

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 LEGL 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.

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Abbreviations

BLTV	Business Link Tees Valley
BME	Black and Minority Ethnic
CAM	Complimentary and Alternative Medicine
BOC	British Oxygen Corporation
CNC	Computer Numerical Control (used for accurate machining of materials)
CoVE	Centre of Vocational Excellence
CPI	Centre for Process Innovation
DCLG	Department for Communities and Local Government
DfES	Department for Education and Skills
DWP	Department of Work and Pensions
E2E	Entry to Employment
EMA	Educational Maintenance Allowance
EMTA	Engineering and Manufacturing Technologies Association (subsumed by SEMTA)
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FD	Foundation Degree
FE	Further Education
FSA	Financial Services Authority
FSSC	Financial Services Skills Council
GCE	General Certificate of Education
GCSE	General Certificate of Secondary Education
GNVQ	General National Vocational Qualification
GONE	Government Office for the North East
GVA	Gross Value Added
HE	Higher Education
HGV	Heavy Goods Vehicle
HNC	Higher National Certificate
HND	Higher National Diploma
HtFV	Hard to Fill Vacancy
IAG	Information Advice & Guidance
IB	Invalidity Benefit
ICT	Information and Communications Technology
IPPR	Institute for Public Policy Research (also IPPR North)
IT	Information Technology
ITU	Intensive Therapy Unit (Intensive Care)
JSU	Joint Strategy Unit
LDA	Local District Authority
LAA	Local Area Agreement
LEGI	Local Enterprise Growth Initiative
LLSC	Local Learning and Skills Council
LM3	NEF tool to gauge the multiplier effect of local procurement

LNG	Liquid Natural Gas
LNRS	Local Neighbourhood Renewal Strategy
LRT	Light Rapid Transport
LSC	Learning and Skills Council
LSP	Local Strategic Partnership
MLA	Multi-Level Agreement
NEET	Not in Education, Employment or Training
NEF	New Economics Foundation
NERD	North East Really Delivers
NEPIC	North East Process Industries Cluster
NERIP	North East Regional Information Partnership
NERSIP	North East Regional Skills Partnership
NESEP	North East Social Enterprise Partnership
NESS	National Employer Skills Survey
NETP	National Employer Training Programme (renamed 'Train to Gain')
NHS	National Health Service
NOMIS	A web-based database of labour market statistics run on behalf of the Office for National Statistics by the University of Durham
NRF	Neighbourhood Renewal Fund
NTO	National Training Organisation
NVQ	National Vocational Qualification
ODPM	Office of the Deputy Prime Minister
ONE	ONE NorthEast
ONS	Office for National Statistics
PAMS	Professions Allied to Medicine
PSA	Public Service Agreement
PSD	Personal and Social Development
PSV	Public Service Vehicle
QCA	Qualifications and Curriculum Authority
RDA	Regional Development Agency
RES	Regional Economic Strategy
RSA	Royal Society of Arts
RSP	Regional Skills Partnership
RSS	Regional Spatial Strategy
SBS	Small Business Service
SEMTA	Sector Skills Council for science, engineering and manufacturing
SEN	Special Educational Needs
SIC	Standard Industrial Classification (of Economic Activities)
SLD	Specific Learning Difficulties
SME	Small & Medium (sized) Enterprise
SOA	Super Output Area
SOC	Social Occupational Classification
SoFI	Social Futures Institute
SSC	Sector Skills Council
SSV	Skill Shortage Vacancy
StAR	Strategic Area Review

TSO	Third Sector Organisation
TVJSU	Tees Valley Joint Strategy Unit
TVL	Tees Valley Living
TVP	Tees Valley Partnership
TVR	Tees Valley Regeneration
TWA	Travel to Work Area
VCO	Voluntary and Community Organisation
VCS	Voluntary and Community Sector
W2W	Welfare to Work
WBL	Work Based Learning
WIER	Warwick Institute for Employment Research
YA	Young Apprenticeship

1 Introduction

This project has three principal aims. The first is to get a better understanding of the way that the labour market works in Tees Valley. In so doing, its second aim is 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. Achieving potential is not something which happens on its own. So the third aim of the project is to identify what needs to happen in Tees Valley to improve its prospects and to make recommendations on who may be best placed to achieve this objective.

In more specific terms, the project team were set the objective of studying existing research reports, policies and strategies in more detail than has been the case before in Tees Valley, in order to get a clear sense of where we are now. The reason for this was a realisation in the Learning and Skills Council (LSC) that different aspects of labour market development were all too often being dealt with as discrete issues often by a range of agencies. What they needed, it was agreed, is a more general analysis which could produce 'big picture' assessments of the current situation and the potentiality for positive change.

There is a great deal of statistical evidence available on the demographic, labour market and economic features of Tees Valley. So the project team were tasked with an exploration of these data in order to get a clearer impression of the potential for change in light of a realistic appraisal of socio-structural constraints on development. The intention was not to dwell on problems, however, but to think about solutions in a practical and realistic way.

It was recognised at the outset that understanding what is happening in the labour market in Tees Valley could not be gained from a literature review and statistical analysis alone. Consequently, it was agreed that the research team should interview key stakeholders across the sub-region to explore in some depth the area's opportunities and constraints. These interviews were undertaken in order to make sense of the economic ambitions of each of the five boroughs which comprise Tees Valley and to see how they intended to achieve these strategic objectives.

A second aim of the qualitative research was to explore interactions between the boroughs. This is to gain a clearer picture of the way that boroughs cooperate or compete with each other, and to make an assessment of the benefits or barriers this brought to the sub-region's economic development as a whole. Finally, it was intended that stakeholders could help the research team understand the growth potential of a wide range of industrial sectors in the sub-region. The purpose of this exercise was to make an assessment of future demands on the labour force in the area. The key advantage of talking to key stakeholders in depth and in confidence is that a richer understanding of what is desirable and achievable in political, economic and social terms over the next twenty years can be gained.

Given this project's wide-ranging and forward-looking brief it is important to present a number of caveats on what can and cannot be achieved. Firstly, it should be recognised that this is not a 'here and now' report which promises to inform readers about everything that is going on in Tees Valley in precise detail. If this were the case, then its findings would become bound up with immediate problems. Just in the last few weeks, as this report neared completion, Tees Valley has been affected by a number of sudden and dramatic developments including the decision of BMI

Baby to cease operation at Durham Tees Valley Airport and Huntsman's announcement that they intend to sell their operation on Teesside. Similarly, a number of strategic position statements are imminent at local authority and sub-regional levels – including, most importantly, a submission to DTi on the business case for developing Tees Valley as a city region. The region's policy makers, strategists and economic development officers have to deal with the ups and downs of the sub-region on a daily basis and as a consequence, do not always have much of an opportunity to sit back and reflect on the big picture. So the purpose of this report is to help them do that, rather than become too focused on the immediate situation.

A second caveat is the acceptance that the sub-region will necessarily be faced by a number of imponderables which cannot fully be anticipated. Global capitalism will affect the sub-region in unanticipated ways – sometimes to its advantage and sometimes not. However much the sub-region concentrates on what the winners of the future are likely to be, there will always remain a risk that the situation may change. A glance over our shoulders to the last twenty years illustrates that market competitiveness can be transformed very quickly by changed consumer preferences, new technology, social, political and environmental change.

One thing which is certain is that in political terms the sub-region cannot expect fully to control its own destiny. Governments change priorities and policies, introduce new initiatives and cancel old ones. The objectives of government funded agencies will have their priorities changed, the spatial focus of their operation altered, and in some cases they will be abandoned altogether in order to give preference to some other organisation or issue. While change is inevitable, the point which we want to make in this report is that the sub-region has considerable scope to focus on where it wants to be in the future. And if that focus is clear in enough people's minds, then the area will be less likely to be tripped up by the political whims of the EU or Westminster.

The final caveat is that people change. Today's leaders in Tees Valley will do their best to anticipate and promote economic change and will try hard to prepare the labour force as best as they can. But people do not behave in predictable ways across the generations. For example, fifty years ago, men gained a sense of pride and respect from their communities from doing a hard day's manual work and fathers expected that their sons would follow them into similar forms of work. Women were more likely to commit to a career as a homemaker and if they did do paid employment it was likely to be a part-time secondary wage. Young people's lives appeared to be laid out before them and so their parents, teachers and community leaders prepared them for the world they expected them to enter as adults. But that is not the world many people wanted to enter and so they did things differently – many chose not to marry at all, or if they did broke social taboos by getting divorced. Women moved into the labour market with new ideas in mind – of building their own careers while many men started to wonder about the work-life balance.

The way that people change their attitudes and behaviour is led by structural factors too, such as significant economic restructuring which pulls the carpet out from staple industries such as coal mining, heavy engineering and so on. And in turn, the way that work is done is transformed by technology and new patterns of organisational control. So in planning for the future, it is necessary to be careful

about making assumptions of what is the best way forward for young people. This is because they may choose not to accept it, or worse, the opportunities for which they have been prepared may no longer exist. If young people need to be prepared for anything, we will argue, it is an expectation of change across their working lives.

This report concludes that change is good because Tees Valley needs to change. But change can be held back by cultural inertia. Cultural inertia is a mind-set which can either help or hinder an area in its development. It produces and reproduces tolerances and intolerances and informs the locality about what is possible and desirable. It is necessary, therefore, for us to draw conclusions in this report on what we think Tees Valley wants to be and how it wants to think about itself as a place. This in turn will help us get a better understanding of its economic prospects and how the labour force can be prepared and prepare itself for the needs of the future.

1.1 Methodology

This research project has three principal components.¹

- Desk based research of existing policy documentation, strategic plans, and research reports which relate to economic, labour market and skills development nationally, regionally and at a sub-regional level.
- Data analysis of national, regional and sub-regional data sets to explore the likely patterns of development in the sub-regional labour market over the next 10-15 years.
- Qualitative interviews and focus groups with key stakeholders across Tees Valley to enhance our understanding of key processes and development and to assess the political scope for the success of significant strategic developments across the sub-region.

1.2 Structure of the report

Following this introduction, the first section of this report provides a brief overview of the policy environment surrounding skills development at national, regional and sub-regional levels. It is not our intention to summarise these policy interventions in great detail, but instead to provide a broad outline of policy developments to contextualise the analysis which follows in the rest of the report.²

Section Two of the report presents data on the demographic, economic and skills profile of Tees Valley. The analysis explores issues with reference to each of the five local authorities.

In Section Three of the report, five short portraits are provided on each of the boroughs which form the sub-region. It is not the intention of this section to provide detailed descriptions of each borough's social, economic and demographic characteristics as much of this work is presented in Section Two of the report. Instead, the objective is to outline key economic developments within each local

¹ Details of the methodological approach to quantitative and qualitative work are provided in Appendix 1.

² Executive summaries of key policy drivers are annotated in Appendix 8.3.

authority and to assess the impact of these changes on skills needs in the local labour market.

Section Four provides a sector by sector appraisal of likely patterns of change in skills and labour demand over the next 15 to 20 years in Tees Valley. In this section, we draw on a range of data sets to gain a better understanding of patterns of occupational change.

In Section Five we provide an outline of key factors which we feel will have a significant impact on economic development in Tees Valley and their consequences for skills acquisition in the labour market.

Section Six presents themes which underlay the key priorities we have identified to secure the prospects for effective future skills development in Tees Valley. These three factors are to develop **positive aspirations**, **improve the job offer**, and **improve liveability**. Following this, we make recommendations on what we think needs to be done to secure a more positive future for the sub-region's economy and skills base.

1.3 National economic and skills development policy environment

The current policy environment surrounding workforce skill development is highly complex. At national level, there have been several policy interventions over the last few years which have impacted on the development of local and regional policies. These policies aim directly to affect the supply of labour to local labour markets in a variety of ways. Some of these areas of intervention are listed in Figure 1.1.

It is not the purpose of this report to provide an overview of national strategy but, instead, to explore how national agendas and trends may affect development across Tees Valley. At the outset, however, it is useful briefly to outline key components of the national skills agenda to provide a clear focus for this enquiry.

As a starting point, a definition of skills needs to be adopted, together with an understanding of the benefits of skill development to employers, employees and the state. It is important to recognise that an occupational skill should not be regarded as a fixed attribute once learned. On the contrary, skills must be flexible and develop to meet the needs of a changing labour market. The National Skills Task Force report (2000) *Skills for All*, defined skill as follows:

At the core of the term skill is the idea of competence or proficiency [...] Skill is the ability to perform a task to a pre-defined standard of competence [...] but also connotes a dimension of increasing ability [for example a hierarchy of skill]. Skills therefore go hand in hand with knowledge (LSC 2005a: 3).

Figure 1.1 **The crowded policy and intervention environment**

Skills Development / Employability	Leitch Report: <i>Skills in the UK: the long term challenge</i> White Paper: <i>Skills: Getting on in Business, Getting on at Work</i> Establishment of <i>Sector Skills Councils, Regional Skills Partnerships, Apprenticeships, Young Apprenticeships, E2E, W2W, Learn Direct (University of Industry) etc.</i>
Further / Higher Education	Foster Report: <i>Realising the Potential</i> White Paper: <i>Further Education: Raising Skills, Improving Life Chances</i> Establishment of: <i>Centres of Vocational Excellence, Higher Education Innovation Fund, etc.</i>
Sustainable Communities / Neighbourhood Renewal	White Paper: <i>Strong and Prosperous Communities</i> National Strategy for Neighbourhood Renewal Strategy for Sustainable Communities Egan Report: <i>Skills for Sustainable Communities</i> Establishment of <i>Neighbourhood Renewal Fund, Local Strategic Partnerships, Neighbourhood Management Pathfinders, Housing Renewal Pathfinders, New Deal for Communities, Academy for Sustainable Communities, etc.</i>
Educational Performance	Green Paper: <i>Every Child Matters,</i> Green Paper: <i>Youth Matters</i> Establishment of <i>Sure Start, Aspire, Aim Higher, etc.</i>
Entrepreneurship and Economic Development	Establishment of: <i>Northern Way³, City Regions, Local Enterprise Growth Initiative, Primed, Local Area Agreements</i>

It is recognised by the LSC that raising skill levels is important to employers, individuals and to the state. From the employer viewpoint, skills are obviously thought to be vital for the successful completion of tasks. In addition to this, it is recognised that skill levels also make a significant contribution to the development of a positive, aspirational and can-do organisational culture. If high-value-added markets are to be tapped successfully, then the workforce must feel confident, be engaged and personally motivated.

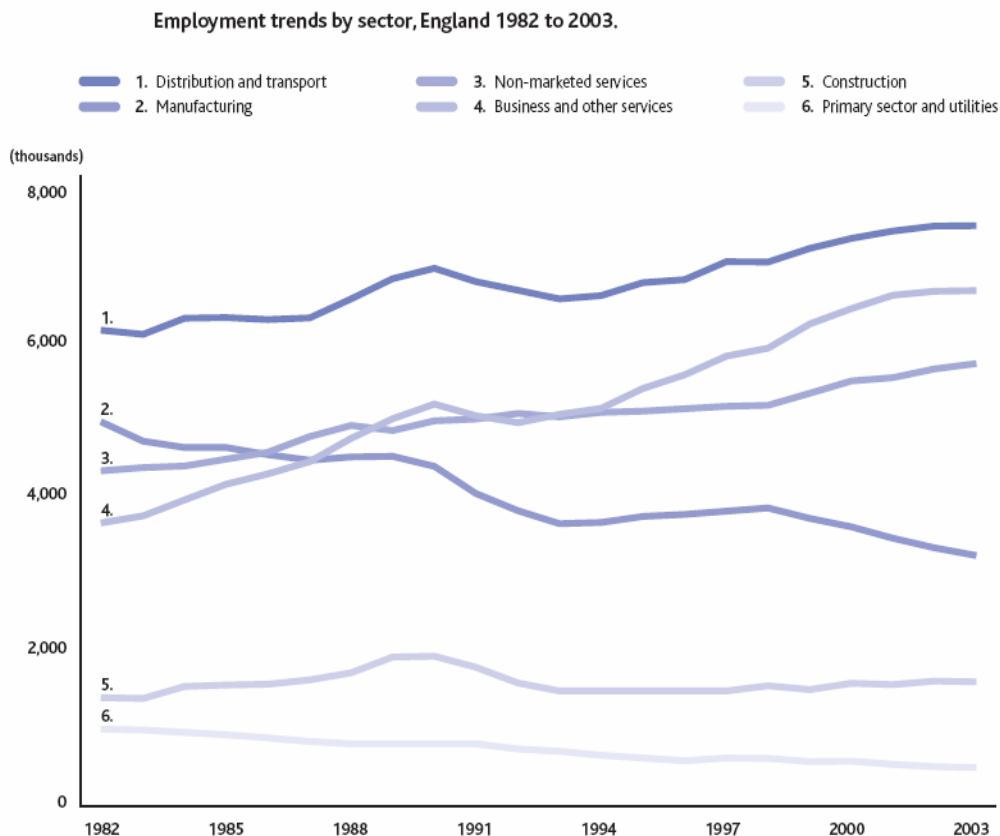
From the individual perspective, skill levels increase potential (or employability) in the labour market. Higher skills lead to greater levels of work satisfaction, higher pay, options for advancement (if skills are developed further) and there is also a greater likelihood of gaining higher levels of job security.

For the state, raising skills is essential to maintain and enhance the national market situation in a global economy. Higher level earnings produce buoyant consumer markets and also increase the net tax receipts of the state (and by definition reduce the expenditure burden of the state if fewer people of working age are economically inactive).

³ For a useful assessment of Northern Way strategy, see: Goodchild and Hickman (2006). For a more general analysis of regional policy in the UK, see Fothergill (2005).

Projections of employer skills needs are required to help the education and training sectors prepare for and adapt to the requirements of individual industrial sectors. At a national level, discernable patterns of change exist across industrial sectors, as is shown in Figure 1.2 below. The steepest decline in employment has occurred in manufacturing. A smaller decline is evident in primary industries while the construction industry has remained more or less level. The higher growth sectors are in distribution and transport, non-marketed services and business and other services.

Figure 1.2



LSC 2005a Skills in England Volume 1: Key Messages

Interpreting these patterns is complex nationally, and as will be shown in this report, at a sub-regional level for a number of reasons identified by the LSC.

- Outsourcing of functions (for example, cleaning, security and so on) within the production sector to the service sector
- Technical change which has resulted in automation substituting for jobs and allowing some functions to be outsourced
- Rising real incomes, which have resulted in people spending more of their income on leisure and entertainment, as well as on health care and education
- Transference of some jobs, typically in manufacturing but increasingly in data processing, to locations abroad with much lower labour costs (LSC 2005a: 9)

Finally, the LSC outline of the national skills picture has thrown up useful predictions on the expected changes in patterns of occupational employment which may have particular relevance in the analysis of Tees Valley labour market.⁴

Table 1.1 **Projections of employment changes by occupations, England 2003 – 2012**

	Structural Demand	Net Demand
Principal occupational gains		
Corporate managers	+567,000	+1,432,000
Caring personal service occupations	+551,000	+956,000
Business and public service assoc. prof. occupations	+198,000	+594,000
Teaching and research professionals	+180,000	+530,000
Science and technology professionals	+175,000	+413,000
Sales occupations	+174,000	+683,000
Business and public service professionals	+163,000	+376,000
Culture, media and sports occupations	+149,000	+324,000
Principal occupational losses		
Elementary admin and service occupations	-357,000	+215,000
Skilled metal and electrical trades	-295,000	+35,000
Process plant and machine operatives	-233,000	+106,000
Secretarial and related occupations	-187,000	+61,000
Admin and clerical occupations	-143,000	+557,000
Elementary trades, plant and machinery	-138,000	+149,000
Skilled construction trades	-61,000	+212,000

(Adapted from LSC 2005b:17)

Table 1.1 presents estimates on future labour demand across a range of occupational categories. The usefulness of this table, in analytical terms, is in the distinction drawn between 'structural demand' and 'net demand'. Changes in 'structural demand' indicate that an industry is growing or declining and, as a consequence the number of vacancies rise or fall. Net demand is the actual or absolute level of demand that employers face. The numerical difference between the two figures represents the 'replacement' demand that is required to sustain core employment. To take one example for illustrative purposes, structural demand for skilled metal and electrical trades is expected to fall by 295,000 by 2012 – but even though this may be the case, the net requirement to replace people who will remain in such jobs is a growth of 35,000 people. Focusing on structural demand changes alone, therefore can be both misleading and in some cases alarming.

The Leitch Review, *Skills in the UK: the long term challenge*, will report in the next few weeks, so it is not possible here to say what the impact will be of the review on future policy. However, it is useful to state the principal findings of the review as

⁴ Green, A.E. and Owen, D. (2003) 'Skill shortages: local perspectives from England', *Regional Studies*, 37:2, 123-134.

stated in its interim report published December 2005. These are reported in Figure 1.3.

Figure 1.3 **Key Findings from the interim report of the Leitch Review**

The UK has a strong economy and world-leading employment levels, but its productivity trails many key comparator nations; poor skills are a key contributor to this problem as well as having wider impacts on social welfare.

Over the last decade, the skills profile of working age people in UK has improved. For example, the proportion with a degree has increased from one fifth to over one quarter of the population.

Despite these improvements, the UK still does not have a world-class skills base:

- over one third of adults in the UK do not have a basic school-leaving qualification – double the proportion of Canada and Germany;
- five million people have no qualifications at all; and
- one in six do not have the literacy skills expected of an 11 year old and half do not have these levels of functional numeracy.

Looking head to 2020, global, demographic and technological change will place an even greater premium on the UK's skills profile.

New analysis conducted by the Review shows that, if the Government meets its current ambitious targets for improving the UK's skills, by 2020:

- the proportion of working age people without any qualifications will fall to 4 per cent; and the proportion holding a degree will increase from 27 per cent to 38 per cent; and
- This will have significant benefits for the economy – increasing annual productivity growth by 0.2 per cent with a net benefit to the economy of £3 billion a year, equivalent to 0.3 per cent of GDP.

However, even if the UK can meet these targets, the nation's human capital will still fail to be world-class. Considerable problems will remain; at least 4 million adults will still not have the literacy skills expected of an 11 year old and 12 million would not have numeracy skills at this level.

The Review has analysed more ambitious scenarios for 2020:

- tackling the stock of low skilled adults without qualifications, basic literacy and numeracy;
- investing more in intermediate skills; and
- Further increasing the proportion of adults holding a degree.
- In all of the scenarios, the analysis shows the significant economic and social benefits that would result from higher productivity and employment gained through improving skills.

The Leitch Review believes that the UK must urgently raise its game and set itself a greater ambition to have a world-class skills base by 2020. The Review will report its conclusions and recommendations to the Government in 2006.

1.4 Regional economic and skills development strategy

The key emphasis of the Regional Economic Strategy (RES) is to achieve higher levels of productivity in the region in order to narrow the gap from the current level of 80 per cent of UK Gross Value Added (GVA) to 90 per cent by 2016. Achieving this objective requires, amongst other things, a significant increase in labour market participation of working-age people in the North East and upskilling of the labour force.

The RES recognises that the ability of the region to change its skills profile is dependent upon a number of factors:

- The extent to which people in the region have the incentive, information and access to clear progression routes to improve their skill levels, so that a greater proportion of the population has high and medium level skills
- The extent of investment by employers and individuals in developing workforce skills
- The skill levels that young people have attained by the time they enter the labour market, and;
- The skill levels that people of working age migrating to the North East bring with them, and people migrating out take away with them.⁵

The RES also recognises that there are three principal reasons why the demand for higher level skills will rise; these are: *technological change*, *global competition* and *increased product and service specification*. The RES is realistic about the problems the region will face in meeting its challenge given the current low skills base.⁶ These challenges are divided into demand side and supply side factors.

On the demand side, it is recognised that:

- Employers are currently operating with low expectations of skill needs from their employees. This may reflect a poor level of business ambition amongst many employers. There are many employers who are demanding higher skill levels in the North East, but the growth in skills demand remains lower than in the rest of the UK.
- Low representation of managers and professionals in the region. It is argued that this lack of capacity may inhibit growth in the region significantly.
- Earnings are below average in the North East. This is a problem because it encourages labour migration to better paid areas and for those who remain, their motivation and productivity may be affected.
- The low rate of business formation in the North East stifles the development of new jobs and fails to capitalise on the skills and ambitions of potential entrepreneurs.

On the supply side, it is recognised that the labour market is ill-equipped currently to undertake higher skilled jobs.

- Average academic performance in schools is below the national average.

⁵ One NorthEast (2006) *Leading the Way: Regional Economic Strategy* (2006), p.87.

⁶ A detailed analysis of the skills base in Tees Valley is found in Section Two of this report.

