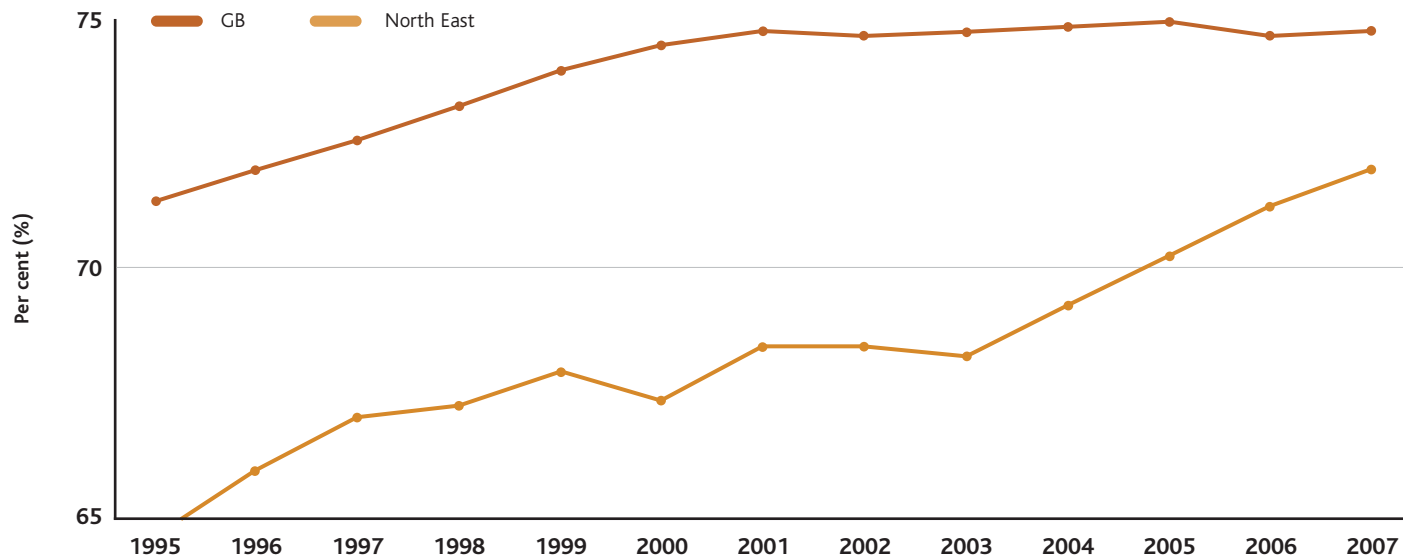
What the chart shows us: The North East has one of the lowest employment rates in the country. This means out of every 100 people of working age, fewer of them are in work when compared with most other regions. For example, in the North East we have a 71% employment rate, this means that 71 people out of every 100 of working age are in work. However, the national average is 74% and in the South East and South West regions the employment rate is 78%. If the employment rate in the North East matched the rates in the South East and South West, there would be 105,000 more people in work in the region. By contrast, London has the lowest employment rate of any region. Whilst London has a vibrant and dynamic economy, it also has large sections of the community that are at disadvantage in the job market.



The European Union has a target of getting 70% of the working age population into employment by 2010. This country has already exceeded that target, as have all UK regions with the exception of London. However, employment rates in France are around 64% and in Italy they drop to around 59%. In Poland the employment rate is around 55%. So by international standards the UK's employment rate is quite high.

The Government has set a long-term aim of achieving an 80% employment rate. The Government believes this can be achieved primarily by helping one million people off Incapacity Benefit and into work, by encouraging one million extra people in the 50 plus age group into a job and by assisting 300,000 more lone parents into employment.

Growth Trend in Employment Rates Great Britain and North East Compared 1995-2007

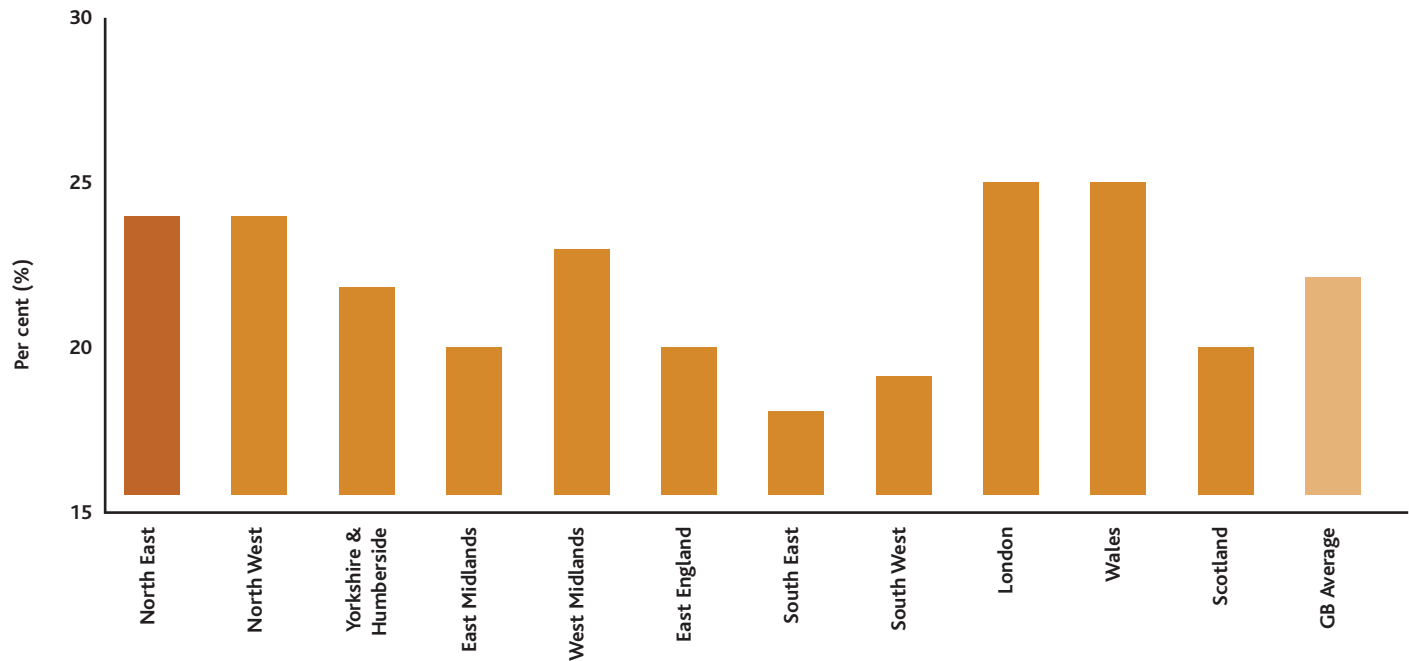


Source: Labour Force Survey 1995-2005 National Statistics (Nomis: www.nomisweb.co.uk).

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What the chart shows us: There has been a steady growth in employment rates across the country and the North East region over a sustained period. Whilst the employment rate nationally has remained above the level in the North East, the gap between the North East and the national average has narrowed. This arguably shows that the North East region has performed comparatively well in terms of employment growth in recent years.

Regional Economic Inactivity Rates - 2007



Source: Annual Population Survey 2007. Source: National Statistics (Nomis: www.nomisweb.co.uk).

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What the chart shows us: The North East has one of the highest levels of economic inactivity across the country. This means that a greater proportion of people of working age are not engaged in the job market, either by having a job or by actively seeking employment. Only London and Wales have a higher proportion of economically inactive people than the North East.

Welfare to Work

The Government believes that many of the people who are currently economically inactive could be encouraged to seek employment. In the coming years there will be significant changes to the welfare benefits system and extra support on offer to help people move from welfare into work. The fundamental aim is to achieve an 80% employment rate whilst maintaining the welfare safety-net for people who are unable to work. There are several groups of people whose position in the labour market is marginal. However, three groups have been identified as being central to achieving this target. These are:

- (i) The over 50s.
- (ii) Lone parents.
- (iii) Incapacity Benefit claimants.

The Over 50s

There are around 400,000 people in the 50 to retirement age group in the region. The employment rate amongst the 50 to retirement age group in the North East is around 66%. This means that roughly two out of every three people in this age group are in work and that one in every three is not. This employment rate is lower than that of the working age population as a whole, which stands at 71% and significantly lower than the employment rate for 35-49 year olds, which stands at around 80%. These figures suggest that older people are often more marginalised from the job market than their younger counterparts. If the employment rate for the 50 to

retirement age group matched the average employment rate as a whole, then there would be 20,000 additional people in work in the North East.

