

Major Skills Issues in Tees Valley



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EXECUTIVE SUMMARY

Research objectives

The aims of this research project were: (1) to get a better understanding of the way that the labour market works in Tees Valley; (2) to gain a clearer vision of the sub-region's potential to build a more secure, confident, highly skilled and enterprising workforce over the next twenty years; (3) to identify what needs to happen in Tees Valley to improve its prospects; and, (4) to make recommendations on who may be best placed to achieve this objective.

To achieve these aims, research was undertaken on: 15 industrial sectors operating across Tees Valley; the demographic, economic, social and labour market situation in each borough; and finally, patterned interactions amongst boroughs and industrial sectors across Tees Valley as a whole.

This research project had three principal methodological components.

- Desk based research of existing and emerging policy documentation, strategic plans, and research reports at national, regional and sub-regional level.
- Analysis of a range of national, regional and sub-regional data sets.
- Qualitative interviews and focus groups with key stakeholders across Tees Valley.

Key findings

- Low skills and educational performance are prevalent across Tees Valley and there remains a low level of skill acquisition above Level 3 and participation in higher education. Low aspiration may be tied closely to the limited opportunities for higher quality employment opportunities locally.
- Low levels of entrepreneurship exist in the sub region and there are indications of low aspirations for the future in existing enterprises. Enterprise activity is limited by 'cultural inertia' which means that local people put responsibility on large private sector organisations and the public sector to solve local economic problems, rather than seeking their own solutions.
- The concentration and depth of economic and social deprivation in some areas of Tees Valley acts as a major inhibitor for economic and social development. The prevalence of informal economic activity, ill health and high levels of benefit dependency are indicative of these problems.
- Opportunities for social mobility are limited due to the relatively poor quality of the job offer in Tees Valley. This serves to lower local aspirations and may encourage migration from the sub-region from higher achievers. Low pay is not just limited to boroughs with highest levels of multiple deprivation.
- The polycentric urban form in Tees Valley has led to the development of a relatively parochial, small-town mentality which inhibits understanding and cooperation between boroughs. While people want to live in relatively small towns, they still want to experience metropolitan quality leisure and shopping opportunities - but they go outside of the area to do so.
- There is clearly identifiable and extensive interaction between boroughs in labour market terms. Boroughs do not appear fully to recognise this and base economic development plans on local needs rather than sub-region wide needs. There is much more commuting to education, work and leisure across Tees Valley than is generally assumed to be the case.
- It may be the case that younger people are dissuaded from seeking work and educational opportunities because of limited, expensive and inconvenient public transport service by bus. Cross borough rail links are not fully adequate – especially from the north to south of the sub region. The quality of experience of rail transport gives a poor impression to visitors to the sub-region apart from main line services through Darlington.
- There are signs of real opportunities for further growth in some industrial sectors, particularly in the process industries and renewable energy - but it is unclear how their skill needs will be met. Embryonic growth is identified in some sectors, particularly in digital media and creative industries, which may act as a catalyst for future development across sectors. Some sectors are continuing to grow, including retail, logistics, contact centres and social care, but it is unclear how much of a contribution they can make to the improvement of the overall job offer in Tees Valley.
- Flagship regeneration schemes which focus activity in particular areas is generally welcomed by

local authority and agency officers in Tees Valley. There is a growing acceptance that focusing high quality activity rather than replicating provision at a lower level of quality is a positive strategic option for the sub-region as a whole.

- Because of significant change in the national policy environment, the sub region is losing the services of bespoke cross borough agency activity. This could threaten the prospects for the development of integrated labour market and skills strategy across Tees Valley.
- There is a clear interest and willingness amongst public sector and government agency executives to develop a stronger cooperative spirit across the five boroughs and move towards the development of a city region strategy for Tees Valley. It is less clear that there is strong support for such a strategy at a political level. The prevalence of parochialism at a political level may inhibit the prospects for positive change in the sub-region. The development of the Stockton Middlesbrough Initiative and a joint LEGI bid suggest that there is a movement towards close cooperation at the core of the sub region.

Key Conclusions

The report identifies a wide range factors which affect the future development of Tees Valley. Of these factors, three key factors were identified which need to be addressed to improve the economic prospects of Tees Valley.

- The development of **positive aspirations** across all interest groups to ensure that the sub-region does not accept second best solutions for the future.
- The improvement of **liveability** to attract and retain economically active people and to create a positive environment for social and economic investment.
- The improvement of the **employment offer** so that people have a reasonable prospect of achieving aspirations.

Priorities

Whilst it is concluded that *everyone* is responsible for change and everyone is important in helping achieve that, there are three key provisos which must be recognised:

- People cannot be expected to invest in their own future development if they cannot identify routes to achieve their objectives. Currently too many people in Tees Valley are 'getting by' rather than 'getting on' in their lives. Consequently, the job offer must be improved, transport to work must be available, and training must be available to them,
- Key stakeholders in the public sector and third sector have a well-meaning tendency to feel that they have the responsibility to make people's lives better and in so doing take responsibility away from them. The point is to create an environment within which people are given support to take responsibility for their futures.
- The private sector assumes all too often that it is wholly the responsibility of the public sector to prepare people for work. This is a false assumption and one which cannot be sustained. Employers must invest in the future of the people they employ through their own training schemes, by supporting training at college or by using private providers.