- The number of graduates in the region is increasing, but this is not occurring at as fast a rate as elsewhere in the country. The higher education participation rate in the North East is currently only 24 per cent, which falls well short of the Government's ambition of 50 per cent.
- Working age adults in the region have poor 'skills for life'. Numeracy and literacy rates are very low in the region compared with the national average which stifles people's opportunity to enter training or to have the confidence or aspirations to take full advantage of training opportunities where they are available.
- Levels of economic activity in the workforce are low in the region. There remain significant problems associated with worklessness which weakens employers' ability to grow and prosper.
- The region has an ageing population, like the rest of the UK, but the effects of this are exacerbated by out-migration of working age people in the region. The North East is the only UK region which is expected to experience population decline in the next 20 years.⁷
- There remain problems of accessibility of people to work in the region, especially in rural areas.

Skills North East (the Regional Skills Partnership) has the responsibility for the promotion and training of higher skills within the North East workforce, raising the aspiration and attainment levels of young people and matching skills provision to skills needs regionally. The following priorities have been set in the updated Skills Action Plan for 2006-2007:

- Increasing the proportion of the workforce qualified to Level 3 in priority sectors.
- Increasing access to learning and sustainable employment.
- Developing management and leadership skills.
- Ensuring young people are motivated and skilled in order to enter and succeed in an increasingly knowledge-based labour market.⁸

Behind these headline objectives, the RES and RSP recognise that in addition to raising levels of generic skills across the region, it is also necessary to focus attention closely on strategically important industrial sectoral needs.

Raising aspirations of young people is also considered to be a key requirement for the health of the regions economy. The RES proposes activity on a number of levels, including improved information, advice and guidance services, supporting the development of vocational and academic progression routes, using the ASPIRE campaign to raise awareness of opportunities and connect schools with businesses, improved non-curriculum based learning opportunities in schools to engage in work experience and other life skills, and finally, developing children's leadership skills to encourage them to become more enterprising in adult life.

⁷ Recently published data suggest that these projections underestimate population growth in the NE, see Table 2.1.1.

⁸ Skills North East (2006) Skills Action Plan 2006-7, p. 3.

Acting on the objectives set in the RES will require integrated and concerted action by a variety of agencies. It is expected that the RES Action Plan will be published in the autumn of 2006 where more clear outlines of delivery mechanism will be provided. The RES states, however, that there are three principal priorities which will underpin future action:

- Putting employers' needs for skills at the heart of skills provision.
- Raising demand for, and increasing investment in, skills by employers and individuals.
- Ensuring greater choice and flexibility in provision to best meet demand and need.⁹

1.5 Economic and skills development in Tees Valley

The economic development of Tees Valley has been subject to intense research and strategic scrutiny over the last five years. This has culminated in a series of well-known strategic reports. The most important reports from the perspective of this research project are *Tees Valley Vision* (2003), *Tees Valley City Region Development Programme* (2005), *Our Vision for the Tees Valley: a Strategic Review of Learning* (2005) *Stockton-Middlesbrough Initiative* (2005). The next phase of strategic planning is underway. Currently a number of strategic action plans are being developed, the most important of which is the production of a business case for the delivery of Tees Valley City Region Strategy.¹⁰

While the depth of analysis undertaken in each of these documents cannot be fully annotated here, it is important to outline a number of key points drawn from key reports which have a clear bearing on the way that the labour market is expected to develop over the next 10 – 25 years. It is important to re-stress two key points. First, that the concern of this project is to assess how demand for labour will change rather than to focus primarily upon supply. That said, it is important to recognise that demand is necessarily constrained by a realistic appraisal of the potential for raising skill, qualification levels and aspirations within Tees Valley. Secondly, to recognise that this report only provides focused analysis on fifteen industrial sectors in the sub-region.

Tees Valley Vision provides a ten-point plan for the development of the economy of the sub-region. This is summarised in Figure 1.4. While Tees Valley Vision is, inevitably, becoming dated due to the fast pace of change in the economy, the essential features of the strategy remain central and provide clear pointers on the likely demands on the labour force in the future. In particular, the strategy recognises the need for the development of the knowledge economy¹¹ which requires workers with qualifications and skills at NVQ Levels 3 and above. At the core of the strategy is the need to raise aspirations of young people.

⁹ RES op cit, p. 97.

¹⁰ Tees Valley Partnership (2006) Tees Valley City Region: a business case for delivery, Middlesbrough, Tees Valley Joint Strategy Unit, Draft August.

¹¹ The term 'knowledge economy' is becoming widely used in government circles. A useful report on the definition and use of the term can be found in Brinkley (2006).

Figure 1.4 Tees Valley Vision strategy for creating sustainable jobs

<p>Enterprise: 'to implement a comprehensive 'all-age' enterprise programme to accelerate business start-ups'. The strategy comes in response to an awareness that the level of business start ups in Tees Valley is amongst the lowest in the UK. The focus of the strategy is to develop enterprise education in schools, provide a mentoring scheme for young entrepreneurs, foster entrepreneurship in the third sector, and develop pilot initiatives to draw people out from the informal economy into the formal economy.</p>
<p>Chemicals: to develop and diversify the chemicals/process industries cluster building on our competitive advantage. While the level of employment in this sector has fallen significantly over the last 20 years, the highest concentration of activity in the industry remains in Tees Valley. It is recognised that the sector requires significant investment to remain globally competitive. The sector is viewed as of national importance as it provides indirect employment of between 65-70,000 jobs nationwide. There is an established skilled workforce in this area, but it is an ageing workforce and a succession strategy is required to maintain and enhance skill levels amongst younger people.</p>
<p>Renewable Energy and Environmental Technologies: It is recognised that the world market in this product area is forecast to grow dramatically over the next 10 years in order to tackle the challenge of global warming. Renew Tees Valley is charged with responsibility for leading and coordinating development so that Tees Valley can capitalise on its knowledge base and production capacity of established industries. While the product base in this cluster is multi-dimensional, the skill base required of the workforce needs to be developed significantly.</p>
<p>Financial Services: 'to further develop the shared service/call centres sector in Tees Valley and establish a stronger presence in the higher value business and financial services'. The strategy recognises that Tees Valley is a recognised location for call centres, but that international competition threatens their sustainability. The strategy emphasised the importance of development a Centre for Vocational Excellence (CoVE) to support the development of a higher skilled workforce in the area, together with the provision of enhanced Human Resources (HR) support and the transfer of knowledge from the digital media cluster to improve call-centre operations.</p>
<p>Mechanical and Civil Engineering: It is recognised that this cluster has had a significant impact on industrial development across other industrial sectors in Tees Valley, most particularly chemicals, iron and steel, renewables and off-shore industries. There is strong research and development support for the sector in the University of Teesside and CoVEs in the Further Education (FE) sector. The emphasis on consultancy in this highly knowledge-based sector raises the need to recruit, train and retain highly qualified workforce.</p>
<p>Health and Social Care: 'to support the expansion of health research and development at the University of Teesside, University of Durham and the James Cook University Hospital as part of the expansion of health care generally'. Four areas of growth are identified: (1) Increase employment, education and training in the sub-region; (2) improving patterns of procurement in this high spending sector; (3) investment in estate and IT development; and (4) research and development. Each of these developments puts pressure on the development of the knowledge base in the local labour market with a significant raise in demand for qualified and skilled staff.</p>
<p>Digital Media Technologies: 'to encourage the commercialisation of the research and development capacity of the University of Teesside'. The aim of the strategy is to develop a high GVA cluster of new businesses centred on the University. A strong emphasis is stressed on retaining graduates and encouraging new business start-ups.</p>

Tourism and Hospitality: the strategy recognises that employment in tourism and hospitality is growing, despite significant competition in the UK. The strongest emphasis is in the development of day-visiting trade from within the region. An emphasis is also placed on the development of facilities for business conferences. The sector is a significant employer in the region which is supported by training opportunities within Tees Valley.

Business Support Network: in parallel with the enterprise programme, it is intended that the business support network will provide 'world-class' business advice, especially to emerging Small and Medium-sized Enterprises (SMEs) and Third Sector organisations. Business Link Tees Valley will be the hub of a brokerage partnership to provide service to established and emerging business clusters.

Workforce Development: the strategy recognises that there is much work to be done to develop the workforce with 18,000 people unemployed at the time of writing and up to 80,000 workless persons (including 45,000 on Incapacity Benefit). A strong emphasis is placed on increasing demand for learning amongst all age groups to break down the 'low skills equilibrium' which limits the potential of employers to move into higher skill / knowledge based economic activity.

1.6 A strategic review of learning

The outcome of the LSC's Strategic Area Review in 2003 was the publication of '*Our Vision for Tees Valley*' in May 2005. The principal objectives of the strategy are to raise aspirations of young people, up-skill the adult population and to make a step change in the improvement of quality and responsiveness of provision to meet the needs of employers.

LSC Tees Valley has set out a programme to improve the quality and responsiveness of provision whereby they will meet the needs of employers, individuals and communities (Tees Valley LSC, 2005: 3). Central to this strategy is the development of Centres of Vocational Excellence (CoVE), which will improve skills for employment and national competitiveness by producing appropriately qualified and skilled workers who meet the needs of the local economy.

The Secretary of State for Education announced the CoVE programme in November 2000. It aimed to 'rebuild the technical instruction that once symbolised the very best of our industrial training system' (FEDA, 2000). CoVEs seek to give people from all backgrounds access to the high quality vocational training that they need to succeed in a modern economy and to spread good practice throughout the post-16 training sector. CoVEs are essentially specialist areas of vocational provision and involve close links between colleges, work based learning (WBL) providers, business partners and communities. The focus of the initiative is on delivering skills that will enable the development, maintenance and delivery of specialist provision across a range of vocational areas.

The objectives of the CoVE programme are to enhance the skills and careers of those already in work, new entrants to the labour market and the employment prospects of those seeking work (including self-employment). CoVEs should enable providers to develop, maintain and deliver specialist provision across a range of sectors and occupations, delivering learning that develops both specialist and related general skills. The programme addresses four LSC operational and policy objectives:

- To ensure 400 CoVEs are established by 2006 which, as a network, create a strategic distribution of high quality centres, taking account of local, regional, national and sectoral needs.
- To encourage collaboration amongst providers and promote the concept of excellence in economically important vocational specialisms.
- To help secure enhanced vocational learning opportunities for all learners, with a focus on enhancing participation and career prospects, particularly of those from disadvantaged groups.
- To increase proactive employer/provider engagement to underpin, develop and strengthen innovative and flexible approaches to meeting the nation's current and future skills needs.

1.7 Summary

This brief overview of the policy environment has illustrated that skills development is a key driver in ensuring economic success at sub-regional and regional level. It should be stressed, however, that at a national level the policy environment is currently in a state of fluidity as policy makers await the final outcome of the Leitch Review of Skills.

At a regional level, the publication of the RES Action Plan is imminent, so it is not yet fully known how the RDA will enact its skills strategy. Furthermore, there has been significant turbulence in the policy environment over the last year with the planned or actual reorganisation of key agencies including Connexions Tees Valley, LSC Tees Valley, Job Centre Plus, and Business Link Tees Valley. In most cases, these agency functions will be focused at a regional level, whilst in others, such as Connexions, the service will be re-established at local authority level rather than sub-regional.

Figure 1.5 Providers with CoVE status in Tees Valley area

Provider	Partner1	Partner 2	Partner 3	Title of CoVE	Courses	Status
Bishop Auckland College	North Tyneside College	Stockton Riverside College		Childcare	Health/Social Care/Public Services	Interim
Bishop Auckland College	Stockton Riverside College	Middlesbrough College		Adult Care	Health/Social Care/Public Services	Interim
Darlington College of Technology				Media-Digital Production and Design	Visual/Performing Arts/Media	Full
Darlington College of Technology	Yorkshire Coast College of Further and Higher Ed.	York College	HCTC Ltd	Hospitality and Catering	Hospitality/Sports /Leisure/Travel	Interim
Gateshead College	Durham Logistics College	Middlesbrough College	System Group Limited	Logistics Excellence North East	Retailing/Customer Service/Transport	Interim
Hartlepool College of Further Education				Technical and Design Engineering	Engineering/Technology/Manufacturing	Full
Hartlepool College of Further Education	City of Sunderland College			Construction Building Services	Construction	Interim
Middlesbrough College				Catering and Hospitality	Hospitality/Sports /Leisure/Travel	Full
NETA Training				Engineering Construction	Engineering/Technology/Manufacturing	Full
Redcar and Cleveland College	TTE Management and Technical Training			Specialised Engineering for the Process and Manufacturing Industries	Engineering/Technology/Manufacturing	Full
Stockton Riverside College				Performing Arts	Visual/Performing Arts/Media	Full
Bishop Auckland College	North Tyneside College	Stockton Riverside College		Childcare	Health/Social Care/Public Services	Interim

2 Demographic characteristics of Tees Valley

The aim of this section of the report is to provide a comparative analysis of the five boroughs which comprise Tees Valley. Much of the evidence which is included in this section of the report is already well reported. It is necessary to evaluate these however in order to provide a basis upon which later analysis can develop. The section has seven sub-sections which deal with, respectively: population change, employment patterns, education and skills, income, social exclusion, public health, enterprise and commuting to work.

2.1 Population change

The supply of labour to employers in any area is strongly affected by local demographic features. Table 2.1.1 presents estimates on the size of Tees Valley population to 2021. The table demonstrates that there has been population decline from 1981 to 2001, although this trend appears now to be reversing. Population in Stockton-on-Tees and Darlington has risen across this period and is set to increase further. Population increase is also predicted in Hartlepool over the next 15 years. Population growth in Stockton-on-Tees is partly explained by displacement of Tees Valley population to new housing, especially in Ingleby Barwick. The population of Middlesbrough is predicted to decline further, from 136,000 now to 125,800 by 2021, while Redcar and Cleveland's population is more stable, it is predicted to fall slightly over the next fifteen years.

Table 2.1.1 **Population change**

	1981	1991	2001	2006	2011	2021
Darlington	98,700	99,400	97,900	99,400	101,600	106,800
Hartlepool	94,900	91,100	90,200	90,500	91,200	93,000
Middlesbrough	150,900	144,700	141,200	136,000	131,600	125,600
Redcar & Cleveland	151,000	145,900	139,200	138,700	137,600	136,000
Stockton-on-Tees	172,900	175,200	183,800	188,300	192,500	200,200
Tees Valley	668,500	656,200	652,200	652,900	654,500	661,600
North East	2,636,000	2,587,000	2,540,000	2,553,500	2,569,600	2,611,700
England	49,634,000	50,748,000	52,360,000	50,714,000	51,967,300	54,604,700

Source: Tees Valley Joint Strategy Unit/ONS. Projected Data ONS (October 2006)

Table 2.1.2 shows that the age of the population varies to some extent across the boroughs. For some boroughs (noticeably Darlington and Redcar and Cleveland) there is a greater percentage of the population above retirement age than the sub-regional or national average. Additionally (with the exception of Middlesbrough and Hartlepool) there will be a greater percentage of the working population reaching retirement age than the sub-regional, regional and national cohort by 2020-2025 (assuming retirement ages as stated above). A key feature of this table is that there is a significant dip in the population in the 16-24

age band. While this seems to be compensated by the larger number of 1-15 year olds, it is already evident that the youngest cohort is smaller than expected. National projections demonstrate that there may be a significant decline in the number of people who will enter higher education from 2010, which may impact heavily on the skill capability, perhaps more so in Tees Valley where higher education participation is comparatively low.

Table 2.1.2 Population by age group (2004-based population projections) for 2005

	Total	Population by age group cohort and percentage of total						
		0-4	5-14	15-24	25-44	45-ret*	Ret*-74	75 plus
Darlington	99,000	5.76	12.53	11.72	27.17	23.14	11.42	8.18
Hartlepool	90,300	5.87	13.51	13.07	26.36	22.13	11.76	7.09
Middlesbrough	137,000	6.13	13.07	15.77	26.42	21.22	10.46	7.01
Redcar and Cleveland	138,900	5.40	12.67	12.60	28.37	23.78	12.49	8.14
Stockton-on-Tees	187,300	5.55	13.29	13.13	27.92	22.81	10.67	6.67
Tees Valley	652,500	5.74	13.01	13.26	27.25	22.62	11.36	7.42
North East	2,550,200	5.29	12.07	13.61	26.63	22.94	11.72	7.74
England	50,434,600	5.74	12.24	12.97	28.73	22.13	10.89	7.67

Source: ONS (2006) sub-national population projections.¹²

Table 2.1.3 provides some detail on the extent of variation in the general affluence of the resident population of Tees Valley. These surface indicators mask the extent of variation within boroughs. These data show that there is significant variation across boroughs. It is evident that the resident populations of the boroughs of Darlington and Stockton-on-Tees are, in general terms, more affluent than elsewhere in Tees Valley. For example, it is clear that health problems are less prevalent in Darlington and Stockton-on-Tees than in the other boroughs. In these two boroughs there is a significantly higher level of owner occupation, signifying greater affluence. Car ownership is significantly lower in the poorer boroughs of Middlesbrough and Hartlepool. In many areas of the UK, the proportion of BME population is often an indicator of deprivation. As the BME population of Tees Valley is low compared with comparable urban areas, it is more difficult to make such blanket assumptions. Middlesbrough has the largest concentration of BME communities with a sizeable Pakistani community.

¹² Notes : "Ret" - Retirement age is 60 for Women, 65 for Men. Totals may not sum due to rounding

Table 2.1.3 Key population indicators

	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton-on-Tees
% people with a health problem	20.4	24.4	22.3	23.3	19.9
% single parent households with child(ren)	7.5	8.7	9.9	7.1	7.6
% households with no car	31.2	39.3	41.0	32.3	29.6
% households owner-occupied	71.7	63.0	61.4	69.6	71.6
% social housing	18.1	26.7	28.2	23.0	21.5
% ethnic minorities	2.1	1.2	6.3	1.1	2.8

Source: Tees Valley Joint Strategy Unit / 2001 Census of Population

2.2 Employment patterns

The occupational structure of Tees Valley is summarised in Table 2.2.1. Set against national statistics, it is clear that Tees Valley is under-represented in managerial, professional and associate professional and technical occupations. By contrast the sub-region has a significantly higher proportion of process, plant and machine occupations and elementary occupations. This is particularly pronounced in Hartlepool, Middlesbrough and Redcar and Cleveland. Darlington resident population is closest to the national averages in its employment structure.¹³

Table 2.2.2 provides data on full-time and part-time employment and the industrial sectoral breakdown of employment in Tees Valley. The balance of full and part-time employment in the sub-region is not significantly out of line with national statistics. However, levels of part-time working are considerably higher in Hartlepool and Middlesbrough.

Industrial sector employment in Tees Valley differs from the national picture in a number of ways as shown in Table 2.2.3. Levels of employment in manufacturing are only about 2 per cent higher sub-regionally than the national average but, in Redcar and Cleveland, manufacturing is of much greater importance with nearly 21 per cent of the workforce so engaged. Service industry employment is lower than national levels across the sub-region as a whole, particularly so in Redcar and Cleveland. Only Darlington is at the national average in IT, financial and business services. Middlesbrough's workforce has an over-representation of public sector service workers, which is balanced by its low employment levels in manufacturing and financial services.

¹³ It is important to recognise that the employment situation of the resident population differs significantly from the employment structure of each borough. While Darlington's resident population's employment distribution is close to national averages, the town's employment structure is not. This is explained in more detail in Sub-section 2.8 and Section Three.

Table 2.2.1 Occupational structure of Tees Valley (%) (April 2005 – March 2006)

	Darlington	Hartlepool	Middlesbrough	Redcar & Cleveland	Stockton- on-Tees	Tees Valley	North East	Britain
Managers and Senior Officials	14.8	10.7	8.3	11.4	13.5	11.7	12.3	14.9
Professional Occupations	12.3	8.7	8.4	10.5	11.3	10.2	10.3	12.7
Associate Professions and Technical	13.3	12.7	14.4	11.7	13.6	13.1	13.0	14.3
Administrative and Secretarial	12.9	9.2	11.8	11.6	14.0	11.9	12.3	12.5
Skilled Trades Occupations	11.2	13.2	9.7	14.3	12.4	12.2	11.9	10.9
Personal Service Occupations	7.3	8.8	10.8	9.3	8.3	8.9	8.4	7.9
Sales and Customer Service Occupations	10.8	9.9	8.8	9.3	9.9	9.7	9.8	7.7
Process, Plant and Machine Operatives	5.6	10.8	10.7	11.0	7.3	9.1	9.0	7.5
Elementary Occupations	11.4	15.8	16.5	10.5	9.6	12.8	12.7	11.4

Source: Annual Population Survey: adapted from Nomis (2006)

Note: The percentages refer to all in employment within individual boroughs

Table 2.2.2 Employment in industrial sectors in Tees Valley

	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton on Tees	Tees Valley	North East	Britain
Total employees	47,100	31,800	65,100	41,200	77,500	262,700	*	*
% full time	68.3	61.2	60.4	69.7	70.7	66.1	68.2	68.0
% part time	31.7	38.8	39.5	30.3	29.2	33.9	31.8	32.0

Source: Annual Business Enquiry 2004 adapted from Nomis (2006)¹⁴

Table 2.2.3 Employment across industrial sectors in Tees Valley

	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton on Tees	Tees Valley	North East	Britain
% employed in manufacturing	14.0	16.1	5.6	20.7	13.9	14.1	13.8	11.9
% employed in construction	3.7	5.9	4.5	6.0	9.2	5.9	5.6	4.5
% employed in all services	81.7	76.1	89.2	68.6	75.9	78.3	79.2	82.1
- % in distribution, hotels and restaurants	24.6	23.2	21.4	21.7	24.5	23.1	22.5	24.7
- % in transport and communications	4.4	2.2	4.4	6.5	6.2	4.7	4.6	5.9
- % in finance, IT, other business	20.8	12.6	14.6	8.3	17.2	14.7	15.2	20.0
- % in public admin, education and health	28.1	33.6	42.6	27.6	24.9	31.4	32.0	26.4
- % other services	3.8	4.4	6.2	4.5	3.1	3.6	5.0	5.1
% employed in tourism	6.4	8.3	9.4	7.0	7.3	7.7	8.1	8.2

Source: adapted from Nomis (2006) Note: these data represent workplace statistics, not borough residents' employment patterns

¹⁴ Note: The percentages refer to the percentage of the workforce in employment with employers within the LDA. Employee jobs exclude the self-employed, government sponsored trainees and HM Forces

Table 2.2.4 provides industrial sectoral vacancy data for Tees Valley. The table indicates variation in industrial vacancy rates across boroughs. Middlesbrough and Hartlepool have the lowest number of vacancies across industries compared to the sub-regional average. Across the sub-region, the picture is one of a mixture of demand compared to the national percentage rates, with vacancies in manufacturing and public administration lower than the national average but across other sectors equal to, or greater than, the national average.

Table 2.2.4 **Vacancies by industry as percentage of all vacancies (September 2005)**

	Total vacancies	% vacancies by industry:								
		Agriculture etc	Energy and Water	Manufacturing	Construction	Distribution etc	Transport and Comms	Finance etc	Public Admin etc	Other
Darlington	1,733	0.6	0.9	2.7	4.6	20.5	3.5	53.5	9.7	3.9
Hartlepool	1,208	0.0	0.7	4.2	2.0	12.3	5.4	63.2	10.0	2.2
Middlesbrough	1,779	0.0	0.7	2.4	3.4	26.2	7.5	39.7	12.4	7.7
Redcar and Cleveland	840	0.0	0.8	6.0	4.3	21.9	3.9	46.8	14.3	2.0
Stockton-on-Tees	2,677	0.4	1.0	3.0	8.4	18.2	4.6	53.3	6.6	4.7
Tees Valley	8,237	0.3	0.8	3.3	5.2	19.9	5.0	51.2	9.8	4.5
North East	33,549	0.2	0.6	3.2	3.1	19.9	4.2	56.9	8.5	3.5
Great Britain	555,027	0.3	0.8	3.6	3.6	21.9	3.7	51.7	10.8	3.6

Source: Nomis (2006)¹⁵

Table 2.2.5 provides occupation vacancy data for Tees Valley in September 2005. Only in two occupational areas does the sub-region show a higher percentage of vacancies than the national average; these are in skilled trade occupations and personal services and sales. Managers, professionals, associate professionals and administration and secretarial occupations have fewer vacancies than the national average. This illustrates the relatively low levels of activity by employers in terms of higher 'value added' occupations. Middlesbrough and Stockton-on-Tees both have high vacancy rates in personal services and sales. Hartlepool has a high vacancy rate for skilled trades.

