

North East Regional Strategic Analysis 2008



Executive Summary

Leading learning and skills

24 October 2008

Introduction

- 1 The Regional Strategic Analysis underpins our Regional Commissioning Statement, providing the evidence to inform decisions about our strategic priorities, and about the learning provision we need to commission in 2009/10. The full report is available from the LSC website:
<http://www.lsc.gov.uk/regions/NorthEast/Aboutus/strategic-analysis/>
- 2 The **North East economy** continues to perform at a relatively low level in comparison with other regions. Despite the wider economic downturn, the Tees Valley sub-region remains relatively buoyant. Job losses are starting to be seen in a number of sectors in Tyne and Wear and Northumberland, although with a few exceptions these are tending to be relatively small-scale.
- 3 The North East is home to around 2,555,700 people. Recent **population growth** has been slower than in England. Projections suggest that growth in the region will continue to be significantly slower than that seen nationally. Between 2006 and 2016, the 14–19 population in the North East is projected to decline by 18 per cent. But, reflecting ageing of the population profile, the adult population (aged 16 and over) is projected to increase by 5 per cent.
- 4 The level of **deprivation** in many parts of the region is high, particularly in densely populated areas. 18 per cent of the region's population live in areas ranked among the 10 per cent most deprived in England. There are close correlations between densely populated urban areas with high levels of deprivation and low qualification levels, low participation in learning and low economic activity rates among the population.
- 5 Reflecting long-term trends, the **economic activity** rate in the North East is below the national average. The higher an adult's qualifications, the more likely he or she is to be economically active and in employment. Adults with low or no qualifications are particularly disadvantaged.
- 6 An estimated 448,500 working age people in the North East – 28 per cent of the population, compared with 26 per cent in England – are not in work. Around 160,000 adults are claiming **Incapacity Benefit** and related benefits in the North East.

Young people

- 7 86 per cent of the North East cohort aged 16 in 2005 were **participating in further education and training** at age 16. By age 17, just 76 per cent of the cohort were in learning. If we are to meet Government targets we need a sharp increase in participation among 17 year olds.

- 8 10 per cent of 16–18 year olds in the North East were **not in education, employment or training** (NEET) between November 2007 and January 2008. There is a significant inflow to the NEET group at ages 17 and 18 among young people who leave learning or fail to progress, or who leave employment.
- 9 The number of **16–18 year olds in LSC-funded learning** in the North East rose by 0.5 per cent between 2005/06 and 2006/07, compared with growth of 4 per cent nationally. The most recent data suggests a 4 per cent increase in the number of young learners in the region between 2006/07 and 2007/08.
- 10 In 2006/07, our **funding** for young people’s learning in the North East totalled almost £193 million. This represents an increase of 3 per cent on 2005/06.
- 11 The most recent data suggests that 23 per cent of 16–18 year olds in LSC-funded learning in the North East in 2007/08 were undertaking **full Level 2** programmes. 48 per cent of young people in LSC-funded learning in the region were undertaking **full Level 3** programmes.
- 12 4 per cent of 16–18 year olds in LSC-funded learning in the North East in 2007/08 were from **black and minority ethnic communities**. Young learners from BME communities are generally less likely to undertake full Level 2 or full Level 3 programmes than white learners.
- 13 12 per cent of 16–18 year olds in LSC-funded learning in the North East in 2007/08 considered themselves to have **a learning difficulty and/or disability**. We currently fund provision for 67 residential learners and 130 non-residential learners at four specialist LLDD providers in the region. In addition, we fund provision for another 57 residential learners in specialist providers outside the North East.
- 14 There are significant learner flows across local authority boundaries in the region. **Travel to learn patterns** are influenced by many factors, including the availability and convenience of transport as well as the provision offered and learner preferences. 14–19 reforms present potential transport challenges for local delivery, perhaps most significantly in rural areas, though the nature and scale of the challenge is likely to differ from area to area.
- 15 While attainment of English and maths at Key Stage 4 is improving, many young people still leave school at 16 without appropriate **Skills for Life**. In 2006/07, young people aged 16–18 took up almost 54,200 Skills for Life learning aims. Achievement rates among them 16–18 year olds on approved Skills for Life courses have improved from 58 per cent in 2005/06 to 64 per cent in 2006/07.
- 16 25 providers in the North East are currently involved in small-scale and developmental delivery of **Progression Pathways** within the Foundation Learning Tier. In 2009/10, the LSC will start to actively focus funding and align performance measures to Progression Pathways, and greatly increase the number of providers delivering them. Progression Pathways will begin to assimilate existing provision such as Entry to Employment, first steps and foundation learning in FE.
- 17 Between 2005/06 and 2006/07, the North East saw the biggest improvement of any region in **attainment of Level 2 qualifications** among young people.