There are a number of reasons why older people of working age may have a lower employment rate than average. Older people are more likely to suffer from ill-health or disability and this can impact upon their ability to work. In addition, there is some evidence to suggest that when people in the over 50s age group are made redundant they often find it more difficult to secure another job. Research also shows that there is a widespread belief amongst this age group that age discrimination still exists in the sphere of employment. This belief may in itself affect perceptions of job opportunities that may be available.

However, the official data does appear to show that more people in the 50 plus age group are now staying in employment for longer and this trend is expected to continue into the future. Legislation through the Employment Equality (Age) Regulations 2006 is also now in place. This offers legal protection from discrimination in the sphere of employment on the basis of age.

Lone Parents

The number of lone parents in the UK has steadily increased over a number of decades. This is not just because of the breakdown in marriages, leading to divorce, but also because more children are being born out of wedlock. In 1972 one child in every 17 in the country lived in a single parent household. Today that figure is closer to one in four. This could rise in the future as around 44% of babies born in the country are born outside wedlock and in many estates across the region the majority of births are to unmarried mothers. Female-headed lone parent families make up around 90% of all lone parent families, with male-headed families making up around 10%.

More lone parents have returned to employment in recent years. For example, 44% of lone parents were in work in 1997. This figure has now risen to around 56%. The employment rate rises to around 66% for those whose youngest children are at secondary school. However, by international comparisons many other European countries have a higher proportion of lone parents in work. For example, in Scandinavian countries around 80% of lone parents are in employment.

The Government is keen for progress to continue and wants 300,000 more lone parents into work from the 777,000 across the country who are claiming Income Support. If we translate these figures into the North East, this means that of the 37,600 lone parents across the region claiming Income Support, the Government would expect around 14,500 of these to enter employment.

Lone parents face a number of obstacles in accessing the job market. Access to affordable childcare is an important factor along with being able to find work which offers flexible hours that fit in with school and childcare arrangements. However, in addition, some lone parents may also need assistance in upgrading their skills and qualifications in order to improve their job prospects.

The Government has highlighted that there is a strong link between lone parents not in employment and child poverty. For example, 48% of children living in a lone parent family are living below the poverty line, compared with 20% of children living in a two-parent household. Helping more lone parents into employment is therefore a key plank of the Government's policy to eradicate child poverty by 2020.

At the current time lone parents are entitled to claim Income Support until their youngest child reaches 16 and they do not have to look for a job to qualify for these payments. However, new rules mean that lone parents will be expected to look for a job when their youngest child reaches 12 years old and from 2010 onwards they will be expected to look for work when their youngest child is seven years old. These rule changes mean that there will be a significant increase in the number of lone parents becoming active in the labour market.

Incapacity Benefit Claimants

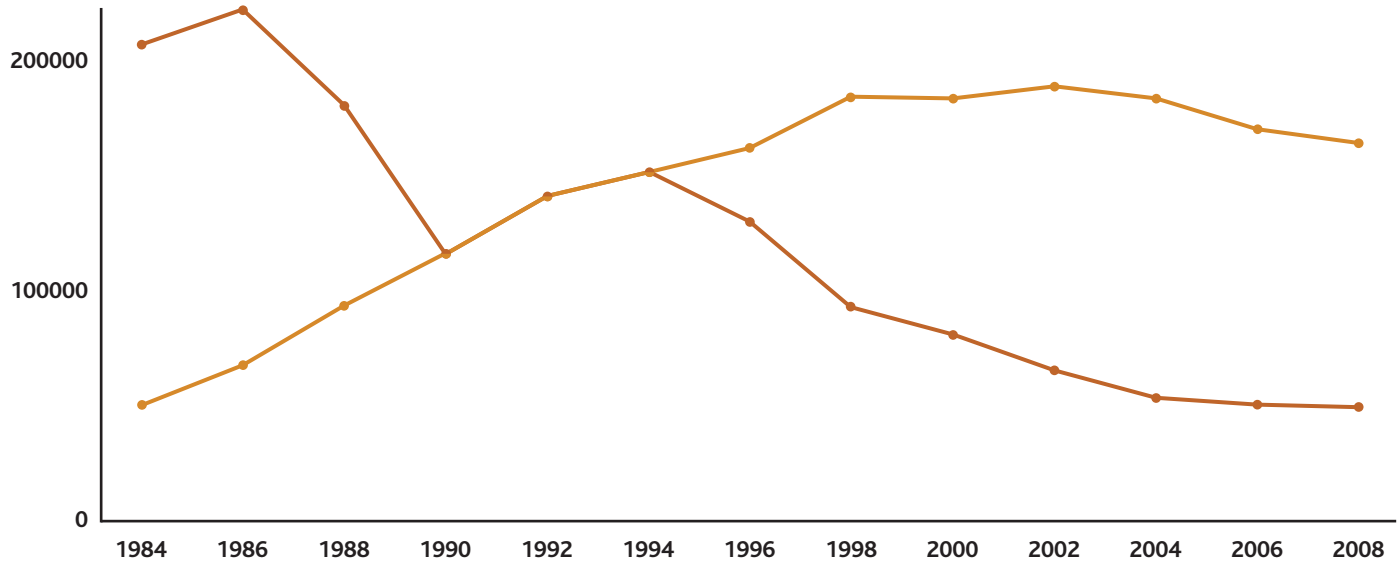
The number of people claiming Incapacity Benefit has almost quadrupled since the 1980s. At the national level there are now around 2.6 million people claiming Incapacity Benefit. In the North East alone, there are around 162,000 people of working age on Incapacity Benefit. This works out at over one in every ten people of working age in the region. In some districts the figure is even higher, for example in Easington in County Durham around one in five people of working age are claiming Incapacity Benefit.

The national cost of paying out this benefit is almost £13 billion a year, plus a similar figure for Housing Benefit and Council Tax Benefit. This is clearly a huge financial cost to the country, not to mention the associated social costs. The Government believes that one million of those claiming this benefit could go to work. This is over a third of the total. Putting this into a regional perspective, this would mean that over 60,000 people now on Incapacity Benefit would be expected to find a job in the North East.

From April 2008 the Pathways to Work programme will be extended nationwide. The programme is aimed at helping those on Incapacity Benefit to move into employment. It provides clients with support and advice and may include assistance with the costs of attending interviews, a tax free grant for those starting a job and some people may also qualify for a return to work credit of £40 a week during the first year in work. The programme is mainly being delivered by Jobcentre Plus. However, the private and voluntary sectors will also become involved in delivering the programme in some areas.

It is possible for people with even severe disabilities to enjoy a working life and there are almost as many people with a disability in employment in the region (around 160,000) as there are claiming Incapacity Benefit (around 162,000).

Job Seekers Allowance and Incapacity Benefit Claimants in the North East 1984-2008



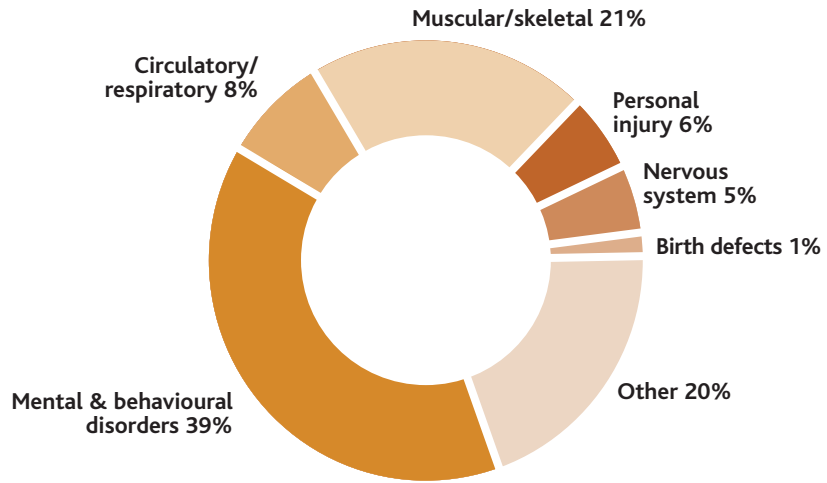
Source: DWP Benefits and Claimant Count. National Statistics (Nomis: www.nomisweb.co.uk).

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Note: The number of people claiming Incapacity Benefit for 2008 is based on 2007 data.

What the chart shows us: During the 1980s there were many more people claiming unemployment benefits compared with those claiming disability benefits. However, over time the numbers claiming Job Seekers Allowance fell and the number claiming Incapacity Benefit increased. By the 1990s there were more people claiming Incapacity Benefit than Job Seekers Allowance. For every person claiming Job Seekers Allowance in the region today, there are at least three more claiming Incapacity Benefit.

Medical Conditions of those Claiming Incapacity Benefit in the North East - 2007



Source: DWP Benefits. National Statistics (Nomis: www.nomisweb.co.uk).
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What the chart shows us: The conditions which Incapacity Benefit claimants suffer from are broken down into a number of broad areas. The most common condition on which Incapacity Benefit is paid is for conditions which fall under the heading of mental and behavioural disorders, followed by muscular and skeletal conditions.