¹⁵ Notes: Agriculture – includes forestry and fishing. Energy and Water includes electricity and gas. Distribution – wholesale and retail, hotels and restaurants. Financial – includes real estate and business activities. Public admin – includes social security, education and health. Other includes social and personal service, private households with employed persons etc.

Table 2.2.5 Vacancies by occupation as % of all vacancies (September 2005)

	Total vacancies	% vacancies by occupation :						
		Professional Managers and senior etc	Associate and technical	Admin and secretarial	Skilled trades	Personal services and sales	Process, plant and machine ops etc	Elementary and other occupations etc
Darlington	1,733	5.3	10.7	10.7	11.8	25.0	13.7	22.9
Hartlepool	1,208	3.8	8.7	4.8	20.1	32.3	14.2	16.1
Middlesbrough	1,779	2.8	9.4	4.8	11.6	40.8	8.0	22.4
Redcar and Cleveland	840	6.4	8.3	4.9	17.0	24.1	15.2	24.0
Stockton-on-Tees	2,677	5.1	5.5	5.7	13.7	41.1	10.2	18.8
Tees Valley	8,237	4.6	8.2	6.3	14.1	34.7	11.5	20.6
North East	33,549	4.6	7.3	9.5	13.5	30.6	12.0	22.4
Great Britain	555,027	6.6	9.2	7.8	11.8	30.9	12.4	21.2

Source: Nomis (2006)

2.3 Education and skills

The tables listed above have provided an overall picture of the structure of the labour market in Tees Valley. While discussion of the occupational structure and occupational vacancy data is very useful, this does not provide a full enough picture of the underlying skill structure of the labour market. A useful way of summarising the level of skill within the labour market is to assess the educational qualifications¹⁶ of the whole population.

Table 2.3.1 provides evidence from the 2001 Census which demonstrates that the sub-regional population is relatively under-qualified when compared with national averages. The headline Tees Valley figure for people with no academic qualifications is nearly 35 per cent compared with just 29 per cent nationally. This headline figure masks a significant variation across the boroughs with over 39 per cent of Hartlepool's population holding no academic qualifications compared with around 32 per cent in Stockton-on-Tees and Darlington. This low level of academic qualification is an impediment to employers as will be shown later in this report.

Table 2.3.2 presents qualification levels in Tees Valley in 2002. These data show that the level of non-academic qualification is considerably higher than national levels. This problem is particularly pronounced in Hartlepool and Middlesbrough where about a quarter of the working population have no qualifications. Darlington and Stockton-on-Tees are closest to the national average in the achievement of NVQ3 or above credentials.

¹⁶ These comments refer to formal academic qualifications only. The number of people without academic qualifications does not signify that they have not achieved awards from other forms of accredited vocational training.

Table 2.3.1 Qualifications of all people aged 16-74 (2001)

	Number of people Aged 16-74	% of people aged 16-74 with :					
		No qualifications	Highest level 1 – 1 or more GCSEs	Highest level 2 - 5 GCSEs/ 1 A level	Highest level 3 - 2 or more A levels	Highest level 4 - degree or above	Other - Level unknown
Darlington	70,082	32.0	17.1	19.9	6.7	16.5	7.9
Hartlepool	63,219	39.2	16.3	18.7	6.0	11.4	8.4
Middlesbrough	96,112	36.8	16.5	19.2	7.8	12.8	6.9
Redcar and Cleveland	100,045	35.8	17.4	19.4	6.3	12.5	8.7
Stockton-On-Tees	129,355	31.4	18.0	20.7	6.9	15.2	7.9
Tees Valley	458,813	34.7	17.2	19.7	6.8	13.8	7.9
North East	1,831,354	34.7	16.9	18.8	7.3	15.0	7.4
England and Wales	37,607,438	29.1	16.6	19.4	8.3	19.8	6.9

Source: Tees Valley Joint Strategy Unit / ONS

Table 2.3.2 Qualification Levels in Tees Valley (2005) (%)

	No qualifications	NVQ 1 and 2	NVQ3/Above
Darlington	20.8	32.3	41.8
Hartlepool	20.2	38.0	36.4
Middlesbrough	19.8	35.8	35.3
Redcar & Cleveland	17.2	36.2	39.4
Stockton on Tees	14.3	35.5	45.9
Tees Valley	18.5	35.6	39.8
North East	15.6	37.4	40.3
Britain	14.3	32.9	44.4

Source: Annual Population Survey (2005) adapted from Nomis (2006)

Given the government's focus on the creation of a high-skill, high-knowledge economy, these low levels of qualification are a potential impediment to the development of the labour market. The figures presented in Table 2.3.3 on levels of literacy and numeracy in Tees Valley suggest that poor educational achievement is deeply embedded in the area.

Table 2.3.3 Tees Valley boroughs – percentages and national ranks

Borough	Low Literacy		Low Numeracy	
	%	Rank ¹⁷	%	Rank
Darlington	25.2	114	26.1	88
Hartlepool	28.1	36	30.3	25
Middlesbrough	29.0	23	31.1	16
Redcar and Cleveland	27.1	58	28.4	47
Stockton-on-Tees	25.8	100	26.7	76
Tees Valley	27.0		28.4	
England	24.0		24.0	

Source: Bounds (2001)

However, there is some room for optimism. Recent improvements in literacy and numeracy suggest something of a step change in the levels of performance of young people in the sub-region, as Table 2.3.4 shows.

¹⁷ Rank out of 354 local authorities. The higher the rank position (i.e.1) is the worst area for deprivation.

Table 2.3.4 **GCSE, and English, science and mathematics SATs scores across Tees Valley, 2005** (percentages)

	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton-on-Tees	North East	England
Key Stage 2 Level 4 Maths	77	78	71	76	80	75	75
Key Stage 2 Level 4 English	79	79	76	78	81	78	79
Key Stage 3 Level 5 Maths	73	74	65	70	72	72	74
Key Stage 3 Level 5 English	73	71	63	67	69	69	74
Key Stage 3 Level 5 Science	68	68	57	67	67	67	70
5 GCSEs A-C	56.6	51.6	45.2	48.2	54.8	53.5	56.3

Source: *Local Authority Area Profiles*, Government Office North East, 2006

2.4 Income

Table 2.4.1 provides data on gross weekly full-time workplace median earnings across Tees Valley. As these data indicate, the average full-time income level is £388, which is significantly lower than average UK income at £432. Higher levels of male income are notable in Redcar and Cleveland. This is mainly due to the preponderance of high-value jobs in the process industries. In Stockton-on-Tees, where there is also a concentration of process industries, median male earnings are also relatively high. Perhaps surprisingly, men's workplace earnings are at their lowest in Darlington, which is partly explained by the extent of out-commuting by professionals and managers (see Section 2.7).

Women's average full-time earnings at £324 are particularly low compared with the national average of £372. When women's earnings are compared with men's it is apparent that the wage differential is very large, £324 compared with £433. Explanations for the continued differences in men's and women's pay have been well extensively researched and debated.¹⁸ In short, the key explanatory variables are: the concentration of women in low-skill work, the concentration of women in poorly paid industrial sectors, and the tendency for women to have fractured career trajectories due to family responsibilities. Across Tees Valley, there is significant variation. Women's gross full-time pay in Redcar and Cleveland is very low at only £300, compared with £363 in Darlington. These differentials cannot be explained simply, but instead require much more detailed analysis at industrial sector level. Women's pay and employment prospects are not uniformly poor however. As Section 4 of this report demonstrates, women's career opportunities have increased substantially in some industrial sectors, and most notably in health professions and in public sector employment¹⁹.

It is important to note that the analysis of income levels is complicated because some datasets refer to levels of income amongst residents within boroughs, whilst in others they refer to employees within boroughs (who may or may not live within that borough boundary). We explore these differences in more depth in Sections Three and Four of this report.

¹⁸ For a useful academic account for the persistence of women's low pay, see Hakim, C. (2004) *Key Issues in Women's Work: Female Diversity and the Polarisation of Women's Employment*, London: Glasshouse Press (2nd Edition); Hakim, Catherine (2000) *Work-Lifestyle Choices in the 21st Century: Preference Theory*, Oxford, Oxford University Press.

¹⁹ Education is also a relatively high pay, high status sector – however, this sector is not included in this report's analysis.

Table 2.4.1 **Gross weekly full-time earnings 2005 by borough in Tees Valley (median workplace based earnings)**

	Full-time male employees	Full-time female employees	All full-time employees
Darlington	366.0	363.3	365.4
Hartlepool	422.6	333.0	375.8
Middlesbrough	415.4	313.9	372.4
Redcar and Cleveland	484.5	300.3	423.5
Stockton-on-Tees	461.3	308.9	403.4
Tees Valley	433.6	324.4	388.7
Britain	473.4	372.1	432.1

Source: Tees Valley Joint Strategy Unit website 2006

Concentrating attention solely on income from employment can produce a misleading picture in the sense that it fails to recognise the cumulative effect of dual employment on household income, or by contrast, the relative poverty of workless households.

2.5 Social exclusion

Tees Valley faces serious barriers in the process of workforce development due to the prevalence of multiple deprivation in the area. A total of 42 per cent of wards in Tees Valley are amongst the 10 per cent most deprived wards in the country. The statistics presented thus far show that the situation in Tees Valley as a whole is less favourable than many other areas of the UK. In reality, these headline statistics conceal much deeper levels of deprivation and social exclusion.

Table 2.5.1 shows the extent and density of deprivation across Tees Valley. The shaded areas in the table indicate those areas which are in the worst 20 per cent of areas in England. It is immediately apparent from these data that Middlesbrough and Hartlepool are significantly affected by urban deprivation. Middlesbrough is the 4th worst area in England for the local concentration of deprivation and Hartlepool is the 13th worst. It should be noted, however, that both Redcar and Cleveland, and Stockton-on-Tees have very high local concentrations of deprivation, even though from a wider perspective the boroughs appear to be less generally deprived. Darlington did not qualify for Neighbourhood Renewal Funds as it ranked as the 90th most deprived area in England (the cut off point was the 88th borough), but as indicated, there remains to be a significant local concentration of deprivation.

Table 2.5.1 Extent of deprivation across Tees Valley

	Darlington	Hartlepool	Middlesbrough	Redcar & Cleveland	Stockton-on-Tees
Average Super Output Area Score	90	14	10	44	75
Average Super Output Area Rank	109	18	19	57	107
Extent of Deprivation	80	15	11	54	65
Local Concentration	57	13	4	14	17
Income Scale	124	93	53	75	61
Employment Scale	118	79	53	61	55

Source: *Local Authority Area Profiles*, Government Office North East, 2006

Note: shaded areas denote areas in the worst 20 areas in England

Figure 2.5.1 summarises the extent of diversity in terms of affluence across wards in Tees Valley. It is often argued that the worst levels of multiple deprivation affect aspirations in a negative way. Certainly, the evidence suggests that people in the most deprived communities are much more likely to suffer from ill health, be victims of crime, live in poor housing and a poor urban environment. They are also more likely to have much lower levels of educational qualifications and/or skills and to be discriminated against in the labour market simply because of the location of their homes. Table 2.5.2 provides some evidence to indicate the extent of the problem by listing the number of low income households, benefit claimants and the percentage of children in poverty in Tees Valley.

Figure 2.5.1 Diversity in ward affluence across five boroughs

Darlington has several wards which are deprived, but also has some very affluent wards, including the 2nd most affluent ward in Tees Valley. Half of Darlington's wards are more deprived than the overall England level, whilst less than half are more deprived than the Tees Valley average.

Hartlepool has several wards which have very high levels of deprivation, including the 5th and 6th most deprived in Tees Valley. However, 5 wards are less deprived than the English average. It is notable that there are relatively few wards with levels of deprivation around the Tees Valley average. This suggests a clear distinction between the very deprived and relatively affluent wards.

Middlesbrough has several wards which are amongst the most deprived in Tees Valley. However, it also has seven wards which are more affluent than the English average, and wards which are amongst the most affluent in Tees Valley. It is again noticeable that there are few wards in the middle of the list, suggesting a distinct division between the very deprived wards and the less deprived ones.

Redcar and Cleveland also has a wide range of results from the very deprived (Grangetown) to the very affluent (Hutton). Compared to other Tees Valley Boroughs, Redcar and Cleveland has relatively more wards which are less deprived than the Tees Valley average, but more deprived than the English average. Only 4 wards are less deprived than the English average.

Stockton-on-Tees has a wide range of results, even compared to other Tees Valley Boroughs, with several very deprived and very affluent wards. Whilst Portrack and Tilery is very deprived, 13 wards (nearly half of the borough) are less deprived than the English average. Ingleby Barwick is the most affluent ward in Tees Valley. A division of the Borough's wards between the very deprived and relatively affluent wards can be discerned, with relatively few moderately deprived wards.

Source: JSU Analysis of Deprivation in Tees Valley using 2001 Census Data)

Table 2.5.2 Patterns of deprivation in Tees Valley

	% low income households	% households receiving working families tax credits	% households receiving income support	% children in low-income households
Darlington	28	6	18	41
Hartlepool	39	7	26	51
Middlesbrough	43	8	28	56
Redcar and Cleveland	33	6	22	44
Stockton-on-Tees	30	6	19	41
Tees Valley	34	7	22	46
Great Britain	24	4	16	35

Source: Tees Valley City Region Development Programme, data sources DWP/JSU

There is much debate in the academic and policy literature on the extent to which deprivation has a significant impact on people's life aspirations. A key area of

contention is to establish whether people in areas of concentrated deprivation adopt different perspectives on life from the mainstream and effectively abandon the idea of seeking paid work.

Intensive qualitative longitudinal research studies on younger people in deeply deprived areas in Tees Valley questions this and finds that most people still have much the same social and economic aspirations as in more affluent areas. It is argued that these people seek to gain decent employment, have good housing, sustain good interpersonal relationships with their partner or spouse and want the best outcomes for their children.²⁰ Researchers emphasises the point that it is barriers to the achievement of their aspirations which hamper people's journey from unemployment or worklessness to secure employment with prospects of advancement and decent working conditions. These barriers are sometimes erected by external (or structural) factors, such as employer discrimination, travel to work problems, poor access to appropriate skills training and so on. Personal factors (or 'individual agency') are also important as people in the most challenged communities attempt to negotiate their way through complex and sometimes disheartening life events.

Approaches to tackling social exclusion and building sustainable communities is the subject of a veritable mountain of research data and policy analysis which cannot be explored in any depth here. However, it is important to recognise that unless the prevalence of social exclusion is tackled, it will continue to limit the prospects of Tees Valley building a confident, highly skilled and aspirational workforce which can meet the needs of a growing knowledge economy.²¹

There are already many cross-cutting interventions in place which are attempting to deal with multiply-deprived communities including the national and Local Neighbourhood Renewal Strategies, Neighbourhood Management Pathfinders, Housing Renewal Pathfinders, New Deal for Communities, Sure Start and the prospect of a successful bid for Local Enterprise Growth Initiative (if successful in the second round of funding). Additionally, there are many flagship projects which are being developed to bring growth to the area and alleviate the negative effects of concentrated deprivation – many of which are discussed in Sections Three and Five of this report.

There is much yet to do. Within Tees Valley there are around 18,000 people registered as unemployed. When the definition of unemployment is extended to include workless people the figures are much higher. Indeed, Incapacity Benefit (IB) claimants alone number 45,000 in Tees Valley.

2.6 Public health

It has been well documented that health can impact not only on an individual's physical state, but also on their social, psychological and economic well-being. When an individual experiences ill health this can have a negative impact on their working life, or their ability to find/retain work, and in particular, whether they engage in training and skills development. Additionally, having a high proportion of people out of work because of ill-health, and/or a significant number of people who are welfare dependent, can place substantial burdens on a local economy. The

²⁰ See: MacDonald and Marsh 2004, Webster, et al. 2004.

²¹ See Section 5.1.9 for a further discussion of these issues.

table below highlights some of the main public health challenges in the five boroughs.

As Figure 2.6.1 illustrates, none of the boroughs are fairing well in terms of public health indicators. Four of the five boroughs have a teenage pregnancy rate that is significantly higher than the average for England (Hartlepool, Darlington, Middlesbrough and Redcar and Cleveland). All of the boroughs have higher than average percentages of people who either binge drink; smoke and binge drink; or smoke, binge drink and are obese. All of the boroughs have lower proportions of people eating the recommended 'five a day' portions of fruit and vegetables compared to the rest of England.

Life expectancy at birth for males and females was significantly lower than for England in all of the boroughs: in Hartlepool, the gap was widening. Three of the boroughs had significantly higher percentages of their populations on General Practice mental health registers (Hartlepool, Darlington and Middlesbrough); whilst Redcar and Cleveland had a significantly lower percentage compared to the rest of England. Darlington had a significantly higher percentage of death rates from smoking whilst the remaining four boroughs had significantly higher death rates from heart disease, stroke and cancer. All of the boroughs experienced significantly higher rates for alcohol related hospital stays and drug misuse treatment than for the rest of England.

The profiles above provide an interesting snapshot of the health of each of the five boroughs. Their relevance to this work becomes apparent when they are contextualised in terms of the health of the workforce, the impact on employment and unemployment, the burden placed on particular industrial sectors (e.g. health and social care sectors), and having a workforce that is fit and well and able to take part in training and skills development.

Figure 2.6.1 **Public health issues across Tees Valley**

Borough	Characteristic
Darlington	<p>The teenage pregnancy rate is significantly higher than for England.</p> <p>A significantly higher percentage of adults binge drink than the England average.</p> <p>The percentage of people eating 'five a day' is significantly lower than the England average.</p> <p>Life expectancy at birth for males and females is significantly lower than for England.</p> <p>Death rates from smoking are significantly higher than the England rate.</p> <p>Death rates from heart disease and stroke is significantly higher than for England.</p> <p>A significantly higher proportion of the population report feeling in 'poor health' compared to the England average.</p> <p>The percentage of the population on general practice mental health registers is significantly higher than the England average.</p> <p>Rates for alcohol stays and drug misuse treatment are significantly higher than the England average.</p>

Hartlepool	<p>Significantly higher rates of people aged 65 and over are supported to live at home than for England.</p> <p>The teenage pregnancy rate is significantly higher than for England.</p> <p>Significantly higher percentages of adults smoke and binge drink than for England.</p> <p>The percentage of people eating 'five a day' is significantly lower than the England average.</p> <p>Life expectancies at birth for males and females are significantly lower than for England and the gap between Hartlepool and England is widening.</p> <p>The death rate from smoking is significantly higher than England rates.</p> <p>Death rates from heart disease, stroke and cancer are significantly higher than England rates.</p> <p>The percentage of the population on general practice mental health registers is significantly higher than for England.</p> <p>Rates for alcohol related hospital stays and drug misuse treatment are significantly higher than for England.</p>
Middlesbrough	<p>Significantly higher rates of people aged 65 and over are supported to live at home than for England.</p> <p>The teenage pregnancy rate is significantly higher than for England.</p> <p>A significantly higher percentage of adults binge drink than the England average.</p> <p>The percentage of people eating 'five a day' is significantly lower than the England average.</p> <p>Life expectancy at birth for males and females is significantly lower than for England.</p> <p>Death rates from heart disease, stroke and cancer are significantly higher than England rates.</p> <p>The percentage of the population on general practice mental health registers is significantly higher than for England.</p> <p>Rates for alcohol related hospital stays and drug misuse treatment are significantly higher than for England.</p>

Redcar and Cleveland	<p>The teenage pregnancy rate is significantly higher than for England.</p> <p>Significantly higher percentages of adults smoke, binge drink and are obese compared to the average for England.</p> <p>The percentage of people eating 'five a day' is significantly lower than the England average.</p> <p>Life expectancy at birth for males and females is significantly lower than for England.</p> <p>Death rates from smoking are significantly higher than the rate for England.</p> <p>Death rates from heart disease, stroke and cancer are significantly higher than England rates.</p> <p>The percentage of the population on general practice mental health registers is significantly lower than for England.</p> <p>Rates for alcohol related hospital stays and drug misuse treatment are significantly higher than for England.</p>
Stockton-on-Tees	<p>Significantly higher rates of people aged 65 and over are supported to live at home than for England.</p> <p>Significantly higher percentages of adults smoke, binge drink and are obese compared to the average for England.</p> <p>The percentage of people eating 'five a day' is significantly lower than the England average.</p> <p>Life expectancy at birth for males and females is significantly lower than for England.</p> <p>Death rates from smoking are significantly higher than the rate for England.</p> <p>Death rates from heart disease, stroke and cancer are significantly higher than England rates.</p> <p>Rates for alcohol related hospital stays and drug misuse treatment are significantly higher than for England.</p>

Source: Department of Health 2006

Table 2.6.1 provides a number of statistical indicators to support these assertions. As these are generalised statistics, much of the variation between poorer and wealthier wards in boroughs is lost. However, these statistics do provide an indication of the extent of public health differentials between Tees Valley and national figures. It is evident that the most deprived boroughs, Middlesbrough and Hartlepool, compare badly with other boroughs in terms of teenage pregnancies, and deaths due to cancer and circulatory disease. Across all boroughs, however, these data indicate embedded public health problems compared with national averages.

Table 2.6.1 Public health indicators in Tees Valley

	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton-on-Tees	North East	England
Life Expectancy							
<i>Men</i>	74.7	73.4	74.0	74.5	75.5	74.9	76.2
<i>Women</i>	79.9	78.2	78.0	80.1	79.9	79.6	80.9
Limiting long-term illness	20.4	24.4	22.3	23.3	19.9	22.7	-
Teenage conceptions per 1,000 15-17 population	49.4	61.9	57.3	50.3	43.8	50.4	42.4
Cancer deaths per 1,000 population < 75	130.4	158.4	156.2	134.3	144.9	140.0	121.6
Circulatory disease deaths per 1,000 population <75	126.4	137.2	128.3	115.0	111.6	116.9	96.7

Source: adapted from GONE Local Authority Area Profiles, July 2006

2.7 Enterprise²²

Tees Valley scores poorly compared with national averages in terms of enterprising activity. As Table 2.7.1 indicates, VAT registrations are much lower than the national average if the measure is the number of registrations per 1,000 members of the working population. The North East as a whole has half as many registrations as the national average; and levels of enterprise are even lower in Redcar and Cleveland and Middlesbrough (12.1 and 14.2 per cent respectively).

The business population in Tees Valley is estimated in Table 2.7.2. These data were drawn from the Business Link Tees Valley database and do not constitute a census of business in the sub-region. However, the table provides a good impression of the structure of the business population. In particular, it is evident that micro-business comprise a very significant proportion of the total business stock. As would be expected, the majority of these businesses are concentrated in construction (largely own account craft or trade businesses) and retailing (small shops), tourism and hospitality (mainly cafes, pubs and bars). Knowledge intensive business services also feature prominently (book keeping services, wordprocessing services, administrative services, consultants, own account professionals (such as solicitors, accountants, etc.) and so on. These data offer some support to the idea, therefore, that there is a good deal of enterprise activity in the area in micro or small firms. The question remains, how to build business density further if the markets within which these small business operate already have their needs met?

Table 2.7.3 and Table 2.7.4 provide an indication of the extent to which sub-regional businesses operate locally, regionally or nationally. As would be expected, medium sized and larger businesses tend to operate in a broader field than micro businesses and small business. And similarly, start-ups tend to be more locally oriented than maturing business. A similar pattern emerges in terms of procurement, with small businesses linking closely with the sub-region – suggesting that they are more integrated within the local economy. This lends some support to the idea that building density of smaller businesses will help Tees Valley prosper. Large business has a much wider area of operation in terms of procurement, but it may be worrying that only 37 per cent of sales are national or international, while the proportion of procurement from this arena is larger at 48 per cent. These data are not particularly reliable, however, in terms of sample size and it is not entirely clear whether these percentages refer to deals or economic value.

Business constraints in Tees Valley are examined in a PACEC study for Business Link Tees Valley.²³ The research data suggest that lack of skills is the most significant constraint to all companies and businesses in the area (30 per cent), rising to 45 per cent of early stage businesses. National LSC data reflects this finding. About 18 per cent of employers report vacancies (18 per cent) or hard to fill vacancies (8 per cent). 20 per cent report that they needed to upskill their employees. And yet, commitment to training is very limited, especially amongst small businesses.²⁴

²² There is too little space to explore the recent academic literature in detail on the relationship between regional development and new business enterprise. For useful leads in this literature see: Acs and Storey, 2004; Fritsch and Mueller, 2004; Acs and Armington, 2004; Lee et al., 2004; Freel and Harrison, 2006

²³ PACEC, Mapping Business Growth in Tees Valley, Cambridge, PACEC, 2006, P.15.

²⁴ *ibid*, p. 9.