This has brought Level 2 attainment by age 19 in the region close to the national average, a significant improvement from our historical position as the worst performing region in the country. 73 per cent of the North East cohort aged 19 in 2006/07 achieved a Level 2 by their 19th birthday, compared with 74 per cent in England.

- 18 **Attainment of Level 3 qualifications** by age 19 remains lower in the North East than in any other region. 42 per cent of the regional cohort aged 19 in 2006/07 achieved a Level 3 by their 19th birthday, compared with the national average of 48 per cent.

In part, the low level of attainment at Level 3 by age 19 has reflected the need for many young people to 'catch up' and achieve a Level 2 qualification after leaving school. Improving attainment at Level 2 might therefore be expected to lead to increased progression and achievement at Level 3.

Adults

- 19 Between 2005 and 2006, the North East was the only region in England to see a rise in **participation** rates among adults. Participation rates among adults in the North East are in line with the national average. Disadvantaged adults are least likely to participate in learning.
- 20 An estimated 453,000 adults aged 19 to retirement – 31 per cent of the region's adult population – are **not qualified to Level 2**. A further 327,000 adults in the region are qualified to Level 2, but not Level 3. We estimate that this includes around 40,000 19–25 year olds, who are eligible for free tuition towards a first full Level 3 qualification.
- 21 The number of **adults in LSC-funded learning** in the North East fell by 18 per cent between 2005/06 and 2006/07, in line with the fall seen in England. This reduction is closely linked to the shift in LSC funding towards priority full Level 2 and full Level 3 provision.

The most recent data shows a 7 per cent fall in the number of adult learners in FE in the region between 2006/07 and 2007/08, alongside growth of 22 per cent in Work Based Learning and 14 per cent in Train to Gain.

- 22 Our **funding** for adult learning in the North East in 2006/07 totalled over £128 million. This is 6 per cent lower than in 2005/06. While our overall funding has reduced, our spending on priority target-bearing provision has increased.
- 23 Despite a fall in total learner numbers, the number of adult learners undertaking **full Level 2 and full Level 3** programmes in the North East rose by 18 per cent between 2005/06 and 2006/07.
- 24 An increased focus on 'firstness' is evident in the region. The number of adults undertaking **first full Level 2 qualifications** in FE provision in the North East is increasing. The proportion of adults in full Level 2 and Level 3 FE provision who are undertaking their first full Level 2 is also increasing.
- 25 The latest available data suggests that almost 7 per cent of adults in LSC-funded learning in the North East in 2007/08 were from **black and minority ethnic communities**, well above the proportion of the population as a whole.

- 26 10 per cent of adults aged 19 and over in LSC-funded learning in the North East in 2007/08 considered themselves to have a **learning difficulty and/or disability**.
- 27 The North East is a **net importer of adult learners**. The number of learners aged 19 and over who live outside the North East but travel into the region to learn is higher than the number living in the North East but travelling out of the region to learn.
- 28 Within the region, there are significant learner flows across local authority boundaries. **Travel to learn patterns** are influenced by many factors, and are likely to reflect the places where learners work – which may differ from the places where they live.
- 29 Many adults in the North East lack the **Skills for Life** needed to progress in learning and work. More than 37,200 adults participated in LSC-funded Skills for Life programmes in the North East in 2006/07, compared to around 45,200 the year before. The fall in participation has been in non-approved programmes, with a small increase in participation in approved programmes.
- Between them, over 25,700 adult learners successfully completed almost 39,700 Skills for Life aims in the North East in 2006/07. Achievement rates among adults on approved Skills for Life courses have improved from 68 per cent in 2005/06 to 72 per cent in 2006/07.