The Government will be replacing Incapacity Benefit with a new Employment and Support Allowance. Work Capability Tests will also be introduced to look at what work people can do, rather than focusing on what they cannot do. These measures will be a major part of a reform package that aims to get one million Incapacity Benefit claimants into work across the country.



Labour Market Exclusion

In addition to the three core target groups that the Government has highlighted as being key to achieving an 80% employment rate, there are other important sections of the community who are also at a disadvantage in the labour market. These include:

- (i) The long-term unemployed.
- (ii) Minority ethnic groups.
- (iii) Ex-offenders.

The Long-term Unemployed

In comparison to the 1980s, unemployment levels today are comparatively low and those officially classified as unemployed form the minority of jobless people. The vast majority of people who sign-on and claim Job Seekers Allowance are on the unemployment register for less than six months before entering work, training or other outcomes. However, of the 50,360 people claiming Job Seekers Allowance in the region 28.5% of these have been on the unemployment register for six months or more. In addition, the National Audit Office claims that more than a quarter of those who sign-off the unemployment register and enter work are back on Job Seekers Allowance within 13 weeks. Many of the welfare to work programmes available require participants to have been out of work and claiming benefits for a minimum period. For example, for New Deal 18-24 and New Deal 50 plus this period is six months.

Key Data on Welfare Benefit Claimants

	Co. Durham	Northumberland	Tees Valley	Tyne & Wear	North East	Great Britain
Unemployed Claimant Count	6,939	4,846	15,420	23,155	50,360	806,431
Claimant Count Unemployment Rate	2.2%	2.6%	3.8%	3.4%	3.2%	2.2%
Claimant Count Percentage Unemployed Six Months+	21.0%	26.0%	33.0%	28.4%	28.5%	29.6%
Claimant Count Percentage Aged 50+	14.1%	16.1%	13.9%	15.7%	14.9%	15.6%
No. Unemployed Alternative Unemployment Count	11,550	8,800	16,800	32,850	70,000	1,570,000
No. Incapacity Benefit Claimants	36,230	15,000	40,940	69,890	162,060	2,631,270
No. Incapacity Benefit Claimants Aged 50-64	18,510	7,890	19,530	33,960	79,890	1,209,160
No. Incapacity Benefit Claimants Aged 50-64 as % of Total	51.1%	52.6%	47.7%	48.6%	49.0%	46.0%
No. Lone Parents on Income Support	5,970	3,000	11,380	17,260	37,610	765,530

Source: National Statistics (Nomis: www.nomisweb.co.uk). Crown copyright material is reproduced with the permission of the Controller of HMSO.

Notes: Data relating to claimant count unemployment on the first four rows of the table is based on a count of those claiming Job Seekers Allowance and relates to January 2008. Data on the unemployed alternative count refers to the Government's preferred measure of unemployment that is independent of any claims to welfare benefits and is collected via a survey. Under this measure individuals are counted as unemployed if at the time of the survey they were without paid work, but had looked for work in the last four weeks and could start a job in next two weeks, or if they were out of work, but had found a job and were waiting to start it in the next two weeks. This data is from the Annual Population Survey for June 2007. Data on those claiming Incapacity Benefit and lone parents claiming Income Support comes from the DWP and relates to May 2007. All data was the latest available at the time of writing.

What the table shows us: The chart provides detail on the numbers and percentages of people claiming welfare benefits in key target groups. These do vary across the region. In terms of sheer numbers, urban areas of Tyne and Wear and Tees Valley stand out as having higher numbers of people on key welfare benefits. However, there are still relatively high proportions of welfare benefit claimants in County Durham and Northumberland.



Minority Ethnic Groups

Whilst the overall employment rate in the North East is around 71%, the employment rate amongst (non white) minority ethnic groups in the region is around 55%. This clearly suggests that ethnic minority groups are marginalised in the labour market. However, when we look in more detail, the evidence shows that some minority ethnic groups, such as people from an Indian or Chinese ethnic background tend to have employment rates close to the overall average. Whilst people from other minority ethnic groups, such as those from a Pakistani or Bangladeshi ethnic background tend to have amongst the lowest employment rates, typically below 50%. When we also take gender into account, the evidence shows that more Pakistani men are in employment than Pakistani women, where as women from a black Afro Caribbean background have a higher employment rate than males from the same ethnic group.

Ex-offenders

Figures from the Home Office indicate that up to one in three men have a criminal conviction (not including minor motoring offences) by the time they are 30. The prison population in the UK recently reached its highest level of 82,000 and expansions to the prison estate are being carried out at present. Nationally around 100,000 people leave prison each year. In a typical month up to 3% of new claims for Job Seekers Allowance are from those that have been released from prison.

Only around a quarter of offenders are actually sent to prison upon conviction. Around a third of offenders receive community sentences. Other offenders are released from prison on licence or may complete their sentence at a resettlement prison, such as HMP Kirklevington Grange in Teesside, where they may be released during the day to take part in education, training or employment activities in preparation for their release. Unlike many regions in England, offenders leaving the North East's prisons mostly settle back into local communities. The North East has eight adult prisons, with a total capacity of over 4,600 adult places. Approximately 3,400 offenders are released back into the North East community from prisons each year, from establishments both within and outside the region.

There is much evidence to show that many prisoners have low levels of literacy and numeracy. This suggests that basic skills are an issue for many people in the ex-offenders group. A lack of transferable skills and qualifications puts many offenders in a disadvantaged position in the labour market. The employment prospects of offenders in custody are well below those of the community in general: 67% are not in employment prior to entering prison and 76% emerge without paid employment on release.

Many offenders face specific barriers and experience significant disadvantages in terms of entering the jobs market and securing sustainable employment. Offending behaviour may be influenced by other factors affecting their lives, such as drug and alcohol addictions and accommodation problems. However, finding and keeping a job is accepted as the most significant factor in turning an offender away from crime.

Employers and their Skill Needs

This section will look at:

- The changing pattern of employment in the North East and across the UK.
- Growing and declining sectors.
- Occupational distribution of employment.
- Entrepreneurship and self-employment.
- Employers' skills needs.

Key facts:

- There are over 71,000 separate work places and 49,400 domicile businesses registered for VAT in the North East.
- There are just over one million employees in the region, with a further 102,000 people being self-employed.
- Around 9% of all working age people in employment are self-employed in the North East. However, this is a low proportion when compared with many other parts of the country. For example, the national average is around 12.5% and the proportion in Central London is around 18%.
- Manufacturing is vital to the regional economy and provides around 12.5% of jobs in the North East.
- There are a number of emerging sectors in the knowledge-based economy which have excellent prospects for growth and job creation. These include bio-sciences, digital industries and those businesses involved in the design, development and manufacture of renewable energy technologies.



Employers in The North East

There are just over 49,400 regionally based businesses and public sector employers registered for VAT in the North East. The majority of these organisations, around 71%, provide services, 12% are in construction and 9% are in manufacturing. There are also many other employers who have offices, manufacturing plants and retail outlets in the North East. Many of these are branches of well known businesses such as banks and supermarket chains. In addition, in an increasingly globalised world many foreign businesses have bases in the North East region. In total there are over 71,000 separate work places in the region.

Historically, the North East has been more heavily dependent upon employers with head-office operations outside the region or overseas, giving rise to concerns that the North East is a branch plant economy. Whilst these employers are a valuable source of inward investment and jobs, multi-national companies operate on a global scale and can move production out of the region when it suits their corporate interests. For example, Electrolux the Swedish owned electrical goods manufacturer, recently decided to close down its Spennymoor plant with the loss of around 500 jobs. Other large-scale redundancy situations have occurred in the electronics sector with Samsung (Tees Valley), Fujitsu (County Durham) and Siemens (Tyne and Wear) all closing down their regional manufacturing operations in the last ten years.