Business confidence is shown to be relatively weak in the businesses surveyed in the PACEC study. As Table 2.7.5 demonstrates, only 50 per cent of businesses expect to grow moderately in the next three years, and 5 per cent expect to grow rapidly. Early stage businesses are the most confident about moderate growth in the next 3 years (64 per cent). These data do not show a strong correlation between business size and confidence about growth.

Table 2.7.1 VAT registrations and de-registrations in Tees Valley (2004)

	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton-on-Tees	North East	Great Britain
% Registrations	8.9	9.7	8.5	7.4	9.9	9.4	10.1
% De-registrations	9.0	7.7	9.9	9.0	9.6	8.9	9.9
% Difference 2004	-0.1	+2.0	-1.4	-1.6	+0.3	+0.5	+0.2
% Difference 1994-2004 ²⁵	+1.2	-6.8	+0.6	-2.4	+3.5	-	-
Business stock	2,170	1,240	1,820	1,825	3,130	-	-
Registrations per 1,000 population (rounded)	26	17	14	13	21	22	40 ²⁶

Source: adapted from *Local Authority Area Profiles*, Government Office North East, 2006; Small Business Service (2006), *Business Start-Ups & Closures; VAT Registrations & De-Registrations in 2005: Tables 1a-1e*, http://www.sbs.gov.uk/SBS_Gov_files/researchandstats/VATStats2005Tables1a1e.xls (2004 data accessed)

²⁵ PACEC, *Mapping Business Growth in Tees Valley*, Cambridge, PACEC, 2006, p. 15.

²⁶ Applies to England only.

Table 2.7.2 Business population in Tees Valley

Sector	Micro businesses	Small businesses	Medium businesses	Large businesses	Unclassified	Total number of firms	Percentage of total
Automotive	271	21	2	2	0	2296	2.8
Chemicals	63	29	24	13	0	129	1.2
Commercial creative industries	135	7	0	0	0	142	1.3
Defence and marine	2	4	2	1	11	20	0.2
Energy	4	1	4	1	0	10	0.1
Food and drink manufacture	29	10	6	4	0	49	0.5
Health and social care	455	307	73	3	19	857	8.0
Knowledge intensive business	648	106	27	3	0	784	7.3
Tourism and hospitality	615	245	25	1	0	886	8.2
Construction	1112	144	41	7	0	1304	12.1
Engineering	284	81	37	2	0	404	3.8
Logistics	162	43	17	3	0	225	2.1
Retailing	1218	256	26	8	0	1508	14.0
Environmental	32	17	2	0	0	51	0.5
None of the above	3035	482	119	26	430	4092	38.0
Total	8065	1753	405	74	460	10757	100.0

Source: PACEC / BLTV 2006, p. 53.

Table 2.7.3 Proportion of sales in different marketplaces

	All businesses	Small business	Medium business	Large business	Start up businesses	Early stage business
Tees Valley	69.0	72.3	53.7	44.0	68.9	69.0
Elsewhere in the North East	12.5	11.6	16.7	17.9	10.7	12.1
Elsewhere in the UK	14.5	12.7	23.3	31.4	16.1	16.3
Overseas	3.6	2.8	7.8	6.2	4.3	2.5

Source: PACEC 2006, p.27.

Table 2.7.4 Proportion of supplies bought in Tees Valley

	All businesses	Small businesses	Medium businesses	Large businesses	Start up businesses	Early stage businesses
Tees Valley	68.0	72.4	47.0	37.5	72.3	73.2
Elsewhere in the North East	11.0	10.0	16.6	14.3	8.4	10.5
Elsewhere in the UK	17.0	14.9	25.6	37.5	15.1	14.6
Overseas	3.4	2.1	8.8	10.8	2.8	1.7

Source: PACEC 2006, p.27.

Table 2.7.5 Expectations of business growth in the next three years

	All businesses	Small businesses	Medium businesses	Large businesses	Start up businesses	Early stage businesses
Grow rapidly	5	5	7	7	7	2
Grow moderately	50	49	57	52	48	64
Stay the same	40	41	32	38	39	32
Decline	5	5	4	3	6	1

Source: PACEC 2006, p.27

2.8 Commuting to work

The five boroughs of the sub-region, as this report will show in Section Three, are characterised by their sense of independence in that they have particularised cultural, economic, social and political features. That said, the report also demonstrates that there is a high degree of co-dependence between the boroughs too. This can be illustrated particularly clearly when patterns of commuting between each of the boroughs is considered.

Table 2.8.1 provides an illustration of the extent of mobility amongst the working population into and out of boroughs in Tees Valley. These data do not suggest that all commuting is between the five boroughs. On the contrary, there are very significant flows out from Tees Valley into North Yorkshire and the Humber, County Durham and Tyne and Wear²⁷. It is notable that about one fifth of all employees and self-employed people in Tees Valley commute to another area, and about one fifth of all employees (also including self-employed people) in Tees Valley have commuted in from another borough.

The data presented in Table 2.8.1 are simplified in Table 2.8.2. This table provides percentages of the working population in- and out-commuting in each of the five boroughs. It is clear from these data that Middlesbrough and Darlington both have a net gain of in commuters compared with out commuters. While the situation in Stockton-on-Tees is balanced and only marginally in favour of out commuting in Hartlepool, it is notable that Redcar and Cleveland has a net loss of 11 per cent of its workforce to other boroughs. This is perhaps surprising given that our qualitative research reveals a perception that Redcar and Cleveland's process industries are something of a magnet for mass in-commuting.

Table 2.8.1 **Labour mobility across borough boundaries**²⁸

	Residents in employment	Out commuters	Live and work in the borough	In commuters	Workplace population
Darlington	42,993	13,030	29,963	15,562	45,525
Hartlepool	33,762	9,593	24,169	7,920	32,089
Middlesbrough	49,317	20,202	29,115	28,313	57,429
Redcar and Cleveland	54,296	21,745	32,550	13,106	45,656
Stockton	75,904	26,662	49,342	25,966	76,308
Tees Valley	256,272	91,232	165,139	90,867	257,007

Source: adapted from Townsend (2005)

²⁷ For example, the main destinations of commuters from Darlington are: Stockton-on-Tees (19 per cent), Sedgefield (18 per cent), Yorkshire and The Humber (17 per cent) and Middlesbrough (9 per cent). In commuting into Darlington is primarily from Sedgefield (25 per cent), Yorkshire and The Humber (17 per cent), Stockton-on-Tees (16 per cent) and Wear Valley (9 per cent).

²⁸ Residents in population is the sum of all out commuters and those who live and work in the borough. The Workplace population is the number of people who live and work in the borough together with all in commuters.

Table 2.8.2 In-commuters and out-commuters: Tees Valley

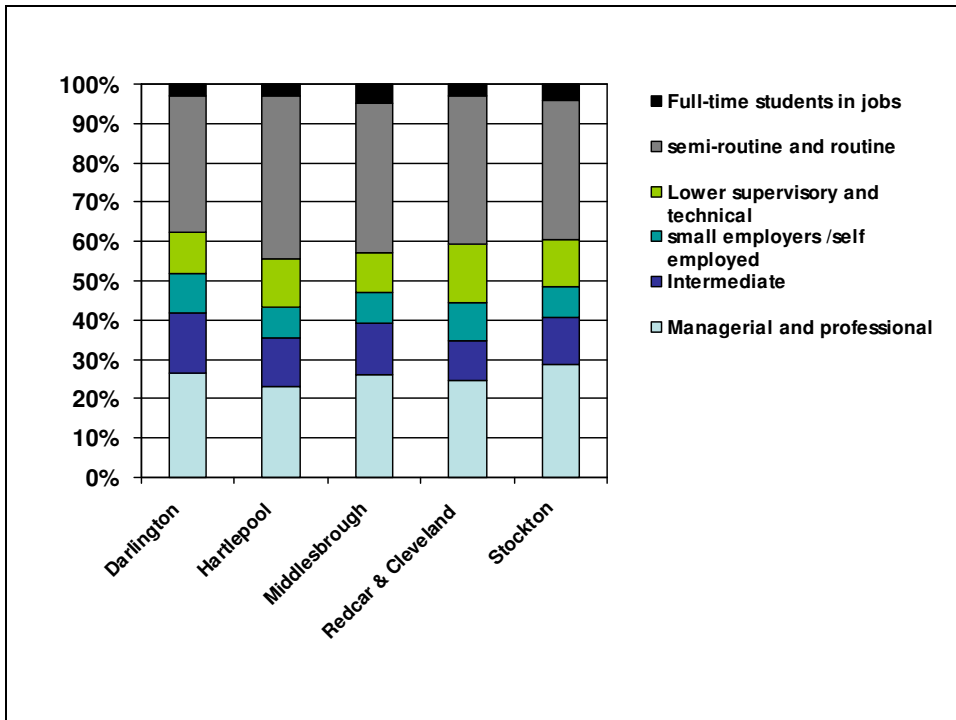
	% population working outside town	% population commuting into town	% net population gain/loss
Darlington	30	34	+ 4
Hartlepool	28	25	- 3
Middlesbrough	41	49	+ 8
Redcar and Cleveland	40	29	- 11
Stockton	35	35	= 0

Source: adapted from Townsend (2005)

Chart 2.8.1 illustrates the proportion of the population from each borough working across six standard occupational classifications. From this chart, it is clear that the local population who work within their own borough is not strikingly dissimilar. What is interesting is the relative under-representation of professionals/managers in these areas, particularly so in Darlington and Stockton-on-Tees (where the demographic data presented in Table 2.8.2 suggested that larger numbers of people from these SOC's were concentrated). When these data are compared with Chart 2.8.2, it is clear that the reason for this under-representation is the very significant number of professionals and managers who commute out from these towns into other boroughs or beyond the sub-region²⁹. These data also demonstrate that it is something of a myth to assume that people with lower-status occupations are unwilling to travel to work across borough boundaries. The chart demonstrates, for example, that about 30 per cent of unskilled workers who are resident in Middlesbrough work outside the borough. While this is partly a function of the relatively fewer professionals who live in Middlesbrough and its proximity to Redcar and Cleveland and Stockton-on-Tees, it still serves to demonstrate that there is a good deal of labour market mobility.

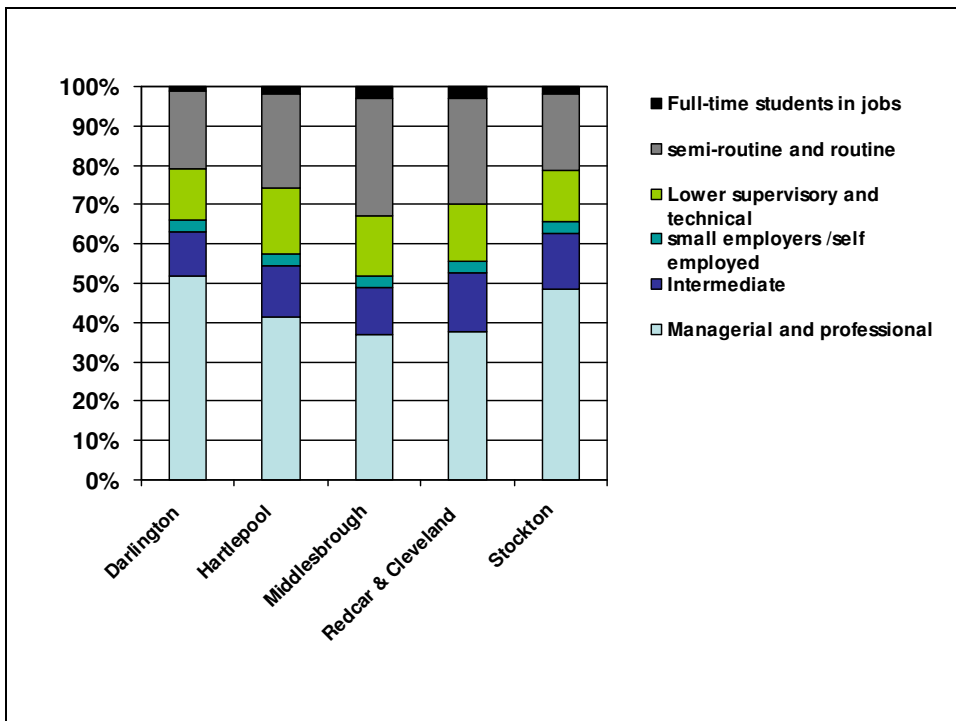
²⁹ A more detailed discussion of the destinations of commuters is presented in the borough portraits in Section 3.

Chart 2.8.1 Resident workforce across Tees Valley



Source: adapted from Townsend (2005)

Chart 2.8.2 Out-commuter population in Tees Valley



Source: adapted from Townsend (2005)

3 Economic and labour market development in five boroughs

The purpose of this section is to provide a brief portrait of each of the five boroughs which comprise Tees Valley. In the first section of each borough portrait, key demographic and spatial characteristics will be presented. Following this, there will be a discussion of future economic development and likely areas of skill needs.

The following analyses do not provide detailed explorations of the demographic and economic characteristics of each borough, nor will an in-depth account of labour market characteristics or industrial sectoral development be attempted. Much of the demographic, economic and labour market information has already been provided in the comparative statistical analysis in Section Two; and more specific discussion of individual industrial sectors will be found in Section Four.

The concluding section will draw together key strands of analysis in order to demonstrate patterns of inter-dependence between the boroughs. The purpose of this section is to show that while each borough values its independence and has a strongly developed identity, there remain clear links between them in labour market terms. This in turn, will help to demonstrate that any strategic initiative to enhance the skills base in individual boroughs must be developed with the interests of the whole sub-region in mind.

3.1 Five boroughs or a city region?

Before we can outline the key characteristics of each borough, it is important first to make some very general points about the political, economic and cultural features of Tees Valley as a whole. We do so because at present, there is much debate in national, regional and local government and in the academic community on the role of cities as economic drivers and the benefits of describing large urban conurbations as 'city regions'.³⁰ Much of this debate centres on the idea that if a large conurbation has each of the following characteristics, then the 'value' of the whole region will be greater than that of its constituent parts.

- An identifiable core city which offers a strong urban facility, density and experience.
- Strong leadership which is underpinned by robust governance structures.
- An identifiable political mandate through democratic representation.
- Draws together areas which are in some sense culturally, geographically and economically unified.

This value would be measured by, for instance, the city region's economic sustainability, the extent of its civic engagement and the wellbeing of all its citizens. Models of successful city regions are conceptualised or identified in different ways. Essentially, the most successful city regions are thought to have similar characteristics, that is: a very strong economic, cultural and political 'core' from which peripheral areas benefit.

³⁰ For a very detailed analysis of the contribution of cities to the economy and the current policy environment surrounding city regions, see: Parkinson, et al. 2006; Work Foundation, 2006; HM Treasury, 2006.

There has been a significant increase in political interest in city regions as economic drivers over the last few years.³¹ HM Treasury's *State of the Cities* report usefully identifies significant change in the way that our most successful provincial cities have developed over the last few years. A number of key drivers have been recognised:

- *Growing population*: many successful cities have experienced significant inward population migration over the last ten years which has been reflected in significant housing and apartment development.
- *Increasing wages*: a number of large and medium sized cities have experienced significant wage growth over the last ten years.
- *Employment hubs*: cities remain key drivers of employment growth, but patterns of industrial sectoral growth varies significantly from city to city.
- *Spatially concentrated challenges*: most cities continue to suffer from significant problems of concentrated urban deprivation which is not always due to the lack of employment, so much as barriers to gaining employment for people in such areas (such as poor transport, or local 'neighbourhood effects')
- *Liveability*: quality of life in cities is shown to be central to the success of economic development, especially in relation to the development of safer communities and city centres.
- *Skills*: the skills profile of cities has a fundamental impact on the potential for development. Northern cities, in particular, are identified as holding large concentrations of low-educated and low-skilled people.³²

In most cases, research and policy reports focus primarily on the larger core cities such as Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Some attention is being directed towards the revitalisation of medium sized cities such as Stoke on Trent, Norwich, Wakefield, Cambridge, amongst others. Each of these medium sized cities have distinctive challenges, but all have in common a clearly identifiable and widely recognised core centre. Often the 'problems' which Tees Valley has are assumed to derive to some extent from its lack of a clearly identifiable core city centre.

It is important to define what we mean by a polycentric urban form as this has a significant bearing on the conclusions we draw in this report. Polycentricity differs from the idea of a conurbation or a metropolitan area in specific ways. Although there are academic debates on the salience of different definitional positions, in this report we follow the lead of John Parr, Professor of Urban Studies, at the University of Glasgow.³³ Parr argues that polycentric urban regions have key definitional characteristics which are paraphrased below.

- *Clustering of centres*: that urban tracts are separated to some extent by open land or derelict land, but that the urban centres are located near enough to each other to form a clustered as opposed to random distribution.

³¹ See, for example: Jones, et al., 2006a; Jones, et al., 2006b; HM Treasury, 2006; Parkinson et al., 2006.

³² Adapted from Jones 2006b:7-8.

³³ Parr, J.B. (2004) 'The polycentric urban region: a close inspection', *Regional Studies*, 38:3, 231-240.

- *Upper and lower limits on centre separation:* that urban centres are sufficiently closely spaced to allow for travel between their furthest limits within one hour, but that they are not so closely connected so as to constitute a seamless conurbation.
- *Size distribution of centres:* that no one centre so completely dominates all the others in population terms.
- *Interaction among centres:* that there is greater interaction between centres than between the individual centres and the region as a whole. Interaction may include overlapping labour markets, intricate patterns of commuting, interacting trade and markets, and a consequent degree of interdependence.
- *Centre Specialisation:* within the polycentric urban form individual centres have specific foci for economic or cultural specialisation. The extent of specialisation can be similar in some such areas or strikingly different.

A number of advantages and disadvantages can be identified for polycentric urban regions. Advantages may include the potential for the sum of the constituent parts of the polycentric urban form to be worth more than each centre in a stand-alone environment. The area can afford, if it cooperates economically, higher grade facilities (such as ports, airports, transport systems, retail centres, etc.). And business density across centres can provide the impetus for greater economic support and growth. As Parr notes, however, these advantages need to be qualified for three reasons. (1) Travel flows across the polycentric urban form are necessarily longer, more expensive and more time consuming. (2) The tendency to compare such areas with metropolitan areas on the basis of population size can be misplaced because lack of urban density and economic concentration changes the characteristics of interactions in the area. (3) As Parr notes, that 'its distinctive spatial structure may in certain instances represent an overall liability. Problems such as dispersed urban population, small-scale infrastructure facilities, the lack of high-order business services and the division of effort among competing centres may all combine to form an unfavourable investment environment.'³⁴

Tees Valley is a truly polycentric conurbation which is composed of five local authorities: Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees. Each borough has a principal town, but there are also several smaller towns and townships which have distinctive identities (for example, Yarm, Billingham and Guisborough). None of the five boroughs has achieved sufficient dominance over the others in economic, demographic, cultural and social terms to make a strong enough claim to be the core. This is likely to remain the case for as long as the five boroughs are politically autonomous unitary authorities. However, this does not mean that the boroughs are independent from each other. From a national government perspective, Tees Valley constitutes a sub-region of the North East and it is funded by the RDA as such to achieve a range of jointly owned objectives.

The boroughs work together closely in a number of ways, most particularly through Tees Valley Partnership. Our qualitative research demonstrates much evidence of cooperative activity across the boundaries between the five authorities and sometimes across Tees Valley as a whole. However, inter-authority relationships can be quite competitive and mutual understandings of priorities are often clouded

³⁴ *ibid*, p. 236.

by misconceptions about the characteristics of other areas.

While there is clear evidence of cultural differences across the towns and a degree of inter-authority rivalry, our general conclusion is that the sub-region has the potential to become more cohesive rather than more fragmented over the next 20 years. As we outlined in the first chapter of this report, there already exists significant strategic cohesion in Tees Valley. As this section will show, there is a great deal of co-dependence between the towns in employment terms with very significant commuting between the boroughs (so belying the 'urban myth' that people in individual towns will not traverse local authority boundaries). As importantly, it will be demonstrated that industrial sectors have very clear economic links across the five boroughs. There is much evidence of both horizontal and vertical integration within sectors and across the boroughs and also much evidence of clustering of activities across sectors within Tees Valley as a whole.

While the importance of Tees Valley in economic and population terms cannot be disputed, unlike the major northern industrial conurbations such as Leeds, Newcastle, Manchester and Liverpool, Tees Valley has not yet developed a strong sense of metropolitan living. Instead, Tees Valley has more of a 'small town' atmosphere in the sense that its people seem to adopt relatively parochial views on the boundaries of their communities. We do not think that it is a bad thing for people to want to live in smaller scale urban environments, and certainly do not equate a small-town environment as necessarily meaning a low-quality environment. But we think it is very important to recognise that even if people prefer small town living, this does not mean that they do not want to enjoy the facility of big city life from time to time. On the contrary, the limited evidence available suggests that people in Tees Valley value this very much, but they do not necessarily have the opportunity to enjoy that experience in Tees Valley.³⁵

Our qualitative work suggests that the five boroughs want to preserve their distinctive identities. But there is also a clear recognition that each town has the potential to be stronger economically through cooperation and partnership with each other. A broadly shared view is that Tees Valley would benefit from the development of a more clearly identifiable 'city centre' and it is generally agreed that Middlesbrough town centre has the most potential to fulfil this need because of its city-like built environment, density of commercial services, its retail centre and the presence of the sub-regional university.

That said, the weaknesses of Middlesbrough as a potential city centre are also widely recognised. Respondents have argued that the cultural offer in the town (such as cafes, arts centres, high quality family leisure facilities, theatres, gyms, night clubs which attract diverse custom, and so on) remains relatively under-developed. As support for the development of a city region strategy gathers pace, however, together with the development of the Stockton-Middlesbrough Initiative, it is generally agreed that a more distinctive core to Tees Valley will emerge. This will help to draw people into the urban core to live, to enjoy leisure and as the economy grows, work in a more city-like urban environment.

³⁵ See Carling, J. and Mooney, J. (2006) Travel Patterns in the North East, Newcastle, NERIP

3.2 Darlington³⁶

Darlington is the second smallest borough in Tees Valley by population (estimated at 99,800 in 2006³⁷), and the third largest in size (at 197 square kilometres³⁸). Darlington is less diverse geographically than the other boroughs as it is the only major town in the borough. Population density across this relatively large borough remains lower than the other boroughs in Tees Valley at 501 people per square kilometre, but most population is concentrated within the town. The town serves a number of villages within the borough and is also a major work, leisure and shopping destination from North Yorkshire, Teesdale, Tees Valley and South Durham. Once dominated by heavy engineering and the railway industry, Darlington now has a growing service industry sector, is still a significant manufacturing town, has a growing logistics sector and remains a centre for education, health and public administration.

3.2.1 Employment, labour market and skills

Darlington's working age population is 59,700, of whom 77.7 per cent are currently economically active (compared with a national rate of 78.4 per cent).

Unemployment rates are comparably low for Tees Valley, standing at 2.9 per cent of the working age population, but the levels of male unemployment (as defined by those who are currently claiming Job Seekers Allowance) are relatively high at 4.2 per cent compared with 1.5 per cent of women. Over half of claimants are aged 25-49 of whom 34.7 per cent have been claiming for longer than six months. The number of Incapacity Benefit claimants is 10.9 per cent of the working age population (compared with a national average of 7.4 per cent)³⁹.

The working population is mainly concentrated in four industrial sectors: manufacturing, distribution (including hotels and restaurants), banking, finance and insurance, and public administration, education and health, as is shown in Chart 3.5.1. As discussed in Section 2 of this report, wage levels in Darlington are comparably lower than the rest of Tees Valley, this is partly due to the concentration of low paid workers in the service sector, manufacturing and logistics. Male full-time gross weekly wages are particularly low and stand at £366.4 compared with £473.4 nationally, and £424.2 across the North East as a whole. Women's full-time gross weekly wages, by contrast compare favourably with national standards at £363.3 (average wages are £330.6 in the North East, and £372.1 nationally).⁴⁰

³⁶ The following Darlington Borough Council / Darlington Partnership documents were used to prepare this section: Local Neighbourhood Renewal Strategy, Local Area Agreement, Community Strategy.