Tees Valley has had its problems during a long period of industrial restructuring, but there is no reason to assume that there is a dearth of home grown talent. The point is to get people to recognise that they have ability and then assist them to find routes to achieve their potential.

On the basis of the research analysis, a number of key priorities for the development of the economy in Tees Valley have been identified. These priorities are listed in *alphabetical* order.

Priority 1: **Tackle negative aspects of cultural inertia and to ensure that the area does not accept second best.**

What needs to be done? Persuade leaders at all levels in Tees Valley to learn and understand more about the big picture rather than focusing on discrete thematic or parochial localised agendas.

Priority 2: **Encourage people to recognise the value of education and training to achieve positive life choices.**

What needs to be done? Ensure that people have a realistic opportunity of achieving their objectives by improving the job offer in Tees Valley

- Priority 3:** **Improve the employment offer so that work becomes a more attractive option and ensure that working people feel valued and, in turn, work more productively.**
What needs to be done? Persuade employers to build their business confidence and recognise that there is a strong business case for building a well- paid, well-trained work force.
- Priority 4:** **Encourage people to become more innovative and enterprising in business, work, education and training.**
What needs to be done? Work with educators, the third sector, business and the public sector to become more positive about enterprise and to act as role models to encourage others and show what can be achieved.
- Priority 5:** **Improve the liveability of Tees Valley by encouraging key workers to remain here, attracting new people, raising confidence, local pride and invigorating aspirations.**
What needs to be done? Leaders in Tees Valley have to avoid accepting second best solutions for their areas of activity, and accept that it is not always necessary for every area to participate in every kind of activity.
- Priority 6:** **Build and invest in a more cohesive and coherent marketplace in order that new and existing businesses develop and grow.**
What needs to be done? Business, the public sector and third sector need to improve procurement practices to build local supply and demand chains.
- Priority 7:** **Encourage new and return migration to create new opportunities for business development and to up-skill the workforce; and to harness the skills and enterprising values of existing migrant groups.**
What needs to be done? Leaders and ambassadors must project positive outcomes of cultural diversity, focus business support on the specific needs of migrants, and to emphasise the positive cultural and economic outcomes of a more diverse local culture.
- Priority 8:** **Build a policy environment which recognises the advantages of the ‘small town’ culture, but avoids investment in low-quality intervention in every borough when one good intervention would benefit the whole area.**
What needs to be done? Build further on developing partnerships across Tees Valley and establish a strong executive leadership model to champion the interests of the city region as a whole.
- Priority 9:** **Develop positive aspirations within the public sector, private sector, third sector and amongst the area’s citizens.**
What needs to be done? Leaders must work hard to encourage a forward looking vision for the area, to back first-rate initiatives which benefit people from across the sub-region and to give people the opportunities to work, enjoy leisure and shop here in Tees Valley rather than in other areas.
- Priority 10:** **Break the cycle of social exclusion by reducing the amount of worklessness and poor work in Tees Valley.**
What needs to be done? To create a better job offer in Tees Valley to encourage people to recognise that employment is a key step in building better health and a sense of wellbeing.
- Priority 11:** **Create more opportunities for social mobility**
What needs to be done? Improve the job offer in Tees Valley to help build realistic positive aspirations so that fewer people become locked into cycles of poor employment, training and worklessness which means that they can only ‘get by’ in their lives, rather than ‘getting on’ with them;
- Priority 12:** **Adopt and invest in public transport to achieve a more imaginative and cohesive approach to connectivity.**
What needs to be done? Invest in a faster, stylish and safer transport infrastructure to build positive aspirations in the city region and a sense that visitors are coming ‘somewhere special’.

What needs to be done about skills?

In building a better skills base for Tees Valley, the report identifies clear roles for the following constituencies: the people who live here; the public sector; the private sector; and the third sector. None of these constituencies can achieve everything on their own. We support the idea that it is necessary to establish an executive leadership body which can oversee the development of a skills strategy and take a lead in making sure that its objectives are achieved.

It has been concluded that a Tees Valley wide strategic lead is necessary for three principal reasons.