However, foreign inward investment is a big driver of the international economy and the North East is a base for 588 overseas companies from 32 countries, employing over 27,000

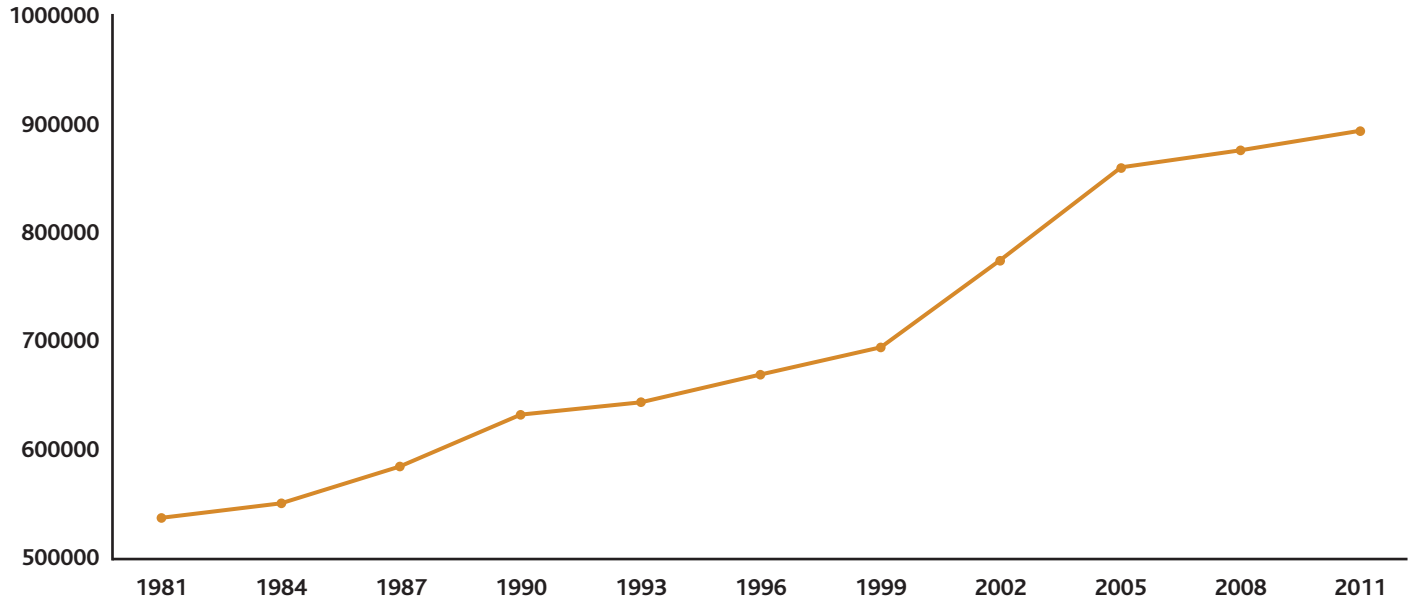
people. For example, Nissan in Sunderland is the largest car plant in the country and employs around 5,000 workers. The site is the most productive car plant in Europe and 80% of all cars are exported abroad. Nissan has also helped to create and sustain thousands more jobs through its supplier chain of 265 companies, many of which are located in the region. These companies supply Nissan with components and services.

Growth in Service Jobs

There has been a marked growth in the number of service sector jobs, particularly since the mid 1980s onwards. This is a national phenomenon, not just a local one. A wide range of service areas have expanded including health and care, business services, retail, leisure and customer contact centres. Since the early 1980s there has been a 60% increase in employment across the service sector. There are at least 860,000 employee jobs in services in the North East region today, compared with just under 540,000 in 1981.

The growth of contact centres in the region has been a significant development. There are around 50,000 people employed in around 150 customer contact centres across the North East. The Doxford International Business Park in Sunderland is home to a cluster of contact centres and company head-offices employing around 8,000 workers in firms such as T-Mobile, EDF Energy and Royal Mail. In addition, the Tees Valley is also home to a number of customer contact centres including Barclaycard, Churchill Insurance and locally based Garlands, which now employs around 3,200 employees in contact centres across the Tees Valley.

Growth of Employment in Services in the North East 1981-2011



Source: Annual Business Inquiry and previous comparable data sets 1981-2006. Source: National Statistics (Nomis: www.nomisweb.co.uk). Crown copyright material is reproduced with the permission of the Controller of HMSO. And Focus LMI forecasts 2007-2011.

Note: The data charts employee jobs only and does not include the self-employed or those working in the unofficial economy.

What the chart shows us: That the scale of new job creation in services throughout the region has been significant and sustained over a long period. Other things being equal, we should expect to see a continued growth in service sector jobs in the future too.

Manufacturing Employment

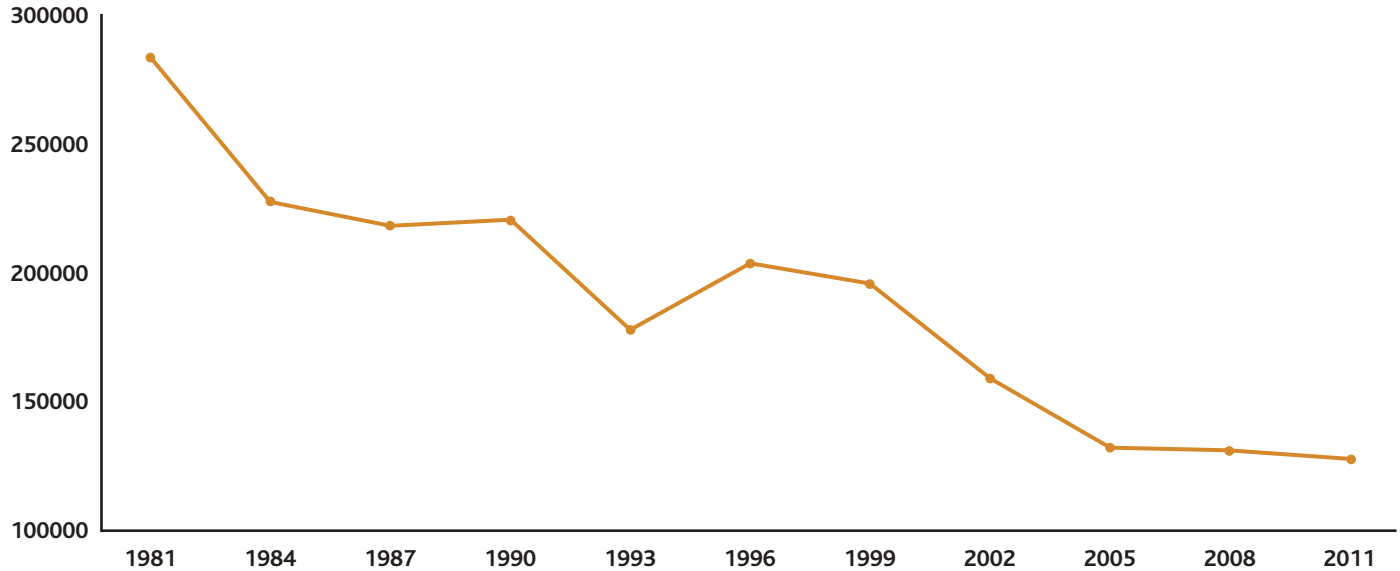
There are fewer people employed in manufacturing today than in the past. A key reason for this is the introduction of new technologies and working practices, which mean that it is possible to produce a given amount of goods with fewer workers than was required in the past. New technologies have therefore made the manufacturing process more efficient and have boosted productivity levels. In turn, they have helped to up-skill many of the remaining jobs in manufacturing, as there is an increased requirement for employees to have the knowledge and skills to operate complex machinery and adapt to new working methods, such as the use of automated assembly lines and robotics in the motor manufacturing sector for example.

Manufacturing still remains a very important part of the regional economy. The chemicals and process sector is a good example of a thriving part of North East manufacturing. There are over 200 companies in the North East that are part of the chemical and process industry. Several of these have a presence at the Wilton international site in the Tees Valley, which is home to one of Europe's largest cluster of chemical manufacturing plants. These companies employ around 34,000 across the region and there are an additional 150 companies on the sector supplier chain that employ thousands more. This sector generates around £8 billion worth of trade a year from the North East.

In addition, the offshore sector in the region is enjoying a revival with the reopening of the Haverton Hill yard in the Tees Valley. Local companies are creating 800 new jobs at the yard, which will be producing rig platforms for use in off-shore oil production. In addition, the sector also has a strong and growing base in Tyne and Wear. This sector has benefited from the engineering traditions and skills inherent in the region and the North East is again becoming a UK hub for companies involved in offshore industry.



Decline in Employment in Manufacturing in the North East 1981-2011



Source: Annual Business Inquiry and previous comparable data sets 1981-2006. Source: National Statistics (Nomis: www.nomisweb.co.uk). Crown copyright material is reproduced with the permission of the Controller of HMSO. And Focus LMI forecasts 2007-2011.

Note: The data charts employee jobs only and does not include the self-employed or those working in the unofficial economy.