Employers

- 30 **Employer skills needs** vary across the region. Some sectors, such as chemicals, are more strongly represented in the south of the region. Others, such as automotive manufacturing, are more strongly represented in the north. Still others, such as tourism and hospitality, are more strongly represented in rural areas.
- 31 Between 2006 and 2007, some 5 per cent of employers in the region experienced difficulties filling one or more vacancies due to a shortage of applicants with the skills, experience or qualifications required. **Skills shortage vacancies** accounted for 20 per cent of all vacancies. These proportions were in line with national averages.
- 32 19 per cent of employers in the North East reported **skills gaps** in their existing workforce in summer 2007, the highest proportion of any region. The proportion of employers reporting skills gaps in the region is falling, from 26 per cent in 2003 and 21 per cent in 2005.
- Employers reported that some 62,000 people working in the North East had skills gaps – 6 per cent of all employees, in line with the national average.
- 33 **Employment projections** suggest that total employment in the North East will increase by 3 per cent between 2007 and 2017, compared with growth of 7 per cent in England. The trend towards service sector growth is expected to continue, offset by decline in manufacturing and production sectors.
- The number of jobs needing intermediate and higher level skills is projected to grow, while the number of jobs in craft level occupations and in occupations with low skills needs is projected to fall.

- 34 Note, though, that employer demand will be significant in all sectors and occupations over the next decade, including those projected to decline in overall employment terms, because of the need to replace staff lost through turnover and retirement.
- 35 70 per cent of establishments in the North East **funded or arranged training** in the year to summer 2007, the highest proportion of any region. More than 689,000 people working in the North East received training arranged or funded by their employer. This equates to 68 per cent of the workforce, more than in any other region.
- 36 We are planning for the introduction of the **National Apprenticeship Service (NAS)**, which will lead the expansion and improvement of the Apprenticeship programme.
- 37 Insufficient employer involvement is **the biggest single constraint on Apprenticeship growth**, particularly in rural areas. This reflects the relatively weak economy and employer base in the region. Economic downturn poses further risks as it impacts on employer investment in training.
- Employers in the North East, however, are more likely to offer Apprenticeships to staff than the national average. As a proportion of the workforce, North East employers also take on more Apprentices than employers in any other region.
- 38 The most recent data suggests that the number of **16–18 year olds in Apprenticeships** in the North East in 2007/08 was slightly higher than in 2006/07. The increase is mainly in Advanced Apprenticeships. In part, this reflects the introduction of new provision through open competitive tenders.
- 39 The number of **adults in Apprenticeships** in 2007/08 was slightly lower than in 2006/07. A shift towards Advanced Apprenticeships is apparent among adult learners. In part, this reflects take-up by adults aged 25 and over.
- 40 The latest available data shows that there were an average 825 adults aged 25 and over in **Adult Apprenticeships** in the North East in 2007/08. The take-up of Adult Apprenticeships has exceeded all assumptions. This may partly reflect new contracting flexibilities for Apprenticeships and Train to Gain which have increased progression routes for adults aged 25 and over.
- 41 The overall **framework success rate** among 16–18 year olds in Apprenticeships in the North East in 2007/08 was 61.1 per cent, slightly below the national average (62.6 per cent). The overall framework success rate among adults aged 19 and over was 62.6 per cent, in line with the national average.
- Improvements in framework success rates in the North East have closely followed national trends. We expect success rates to continue to improve as the rigorous implementation of Minimum Levels of Performance reduces the amount of poorly performing provision.
- 42 2,380 employers in the North East were engaged in **Train to Gain** between August 2007 and June 2008. 86 per cent were considered hard to reach, the second highest proportion of any region.