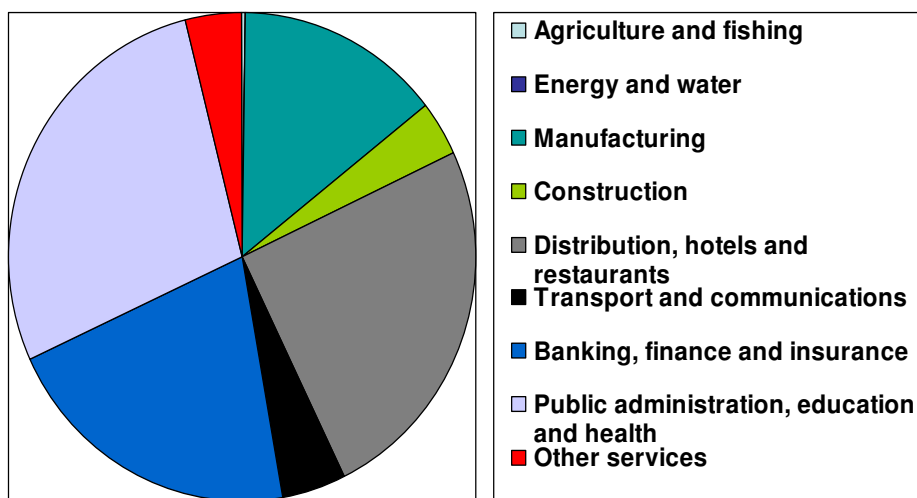
³⁷ See Table 2.1 in this report.

³⁸ Local Authority Area Profile for Darlington, Government Office North East, July, 2006.

³⁹ *ibid.*, p. 5-8.

⁴⁰ *ibid.*, p. 10.

Chart 3.2.1 **Employment across nine industrial sectors:
Darlington**



Source: Local Authority Area Profile, Government Office North East, V7, July 2006)

Recent research⁴¹ shows that of Darlington's 42,993 resident employed population, 30 per cent work outside the borough. The principal destinations of out-commuters are Stockton-on-Tees (19 per cent), Sedgefield (18 per cent) and Yorkshire and the Humber (17 per cent). Professionals and senior managers predominate as out-commuters (52 per cent). By far the majority of in-commuters live in Sedgefield (25 per cent), followed by Yorkshire and the Humber (17 per cent) and Stockton-on-Tees (16 per cent). There are more men than women in-commuters (58 per cent), 44 per cent of in-commuters have professional or senior management positions. There is also a significant flow of people in semi-routine and routine jobs into the town (34 per cent); suggesting that much of the poorly paid work in Darlington is undertaken by non-borough residents. In total, 70 per cent of in-commuters travel more than 10 km into the area to work.

Educational achievement and skill levels amongst Darlington residents are improving. In 1998, fewer than 37 per cent of children achieved 5 GCSEs grade A-C, this has now risen to 56.6 per cent. Improvements can also be noted in Key Stage 2 Level 4 results. Taking mathematics as an example, success rates have increased from just over 57 per cent in 1998 to 77 per cent in 2005, which is one percentage point above the national average. These snap-shots of success may bode well for the future development of skills in Darlington. The current situation amongst adults is also quite positive: economically active adults qualified to NVQ Level 2 has risen from 66 per cent in 2001 to 71.1 per cent in 2005. The proportion of the population of working age who have achieved NVQ4 and above remains quite low at 22.4 per cent, compared with a North East figure of 20.7 per cent, and a national average of 25.2 per cent. Less than 16 per cent of the resident working age

⁴¹ Townsend, A. (2005) *Commuting and Workplace Research: Section B: Profiles for Districts in Tees Valley*, Newcastle, NERIP, www.nerip.com/commuting.

population have no qualifications, which compares similarly with a national average of 15 per cent⁴².

The comparably higher skills base in Darlington is reflected in lower levels of social deprivation than in other Tees Valley boroughs. Of Darlington's 63 Super Output Areas (SOAs), 16 are within the most deprived 20 per cent of wards in England, and 9 are within the most deprived 10 per cent. Darlington's deprived areas are not as numerous as in the rest of Tees Valley, but there remain several areas of deep multiple deprivation. Darlington missed out on Neighbourhood Renewal Funding as it was not one of the eighty-eighth most deprived boroughs in England, it is the ninetieth.

3.2.2 Future economic development and skill needs

The Darlington Gateway strategy, which was based on research undertaken by Donaldson's and SQW, recognised that Darlington is well positioned to play a significant role in the economic development of the sub-region. Additionally, the strategy recognises that Darlington can also contribute to increased economic connectivity and activity with South Durham and North Yorkshire. The Darlington Gateway concept has helped the town to lever significant funding for major regeneration projects in the town. The strategy compliments a number of other major public and private sector investments in the development of the town and its economy. The principal initiatives include: *Central Park*, a 30 hectare development in the centre of town, east of the East Coast Main Line. There are plans for high specification office space, homes, hotel and leisure facilities, together with the newly opened Darlington College to the north of the site. It is hoped that this development has the potential to create 2,000 new jobs. *Morton Palms* is an office development on the A66 by-pass to the east of the town. *Faverdale East Business Park*: is a private sector development of a new business park for the logistics sector. The speculative development of a 35 hectare site has potential to develop 1,000 jobs to the west of the town in the A1 corridor. It is also expected that *Durham Tees Valley Airport* could increase passenger numbers to 3 million per annum by 2015. As a consequence there has been substantial investment to provide airport and transport infrastructure together with the development of a business park. *Lingfield Point*: provides new and converted space for mixed business development on a 43 hectare site. It is anticipated that the development has the potential to create 1,400 new jobs

The borough is enhancing the town centre through the Pedestrian Heart scheme to help retain and attract shoppers and businesses to the town centre. A new shopping development is planned at Commercial Street to provide an additional 29,000 square metres of retail space together with a 900 space multi-storey car park, multiplex cinema and leisure facilities. Other investments have included the Crown Street multi storey car park. A recent consultation process on the possibility of Tesco building a major new store in the town centre together with apartments and a new town hall has been rejected on the grounds that this may damage the town's character by putting smaller shops and market stalls out of business. Darlington's retail offer differs from other Tees Valley centres in that it has developed a stronger reputation for up-market shops, cafes and restaurants, centred on the Grange Road area.

⁴² op cit., 2006, p.15-22

These developments demonstrate that Darlington is able to take advantage of its proximity to major road and rail networks, and potentially Durham Tees Valley Airport, but it is clear that the labour market remains dominated by lower-end skill jobs which are poorly remunerated. While it is a key priority of Darlington's Local Area Agreement (LAA) to develop the skills base – there is a mis-match between this ambition and the kinds of jobs which are being attracted, in for example, logistics and retailing. Findings from one recent study⁴³ suggests that it is also necessary to: build on work to connect sector development with action on skills; address the role of business support to develop new and existing business; consider how deprived communities can be better linked to employment opportunities; and finally, to encourage local procurement from the public sector.

Darlington Borough Council and the Local Strategic Partnership have identified a number of industrial sectors which are important now, or have the potential to contribute to the town's economic development. Sectors which have been targeted for growth include: logistics and financial and business services. There is also significant interest in developing activities in a number of sectors within which the town currently has only limited contact. These include: chemicals, renewable energy, healthcare and health sciences, and digital media where there is a developing specialism at Darlington College. It is recognised that there is some potential for the development of higher GVA activity in relation to these industrial sectors by providing space for research and development activity. Such initiatives may be contingent upon the development of stronger links with universities in the region.

3.2.3 Inter-relationships with other areas

In summary, the principal inter-relationships between Darlington and its neighbouring boroughs in Tees Valley are:

- In employment terms, Darlington has a stronger relationship with North Yorkshire and South Durham than with most other Tees Valley boroughs.
- The borough's connectivity with major air, rail and road routes is important to its economic success and potentially to Tees Valley as a 'gateway' town.
- The borough has benefited from its strategic alliance with Tees Valley in terms of the development of its flagship Central Park regeneration project.
- The borough has strong connections with the global economy which is led primarily by its strong expertise in engineering and engineering consultancy.
- The town has potential to build a stronger presence in Tees Valley in the financial and business services sector.
- The town's retail offer is more distinctive than elsewhere in Tees Valley and could become a more attractive destination for more affluent consumers.

⁴³ Regeneris draft report on Darlington Gateway by Richard Gomez: not yet published.

3.3 Hartlepool

Hartlepool is the second smallest borough in Tees Valley by population (estimated at 90,100⁴⁴). It is the second smallest in size (at 94 square kilometres⁴⁵) but has a relatively high population density at 959 people per square kilometre. Hartlepool is less diverse geographically than most other boroughs as it is the only major town – but the town itself has unusual characteristics with a relatively isolated old town on the Headland which is separated from the main centre further south by expansive dockland and industrial land. The town has long-established heritage associations with the development of early Christianity in England. In the nineteenth century Hartlepool became an industrial town, concentrating on shipbuilding, steelmaking and heavy engineering. Industrial restructuring over the last half century hit hard. The town has progressively regenerated itself and is now looking back to the sea to build its economic future. This included the development of the marina and ambitious new plans for the redevelopment of the old docks and port in order to re-connect the old and new town. This is part of the Coastal Arc strategy which also embraces the idea of developing the smaller seaside resort, Seaton Carew, to the south of the borough. Hartlepool's relative geographical isolation from the rest of Tees Valley is reinforced to some extent by poor public transport links between this, the northernmost part of the sub-region, from the south.

3.3.1 Employment, labour market and skills

Hartlepool's working age population is 54,100, of whom 72.4 are currently economically active (compared with a national rate of 78.4 per cent). Unemployment rates are relatively high, standing at 4.4 per cent of the working age population. Levels of male unemployment (as defined by those who are currently claiming Job Seekers Allowance) are very high at 6.7 per cent compared with 1.5 per cent of women. Over half of claimants are aged 25-49. The number of young people claiming JSA stands at 35 per cent. Amongst claimants, 35.7 per cent have been claiming for longer than six months. The number of Incapacity Benefit claimants is 12.2 per cent of the working age population (compared with a national average of 7.4 per cent)⁴⁶.

The working population is mainly concentrated in two industrial sectors: public administration, education and health (33.6 per cent) and distribution, hotels and restaurants (23.2 per cent). Other sectors of significant importance are manufacturing (16.1 per cent) and banking, finance and insurance (12.6 per cent). It should be noted that no data were available for the energy and water sector for Hartlepool. In the borough, this remains a significant sector with the location of its nuclear power station and the prospect of future developments in this area if Government decides to support investment in a new generation of nuclear power stations.

As discussed in Section 2 of this report, wage levels in Hartlepool are comparably lower than the rest of Tees Valley. Average wages for full-time workers stand at £375, compared with £385.5 in the North East and £423.1 nationally. The male full-time gross weekly wages are close to the regional average of £422.6, but

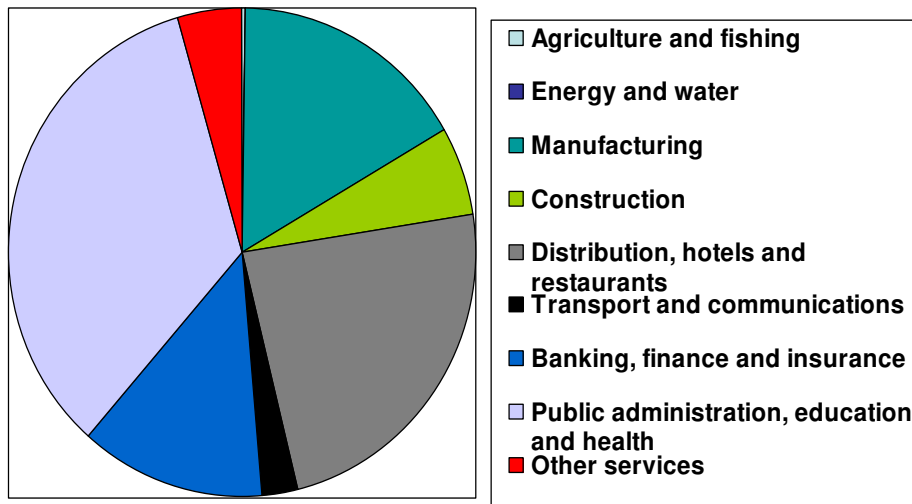
⁴⁴ See Table 2.1 in this report.

⁴⁵ Local Authority Area Profile for Hartlepool, Government Office North East, July 2006)

⁴⁶ *ibid*, p. 5-8.

significantly short of the national average of £473.4. Women's full-time gross weekly wages, also compare similarly with regional levels at £333.0 (average wages are £330.6 in the North East, and £372.1 nationally).⁴⁷

Chart 3.3.1 **Employment across nine industrial sectors:
Hartlepool**



Source: Local Authority Area Profile, Government Office North East, V7, July 2006)

Recent research⁴⁸ shows that of Hartlepool's 33,762 resident employed population, 28 per cent work outside the borough. The principal destinations of out-commuters are Stockton-on-Tees (32 per cent), Middlesbrough (14 per cent), Easington (11 per cent) and 9 per cent who work beyond the North East and Yorkshire and The Humber to work nationally or abroad. Professionals and senior managers predominate as out-commuters (42 per cent). There are more out-commuters than in-commuters, numbering 19,593 and 7,920 respectively. By far the majority of in-commuters live in Stockton-on-Tees (35 per cent), followed by Easington (20 per cent) and Middlesbrough (10 per cent). There are more men than women in-commuters (63 per cent). Exactly 50 per cent of in-commuters have professional or senior management positions. There is also a significant flow of people in semi-routine and routine jobs into the town (34 per cent), suggesting that much of the poorly paid work in Hartlepool is undertaken by non-borough residents. In total, 80 per cent of in-commuters travel more than 10 km into the area to work, 12 per cent of whom travel further than 30 km.

Educational achievement and skill levels amongst Hartlepool residents are improving. In 1998, fewer than 35 per cent of children achieved 5 GCSEs grade A-C, this has now risen to 51.8 per cent. Improvements can also be noted in Key Stage 2 Level 4 results. Taking mathematics as an example, success rates have increased from just over 50 per cent in 1998 to 74 per cent in 2005, which is equal to the national average. These snap-shots of success may bode well for the future development of skills in Hartlepool. The current situation amongst adults is also quite positive: economically active adults qualified to NVQ Level 2 has risen from 63

⁴⁷ *ibid*, p. 10.

⁴⁸ Townsend, A. (2005) *Commuting and Workplace Research: Section B: Profiles for Districts in Tees Valley*, Newcastle, NERIP, www.nerip.com/commuting.

per cent in 2001 to 68.4 per cent in 2005. The proportion of the population of working age who have achieved NVQ4 and above remains very low at 15.3 per cent, compared with a North East figure of 20.7 per cent, and a national average of 25.2 per cent. A little over 21 per cent of the resident working age population have no qualifications, which compares poorly with a national average of 15 per cent⁴⁹.

The comparably low skills base and low incomes in Hartlepool is reflected in higher levels of social deprivation than in Stockton-on-Tees and Darlington. Of Hartlepool's 58 Super Output Areas (SOAs), 32 are within the most deprived 20 per cent of wards in England, and 23 are within the most deprived 10 per cent. Hartlepool has been a recipient of a Neighbourhood Renewal Fund allocation to help tackle deprivation, together with many other funding streams over the last ten years.

3.3.2 Future economic development and skill needs

Rather than focusing on discrete industrial sectors, the key strategic emphasis in Hartlepool is to encourage new business start-ups. Within the borough, much of the new economic activity is led by micro-businesses or small and medium-sized enterprises (SME) with relatively few employees. Such companies are developing across a wide range of sectors including creative industries (especially design), but also in pharmaceuticals, architectural glass, coagulants, web-based industries, and so on.

Hartlepool's local economy is still dependent upon a number of larger manufacturing employers, but it is difficult to affect any real degree of influence on their development, growth or continued location in the area because they are mainly branch plants of national or global firms. Many of these companies employ people at the lower end of the skill spectrum, but there are exceptions, particularly in off-shore related engineering. Environmentally led activity, especially maritime decommissioning and recycling may produce volume employment in the borough. The process industries sector in Hartlepool is less intensive than in Stockton-on-Tees and Redcar and Cleveland, but still remains an important area of inward investment. The energy sector is also important to the town. There may be scope for the development of a new nuclear power station on the existing reactor site which is due for de-commissioning over the next few years.

Hartlepool is more geographically isolated both from the core of Tees Valley and other major transport routes. This impacts to some extent on economic development. Connectivity both north and south by rail is poorly developed at present with relatively slow and infrequent train services to Tyneside and other parts of Tees Valley. While there are economic connections with East Durham towns, Hartlepool remains strategically connected only with Tees Valley. Significant investment in Tees Valley is therefore considered as beneficial to Hartlepool as it raises the possibility of local spin-offs.

Hartlepool itself is benefiting from Tees Valley wide strategic developments, particularly the Coastal Arc scheme which identifies the coast as a major economic asset.⁵⁰ The scheme identifies the town's Marina, the resort town of Seaton Carew and the heritage area on the Headland as having potential for tourism and

⁴⁹ op cit., 2006, p.15-22

⁵⁰ Draft: Tees Valley City Region: A Business Case for Delivery, Middlesbrough: Tees Valley Partnership, 2006.

hospitality development. As the City Region strategy identifies the following potential advantages: (1) the creation of a critical mass of attractions can bring day visitors and short stay city break visitors into the City Region; (2) tourism can act as a major regeneration force behind the urban renaissance of an area and help to reinforce the housing market in areas of market failure by providing greater choice; (3) tourism can provide a relatively easy entry point into business for new entrepreneurs with little capital or into employment; (4) the development of tourism and leisure facilities creates a quality of place, which helps to attract and retain population.

Central to these strategic developments is the intention to create more positive perceptions of the sub-region. Increasing the volume of high-income visitors and encouraging people to come for short-stay breaks depends upon connecting the tourism and leisure offer across Tees Valley. It is necessary, therefore, to improve connectivity in tandem with this objective, particularly by speeding up public transport links between Hartlepool with the north and south of the region. Coastal Arc is not just about tourism, however, it is also an economic regeneration initiative which focuses on other economic development opportunities, including support for new business investment.

Victoria Harbour is a principal site of investment in the town which aims to connect Hartlepool Quays, the marina, town centre and the historic Headland. This Tees Valley Regeneration (TVR) project aims to develop an 80 hectare site and will involve building a new bridge across the harbour to link the north and south of the town. The development of 'the wave' will combine water features and public art set in landscaped parkland, together with the development of cafes, shops, apartments and townhouses. Retailing is also supported by the growing visitor economy and it is anticipated that Victoria Harbour will make a significant contribution - although it is recognised that the town centre retail offer is unlikely to be able to draw visitors from further distances due to competition from Middlesbrough and Newcastle. The night-time economy in Hartlepool continues to be an impetus for economic development, particularly in the growth of new cafés, bars and restaurants. It is anticipated that these developments, together with significant investment in housing renewal will continue to stimulate the construction sector.

3.3.3 Inter-relationships with other areas

In summary, the principal inter-relationships between Hartlepool and its neighbouring boroughs in Tees Valley are:

- The borough has strong potential to build on well established industrial sectoral connections with Redcar and Cleveland and Stockton-on-Tees, especially in process industries, energy, recycling and renewables.
- The borough has strong economic and employment connections with County Durham, but remains committed to the sub-region in strategic terms.
- Hartlepool is more geographically isolated than most other sub-regional boroughs and this is exacerbated by poor levels of connectivity to the rest of the sub-region by public transport.
- Hartlepool's integration into a Tees Valley tourism offer has potential to make the sub-region a more successful visitor destination.

- The borough has benefited from its partnership with other Tees Valley boroughs through the injection of significant funding for flagship regeneration projects associated with the Coastal Arc.

3.4 Middlesbrough

Middlesbrough is the smallest borough in Tees Valley by size at only 54 square kilometres.)⁵¹ It is the second largest borough by population (estimated at 137,900). Middlesbrough is by far the most densely populated area in Tees Valley, however, at 2,554 people per square kilometre. The town is now a centre for public and service sector activity. Manufacturing plays only a very small part in the town's industrial portfolio now. Middlesbrough sits at the centre of Tees Valley in geographical terms, and is undoubtedly the most city-like of the town centres. Built as a new town in the nineteenth century on a gridlock street plan, the town has the largest retail centre in the area and is also a major commercial centre.

The town centre has been enhanced significantly in the last few years through a major make-over of street lighting, planting, new pavements and the illumination of key buildings at night. A new international quality museum, Middlesbrough Institute of Modern Art (MIMA) will open in 2007 and the town has major ambitions for the development and extension of the urban core to Middlehaven. Middlehaven is the site of Middlesbrough Football Club. A new campus is being built for Middlesbrough College, and it is expected that the riverside site will be the location for a groundbreaking architectural development of homes, shops, leisure facilities and offices. Middlesbrough's ambitions for the future, as set out in its economic development strategy⁵², joint strategies with neighbouring Stockton-on-Tees, and the emerging city region strategy are impressive – and it is generally agreed across the region that Middlesbrough will become the principal centre. However, there is much to be done, as Middlesbrough has serious problems of urban deprivation, low levels of entrepreneurship and experiences difficulties in projecting a positive image of itself within Tees Valley and beyond.

3.4.1 Employment, labour market and skills

Middlesbrough's working age population is 85,200, of whom 71.8 per cent are currently economically active (compared with a national rate of 78.4 per cent). Unemployment rates are comparably high for Tees Valley, standing at 4.8 per cent of the working age population. Male unemployment (as defined by those who are currently claiming Job Seekers Allowance) is very high at 7.3 per cent compared with 2.1 per cent of women. Over half of claimants are aged 25-49 and 33.4 per cent have been claiming for longer than six months. The number of Incapacity Benefit claimants is 11.8 per cent of the working age population (compared with a national average of 7.4 per cent)⁵³.

Middlesbrough's largest industrial sector, as shown in Chart 3.4.1 is the public sector, which employs over 42 per cent of the workforce. Distribution, hotels and

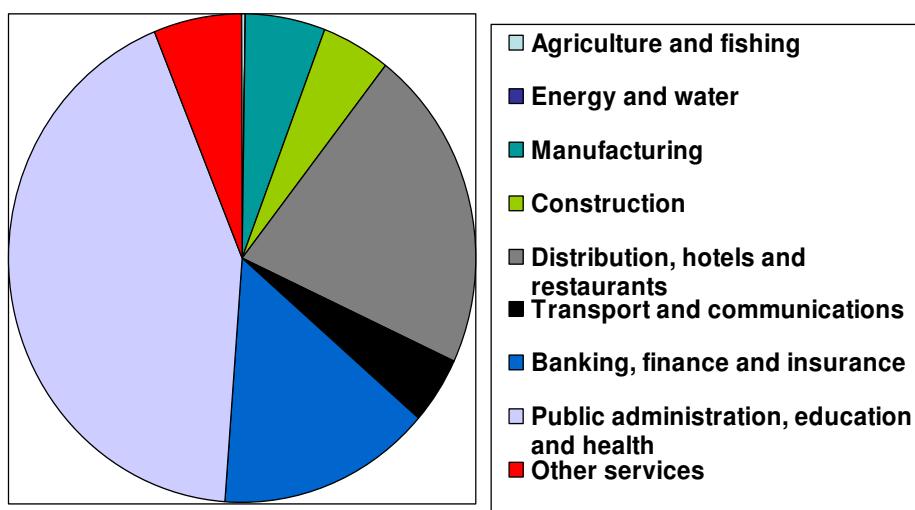
⁵¹ Local Authority Area Profile: Middlesbrough, Government Office North East, 2006.

⁵² See: Middlesbrough Renaissance, Moving Forward, Draft, Middlesbrough Council; Middlesbrough Employment Strategy: Final Report, York: Shared Intelligence; Tees Valley City Region: A Business Case for Delivery, Middlesbrough: Tees Valley Partnership; Stockton-Middlesbrough Initiative.

⁵³ op cit., p. 5-8.

restaurants also features as an important sector with 21 per cent of employees, followed by banking, finance and insurance at almost 15 per cent. Whilst it is assumed that Middlesbrough remains primarily an industrial centre, in fact, manufacturing employs only 6 per cent of the workforce. Wage levels are below average in the town. Average gross weekly wages stand at £372.4 compared with £385.5 in the North East and £432.1 nationally. Male average wages are £415.4 compared with £473.4 nationally, and £424.2 across the North East as a whole. Women’s full-time gross weekly wages are also below average for the sub-region at £313.9 (average wages are £330.6 in the North East, and £372.1 nationally).⁵⁴

Chart 3.4.1 Employment across nine industrial sectors: Middlesbrough



Source: Local Authority Area Profile, Government Office North East, V7, July 2006)

Recent research⁵⁵ shows that of Middlesbrough’s 49,317 resident employed population, 41 per cent work outside the borough. The principal destinations of out-commuters are Stockton-on-Tees (42 per cent), Redcar and Cleveland (28 per cent) and Yorkshire and The Humber (8 per cent). Professionals and senior managers do not predominate as out-commuters, unlike other areas, (37 per cent). Indeed, 45 per cent of out-commuters have semi-routine or routine service and manual occupations. In-commuters outnumber out-commuters by a significant margin (numbering 28,313 and 20,202 respectively). Of the in-commuting working population, by far the majority are residents of Redcar and Cleveland and Stockton-on-Tees (numbering 37 and 35 per cent respectively), together with Yorkshire and The Humber (10 per cent). There are broadly similar numbers of men and women who commute into Middlesbrough and the most populous groups are professionals and senior managers (46 per cent) and higher skilled technical workers (17 per cent). That said, about 30 per cent of in-commuters have either semi-routine or routine service or manual occupations. In total, 50 per cent of in-commuters travel more than 10 km into the area to work.