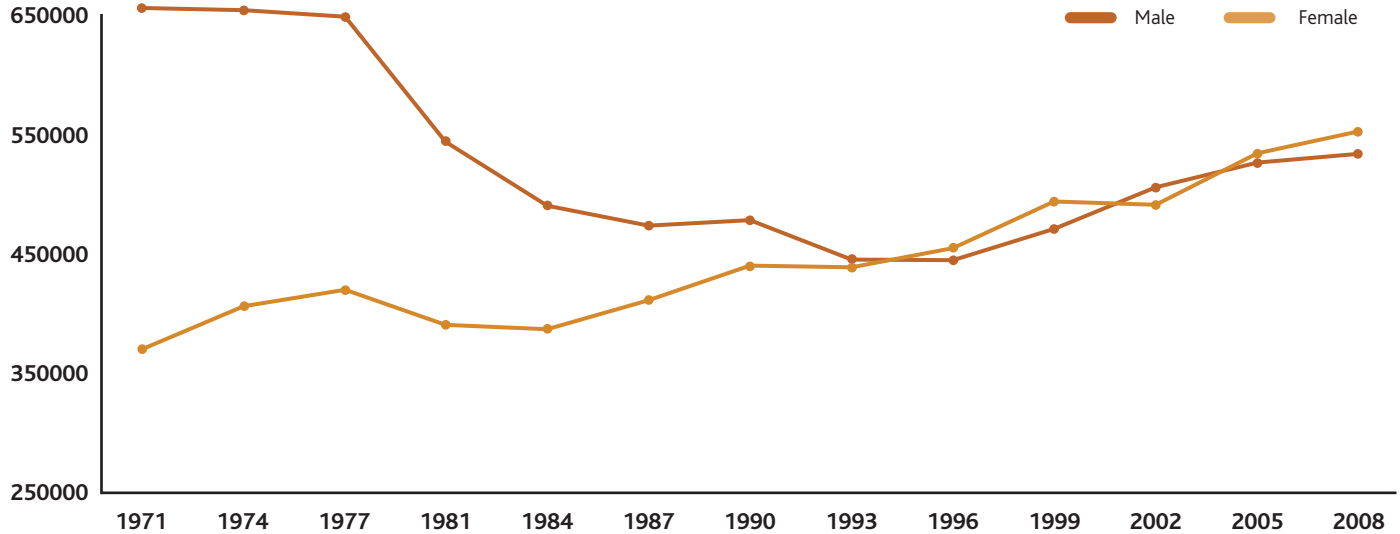
What the chart shows us: In terms of the numbers employed, manufacturing industry in the North East has shown considerable decline over recent decades. However, the remaining manufacturing capacity in the region is more modern and productive than in the past and this should mean that overall employment levels will be more stable in the next few years than they have been in the past.

Growth of the Female Workforce

Despite an increase in the number of women in employment, men and women still tend to be concentrated into different types of jobs. For example, nine out of ten people training to become nurses are females, whilst over 99% of skilled crafts-people in the construction industry are males. This continuing division of labour along gender lines could be linked to cultural expectations, which continue to influence the job choices which men and women make, or it could be a reflection of continuing discrimination. Despite continued occupational differences in some areas, there are many other lines of work where men and women work alongside each other in more equal proportions, such as business services. In addition, in recent years efforts have been made to challenge gender stereotypes and encourage males and females to enter job areas where they are currently in a minority.



Male and Female Employees in the North East 1971-2008

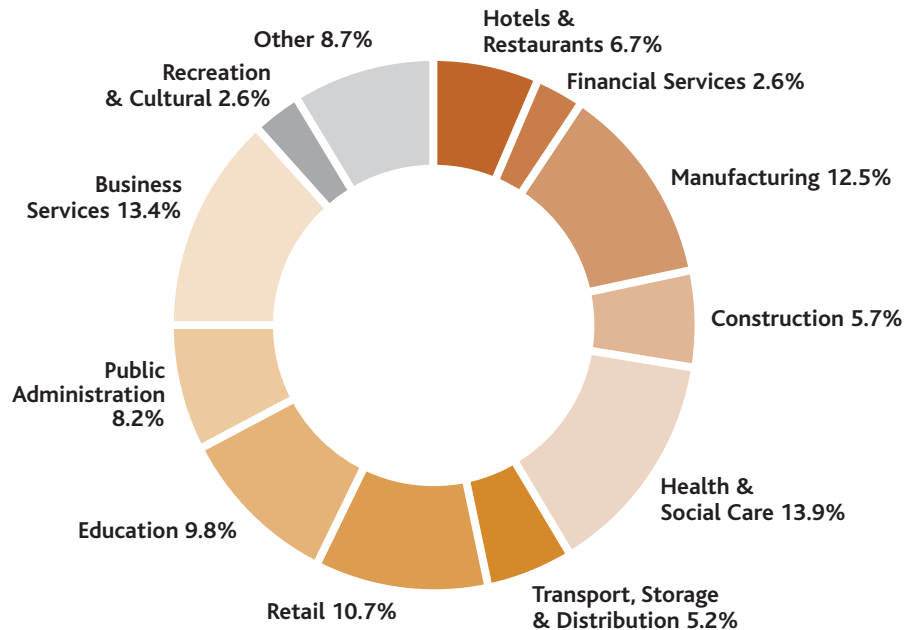


Source: Annual Business Inquiry and previous comparable data sets 1971-2006. Source: National Statistics (Nomis: www.nomisweb.co.uk). Crown copyright material is reproduced with the permission of the Controller of HMSO. Focus LMI forecasts 2007-2008.

Note: The data charts employee jobs only and does not include the self-employed or those working in the unofficial economy.

What the chart shows us: There has been significant growth in the number of females going into work in recent decades. In the very early 1970s there were almost two men in work for every women employed. Today the proportions are almost equal. There are just over half a million female employees in the region and roughly the same number of male employees. However, the chart does not include the self-employed, and there around 75,000 self-employed males compared with 25,000 self-employed females in the region. In addition, women are also much more likely than males to work on a part-time basis.

Distribution of Employment by Sector in the North East -2007



What the chart shows us: People across the North East are employed in a wide range of sectors. This chart provides a breakdown of which broad areas people are employed in. For example, the chart shows that manufacturing provides employment for 12.5% of employees, this works out at one in every eight employees and is higher than retail at 10.7% and construction at 5.7%

Source: Annual Business Inquiry 2006. National Statistics (Nomis: www.nomisweb.co.uk).

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Note: The data relates to employee jobs only and does not include the self-employed or those working in the unofficial economy. The construction and farming sectors are therefore particularly under-represented by this data set.

Comparative Distribution of Employment by Sector - 2007

	Co. Durham	Northumberland	Tees Valley	Tyne & Wear	North East	Great Britain
Manufacturing	17.2	11.3	11.8	11.6	12.5	10.9
Construction	5.3	6.5	7.7	4.7	5.7	4.8
Hotels & Restaurants	8.8	8.3	6.2	6.0	6.7	6.8
Financial Services	1.2	0.8	2.3	3.7	2.6	3.9
Health & Social Care	13.3	14.8	14.7	13.4	13.9	12.2
Transport, Storage & Communications	4.8	3.4	6.2	5.3	5.2	5.9
Retail	9.3	10.5	11.2	11.1	10.7	10.5
Education	9.8	11.1	9.9	9.4	9.8	9.2
Public Administration	8.9	11.8	5.5	8.8	8.2	5.5
Business Services	10.6	9.2	13.3	15.4	13.4	17.3
Recreation and Cultural	1.9	3.7	2.7	2.6	2.6	2.8

Source: Annual Business Inquiry 2006. Source: National Statistics (Nomis: www.nomisweb.co.uk). Crown copyright material is reproduced with the permission of the Controller of HMSO. Note: The data charts employee jobs only and does not include the self-employed or those working in the unofficial economy.

What the table shows us: Manufacturing provides work for 17.2% of employees in County Durham, compared with a North East average of 12.5%. Retail has a higher share of employment in Tyne and Wear and the Tees Valley, reflecting the abundance of retail outlets in town and city centres in these areas, as well as out-of-town retail parks such as the Metro Centre in Gateshead and Teesside Retail Park. Business services are also more strongly represented in Tyne and Wear and the Tees Valley.

Expansion Jobs and Replacement Jobs

Growing sectors create new jobs as they expand. However, it has been estimated that for every new job created in the region through the expansion of a growing industry, another fifteen job openings occur through the need to replace people who retire or leave their jobs. This means that focusing just on growth sectors could mean missing out on over 90% of job openings.

Even sectors that are in decline or stable will generate many new jobs in the future. For example, there is not expected to be any growth in the number of people working in local Government or transport in the next few years, but there will still be many job opportunities arising in these sectors throughout the region. This is because people who leave their jobs or retire will often need to be replaced.