- 43 16,170 adults started learning through Train to Gain between August 2007 and June 2008, an average of around 1,400 a month. The number of starts is at 109 per cent of profile at June 2008, well above the national average.
- 44 9,110 adults in the North East achieved a Level 2 qualification through Train to Gain between August 2007 and June 2008. Level 2 achievements were at 145 per cent of profile at June 2008, and 124 per cent of profile for the full year, significantly higher than in other regions.
- 45 By June 2008, 40 employers in the North East had signed the **Skills Pledge**, covering 122,300 employees. Reflecting the size of the region, our initial focus on large public sector organisations, and the relatively small number of employers in the North East, this is the smallest number of any region.

Integrated employment and skills

- 46 The region is making good progress in building the capacity to implement **an integrated employment and skills system**. We are currently gathering evidence to demonstrate partnership working between Jobcentre Plus providers, LSC-funded Skills for Jobs providers and Train to Gain providers. Work is underway to strengthen links between pre-employment training and Train to Gain.
- 47 More than 82,250 information sessions were delivered by discrete adult **Information, Advice and Guidance** providers in the North East in the year from August 2007 to July 2008, mainly to unemployed customers.
- 48 Some 40 per cent of offenders serving custodial sentences in the North East were engaged in **Offender Learning and Skills Service** (OLASS) provision at the beginning of July 2008, compared with 29 per cent in July 2007.
- 49 Relatively little ring-fenced provision outside Skills for Life is available for offenders serving community sentences. Collaboration between providers and agencies such as the Probation Service and Jobcentre Plus is improving, but more needs to be done to better shape the provision on offer.

European Social Fund

- 50 Early indications suggest that the North East has achieved the majority of targets set for the 2000–2008 **European Social Fund** programme. Expenditure is forecast at over 90 per cent of the £107 million budget. Between 2004 and 2008, over 150,000 individuals benefited from ESF and match funded interventions.
- 51 We have secured £63 million of ESF funding for 2007–2010. The new programme has two clear strands: helping unemployed and economically inactive people into work, and developing the skills of people in employment.
- 52 The LSC and Jobcentre Plus commissioned their respective 2007–2010 ESF Priority 1 activities based on the funding gaps identified in the **Regional Employability Framework**. A strong emphasis has been placed on ESF-funded providers to ensure progression pathways are implemented to support learners in their journey from worklessness into sustainable employment, including support through Train to Gain. And, within the LSC, we will ensure that ESF funded provision is complementary to the provision we fund with our mainstream budgets.

Performance and quality

- 53 **FE success rates** among young people in the North East continue to improve. The overall success rate among 16–18 year olds in Further Education in the North East in 2006/07 was 77.1 per cent.
- 54 FE success rates among adult learners in the region remain above the national average. The overall success rate among learners aged 19 and over in Further Education in the North East in 2006/07 was 77.9 per cent, compared with 76.7 per cent in England.
- 55 In 2007/08, 22 WBL providers in the North East delivered some provision that did not meet accepted **Minimum Levels of Performance**. We have removed this provision, replacing it through Open Competitive Tender.
- 56 In 2008, we issued Notices to Improve to seven FE-funded providers in the region, where success rates fell below Minimum Levels of Performance. The inclusion of short courses in performance measures for FE has had a negative impact on measures of overall provider performance.
- 57 **Learner satisfaction** continues to be very high. Learners are positive about the benefits of learning, especially about gaining new job-related skills and helping them to move forward in their career. 60 per cent of learners say they are very likely to undertake further learning in the next three years.
- 58 The North East has made significant progress in recent years in bringing the region's FE estate up to world class standard: capital approval has been granted for schemes totalling £563 million since 2001. If the current annual level of capital funding continues, we expect the modernisation and renewal of the FE estate in the region to be substantially complete by 2016. Our **joint capital strategy with One NorthEast** will contain a more detailed assessment of the current infrastructure.

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