⁵⁴ *ibid*, p. 10.

⁵⁵ Townsend, A. (2005) *Commuting and Workplace Research: Section B: Profiles for Districts in Tees Valley*, Newcastle, NERIP, www.nerip.com/commuting.

Educational achievement and skill levels amongst Middlesbrough residents remain lower than average across Tees Valley but are improving. In 1998, fewer than 27 per cent of children achieved 5 GCSEs grade A-C, this has now risen to 45.2 per cent. Improvements can also be noted in Key Stage 2 Level 4 results. Taking mathematics as an example, success rates have increased from just over 52 per cent in 1998 to 71 per cent in 2005, which is only two percentage points below the national average. However, these early gains diminish as children become older. Only 65 per cent of children achieve Key Stage 3, Level 5, compared with 72 per cent across the sub-region and 74 per cent nationally. These snap-shots of success may bode well for the future development of skills in Middlesbrough. But the current situation amongst adults is not wholly positive. Economically active adults qualified to NVQ Level 2 has raised from 63 per cent in 2001 to 69.3 per cent in 2005. But the proportion of the population of working age who have achieved NVQ4 and above remains low at 16.3 per cent, compared with a North East figure of 20.7 per cent, and a national average of 25.2 per cent. Nearly 21 per cent of the resident working age population have no qualifications, which compares badly with a national average of 15 per cent⁵⁶.

The comparably lower skills base in Middlesbrough is reflected in very much higher levels of social deprivation than most other Tees Valley boroughs. Of Middlesbrough's 88 Super Output Areas (SOAs), 51 are within the most deprived 20 per cent of wards in England, and 44 are within the most deprived 10 per cent. Middlesbrough's deprived areas are more numerous than the rest of Tees Valley, resulting in large areas of deep multiple deprivation. Middlesbrough has been the recipient of Neighbourhood Renewal Funding to tackle urban deprivation together with many other substantial funding streams, including for example, a major injection of cash into its New Deal for Communities project in West Middlesbrough, and other streams such as the recently completed Community Cohesion Pathfinder.

3.4.2 Future economic development and skill needs

Middlesbrough's strategic planning for economic development fits closely with the *RES* and current sub-regional strategy: particularly the *Stockton-Middlesbrough Initiative* and the emerging *Tees Valley City Region* strategy. The emphasis in regional planning on raising economic activity and tackling worklessness is essential to Middlesbrough. Getting people back into work is regarded as crucial, but workplace productivity is also prioritised – the key to which is raising the skills base in the working population and growing more high skill jobs in the town. What is clear, is that Middlesbrough's future success is dependent upon co-operation and integrated planning with the rest of Tees Valley.

In the past, Middlesbrough has depended to a large extent on external factors to deliver new jobs to the town, particularly so in the public sector. The public sector is very large and has sufficient capacity to strongly influence the strategic development of the town, and potentially to invest further in such development through its significant procurement potential. However, further significant growth within the public sector itself is unlikely. Instead it is recognised that more private sector businesses must be generated, and where possible they must be 'home grown'. A key initiative to achieve this is the development of Digital City, centred at the University of Teesside to the south of the town centre, and the Boho Zone

⁵⁶ op cit., 2006, p.15-22

development area in the historic quarter of the town which links Middlehaven with the commercial centre⁵⁷. While digital media firms are likely to remain relatively small employers and may not make an enormous impact on the labour market structure of the town, the industry has potential to stimulate activity in related sectors, such as the creative and cultural sector, financial and business services, and high end retailing and catering for better paid employees. The key issue is to create higher density entrepreneurial activity within core areas to create a sense of business vitality and social vibrancy.

Middlesbrough town centre is the principal retailing centre of Tees Valley. The centre has been much improved through its urban design makeover and it is hoped that the centre will become a more attractive shopping destination for higher spend customers in future. One attraction of Middlesbrough shopping centre is its large department stores (Debenhams, Binns, Marks and Spencer, BHS, etc), larger chain store outlets, and its improved malls. It is accepted, however that there currently remains too much of a standardised high street shopping offer in the town. There are clear signs of improvement of the specialist shopping offer in the Linthorpe Road South area, adjacent to the university. Here there are more new fashion shops, cafes and restaurants. The flagship fashion store, Psyche, has acted as a stimulus for the development of this area. The business tourism and hospitality industry is as yet under-developed in the town, but it is envisaged that improved connectivity between Middlehaven and the town centre will encourage investment in this area of work. Retailing and hospitality sectors create, however, relatively low skill and low pay occupations. Consequently, it is essential that these areas of activity strategically connect with and underpin the development of higher skill occupations.

While other industrial sectors are small in Middlesbrough, they continue to make a significant contribution to economic development. Niche engineering firms continue to be successful and interact with a developing supply chain across Tees Valley. Logistics plays a less important role than in neighbouring boroughs, but continues to provide significant levels of employment, albeit at relatively low pay and skill levels. Food production is also a significant sector in employment terms, although, as in the case of logistics and the retail and hospitality sectors, pay tends to be low and skill levels under-developed.

Rather than focusing wholly on individual sectoral growth, it is recognised that an issue of key importance in Middlesbrough is to retain its more affluent working population in the town after work. The town centre becomes very quiet in the early evening which changes people's perception of its character significantly and means that a higher quality urban experience is not achieved. Recent research suggests, however, that fear of crime in the town centre has diminished to some extent over the last few years.⁵⁸ Initiatives, such as the development of MIMA and an associated improved hospitality offer in the town may help to retain people, but it is likely that a major investment is necessary to improve inflow into the area. Proposals to build a casino at Middlehaven, if successful, may help to achieve this providing that such an investment stimulates other businesses to invest in the town.

⁵⁷ For further details, see the discussion on the digital media sector in Section Four of this report.

⁵⁸ Webster, et al. (2004) A Better Place to Live, Middlesbrough: Social Futures Institute.

3.4.3 Inter-relationships with other areas

In summary, the principal inter-relationships between Middlesbrough and its neighbouring boroughs in Tees Valley are:

- Middlesbrough sits, in geographical terms, at the core of Tees Valley and has the most city-like urban landscape. It is best placed to become the urban core of Tees Valley
- Middlesbrough's local labour market is heavily concentrated in service sector and public sector activity. It has more potential to build its presence in service sector activity, especially in financial and business services
- The town relies heavily on in-commuters in employment terms. The lower than average residential presence of more affluent people acts as a limitation on the emergence of a city-like urban environment in the evenings.
- The town is the most identifiable place in external terms, this is enhanced by its well-known premiership football club, but the town has a relatively poor external image. This is due to the prevalence of urban deprivation and associated social problems, together with commonly held but false assumptions about its primarily industrial landscape.
- Middlesbrough is likely to become the core centre for digital media in Tees Valley, centred on the work of the University of Teesside and Boho Zone – this may act as a catalyst for other business development and increased business density which will benefit the rest of the sub-region.

3.5 Redcar and Cleveland⁵⁹

Redcar and Cleveland is the third largest borough in Tees Valley by population (estimated at 137,200 in 2006⁶⁰), and the largest in size (at 245 square kilometres⁶¹). Redcar and Cleveland is characterised by its diverse geography, with heavy industrial concentration to the north of the area and long stretches of coastland to the east and largely agricultural and moorland landscape to the south. While population density remains lower than most other boroughs in Tees Valley at 568 people per square kilometre, much of the population is concentrated in Redcar, Guisborough and the townships of South Bank, Eston and Grangetown to the east of Middlesbrough. There are smaller settlements along the coast, including Marske, the seaside town of Saltburn and also the relatively isolated former industrial villages including Brotton, Loftus and Skinningrove. Teesport, on the south bank of the Tees estuary is, in terms of tonnage, the UK's second largest deep water port. The port has a roll-on/roll-off bulk facilities, a bulk terminal, a growing container terminal, and a steel export terminal which handles over 1 million tonnes of Corus steel a year.

3.5.1 Employment, labour market and skills

Redcar and Cleveland's working age population is 83,300, of whom 75 per cent 54,300 are currently economically active (compared with a national rate of 78.4 per cent). Unemployment rates are comparably low for Tees Valley, standing at 3.7 per cent of the working age population, although the levels of male unemployment (as defined by those who are currently claiming Job Seekers Allowance) are relatively high at 5.6 per cent compared with 1.7 per cent of women. About half of claimants are aged 25-49 and 42.5 per cent have been claiming for longer than six months. The number of Incapacity Benefit claimants is 10.5 per cent of the working age population (compared with a national average of 7.4 per cent)⁶².

The working population is concentrated in a relatively small number of broad industrial sectors: manufacturing, distribution (including hotels and restaurants) and public administration, education and health, as is shown in Chart 3.5.1. This chart gives a general picture of employment, but greatly underestimates employment in the energy sector (for which no data were recorded), as will be shown below. As discussed in Section 2 of this report, wage levels in Redcar and Cleveland are comparably higher than the rest of Tees Valley, this is due to the concentration of highly paid male workers in the steelmaking, energy and process industries: male full-time gross weekly wages stand at £484.5 compared with £473.4 nationally and only £424.2 across the North East as a whole. Women's full-time gross weekly wages, by contrast stand at only £300.3 compared with £330.6 in the North East, and £372.1 nationally.⁶³

⁵⁹ The following documents were consulted in preparation of this section. Redcar and Cleveland Borough Council, New Realities, Local Area Agreement, Community Strategy, Local Neighbourhood Renewal Strategy.

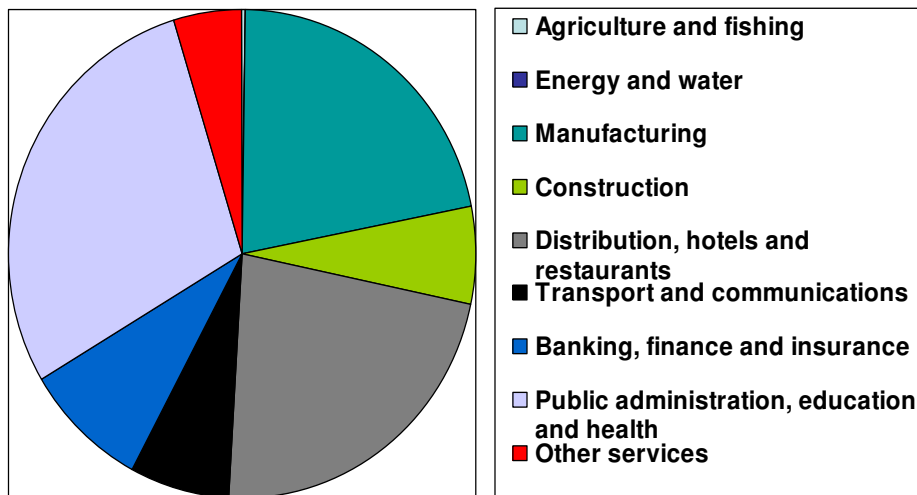
⁶⁰ See Table 2.1 in this report.

⁶¹ Local Authority Area Profile for Redcar and Cleveland, Government Office North East, July 2006)

⁶² *ibid*, p. 5-8.

⁶³ *ibid*, p. 10.

Chart 3.5.1 **Employment across nine industrial sectors:
Redcar and Cleveland**



Source: Local Authority Area Profile, Government Office North East, V7, July 2006)

Recent research⁶⁴ shows that of the 54,295 Redcar and Cleveland's employed population, 40 per cent work outside the borough. The principal destinations of out-commuters are Middlesbrough (48 per cent), Stockton-on-Tees (23 per cent) and Yorkshire and The Humber (10 per cent). Unlike Darlington and Stockton-on-Tees, professionals and senior managers do not predominate as out-commuters. Indeed, 42 per cent are lower-supervisory and technical work or semi-routine and routine work. In-commuters into the borough number 13,106, the majority of whom live in Middlesbrough (42 per cent), 27 per cent commute from Stockton-on-Tees and 16 per cent from Yorkshire and The Humber. In-commuters are mainly men (71 per cent), 46 per cent of whom have professional or senior management positions, suggesting that much of the best paid work in Redcar and Cleveland is undertaken by non-borough residents: indeed, 64 per cent of in-commuters travel more than 10 km into the area to work.

Educational achievement and skill levels amongst Redcar and Cleveland residents are improving. In 1998, fewer than 40 per cent of children achieved 5 GCSEs grade A-C, this has now risen to 48.2 per cent. Improvements can also be noted in Key Stage 2 Level 4 results. Taking mathematics as an example, success rates have increased from 56 per cent in 1998 to 76 per cent in 2005, which is one percentage point above the national average. These snap-shots of success may bode well for the future development of skills in Redcar and Cleveland. The current situation amongst adults is also quite positive: economically active adults qualified to NVQ Level 2 has risen from 61 per cent in 2001 to 68 per cent in 2005. The proportion of the population of working age who have achieved NVQ4 and above remains low at 16.7 per cent, compared with a North East figure of 20.7 per cent, and a national average of 25.2 per cent. Over 21 per cent of the resident working age population have no qualifications, compared with a national average of only 15 per cent.⁶⁵

⁶⁴ Townsend, A. (2005) *Commuting and Workplace Research: Section B: Profiles for Districts in Tees Valley*, Newcastle, NERIP, www.nerip.com/commuting.

⁶⁵ op cit., 2006, p.15-22

The comparably low skills base in Redcar and Cleveland is underpinned by relatively high levels of social deprivation. Of the boroughs 92 Super Output Areas (SOAs), 30 are within the most deprived 20 per cent of wards in England, and 19 are within the most deprived 10 per cent. Deprivation impacts heavily on health or is reproduced through ill-health: 23 per cent of the population of the borough have limiting long-term illnesses⁶⁶.

3.5.2 Future economic development and skill needs

Redcar and Cleveland's industrial economy is dominated by a number of large employers which are concentrated in the north of the authority, including Teesport, steel-making at Lackenby and process industries at Wilton. Heavy reliance on large industrial employers can leave areas vulnerable to economic downturns if global markets falter or if overseas competition bites into profitability. This was the case in the 1980s and resulted in significant economic restructuring in the borough. It should, though be stressed that an over-emphasis on the negative aspects of global competition can be over-stated or misinterpreted. In the case of steelmaking at Corus and a significant element of the output of process industries, there is very strong dependence upon the success of Chinese, Indian Sub-Continent and Far Eastern industrial development. Similarly, turbulence in the petrochemicals industry due to limited oil and gas reserves and instability in oil and gas producing states have, in some ways, acted as catalysts for new developments in Redcar and Cleveland. Consequently, the economic prospects of the area have looked much brighter in recent years.

Process industries represent a significant area of development and are currently enjoying high levels of investments, including, for example, investment in bio diesel and ethanol plants. Now under construction, Wilton 10 will be the UK's largest biomass fed power station. It is hoped that this will develop a biomass supply chain across the region. Related development include the building of a wood recycling plant also on the Wilton site, biomass import facilities on the Tees, and the possibility of creating woodlands on derelict land in, for example, the blue/green heart project in Stockton/ Middlesbrough⁶⁷. Allied to these developments are expected growth in other forms of alternative energy, including hydrogen production, fuel cells, and wind turbine power. Recycling also promises to become a very significant source of investment and development.

Development of the process industries in Tees Valley is vulnerable to some extent when companies have head offices in other areas or countries. It is therefore of vital importance to maintain the area's capacity for innovation through research and development capability. The establishment of collaborative partnerships between industrial firms, the Centre for Process Innovation (CPI), Renew Tees Valley and North East Process Industries Cluster help to ensure the area's future.⁶⁸

The long-term future of process industries in the borough can only be guaranteed through such developments, but there also remains a likelihood that geographical inertia will play its part on limiting the mobility of companies. Key factors which encourage business to remain include infrastructural requirements such as the port,

⁶⁶ See Section 2.5 for a further discussion of public health issues across Tees Valley.

⁶⁷ Tees Valley Partnership (2006) Tees Valley City Region: A Business Case for Delivery, Middlesbrough: Tees Valley Joint Strategy Unit (Draft), p. 37.

⁶⁸ For further details see www.renewteesvalley.co.uk, www.uk-cpi.co.uk, www.nepic.co.uk.

gas and hydrogen pipelines, and an established supply chain. Social and political factors are also important. The populations of Tees Valley in general, and Redcar and Cleveland in particular are relatively tolerant of the risks associated with these industries and generally welcome further investment.

The knock-on effect of significant investment in process industries is growth in construction, fabrication and engineering consultancy. Similarly, there is scope for significant growth at Teesport through the development of the Northern Gateway Container Terminal, where it is expected that deep-sea container traffic could almost treble in volume by 2020, 30 per cent of which will involve Far Eastern trade.⁶⁹

In other sectors, growth is less likely. Until recently, health promised to remain an area for significant development, but it is now anticipated that this will not be the case. There is room for growth in the social care sector, delivered by private and also potentially third sector organisations. The retail sector is unlikely to experience significant growth over the next few years in light of likely further development in Middlesbrough, although there may be some scope in relation to a potentially improved tourism offer on the Coastal Arc. The Coastal Arc initiative plans to increase the flow of day-trippers or short breaks to the seaside towns of Saltburn and Redcar and to stimulate business investment to regenerate the economies of coastal settlements⁷⁰.

As will become clear in our discussion of discrete industrial sectors, (see Section Four) the future success of Redcar and Cleveland's industrial development depends upon the skills of the workforce. Currently, the average age of male employees in the process industries is 55. This presents a very significant potential constraint on development unless the sub-region as a whole addresses the issue in the immediate future in order to secure the viability of the industry over the next twenty years.

3.5.3 Inter-relationships with other areas

In summary, the principal inter-relationships between Redcar and Cleveland and its neighbouring boroughs in Tees Valley are:

- Redcar and Cleveland is the most closely connected with global markets via Teesport, its process and energy clusters and steel production.
- The borough is dependent upon in-commuting to sustain its industrial competitiveness and will remain dependent upon the whole sub-region to fulfil the skills needs of its core industries in future.
- The borough has potential to increase visitor numbers to the sub-region through its tourism offer although connectivity with Hartlepool's visitor attractions is currently weakened by poorly developed public transport.
- The borough has significant areas of multiple deprivation in townships to the east of Middlesbrough which may need to be tackled in a more integrated way.

⁶⁹ *ibid.*, p. 45.

⁷⁰ *ibid.*, p. 67.

3.6 Stockton-on-Tees⁷¹

Stockton-on-Tees is by far the largest borough in Tees Valley by population (estimated at 186,200 in 2006⁷²), and the second largest in size (at 204 square kilometres⁷³). The borough is a polycentric conurbation. The largest town, Stockton-on-Tees, lies on the north bank of the Tees and is the borough's principal market town, shopping, commercial and administrative centre. Billingham is also a sizeable town to the north east of the borough. Billingham's town shopping centre is relatively small. The key feature of the town is its large suburban estates and the dominating prospect of the town's former ICI chemical works. To the south of the River Tees is Thornaby. The north of Thornaby has undergone radical transformation over the last fifteen years following the remediation of the former steel works site. Along the riverside and set around a number of canals and locks are many new offices and call centres. This area also houses Durham University's Queen's Campus and Stockton Riverside College of Further Education. The area south of the A66 has seen rapid growth of the large Teesside Park out-of-town shopping and leisure complex. To the south of the borough are the suburbs of Eaglescliffe and the popular and attractive market town, Yarm, which is set inside a meander of the River Tees. The newest settlement is Ingleby Barwick. This is a large dormitory town consisting of a number of speculatively built housing estates and is reputed to be the fastest growing dormitory town in Europe.

Stockton's economic development was initially built on its function as a market town serving a relatively rich agricultural hinterland. During the industrial revolution, and with the arrival of the railways, the town became a centre for the export of coal from South Durham and for iron and steel making and heavy engineering. At the beginning of the last century, the town was also a centre for glass works, pottery, canvas and rope-making, amongst other things. Industrial restructuring has led to Stockton-on-Tees becoming much more dependent on service industries rather than manufacturing – although manufacturing is still important to the town. The town also remains a centre for education, health and public administration. Population density across this large borough is relatively high at 913 people per square kilometre. Connectivity within the town is hampered to some extent by road traffic congestion and there is only limited service to the north of the borough by an hourly rail service. East-west road travel is relatively fluid along the A66 as is access to the north and south via the A19. There are regular rail services via Thornaby to Darlington main line station and south to York and the North West via Yarm and Northallerton.

3.6.1 Employment, labour market and skills

Stockton-on-Tees's working age population is 116,000, of whom 78.1 per cent are currently economically active (compared with a national rate of 78.4 per cent). Unemployment rates are comparably high for Tees Valley, standing at 4.6 per cent of the working age population, although the levels of male unemployment (as defined by those who are currently claiming Job Seekers Allowance) are well above the national average at 4.7 per cent. Just less than half of claimants are aged 25-49

⁷¹ The following documents were consulted from Stockton Renaissance and Stockton-on-Tees Borough Council: Local Area Agreement, Community Strategy, Neighbourhood Matters.

⁷² See Table 2.1 in this report.

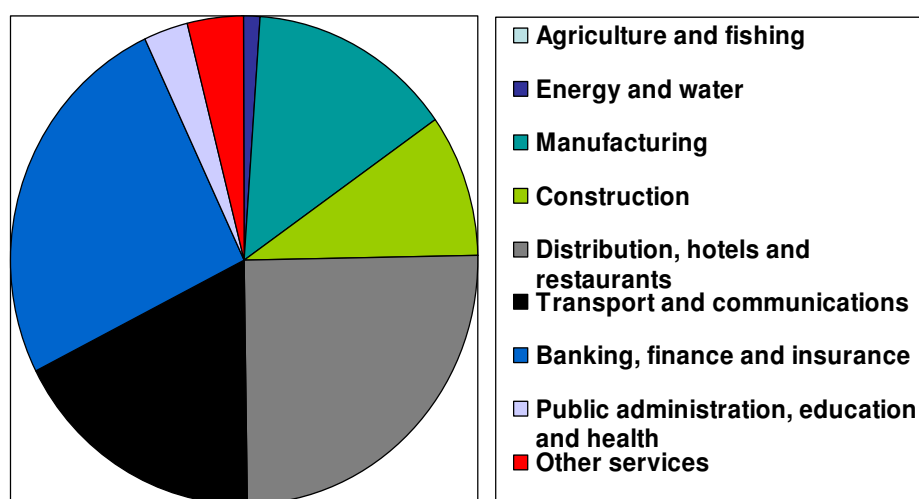
⁷³ Local Authority Area Profile for Stockton-on-Tees, Government Office North East, July 2006.

of whom 34.2 per cent have been claiming for longer than six months. The number of Incapacity Benefit claimants is 8.9 per cent of the working age population (compared with a national average of 7.4 per cent).⁷⁴

As shown in Chart 3.6.1, the working population is mainly concentrated in three industrial sectors: public administration, education and health; distribution, hotels and restaurants; and banking, finance and insurance. There also remains significant employment in manufacturing and the construction industry.

As discussed in Section 2 of this report, wage levels in Stockton-on-Tees are comparably high compared with the rest of Tees Valley, this is due to the higher concentration of employment in the process industries, financial services and in the public sector. Male full-time gross weekly wages are high at £461.3 compared with £473.4 nationally, and £424.4 across the North East as a whole. Women's full-time gross weekly wages, by contrast compare less favourably with national standards at £308.9 (average wages are £330.6 in the North East, and £372.1 nationally).⁷⁵

Chart 3.6.1 **Employment across nine industrial sectors: Stockton-on-Tees**



Source: Local Authority Area Profile, Government Office North East, V7, July 2006)

Recent research⁷⁶ shows that of Stockton-on-Tees' 75,904 resident employed population, 35 per cent work outside the borough. The principal destinations of out-commuters are Middlesbrough (37 per cent), Redcar and Cleveland (13 per cent), Hartlepool (10 per cent) and Darlington (9 per cent). Professionals and senior managers predominate as out-commuters (48 per cent). In-commuters are proportionately similar, numbering 26,966. By far the majority of in-commuters live in Middlesbrough (32 per cent), followed by Redcar and Cleveland (19 per cent), Hartlepool (12 per cent), Yorkshire and The Humber (10 per cent) and Darlington (9 per cent). There are many more men than women in-commuters (67 per cent), and 44 per cent of in-commuters are in professional or senior management positions. There is also a significant flow of people in semi-routine and routine jobs into the

⁷⁴ *ibid*, p. 5-8.