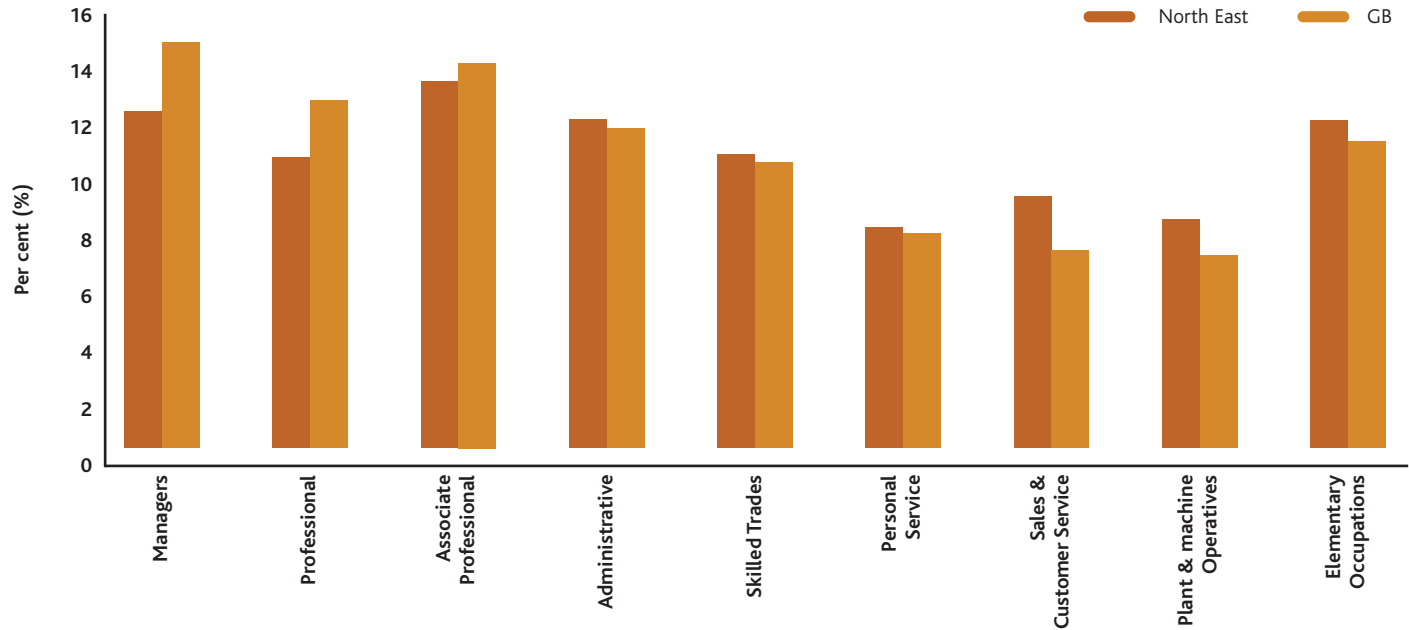
Occupational Distribution of Employment

The North East has proportionally fewer people employed in higher-level skilled and knowledge based jobs when compared with the national average. For example, around 37% of people are employed locally in the three higher skilled categories of management, professional and associate professional occupations compared with around over 42% nationally. These jobs tend to require qualifications at levels 4 and 5 and also tend to pay higher salaries. Examples include accountants, engineers and those in managerial positions.

The North East has higher proportions of people employed in administrative, personal services and sales and customer service roles. Many jobs in these categories are regarded as intermediate level occupations, which involve significant amounts of job-related training and/or some level of staff supervision. These roles require skills broadly equivalent to level 3 qualifications. Examples of jobs include call centre operatives, secretaries and nursery nurses. Other jobs in these occupational groups require skills broadly at level 2, including retail check-out assistants or shop sales assistants for example.

Skilled trade or craft level occupations tend to require skills broadly equivalent to a level 3 qualification. These include job roles such as electricians, plumbers, motor mechanics and chefs. Elementary occupations generally require the lowest level of skill of all job categories. Elementary jobs include postal delivery workers, hotel porters and cleaners. The number of elementary jobs has been in decline for some time and this is expected to continue in the future.

Comparative Occupational Distribution of Employment in the North East and Great Britain - 2007



Source: Annual Population Survey 2007. Source: National Statistics (Nomis: www.nomisweb.co.uk).

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What the chart shows us: The North East has a lower proportion of people employed in higher-level jobs when compared with the national average, for example jobs such as managers, professional and associate professional roles. These jobs typically require higher level qualifications such as degree and post-graduate qualifications. Conversely, there are proportionally more sales and customers service, plant and machine operative and elementary jobs in the North East. In terms of the occupational distribution of jobs, this chart suggests that the skills profile of the region is lower than the national average.

Comparative Distribution of Employment by Occupation - 2007

	Co. Durham	Northumberland	Tees Valley	Tyne & Wear	North East	Great Britain
Managers	12.6	14.6	12.6	12.1	12.7	15.1
Professional	10.7	12.5	10.7	11.3	11.2	13.0
Associate Professional	13.2	14.0	13.4	13.8	13.6	14.3
Administrative	11.0	12.9	12.2	12.9	12.3	12.0
Skilled Trades	11.7	10.8	11.9	10.5	11.1	10.9
Personal Service	8.0	10.2	8.2	7.9	8.3	8.1
Sales & Customer Service	8.1	7.2	9.5	10.6	9.4	7.6
Plant & Machine Operatives	10.3	7.6	9.3	8.3	8.8	7.2
Elementary Occupations	14.0	10.0	11.8	12.3	12.2	11.5

Source: Annual Population Survey 2007. Source: National Statistics (Nomis: www.nomisweb.co.uk).

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What the table shows us: The breakdown of occupational groups does vary throughout the region. For example, Northumberland has the highest proportions of people in managerial, professional and associate professional jobs. County Durham has the highest proportions of people employed in plant and machine operatives and elementary occupations. This may be linked to the more dominant role of manufacturing in County Durham when compared with the region as a whole.

A Higher Skilled and Knowledge Based Economy

People are increasingly being employed in jobs where knowledge is central to their work, particularly managerial, professional and associate professional jobs. These jobs typically often require degree and/or post-graduate qualifications. This is why the Government has set a target for getting 50% of people through university by their 30th birthday. Up until the 1970s only around 6-7% of the population went through higher education, but in recent decades the numbers going through university have increased dramatically. Around 36% of young people from the North East now enter higher education. This is lower than the national average of around 45%.

However, despite the move towards a higher skilled and knowledge based economy, there are still many jobs being generated which do not require degree level qualifications. However, these jobs will often require specific training and certification, frequently at level 2 or 3. Once more, these jobs increasingly require good communication skills and some knowledge of IT, as well as a good command of English and maths.

An example of the move towards a higher-skilled and knowledge based economy in the region can be seen with the Digital City initiative in Middlesbrough. This project will see the development of a digital quarter in the town which will provide workspace for companies in the digital and creative sector. In addition, the University of Teesside is also working with local firms in the sector to offer specialist support in areas such as research and development. The aim is to realise the Tees Valley's potential to generate and sustain a fast-growing, high-level economic base in the digital technologies sector with an international reputation for creativity and innovation. Digital and creative industries such as content-based businesses, which include computer games and video production, are now growing faster in North East England than in any other region of England. There are over 2,800 creative businesses operating in North East England, employing around 26,000 people.

Newcastle Science City is another initiative which is aimed at helping the region to prosper from growing industries reliant upon science and technology. The aim is to generate employment and prosperity from the region's growing reputation for research into stem cells, pharmaceuticals, microelectronics and molecular engineering. It's estimated that up to 100 new technology-based companies could be set up or attracted to the region by 2010, creating around 5,000 new jobs.

Over several decades there has been a shift in employment from manufacturing to services. However, this process of structural change continues today. The role of knowledge and information is becoming more important in the modern economy and this is leading to the growth of the quaternary sector. This sector consists of those industries that provide information services, research and development and consultancy. It includes, for example, scientific research, ICT, multi-media and creative and digital sectors. This sector is at the heart of developing innovative ideas, new production methods and new products and services.

Skills in the Population

Skills drive the modern economy and the availability of skills in the population is a key factor in the success of any local economy. Skills are quite difficult to define and measure. However, most definitions of skill include the concept of competency or proficiency at a given task or set of tasks. In addition, within an increasingly knowledge-based economy, the concept of skill increasingly encompasses job-specific

knowledge. For example, occupations in fields such as law and medicine are knowledge intensive. Because of the difficulty in measuring skills directly, qualification levels are often used as an indicator of skill levels.

Basic Skills

Basic skills are a prerequisite for further learning and development. A person without an adequate grasp of basic skills, such as literacy and numeracy, has little prospect of developing their potential and maximising their labour market prospects. However, there is a range of evidence which suggests that many people lack these basic skills. Indeed research suggests that as many as one in six adults have problems with basic maths and literacy and so have problems performing every day tasks which many of us take for granted. This clearly places them at a disadvantage in the labour market. Research by the Literacy Trust claims that almost half of all adults in the UK have the same level of reading and numeracy skills expected of a child leaving primary school. The Confederation of British Industry claims that over half of all employers are not satisfied with the basic literacy and numeracy of school leavers. The Government has estimated that lack of basic skills costs the country up to £10 billion a year through lower productivity, low wages and the cost of welfare benefits.