- A borough level strategic approach cannot work because none of the boroughs are sufficiently independent from each other in labour market terms. More than a third of the sub-region's labour force works across borough boundaries. Industrial sectors have vertically and horizontally integrated supply and demand chains which run across Tees Valley and beyond. Consequently, a single borough could neither capture, nor control skills supply and demand effectively.
- A simple unified strategy to capture all the issues successfully could not be achieved because of the complexity of the local social, economic and skills environment. Instead, a strategy would need to recognise 'middle-range' objectives which deal with discrete issues in focused but integrated ways under the umbrella of a broad Tees Valley economic strategy. By middle-range, we mean that strategy should be targeted at thematic issues rather than places or even (in most cases) industrial sectors. Failure to do so will result in the reproduction of a 'chicken and egg' mentality in the sub-region. By this we mean that nobody will want to tackle the skills issue fully until the employment offer is in place, and visa versa.
- There has been some confusion over the last few years on who fully 'owns' the responsibility for skills development. Several agencies have had a role to play including the LSC, Job Centre Plus, Business Links Tees Valley, Connexions, One Voice Tees Valley, Tees Valley Partnership, together with the local authorities, local strategic partnerships, voluntary development agencies and a plethora of discrete interventions such as NDC programmes, Neighbourhood Renewal Strategies, and so on. Now that some of the key sub-region wide agencies have either become regional organisations or, conversely, had their functions returned to individual boroughs, there is increased confusion as to who owns the skills agenda.

If a skills executive were to be established, this would not diminish the importance of leadership at agency and local authority level. Making things happen requires leadership in each of the industrial sectors we have studied, leadership across the local authorities, and cross cutting leadership in sub-region wide organisations. But what is most important is to recognise that the sub-region must develop clearly defined communities of practice which can learn from each other and drive forward the skills agenda.

Who should do what?

The people who live in Tees Valley

- Everyone needs to make a contribution to the development of positive aspirations for the sub-region: this includes educators, public servants, health professionals, police, private sector executives and third sector employees and volunteers.
- Deprivation remains a significant problem in the sub-region for those households where economic inactivity prevails - it is important that people in such situations are encouraged to raise aspirations and be able to realise their objectives by identifying realistic opportunities for secure and properly remunerated work.
- Realistic prospects for social mobility must be identifiable if people are to raise aspirations. Employers in the area need to raise their own aspirations in order to create opportunities for social mobility retain highly motivated staff and, in turn, raise the profitability of their own enterprise.

The role of the public sector

- Improve patterns of procurement to ensure that more public funds are spent in the area in order to add value to that spend;
- Create an aspirational public sector which recognises that people in the area value and prioritise the maintenance of a 'small town' culture, but in so doing exercise and constantly reinforce the notion that operating at this scale does not devalue the area or equate in any sense to a second best culture;

- Recognise that if Tees Valley's economy and population is to prosper and grow, it must encourage visitors and its own people to work and spend its leisure time in the sub-region in connected, innovative and high quality clusters of activity which offer as good or better experience as in competitor towns;
- Avoid accepting second best development opportunities on the basis that any development is good development and to anticipate, recognise and think about the potential unintended consequences of poor development plans;
- Foster a culture of enterprise which projects the advantages of Tees Valley to potential employers and employees in a positive, realistic and aspirational way, and to ensure that the promotion of enterprise and growth affects new business, existing business and incoming business with equal vigour;
- Recognise that authorities have distinct characteristics, values and aspirations but develop and embrace understanding of the diverse interests of neighbouring boroughs and embedded patterns of interaction in work, education, service, consumption and leisure across boroughs;
- Seek recognition that local authorities collectively or single-handedly do not have to define, achieve or take responsibility for all of the objectives of the area, but facilitate and promote change through partnership with the private sector, third sector and the citizens of Tees Valley

The role of the private sector

- Recognise the added value of training in business terms, that is: raising profitability through better productivity.
- Establish dialogue within communities of business practice and collectively invest in training.
- Recognise that the public sector cannot respond immediately to employer skills needs.
- Recognise that training people has inherent advantages for the business, while not expecting that once a person is trained they will commit to a firm for life.
- Build the market in Tees Valley through local procurement within the business sector to build supply and demand chains.
- Encourage in-migration to build skills in the sub-region, but not to institutionalise the use of contracts which suit short-term migrants but reduce the quality of the job offer and destabilise the local labour market.
- Recognise the importance of a social return on investment, that is improved liveability, improved aspirations, and higher levels of profit and productivity.
- Establish communities of practice amongst smaller businesses to create better quality business support.

The role of the third sector

- Contribute to the eradication of social exclusion through confidence building, tackling public health issues, supporting care for children and older people and training.
- Raise aspirations by producing local role models for successful employment outcomes.
- Foster enterprise through the development of social enterprises and in doing so increase social mobility.
- Deliver services that the public and private sector cannot achieve by drawing upon established local credibility and trust.
- Become less focused on the sustainability of the third sector as an end in itself and focus more closely on its potential to achieve outcomes for the whole community.
- Work collectively in communities of practice to achieve better outcomes for the whole of Tees Valley rather than working in isolation within ward or local authority boundaries.
- Establish business support brokerage partnerships across Tees Valley to support new third sector organisations.
- Build upon existing communities of practice to develop and establish trust within the public sector by representing the sector in a more cohesive, professional and outcome oriented way.