⁷⁵ *ibid*, p. 10.

⁷⁶ Townsend, A. (2005) *Commuting and Workplace Research: Section B: Profiles for Districts in Tees Valley*, Newcastle, NERIP, www.nerip.com/commuting.

town (39 per cent), suggesting that much of the poorly paid work in Stockton-on-Tees is undertaken by non-borough residents. In total, 60 per cent of in-commuters travel more than 10 km into the area to work.

Educational achievement and skill levels amongst Stockton-on-Tees residents is improving. In 1998, about 40 per cent of children achieved 5 GCSEs grade A-C, this has now risen to 54.8 per cent. Improvements can also be noted in Key Stage 2 Level 4 results. Taking mathematics as an example, success rates have increased from just over 60 per cent in 1998 to 80 per cent in 2005, which is one percentage point above the national average. These snap-shots of success may bode well for the future development of skills in Stockton-on-Tees.

The current situation amongst adults is also quite positive: economically active adults qualified to NVQ Level 2 has risen from 68 per cent in 2001 to 76.7 per cent in 2005. The proportion of the population of working age who have achieved NVQ4 and above remains quite low at 20.5 per cent, compared with a North East figure of 20.7 per cent, and a national average of 25.2 per cent. Less than 16 per cent of the resident working age population have no qualifications, which compares well with a national average of 15 per cent.⁷⁷

The comparably higher skills base in Stockton-on-Tees masks the fact that there are significant variations in educational achievement, skills, household income and wealth across different areas of the borough. Of Stockton-on-Tees' 117 Super Output Areas (SOAs), 40 are within the most deprived 20 per cent of wards in England, and 20 are within the most deprived 10 per cent. By contrast Stockton-on-Tees also has 17 SOAs in England's wealthiest 20 per cent of areas. The borough has, as a consequence of its relatively deep levels of multiple deprivation, received Neighbourhood Renewal Funding to tackle its problems. It has also received other forms of support, such as its Housing Renewal Pathfinder area. The area is now, together with Middlesbrough, submitting a bid for Local Enterprise Growth Initiative funding to tackle low levels of enterprise in its more deprived wards.

3.6.2 Future economic development and skill needs

The principal driver in Stockton-on-Tees' economic strategy is its people-centredness, with a particular focus on tackling worklessness. Economic development is not heavily focused on particular industrial sectors. Instead, the aim is to pursue a mixed economy and to follow opportunities for new developments as they arise. Stimulating new enterprise (including social enterprise) is essential and is the focus of a number of key strategic initiatives – most particularly through a partnership with Tees Valley Regeneration to develop North Shore, Stockton-Middlesbrough Initiative (SMI), the emerging Tees Valley City Region strategy, and through the Local Enterprise Growth Initiative (LEGI). Public sector employment is not likely to grow significantly in the foreseeable future, but the sector has an important strategic and economic role to play by encouraging the establishment of locally grown businesses across the borough. The recently submitted Local Enterprise Growth Initiative bid, if successful, would support the borough's ambitions to increase business development in its poorer wards and particularly to divert activity from the grey economy into the mainstream.

The process and energy sectors remain very important in economic and

⁷⁷ op cit., 2006, p.15-22

employment terms in the borough. Operating, as these industries do, in a global market means that the local authority has limited influence on future development. This is especially so when the headquarters of large companies are located abroad. Strategic planning in these sectors is progressively being managed at a regional and sub-regional level through the establishment of NEPIC and the CPI.⁷⁸

Stockton-on-Tees has successfully benefited from the development of the call/contact centre industrial sector. While there have been real threats to the sustainability of this sector in recent years due to the exportation of call centre activities, especially to India, the signs are that there is an increasing likelihood of return migration. More importantly, the increased emphasis on higher-end service functions from call services will benefit the industry in this area. However, it is necessary to up-skill the workforce, especially so as the requirement for more technically proficient and multi-lingual operatives grows. The logistics sector continues to develop in Stockton-on-Tees, particularly at Wynyard Park. Construction is also quite buoyant, and looks likely to benefit from significant investment in the North Shore development and the remodelling of the southern gateway into Stockton-on-Tees town centre. Additionally, housing renewal initiatives may stimulate activity in the industry, although it is recognised that more emphasis on local procurement is important. Engineering and manufacturing remain important sectors in Stockton-on-Tees – especially in closely defined niche markets.

There have been significant improvements of the retailing offer in the town. The development of the Wellington Square centre has provided a more pleasant shopping street environment, but the retail offer is not distinctive enough to attract more affluent visitors from other areas. The street markets continue to be a major attraction for local shoppers, but fails to draw in higher spend customers. Retailing in Stockton-on-Tees town centre has suffered significantly from the development of Teesside Park out-of-town shopping centre. Whilst this development is not particularly attractive in architectural terms and its planning almost wholly incongruent with current thinking in such developments, Teesside Park is a tremendous commercial success. Now that Teesside Park is attracting higher-spenders (in for example, Next, Marks and Spencer, Borders Books, Clarks, Mamma and Pappas) instead of its initial offer of electrical, DIY and sports shops, it is clear that Stockton-on-Tees town centre is under further threat and needs to re-brand in order to maintain high levels of footfall. Teesside Park is within the borough and offers significant employment opportunities for service sector workers, however, connectivity with the area by public transport remains a problem and may restrict opportunities from non-car owning households.

3.6.3 Inter-relationships with other areas

In summary, the principal inter-relationships between Stockton-on-Tees and its neighbouring boroughs in Tees Valley are:

- The borough is becoming more closely connected in strategic terms with Middlesbrough for the development of city region initiatives.
- In employment terms, the borough is closely connected with all other boroughs through in and out-commuting.

⁷⁸ See section 3.5 below for a more detail discussion of the sector in Redcar and Cleveland, and also analysis of sectoral growth in energy and chemicals in Section 4 of this report.

- The growth of Durham University's Queen's Campus into the North Shore development area offers significant opportunity for growth in connected economic regeneration activity.
- Parts of the borough have become popular residential destinations for people working in other areas, particularly in Ingleby Barwick, Wynyard and Yarm.
- The borough's industrial complex on Seal Sands and at Billingham is closely connected with energy and process industry development in Hartlepool and Redcar and Cleveland.
- Inter-borough road congestion and poor public transport connectivity by bus and rail may act as constraints on future economic development plans.

4 Analysis of Labour Market Change across Industrial Sectors

In this section a more detailed analysis of industrial sector employment is presented; this includes the following sectors:

- Chemicals
- Construction
- Contact centres
- Creative industries
- Digital media
- Engineering
- Financial and business services
- Food and drink manufacture
- Health
- Logistics and distribution
- Public sector (local authorities)
- Renewables
- Retailing
- Social care
- Tourism and hospitality

The purpose of the analysis is to gauge the extent to which sectors have potential for growth in the future and to get a measure of consequent changes in skill demands. The sectors are discussed in alphabetical order and are given broadly equivalent analytical space. While this may give the impression that all sectors are of about the same size and importance, we recognise that this is not the case. However, it was decided to provide similar levels of detail for each sector on the grounds that some may grow significantly while others may decline, and further, because growth in some smaller sectors may have a catalytic impact on sectoral growth elsewhere. Before the sector by sector analysis is undertaken, a comparative overview of all the sectors which are being scrutinised is presented in the next section.

4.1 Features of the Labour Market and Employer Demand

In this section, comparisons are drawn between each of the industrial sectors under scrutiny. In order to provide an outline of the pattern of change based on an analysis of WIER time series data from 1984 – 2004, together with predictions for the levels of employment to 2014 are presented. Unfortunately, it is not permissible to report these data due to limitations imposed on the use of the data.⁷⁹ As a consequence, we can only record our general findings from the detailed analysis we have undertaken.

Analysis of sectoral data suggests these emergent patterns. Chemicals and engineering (mechanical) have declined steeply over the period. By contrast, there has been very significant growth in the public sector, call/contact centres, health, social care, retail and tourism sectors (although tourism did suffer a period of decline between 1984-1994). The remaining sectors – construction, digital media

⁷⁹ See Appendix 8.1 for further detail on the analysis of WIER employment data.

and financial – have remained relatively level.

We found it useful to assess the extent of employment growth across occupational groups within broadly defined skill bands. Data were analysed by adopting a collapsed set of standard occupational classifications described in Figure 4.1.1. While these categories do not present occupations in a clearly identifiable status hierarchy, it is evident that some level of stratification is implied in the classification system. However, this should not be misconstrued as a social class hierarchy or model of occupational stratification. For example, the collation of administrative and secretarial roles masks a significant internal status hierarchy. Similarly, it can be noted that the classification avoids a simple white-collar/blue-collar divide to take account of the complex development of the labour market over the last 50 years. Given these complexities, classification is collapsed into just three occupational groupings which will be adopted for stratification analysis. Our reclassification is defined as follows:

Figure 4.1.1 **Reclassification of Occupations for Stratification Analysis**

Standard Occupational Classification	Collapsed Status Variable
Managers and Senior Officers	Higher Grade Skill Occupations (knowledge workers)
Professional Occupations	
Associate Professionals and Technical	
Administrative and Secretarial	Intermediate Grade Skill Occupations
Skilled Trade Occupations	
Personal Service Occupations	
Sales and Customer Service Occupations	
Process, Plant and Machine Operatives	Lower Grade Skill Occupations
Elementary Occupations	

The analysis of WIER data provided the following broad findings.

Higher Skill Occupations

That there has been very significant growth in higher skill jobs in several sectors: contact centres, tourism and hospitality, health, local authorities, social care and to a slightly lesser extent in retail. The strongest growth has been in health to 2004, but it is now likely that anticipated further growth is exaggerated due to a slow down in funding to the sector. It is also important to recognise that the levels of occupational status vary between sectors. While significant growth is shown

in tourism and retailing, the status, pay, responsibility and skill levels of the incumbents of such work is likely to be lower than in, say health or chemicals.

These data suggest that within a number of sectors there has been stability or decline in higher skill employment. Decline has occurred in the case of chemicals, construction and to some extent in financial and business services. Predicted stability or decline in some sectors is open to question however. It needs to be remembered that these employment projections are made with reference to national weightings which may underplay local circumstances.

Intermediate skill occupations

It is apparent from the analysis that the most important sectors for providing this kind of employment are retail, construction and health. It may be the case that skill levels in retailing appear to be over-exaggerated compared with other sectors such as engineering, renewables chemicals, financial services and others for the reasons outlined above. The big areas of actual and anticipated growth are in health, social care, contact centres, tourism and local authorities. As noted, predictions for health may be over-exaggerated. Decline is evident in chemicals, although there are serious doubts about predicted further decline given the significant investment in the process industries at present.

Semi-routine and routine occupations

The analysis produced an indication of almost universal decline in low skill work across sectors (the exceptions being contact centres and renewables). This finding is of particular significance for this study as it has real implications for training and skill development. Perhaps more importantly, it raises serious issues about the further erosion of pathways into work for low skilled people, particularly in those communities which already experience high levels of worklessness. The relatively higher levels of availability of unskilled work in some sectors, such as tourism and hospitality may not actually help people who live in multiply-deprived areas as this kind of work is characterised by its relatively low pay, unsociable and part-time hours, poor levels of employment security or seasonality. It is likely to be the case that much of this work will be monopolised by students, migrants or secondary wage earners in households because others may be deterred by the risk of falling into a benefits trap.

Table 4.1.1 GVA of Sector Skills Councils

Sector Skills Council	Share of GVA %	GVA Per Worker (£)
Cogent (chemical, nuclear, oil and gas, petroleum and polymer industries)	2.8	58.3
ConstructionSkills (construction industry, development and maintenance of the built environment)	5.4	33.8
e-skills UK (IT, telecoms and contact centres)	4.8	63.5
Skillset (broadcast, film, video, interactive media and photo imaging)	0.5	30.8
SEMTA (science, engineering and manufacturing)	5.9	42.1
Financial Services Skills Council (financial services sector)	5.6	54.0
Skills for Health (UK health departments and all stakeholders within the health sector)	4.6	28.2
People 1st (hospitality, leisure and retail)	13.5	57.9
Asset Skills (property, housing, cleaning and facilities management)	9.8	249.4
Creative and Cultural Skills (arts, cultural heritage and craft and design)	1.2	23.8
Energy and Utility Skills (electricity and renewables, gas, waste management and water industries)	2.3	82
Improve Ltd (food and drink manufacturing and processing industry)	2.1	52.1
Skills for Care and Development (social care, children and young people)	1.7	18.2

Skills for Logistics (logistics sector, freight transport, storage and warehousing)	3.5	38
Skillsmart Retail (retail sector, supermarkets, department stores, corner shops, specialist shops, specialist retailers, antique retailers, markets and mail order)	5.4	20.3
SummitSkills (electrotechnical, heating, ventilating, air conditioning, refrigeration and plumbing)	1.5	35.4

(Source: LSC, 2005c)

The contribution of industrial sectors to the economy varies when measured by GVA. While the data presented in Table 4.1.1 do not precisely match the sectors under scrutiny, they provide a clear indication of the importance of these sectors in broad terms. Productivity in the chemicals, contact centres, digital media and tourism and hospitality sectors is shown to operate at higher levels of GVA. It should be noted that a high rate of GVA does not necessarily translate into higher skilled work and income, as is the case in tourism and hospitality where income and skills remain relatively low compared with other sectors. Similarly, health is a high-skill area but, as would be expected in a country with a national health service (as opposed to private health only), GVA is relatively low.

4.2 Sector analysis

In this section, brief portraits are provided on each of the fifteen industrial sectors under scrutiny are provided.

4.2.1 Chemicals⁸⁰

Cogent, the SSC for the chemicals industry covers the following SIC areas⁸¹ in addition to chemical manufacturing and processing:⁸²

- nuclear and radiological technology
- oil and gas exploration and extraction
- petroleum refining, storage, blending and distribution
- petrol forecourt operations
- oil-fired heating services
- manufacture of aviation fuels, bitumen, inks
- manufacture of plasticine and rubber (polymer)
- sign-making

This sector is an important client for both the energy sector and other sub-sector members of Cogent. Within the RES this sector is recognised to be a key player in raising the GVA of the North East region as a whole. The future of the sector is also key for sub-regional wealth creation and inward investment as discussed within the *Tees Valley Vision*. The sector is however highly dependent on international financial currency trading and the pricing of petro-chemical feedstocks.

A 'chemicals cluster' hub has been established at Wilton⁸³ with national research and development resource facilities including the Centre for Process Innovation. This facility has a focus on developments in advanced processing and manufacturing, fuel cell applications (including hydrogen) and is also the base of the National Industrial Biotechnology Facility.

Regionally, One NorthEast established the North East Process Industries Cluster Group (NEPIC). Its aim is to bolster support for the operation, integration and development of over 200 companies in order to help achieve projected increases in regional GVA. The North East Chemical Leadership Council provides a wider regional strategic direction. The remaining major clustering of firms within the sector is at Billingham and North Tees/Seal Sands. The petrochemical cluster is the

⁸⁰ This sector is also discussed in some detail in the portrait of Redcar and Cleveland's economic development in Section Three of this report.

⁸¹ This definition is derived from the Sector Skills Development Agency webpage at <http://www.ssda.org.uk/ssda/Default.aspx?page=115>

⁸² As noted previously it is not possible to dis-aggregate employment figures from NESS (2005) to the sub-sector levels of the SSC. Any discussion of employment figures for the chemicals sub-sector refer to the Cogent membership profile as a whole unless otherwise stated. Figures from this source should be taken as indicative only due to the effects of weighting on low cell numbers at the sub-regional level.

⁸³ Welsh Economic Research Unit and Centre for Urban and Regional Development Studies (2005); One NorthEast: Identifying and Assessing Sector Strengths Using Multi-Sectoral Qualitative Analysis, Newcastle, ONE

largest integrated chemicals complex in the UK and is internationally highly competitive.⁸⁴

Cogent SSC makes a significant contribution to the regional economy. Our research indicates the strategic growth of this sector is important for raising the demands for a higher skilled and high knowledge workforce within Tees Valley. The move from large-scale monolithic employers (such as ICI) to a mix of large, medium and small scale employers is expected to continue as diversification into niche markets continues. Large scale investments within Teesside by Investa, DuPontSA, Biofuels and BOC⁸⁵ are indicators of a continuing presence. Huntsman has however recently announced its intention to sell off part of its Teesside operation with a possible loss of 850 jobs.

Within the sector the majority of companies employ fewer than 15 employees. However, while smaller employers are more numerous, just under 17 per cent employ over 70 per cent of the workforce in the sector.⁸⁶ The sector is characterised by a male dominated, full time, ageing workforce. Skills shortages are present and are due in part to the retirement of skilled workers and in part to the introduction of novel manufacturing processes. The StAR report on the chemical sector⁸⁷ indicates the requirement for skills training at NVQ Level 3 and above. Provision below this level is identified as adequate and appropriate.

The occupational structure in the chemicals sector in Tees Valley has changed in the last thirty years. WIER⁸⁸ data show that the number of people in employment has fallen substantially from 19,500 in 1984. The overall decline in employment has not fallen evenly across all occupations. Areas of significant decline include elementary occupations which have fallen by almost three quarters. Process, plant and machine occupations, and administrative and technical occupations have both declined by almost a half. Skilled trades occupations have also declined steeply by nearly three quarters since 1984. While there has been some growth in management, professional and associate professional/technical occupations, this has been marginal.

The chemical sector has remained male dominated over this period. In 1984, men constituted nearly 90 per cent of the workforce - the data suggest that this has continued to the present, although a little less pronounced. While the number of women workers has increased over the period across most occupational categories (and particularly in higher grade occupations), the actual numbers of women employed seems to have remained broadly similar due to the fall in the number of employees.

⁸⁴ Little (2004) North East Chemicals Vision and Strategy: Detailed Supplementary Document: Report to the North East Chemistry Leadership Council (Draft).

⁸⁵ Welsh Economic Research Unit and Centre for Urban and Regional Development Studies (2005) One NorthEast: Identifying and Assessing Sector Strengths Using Multi-Sectoral Qualitative Analysis, Newcastle, ONE

⁸⁶ NESS (2005).

⁸⁷ LSC (2004) Tees Valley Strategic Area Review (2003-05): The Chemical Sector, Tees Valley, LSC.

⁸⁸ WEIR data suggest employment levels fall from 19,000 to just over 10,000 in 2004. Given that data cells fell below 10,000 on more detailed analysis, we can not report specific percentages on occupational participation or gender divisions.

4.2.2 Construction

The construction sector (excluding civil engineering) occupies a key position within the national economy as a significant contributor to gross domestic product. The sector has a global reach with firms working internationally on prestige projects. *Tees Valley Vision* highlights the critical importance of this sector for the growth of the sub-regional economy through essential infrastructure development.⁸⁹

Levels of employment in construction, according to WIER⁹⁰ data, have remained fairly level from 1994 to the predicted employment level in 2014, only in 1984 were employment levels lower, presumably due to the significant economic recession which took hold of the area at that time. Employment levels in semi-skilled and unskilled manual occupations have fallen to some extent over the period with fewer than half the number of elementary occupations compared with 1984. There is some evidence of growth amongst skilled workers, but the main areas of growth are in sales and customer service (rising by 3.5 times), associate professionals and technical occupations (rising by about a third) and managers (rising by about a quarter).

The sector has remained male dominated across the whole period. The concentration of male employees has fallen from almost 88 per cent of the workforce to a prediction of 85 per cent in 2014. The only area of significant increase in women's employment is in sales and customer service.

Areas of skill demand by employers in the sector include bricklayers, plasterers, carpenters, joiners and electricians, managers and professionals. There is also a requirement for Key Skills training within the sector (including IT). It is anticipated that skill levels must rise within the sector but it is recognised, on the employer side, that this is difficult to achieve if there is insufficient skills training support and investment. On the employee side, it is recognised that the age structure, skill and commitment of the current workforce may militate against the achievement of a stable, motivated and highly skilled workforce. The industry is also worried by the number of economically mobile workers within the sector as skills are lost because workers migrate from the region to work on prestige projects in other regions or overseas.

Regionally, over 60 per cent of employees are aged 25-49, over 25 per cent of employees are aged 50 or above. There is a need to recruit more young people into the sector to replace those retiring. There is also a recognition that more higher skill level courses should be available at NVQ Level 3 and above to match impending changes in the 14-19 curriculum and the requirements (sub-regionally) of *Tees Valley Vision*.

The sub-region has a construction CoVE at Hartlepool College of Further Education in association with Sunderland College. NETA, at Stockton-on-Tees, provide limited training in construction engineering. Additionally private sector trainers and local FE colleges provide courses with relevant qualifications for staff. The University of Teesside's research strengths in brickwork construction are also available. However, if the sector is to keep ahead of national and international competition

⁸⁹ A range of significant construction projects are discussed in borough profiles in Section 3 of this report.

⁹⁰ WEIR data suggest employment levels in Construction remained well above the 10,000 throughout the period, so allowing us to report basic information in this section - more detailed occupational data has to be more tentative given that data cells fell below 10,000 meaning that we can not report specific percentages on occupational participation.

and retain workers regionally and sub-regionally, there is a need to raise the skill levels of the local population to feed the changing demands of the industry.

4.2.3 Contact centres

The contact centre sector has grown in strength over the last decade in the UK in response to emerging communication technology and the raised demand for customer contact by telephone. This sector has global reach. The UK is Europe's major provider of contact centre services and about 40 per cent of the calls it handles are from international sources.

The North East is ranked seventh nationally for the number of contact centre employees, which represents a significant presence in this growing industry. As has already been noted, *Tees Valley Vision* highlights the importance of this sector for the growth of the sub-regional economy.

At present the sector employs more women than men: women predominate in part-time call centre employment. Employees are from younger age cohorts. In Tees Valley, about 75 per cent of employees are aged under 35 and 40 per cent of employees are aged below 25.

According to WIER⁹¹ data, this sub-sector has enjoyed significant growth since 1984 to an estimate of 10,918 in 2014. As would be expected, the greatest increase in occupational employment appears to be in sales and customer service. The proportion of women working in sales and customer service has also risen very substantially. Women's employment appears to have increased in management, professional occupations and associated professional and technical occupations, although the increases seem to be relatively marginal. The number of men employed in skilled occupations appears to have declined sharply. Men appear to dominate in senior managerial, professional and technical occupations.

Areas of skill demand by employers in the sector is fast changing due to the development of more complex technology, raised customer expectations about the quality and range of services, and to the international function that the industry provides. Consequently, there is a raised demand for staff with linguistic skills, higher level IT skills, together with a strong and proficient customer service ethos. The principal competencies for employees have been defined as follows by E-skills UK's *Contact Centre and Skills Framework*:

- Customer service provision
- Customer acquisition
- Operations management
- Technology skills
- Business skills
- Personal aptitudes

Again, it is anticipated that skill levels must rise within this sector, but it is recognised, on the employer side, that this is difficult to achieve if there is insufficient skills training support and investment. It is also recognised that the age structure, skill and commitment of the current workforce may work against the

⁹¹ Analysis of WIER data cannot be detailed as cell sizes fell below 10,000..

achievement of a stable, motivated and highly skilled workforce. In the North East, one survey found that 40 per cent of contact centre advisors described themselves as 'passers through' who clearly did not intend to commit to a career in the industry. The industry is also worried by the number of 'foot soldiers' or 'bill payers' who have no strong commitment to the profession or the customer service ethos. Staff turnover in the sub-region is reported to be as high as 20 per cent in a third of companies but less than 7.5 per cent in the remaining companies.

It is recognised by the SSCs⁹² that working conditions present a threat to recruitment. Most particularly, many potential applicants are dissuaded by evening shift work. It is also accepted that recruitment expectations of candidates may be too high (in relation to remuneration, status, security and training opportunities). In Tees Valley, the recruitment of staff with linguistic skills proves to be a particular problem. In summary, it is recognised that the call centre industry has a relatively poor image in the eyes of potential employees which needs to be tackled urgently – especially if it is to attract and retain higher skilled staff.

The sub-region now has a dedicated training facility and local FE colleges provide courses with relevant qualifications for staff. However, if the sector is to keep ahead of national and international competition, there is a need to raise the skill levels of the local population to feed the changing demands of the industry.

4.2.4. Creative industries

The creative industries sector includes:

- advertising,
- architecture, art and antiques markets,
- crafts, design,
- designer fashion,
- film and video,
- interactive leisure software,
- music,
- the performing arts,
- publishing,
- software and computer services,
- television and radio.