Transferable Skills

Employers are increasingly looking for transferable skills, such as the ability to communicate effectively and be customer orientated. Many people will have a range of different types of jobs throughout their working lives. In these circumstances transferable skills, which can be used from one job to the next, become increasingly important. It is often these transferable skills and attitudes which can get you a job rather than qualifications alone. These transferable skills are often difficult to measure but can be based on the impression which people may give in a job application form or at an interview. Important transferable skills that employers want include:

- Be Good Team Workers
- Have Good Verbal Communication Skills
- Have Good Written Communication Skills
- Be Honest
- Be Punctual
- Have Good Interpersonal Skills
- Be Highly Motivated
- Be Able to Show Initiative
- Have Good IT Skills
- Have Good Analytical Skills

Source: Compiled from various sources by Focus LMI.

Career Progression

Once people are in work they have potential to progress up the career ladder, either with their existing employer or by moving on to another job. This is because skills, experience and qualifications are valued by employers and are often rewarded through higher pay. When looking to return to work, individuals should not discount the possibility of earning higher wages after a period of time. For example, those entering a job as a hotel room attendant can progress to housekeeper roles and those starting work as a nurse could move to senior nurse and then nurse practitioner roles.

Many people in comparatively well paid management and professional jobs in major fast-food restaurants, retailers and hotel chains started off at the shop-floor level and worked their way up as they developed skills and qualifications whilst in employment. For example, 40% of all middle and senior managers working for fast food companies such as KFC, Subway and McDonald's have progressed from front-line service positions. This shows that career progression is a reality for people who start out in front-line service jobs.

Self-Employment and Entrepreneurship

People who are self-employed earn their living from their own business, trade or profession rather than earning a salary or wage directly from an employer. Self-employment is an increasingly popular employment option for many people. There are around 102,000 people who are self-employed across the region, accounting for around 9% of those in work.

Being self-employed can have a number of attractive features such as allowing people more choice as to how, when and where they work. However, many self-employed people work longer hours than employees and have to be responsible for all aspects of running a business including marketing, finance and planning. Evidence from the HM Revenue and Customs shows that around a third of people who set up their own business and become self-employed fail within the first three years. So becoming self-employed can be a risky strategy and is not suitable for everyone. Someone who takes the risk of setting up in business on their own is often called an entrepreneur.

The growing availability of information and communications technologies such as broadband and wireless internet access and personal computers, lap-tops and mobile phones has made it easier and cheaper to work from home or on the move. These factors have helped to encourage more people to become self-employed.

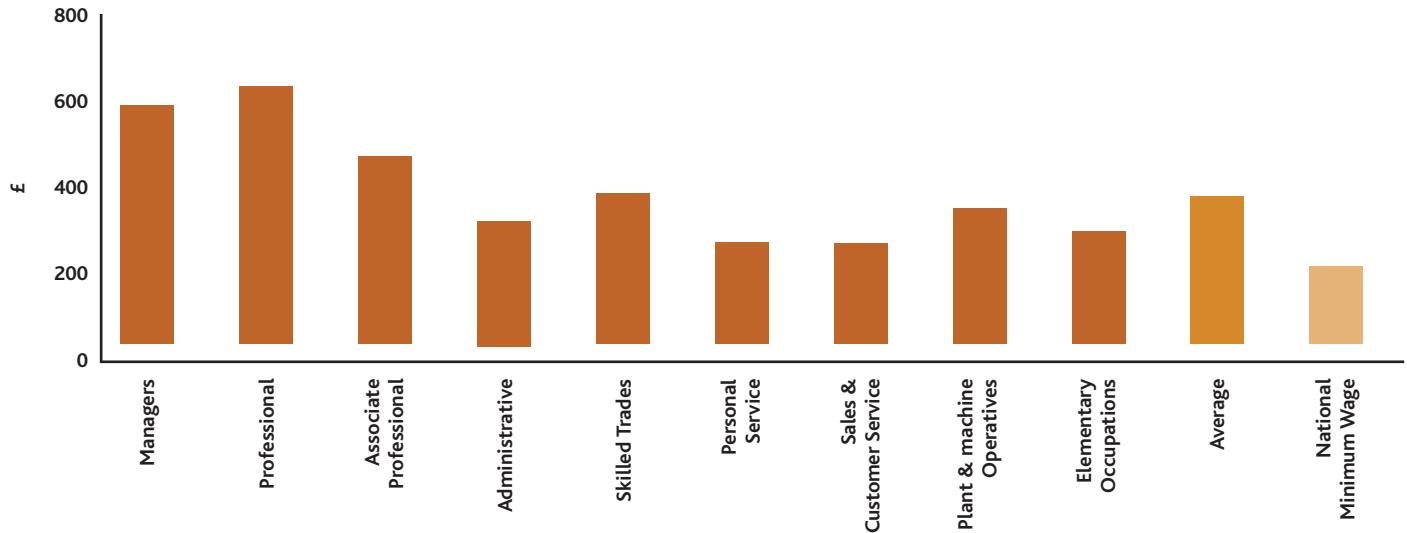
People often choose to become self-employed after they have built up skills, qualifications and experience working as an employee for another firm. For example, self-employment is growing in popularity amongst those in the 50 plus age group. Self-employment is more common in some occupations such as in the building trade, accountancy and legal services and in the media industry, where freelance work is common. In addition, a number of self-employed people buy into franchises and so are able to run a company with an established brand whilst also calling it their own business. Examples of franchises include Pizza Hut (restaurants), Merry Maids (domestic cleaning services) and Alpha Graphics (printing and design services).

Wages and Skills

This section will look at:

- The link between wages and skills.

Average Weekly Wage of Full-time Workers in the North East - By Occupation - 2007



Source: Annual Survey of Hours and Earnings (2007) and HM Revenue and Customs (Crown Copyright ©).

Note: The data refers to median average weekly wage for full-time workers in the North East region, excluding over-time. The National Minimum Wage level is based on a 40 hour working week earning the national Minimum Wage for adults, which is £5.52 per hour (March 2008).

What the chart shows us: Managerial, professional and associate professional jobs tend to pay higher salaries than average. Skilled trade jobs on the whole tend to pay wages at around the average wage level. All other major occupational groups tend to pay wages which are, on the whole, below the average wage. However, all occupational groups on the whole pay at a rate noticeably higher than the National Minimum Wage.

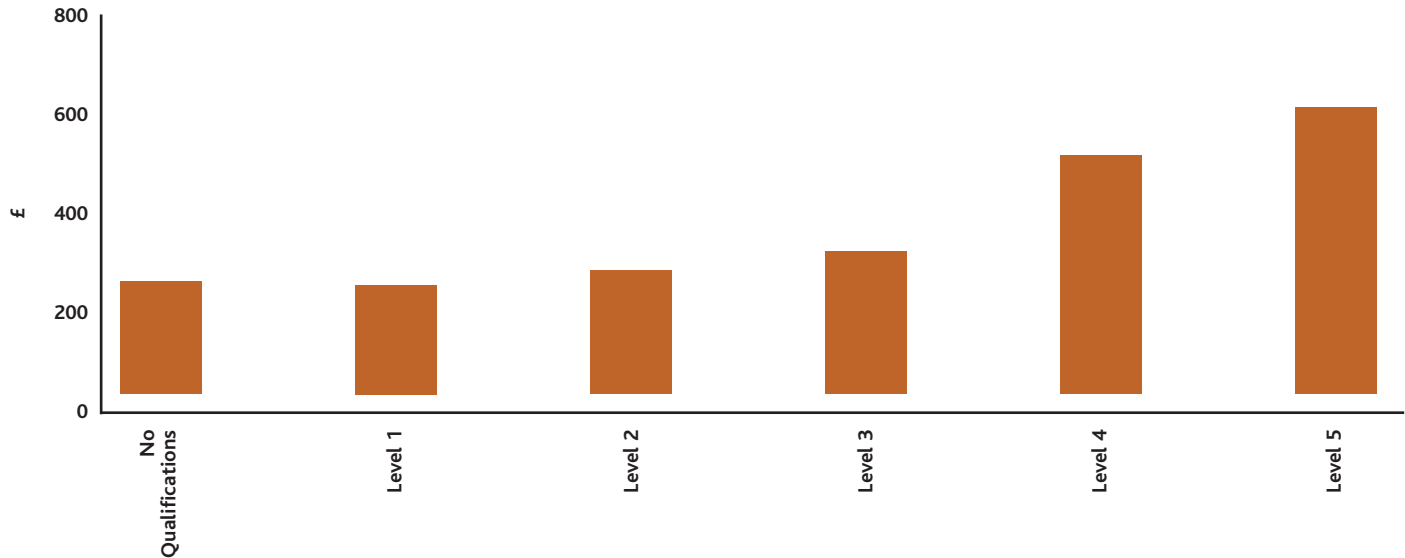
Higher Skills and Higher Wages

Jobs that require higher levels of skill and qualifications tend, on average, to pay more wages. However, there are many exceptions to this rule and gaining higher qualifications is not guaranteed to lead to a job with higher pay. However, the empirical evidence in favour of this correlation is very strong. For example, the average wage in the North East for a person with a level 4 qualification is £522 a week. This compares with an average of £270 a week for someone with a level 2 qualification and £337 for those with a level 3 qualification.

It generally takes a longer period of time in training and/or further and higher education in order to be able to gain the skills and qualifications required to access higher paying jobs. The increased pay that people can earn reflects the value that employers and customers place on skills. When skills are in short supply this can tend to push up wages, as those with sought-after skills can charge more for their services. This has happened in recent years in the building sector, as the demand for skilled trades such as plumbers, electricians and bricklayers outstripped supply and employers had to pay higher wages to attract staff.

An electrician with a level 3 qualification can earn over £500 per week. Compare this with around £220 a week for someone with a job earning the adult National Minimum Wage. This difference in earnings power over a working lifetime of 40 years could be over half a million pounds. The extra earning potential which skills and qualifications provide can be tantamount to a win on the National Lottery.

Gross Weekly Pay in Main Job by Highest Qualification - North East 2007



Source: Annual Population Survey 2007, ONS. Special Commission by Focus LMI (Crown Copyright ©).

What the chart shows us: There is a clear positive correlation between having higher qualifications and earning a higher wage. On average the higher your qualifications the more likely it is that you will be paid more for the work you do. However, this link is particularly noticeable from level 3 upward.

Workers in this country are entitled by law to receive the National Minimum Wage at £5.52 per hour for those aged 22 and over (£5.73 from October 2008). In addition, many people on low wages receive welfare benefits or tax credits to top up their wages or help towards the costs of childcare.

Drivers of Change in the Labour Market

This section will look at:

- How globalisation is impacting upon the labour market.
- The positive and negative effects of technological change on employment.
- How dealing with the environmental challenges we face creates new job opportunities.

Key facts:

- The labour market of the future is being shaped by local and global issues. The forces that are driving change in the labour market have huge implications, not just in terms of their impact upon employment, but for the whole nature of society.
- The pace, scope and scale of globalisation has accelerated in recent decades with more trade, investment and people crossing international borders than ever before.
- Advances in technology have led to the growth of new businesses in the regional economy. These key growth areas include bio-fuel production, bio-sciences and information and communications technologies. Technological advances not only transform the way we live, but are changing the jobs we do and how we do them.

- A whole new industry of recycling has been established in an effort to reduce the environmental impact of the modern consumer economy. The move towards a low carbon economy is also impacting upon other sectors of the economy including power generation, transport, construction and engineering.

Globalisation

There has always been trade between different countries, but in recent times this process has accelerated and a range of international agreements have been put in place to facilitate and encourage global trade. In simple terms, globalisation means that the world's economies, labour markets and, to some extent, political institutions are becoming more integrated.

Globalisation and Jobs

Globalisation enables countries to specialise in areas of work where they have a competitive advantage. In advanced economies such as the UK, Germany and the USA, this often means specialisation in high-tech and higher value-added goods and services such as aerospace, banking and finance, media and creative industries for example.

In emerging economies, such as China, the cost of labour is much lower and this has allowed them to develop a competitive advantage in the production of lower-tech manufactured goods such as toys, household electronic goods and clothing. Whilst this has contributed to some job losses in the region, these products can now be made more cheaply abroad and sold in the UK at lower prices, which is good for consumers. In addition, importing goods from overseas also helps to generate additional jobs in the region. For example, in 2006 Asda opened a £30 million import centre at Teesport in Middlesbrough creating 450 local jobs. The centre imports produce for Asda stores from across the world.

However, globalisation is a two way process and the North East is one of only two UK regions that export more than they import. In 2007 North East based businesses exported £9.5 billion of goods and services abroad. This helps to sustain thousands of jobs in the region in both manufacturing and services.

Most economists agree that globalisation offers more advantages than disadvantages to countries such as the UK. In addition, the evidence to date shows that developing countries which are open to globalisation are benefiting in terms of increased jobs, wealth and infrastructure developments.

Globalisation and People

Globalisation does not simply mean the increase in the trade of products and services between countries. The labour markets of advanced economies such as the UK have been opened up to workers from other countries. Citizens of other European Union countries have the right to work in the UK and many people from the new member states in Eastern Europe, such as Poland, Hungary and the Czech Republic have taken advantage of this open labour market policy. In addition, there are a range of work permit schemes which allow some people from around the world to come and work in the UK. Open labour markets also mean that British citizens can go to other European Union countries to work. There are around six million British citizens who live abroad and about four thousand more leave this country to live overseas every week. The bulk of these are highly skilled and educated people in the 20-40 age group.

Application of Technology

It has been said that one of the things which distinguishes humans from other animals is our use of tools or technology. Anthropological and historic evidence shows that throughout most of human history the development and application of new technologies was relatively slow. However, the pace of their development and application has increased significantly in the last couple of hundred years or so since the industrial revolution. In modern times the introduction of new technologies continues to grow at a rapid pace. This often raises fears about job losses but, in reality, new technologies tend to generate new jobs too.

It is difficult to predict with any certainty what the new technologies of the future will be and how these will impact upon the labour market. The only thing we know for sure is that new technologies will continue to be developed and they will continue to have a significant impact upon the jobs we do and how we do them.

The continued application of technology will generate new types of jobs in the future and add to the variety of work opportunities available across the region. The impact of mobile phones is testament to this.

Environmental Issues

Governments and people around the world have begun to recognise the damage being done to the environment caused by human activity. As a result, a series of laws and international agreements have been introduced in an effort to slow down and reduce some of the activities which are harming our environment. As a consequence, targets have been set in the UK for the recycling of household waste and alternative energy sources are being introduced. The drive for renewable energy has led to the development of the Blyth Harbour Windfarm. This is now being modernised and extended and there are plans to develop more windfarms in the region in the coming years. This will boost jobs in the regional engineering sector which is a leader in the design and production of wind powered turbines.

Many consumers are also choosing green products that minimise environmental damage, such as lower energy light bulbs and recycled paper. Because product markets and labour markets are linked, as consumers increasingly buy more environmentally friendly products, this will help to create and sustain jobs in companies which supply them.

A move towards sustainable development and low carbon economies means that the way we produce and consume goods in the future should be less environmentally damaging. As a result of legislation and consumer behaviour, new products and ways of producing them will be introduced. Indeed, in recent years we have seen the development of a whole new



industry of recycling which has already created many local jobs. We can be certain that environmental issues will have a growing impact upon society and the labour market in the future. This will help to generate more jobs in recycling, green energy production and more jobs for those producing more environmentally friendly products and services.

The Tees Valley is fast becoming a centre for the production of bio-fuels. These are fuels produced from crops such as wheat and rapeseed. They are used to power road vehicles and have the benefit of having greatly reduced carbon emissions. At least £400 million has been invested on plants in the Tees Valley and 300 new jobs have been created by companies such as D1 Oils, Ensus and the Biofuels Corporation.

Useful Websites

Department for Work and Pensions - www.dwp.gov.uk

This is a Government department with responsibility for a range of issues linked to work and pensions. Its website contains a range of information and publications as well as regular press releases on topics of relevance to the world of work.

Department for Children, Schools and Families - www.dcsf.gov.uk

This is a Government department with responsibility for education and services for young people. Its website has a range of information and news updates relating to developments in education, such as information on the new Diplomas for example.

The Department for Innovation, Universities and Skills (DIUS) - www.dius.gov.uk

This Government department brings together functions from the former Department of Trade and Industry, including responsibilities for science and innovation, with further and higher education and skills, previously part of the Department for Education and Skills. Its website contains a range of information and news updates of relevance to the labour market, particularly information on skills.

Learning and Skills Council (LSC) – www.lsc.gov.uk

The LSC exists to make England better skilled and more competitive. It is responsible for planning and funding high quality vocational education and training for everyone. The LSC has a national office and nine regional offices, including one in the North East. The organisation's website contains a range of information including reports and news releases on learning and skills issues.

Our future, it's in our hands – www.lsc.gov.uk/inourhands

"Our future, it's in our hands" is a national campaign led by the LSC in conjunction with the Government and Sector Skills Development Agency on behalf of the learning sector. The website provides information on the many sources of skills and funding programmes which are available.

Office of National Statistics - www.statistics.gov.uk

The Office of National Statistics is responsible for producing a wide range of economic and social statistics, including information which relates to the labour market. A wide range of information is available from its website.

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