This sector makes a significant contribution to the UK economy, estimated to have accounted for almost 8 per cent of our GDP in 2000. Furthermore, it is a sector that is on the increase, having grown by an average of 9 per cent per annum between 1997 and 2001, compared to an average of almost 3 per cent for the whole of the economy over the same period. During the same period, employment in the sector grew at a rate of 5 per cent per annum compared to 1.5 per cent for the whole economy.⁹³

⁹² See Contact Centres StAR report, LSC 2004.

⁹³ DCMS Creative Industries Fact File.

One NorthEast regards this sector as a key economic driver for the region. It is the only sector that has the ability to contribute across the three main drivers for change: the economy, social development and regional image⁹⁴. It has been estimated that there are 2, 876 creative businesses, representing 4 per cent of all companies of which 91 per cent were micro businesses.⁹⁵ Employment in the sector for the whole region is estimated at 3 per cent, with 65.5 per cent working full time and 34.5 per cent working part time. 32 per cent of those employed in the industry are qualified to degree level, compared with 12 per cent of the wider workforce.⁹⁶

In Tees Valley, steady growth is observed from 1984, though a rapid expansion is predicted closer to 2014. According to WIER⁹⁷ data, there are indications of growth in the sector from 1984-2014, but this is not substantial. Only two occupational categories appear to show a drop in employment numbers over this period: (i) managers and senior officials, and (ii) elementary occupations. Managers and senior officials show a slight fall. Across all occupational categories, posts for men and women remain roughly equivalent. There appear to be very significant differences in discreet occupational categories. For example, women seem to be growing in number in associate professional and technical occupations. This increase does not appear to be at the expense of male employment as is the case in personal service occupations and sales and customer services occupations.

Overall, the forecast for this sector is healthy both for the region and for Tees Valley. Nevertheless, caution must be taken not to become overly optimistic. The reality for many of those working in this sector is one of uncertainty. Work tends to be commissioned on a project basis, many in the sector are self-employed, free-lance or work flexibly, few have salaried posts and there are few large employers.⁹⁸ That said, the majority of the work carried out in this sector originates from an individual's creativity, skill and talent which means there is the potential for wealth and job creation through the generation and exploitation of intellectual property.⁹⁹

All of these factors combined make this a very precarious sector and so it is difficult to accurately predict its future. However, there are many practitioners who are wholly committed to its future. The sector is highly competitive and ambitious and has many highly-skilled and educated people working in it. These factors combined means that those within the sector are constantly looking ahead for the next opportunity, watching their competitors, trying to stay ahead of the game. Additionally, technological advances impact on the pace of the sector, so shifting the orientation of practitioners. There remain some worries, however, that talent may be lost to other regions in the UK and abroad because there are too few middle-range opportunities to keep people in Tees Valley. For example, it is estimated that 60 per cent of arts students trained in the North East leave the region once qualified.¹⁰⁰

Undoubtedly, this sector can have many positive effects on this sub-region. Not only does it have a key role in terms of economic regeneration, the creation of employment opportunities and creating supply chains, it can also create positive

⁹⁴ See One NorthEast (2006) Regional Economic Strategy. Newcastle.

⁹⁵ Cultural and Creative Industries Mapping Document, (2000) Newcastle, CURDS.

⁹⁶ Voices of the North East Creative Cluster Report (2005).

⁹⁷ WIER data cannot be reported directly as cell sizes fell below 10,000.

⁹⁸ Northern Cultural Skills Partnership Report (2004).

⁹⁹ DCMS, Creative Industries Fact File (2005).

¹⁰⁰ Voices of the North East: Creative Cluster (2005).

effects in terms of our sense of well-being. There is a sense in Tees Valley however, that the cultural offer is neither sufficient nor interesting enough to sustain a vibrant supply economy.

4.2.5 Digital media

Digital media has been identified in the RES as a priority for development over the next decade in the North East of England. The *Tees Valley Vision* also emphasises the importance of this sector for the local economy. While the sector is not amongst the largest in employment terms, its capacity to deliver high level GVA is a key motivation in regional and sub-regional strategies.

Digital media (sometimes defined as ‘new media’ or ‘interactive media’) includes a number of strands of activity including: the development of interactive CD/DVDs, web design and development and computer game development. Companies in the sector include internet service providers, web designers, online-service developers, computer engineers, mobile telecommunications, and so on.

Within the sub-region, the University of Teesside has made significant investment in the development of ‘Digital City’ to create a ‘supercluster’ of activity. The University is supporting the development of graduate businesses in digital media and providing opportunities to highlight the importance of its contribution nationally and internationally through events such as the annual Animex conference. The University also plays a pivotal role in training graduates in digital media and has a strong and growing reputation in this area. At FE level, Darlington College has established a CoVE to develop workforce potential in the area. The development of digital media is also supported by the RDA through ‘Codeworks’ which seeks to gain a strong competitive advantage for the sector in the North East. ‘Codeworks’ helps to identify and support innovation, gives support in gaining investment for new businesses and business advice.

WIER¹⁰¹ data suggests that employment in digital media has remained fairly level in the period of study. This is the smallest industrial sector under scrutiny, consequently, caution must be expressed in reporting our tentative findings. Some trends appear to be evident, including a significant increase in the number of associate professional and technical workers. Women appear to represent about a third of all employees in digital media and there is some evidence to show that this proportion is rising, albeit slowly. As in the contact centre sub-sector, however, women’s employment seems to be concentrated in sales and customer service and in administration and secretarial occupations. The number of women employed in associate professions and technical occupations is rising however. National initiatives to encourage more women into the sector have been developed. For example, ‘Computer Clubs for Girls’, funded by E-skills UK, was established to provide 10-13 year olds with experience of e-learning.

Developing workforce potential is a key issue for digital media. The LSC StARS report on digital media identifies a number of requirements to achieve this:

- Develop the current workforce by stimulating training providers to deliver training for existing employees, by encouraging local funding organisations to focus on improving the productivity of the workforce and making companies

¹⁰¹ We cannot report detail of the WIER analysis as cell sizes fell below 10,000.

more aware of the training options

- Increase the pool of well-qualified recruits for those companies that seek to expand their ICT professional workforce
- Accommodate changes to the structure of the sector – retrain those whose skills are no longer in demand to meet the in-demand skills
- Build better links between training providers and employers so that the sector recruitment pool is equipped with relevant skills (2004a: 15)

Equipping the workforce with appropriate skills is particularly complex in this sector as the industry requirements change very rapidly. Furthermore, the lack of maturity of the sector (68 per cent of companies have not been trading for more than 6 years) implies that managers may not have the requisite experience to be able to plan for change. This in turn may be compounded by the relatively small size of firms in this sector, the majority of which have fewer than 10 employees. While the SME sector has voiced complaints about the availability of training, there is some evidence to suggest that planning for and investment in training is limited at present.

The sector does not experience significant recruitment problems. Much of the recruitment process is achieved by word of mouth contacts. However, concerns have been expressed about the quality of recruits and the lack of availability of appropriate training opportunities.

Skills development is essential across the range of jobs in the sector. Graduate employees (who comprise over 80 per cent of employees in interactive media, web design and computer games) are no exception. A key factor in employer dissatisfaction is the lack of 'generic' skills amongst employees, even when recruited from university programmes of study. HE students do have theoretical skills but are thought to be weaker in terms of experience. An increased focus on higher level skills training for graduate employee staff is therefore fore-grounded by employers.

Nationally, recruitment difficulties are reported to be serious with 16 per cent of IT employees stating that they suffered from skills shortages. The North East was shown to be less seriously affected. However, if the sector is to flourish in Tees Valley, it is imperative that skills training at all levels are developed further. There is a willingness to achieve this in CoVEs and the university sector, but the education sector as a whole will need to be highly responsive to change given the fast pace of development in the digital media sector.

4.2.6 Engineering

Mechanical engineering is part of the remit of the SEMTA SSC. SEMTA represents the following industrial sectors¹⁰²:

- aerospace
- electrical engineering
- electronics, inc. semi-conductors
- mechanical engineering and metal trades¹⁰³
- motor vehicles
- shipbuilding
- biotechnology
- nanotechnology
- mathematics
- forensic science

This sector is an important part of the supply chain for both the chemical and energy sectors and as such is recognised to be important for the expansion of both industries as outlined in the RES and *Tees Valley Vision*. The sector is export focussed and is thus vulnerable to international competition and currency fluctuation.¹⁰⁴

The RES views engineering as an important sector for the development of Tees Valley's labour market over the next 10 years with current workforce expansion plans related to service development and provision for the renewable energy sub-sector, LNG (Liquid Natural Gas) terminal development and investment at the existing Corus plants. Recent research indicates that competitive advantages are retained by firms continuing to innovate in terms of product development and process¹⁰⁵ with project management expertise being of importance.

Engineering and manufacturing has declined within the last decade in the UK in response to global competition. Increasing mergers and strategic alliances have had the effect of reducing employment opportunities within the sector. Technological change, especially computerisation, has had a major impact on reducing employment within engineering. The project-driven nature of the sector is also recognised as having an effect on employment, with workers moving to other sectors/employment once a project is completed.

WIER¹⁰⁶ data indicate that employment in the mechanical engineering sector has fallen significantly over the period from nearly 20,000 in 1984 (which were regarded

¹⁰² This definition was gained from the SEMTA webpage at <http://www.semta.org.uk/semta.nsf/?Open>.

¹⁰³ As previously noted it is not possible to disaggregate employment figures from NESS 2005 to the sub-sector levels. Therefore any discussion of employment figures relating to mechanical engineering unless otherwise stated refer to the complete SEMTA SSC members profile.

¹⁰⁴ Welsh Economic Research Unit and Centre for Urban and Regional Development Studies, (2005) *One North East: Identifying and Assessing Sector Strengths Using Multi-Sectoral Qualitative Analysis*, Newcastle, ONE

¹⁰⁵ *ibid.*

¹⁰⁶ Employment in engineering has remained above 10,000 throughout the period of study so it is possible to report aspects of our analysis of WIER data.

as a dangerously low level of employment at that time) to just over 12,000 predicted in 2014. The sector has witnessed a dramatic fall of employment in elementary occupations, process, plant and machine operative occupations, and amongst skilled trades. It may be the case that some of this decline can be accounted for by outsourcing to other sectors, but even if this is the case, the figures represent a significant loss of opportunity for male employees in particular.

The falling number of manual employees has not been accompanied by similar decline in higher grade occupations. The proportion of male managers, professionals and associate professionals/technicians appears to have risen significantly. The proportion of women in such occupations has risen, but only very marginally, while overall sectoral numbers have fallen. It is clear that, for women, new opportunities have been limited to conventional female jobs such as administrative and secretarial work. That said, the proportion of women in this sector's workforce appears to have more than doubled from 1984 - 2004.

Areas of skills demand by employers are changing due to the development of technologies such as CNC machining. Consequently there is a raised demand for staff with technical engineering expertise including assembly line and production robotics and CNC machine operation. It is anticipated that skill levels must rise within the sector, but it is recognised, on the employer side, that this is difficult to achieve if there is insufficient appropriate skills training support and investment. The sector is facing the loss of a high proportion of its existing skilled workforce over the next decade and there is an acknowledged problem in attracting sufficient appropriate young people onto the Apprenticeship programmes in engineering.

The sub-region has a number of CoVEs related to engineering and local FE colleges and private-sector trainers provide courses with relevant qualifications for staff. The perceived uncertainty of long-term sustainable employment in the sector is resulting in the loss of highly-skilled individuals to other sectors and careers giving rise to a lack of training in the remaining ageing workforce. The University of Teesside's research strengths in engineering, management and the application of IT are available. However, if the sector is to keep ahead of national and international competition, there is a need to raise the skill levels of the local population to meet the changing demands of the international marketplaces (including bioremediation and nuclear decommissioning).

Patterns of training in the sector are a diverse mix of on the job and external training. Just over two thirds of companies have no training plan and just over 70 per cent have no training budget for the next year. This situation is one which needs to be addressed given the known demographic changes to the workforce over the next ten years. Skills development in the sector is currently being led by Tees Valley *Engineering Partnership*. Sub-regionally the provision for skills development beyond NVQ Level 3 is substantial. The University of Teesside provides a range of degree and post-graduate degree courses. There is a range of NVQ Level 3 provision across the FE sector and a wide range of Apprenticeships, three of which are CoVEs. Our research indicates that there needs to be awareness on the part of employers of the necessity for a defined skills path for entrants to the sector to encourage recruitment and retention at NVQ Level 3 and above.

4.2.7 Finance and business services sector¹⁰⁷

The financial services SSC includes the following:

- Banks – retail and wholesale
- Building societies
- Financial advisers
- General and life insurance
- Investment management
- Pension fund management
- Stockbrokers

The sector is characterised by its diversity in terms of company size – ranging from small broking firms and sole traders such as independent financial advisers (FSAs), to the LSE, international banks and insurance companies. Because financial services is one of the most heavily regulated industries in the UK, there is a requirement for employees and professionals in the field to gain accreditation and training to maintain their competency and licence to practice.

The financial services sector is concentrated most heavily in London which makes 37 per cent (50 per cent when including the whole of the South East) of the contribution of all regions to financial services output. The North East only contributes 2 per cent to national output. In terms of financial services employment, the vast majority of employment is in London (29 per cent) and the South East (12 per cent). The North East has the smallest number of employees, standing at only 2 per cent of national employment in the sector. The main area of concentration in financial services in the North East is in Newcastle city centre. In Tees Valley, the greatest concentration is in Stockton-on-Tees and Middlesbrough.¹⁰⁸

According to recent research by the FSSC, there has been rapid growth in the sector over the last five years, averaging about 5.5 per cent in real terms.¹⁰⁹ This has been possible due to the strength of the UK and world economy over this period. Employment growth has been particularly strong in broking and fund management (a rise of 14 per cent), while other areas of activity have declined. Insurance and pensions employment, for example, has fallen by 19 per cent since 2000. While employment growth may not be as strong as in the last five years, it is clear that the replacement requirements for the sector are significant. FSSC projections suggest that 400,000 new employees must be recruited to maintain current industry operations.¹¹⁰

Employment growth is expected to be strongest over the next five years in Yorkshire and the Humber and in Scotland, but London is expected to account for half of jobs growth over this period. It is not anticipated that this level of growth will continue in the next few years due to high house prices and rising levels of

¹⁰⁷ There is no StAR Report available at present. Additional information was sought during the qualitative interviews.

¹⁰⁸ These data have been drawn from Financial Services Skills Council (2006a) UK Financial Services: five years forward, London, FSSC.

¹⁰⁹ *ibid*, p. 2

¹¹⁰ FSSC (2006b) Interim Review 2006, London: FSSC, p. 1.

consumer debt. That said, it is expected that the sector has a secure future due to a number of key factors.

- Demographics – an increasingly wealthy, though ageing population.
- Technology – raising productivity through the application of information technology, enabling process and product innovations.
- Regulation – a source of relative attraction for the UK until now, but also a potential burden on the industry.
- Cost control – outsourcing, off-shoring or cessation of lower value-added tasks.
- Skills – boosting productivity by improving the skills of the workforce.¹¹¹

Skill development needs in the sector has recently been researched at a national level. A benchmarking study for the FSSC reports that the following needs are most important (in order of importance) if the workforce is to be in a position to meet skill needs.

- Supervisory skills.
- The extent to which business units' leaders value and support learning.
- Managers' inclusiveness.
- Collaboration and teamwork.
- Processes for getting work done efficiently and effectively.¹¹²

Using Human Capital Measurements (HCM) it has been reported that the most urgent skill requirements are (1) to enhance the skills of managers and executives, (2) place priority on and provide support for formal learning opportunities, (3) supporting informal learning through initiatives that promote a collaborative framework, and (4) working systematically to improve the efficiency and effectiveness of the processes by which work gets done.¹¹³

While there is a clear recognition that skills are important for the future of the financial services sector, it is less clear that employers are willing fully to invest in staff training. While research evidence is limited at present, there appears to be a strong emphasis on employees taking responsibility for their own training in terms of time and financial cost. As may be expected, employers tend not to regard basic skills as their responsibility either and instead regard the state education system as being the location for such skill provision. LSSC research data indicate that 56 per cent of their respondents from the sector claim that there are skills gaps in literacy. This led to many professional and technical staff having insufficient literacy skills to fully understand client needs. Nearly half of respondents felt that managers were not well enough equipped to manage positive staff relationships.¹¹⁴

The FSSC is cognisant of the need to develop skills in the sector and has been working closely with the Financial Services Authority to formulate a skills action plan (the '*Skills Bill*'). Discussions on delivering skills to the sector has involved debate

¹¹¹ *ibid*, p. 2

¹¹² Financial Services Skills Council (2006c) FSSC Human Capital Benchmarking: report of findings, London: FSSC.

¹¹³ *ibid*, p.1

¹¹⁴ *op cit*. FSSC (2006b), p. 1.

on the prospects of developing FDs in financial services, of the development of Occupational Standards, and the possibility of widening the recruitment net to a wider range of universities than is currently targeted (especially by City firms¹¹⁵). The most important development for skills in the sector is the announcement by the Government that the FSSC is to be allowed to establish a Skills Academy for Financial Services. The idea behind the academy is to develop a 'hot house' for developing and testing curriculum and learning initiatives. Sponsors were sought to support the development of the Academy in late 2005¹¹⁶, and formal announcement of the launch of the Academy was made on 31st October 2006 by Alan Johnson, Secretary of State for Education and Skills.¹¹⁷

The impact of these developments on Tees Valley remains unclear at present. There is very little data available at present to make a realistic assessment of growth in the sector. WIER¹¹⁸ data analysis suggests that employment in the finance and business services sub-sector has remained relatively stable across the period. There is evidence of decline in employment across most occupational groups except in sales and customer services and administrative and secretarial occupations which have grown. These occupations appear to remain female dominated. Higher grade occupational employment appears to have fallen in the sector as a whole by about a half over the period of study, but this decline has fallen more heavily on men than women.

Our qualitative research gives a very strong indication that there is a political will to develop this sector. Particularly so in Darlington where the town intends to capitalise on its position on the east coast mainline to develop financial services work in its new Central Park development and at Moreton Palms (see Section Three of this report for more detail). However, the likelihood is that such development will be dependent upon the attraction of large employers from other regions rather than home grown business development.

4.2.8 Food and drink manufacture

Food and drink manufacturing skills council, Improve Ltd, includes the following industry subsectors defined by specific SIC coding as follows¹¹⁹:

- Production, processing and preserving of meat and meat products
- Processing and preserving of fish and fish products
- Processing and preserving of fruit and vegetables
- Manufacturing of vegetable and animal oils and fats
- Manufacture of dairy products

¹¹⁵ See FSSC (2006d) Graduate Skills and Recruitment in the City, London: FSSC.

¹¹⁶ FSSC (2005) National Financial Services Skills Academy: information for potential sponsors, London: FSSC.

¹¹⁷ DfES (2006) Press Release: Johnson announces the first national skills academies ready to go live, www.dfes.gov.uk/pns/DisplayPN.cgi?pn_id=2006_0154. Additionally, see FSSC (2006e) National Financial Services Skills Academy: executive summary of the business plan 2006-09, London: FSSC.

¹¹⁸ We cannot report on WIER data as cell sizes remained below 10,000.

¹¹⁹ The definitions are from Improve Ltd., (2005) The Food and Drink Manufacturing Workforce in the North East at a Glance, <http://www.improveltd.co.uk>.

- Manufacture of grain mill products, starches and starch products
- Manufacture of prepared animal feeds
- Manufacture of other food products¹²⁰
- Manufacture of beverages

The food and drink manufacturing sector is characterised by a low skilled workforce with the majority of employees holding qualifications at NVQ Level 2 or below. The number of employers who are placing staff into accredited training is correspondingly low with just under 18 per cent of employers training towards NVQ's,¹²¹ with fewer employers training beyond NVQ level 2. Most training that is provided is on-the-job and informal. Just over 17 per cent of employers have a training budget for the next 12 months, and 52 per cent have a training plan for the next year.

Reflecting on the lack of higher levels skills, a recent survey¹²² indicated that employers in Northern England were more likely to report a shortage of applicants for food scientists and technologist roles. Over 33 per cent of employers viewed this as having a 'significant impact' on their businesses.¹²³ Recent research into the establishment of a regional CoVE for this sector indicated uncertainty over the viability of the CoVE¹²⁴. This is because the focus of delivery is at NVQ Level 3, but most employers felt that higher level provision was not required.

The sector features within the RES and sub-regional strategies as a valuable sector for development. The RDA views the sector as one which will have a significant impact on the development of Tees Valley labour market over the next 10-15 years. It is expected there will be an expansion in the requirement for intermediate level skills as well as more specialist and engineering skills as niche marketing and process requirements develop. Nationally the emphasis is on qualification to NVQ Level 2 but the requirement for the North East region¹²⁵ and sub-region is judged to be for qualifications at NVQ Level 3 and above. Appropriate provision is available below this level regionally for the sector. Regionally and sub-regionally the main reasons reported by employers for hard to fill vacancies were lack of work experience, lack of required skills and generally low numbers of applicants for posts.¹²⁶

The sector is divided between subsidiaries of large national or international companies and smaller regional and local companies¹²⁷ with the greater number of employees in fewer, larger companies. The sector benefits from lower labour costs and higher levels of affordable sites. While the sector has the potential to affect a 'step-change' in the structuring of its workforce development through more

¹²⁰ *ibid*, p. 2, includes bread, pastries, biscuits, sugar, confectionary, pasta and noodles, tea and coffee, condiments, homogenised and dietetic foods, and all other foods not classified elsewhere.

¹²¹ *ibid*

¹²² Improve Ltd, (2006) Research to Investigate the UK Requirement for Food Scientists and Technologists, York, Improve Ltd.

¹²³ *ibid*.

¹²⁴ Toolbox, (2005) Research into the Requirements of the Regional Food and Drink Manufacturing and Processing CoVE Planned for the North East of England, Chippenham, Toolbox for Business Ltd

¹²⁵ One North East (2006) Regional Economic Strategy: Leading the Way, Newcastle, One NorthEast

¹²⁶ NESS (2005), NESS (2004)

¹²⁷ Welsh Economic Research Unit and Centre for Urban and Regional Development Studies, (2005) One North East: Identifying and Assessing Sector Strengths Using Multi-Sectoral Qualitative Analysis, Newcastle, ONE.

specialised niche markets and process development, it is also vulnerable to wider economic factors. The reliance upon a few larger scale subsidiaries for much of the employment in the sector is problematic as 'relocation' of plant operations could occur.

4.2.9 Health

National Health Service hospitals remain the primary deliverer of health care services and continue to be a main source of employment in Tees Valley. Over recent years there has been a very significant rise in health-related employment, from 13, 522 in 1984 to a predicted 25, 695 in 2014.¹²⁸ However, the doubling of employment opportunities has not occurred evenly across occupational categories. WIER data suggest that there has been a very steep increase in the proportion of the workforce employed in health management occupations.¹²⁹ The increase in professional employment and associate professional employment and technical occupations appears to be even more pronounced. Growth in higher grade occupations has positively affected opportunities for women. By contrast, there appears to have been a significant fall in employment in lower-grade skilled occupations as a proportion of all employment. One explanation for this fall could be through outsourcing elementary occupations (for example, laundry workers, catering assistants and cleaners), It is notable that the proportion of employees in personal service occupations has increased significantly, though it is not clear from these data whether such occupations have remained in the NHS or have been outsourced.

Health sector employment has been female dominated for some time. However, this is partly due to the attractiveness of flexible and part-time work opportunities in lower skilled occupations. It remains to be the case that men, who make up just 17 per cent of the workforce in this sector, hold 25 per of the full time jobs. As such, men dominate the most highly paid occupations in hospital management, medicine and dentistry. Women predominate in the semi professions (89 per cent of nurses are women, for example).

Many women's career progression opportunities in health, as in other sectors, is limited by having principal responsibilities for childcare. Amongst women part-time employees, 48 per cent carry out more than 80% of family responsibilities, compared with 17 per cent of male part time workers. When women do work full time, 32 per cent carry out over 80 per cent of family responsibilities.¹³⁰

The NHS has a particular problem in recruiting health professionals. Skill shortages in the North East stood at 22 per cent across the health and social care sectors in 2003. Retention of qualified and experienced staff is also a problem, particularly in areas such as pharmacy and physiotherapy. Whereas these shortages could be mitigated in the past, by (predominantly) women returning to nursing and allied health professions, annual figures show that these numbers are falling. Skills shortages and recruitment problems has led to extensive recruitment from outside the region and abroad.

¹²⁸ StAR report for Health, LSC Tees Valley, 2004.

¹²⁹ Our analysis of WIER data can be partially reported here as cell sizes are above 10,000 for industry wide employment - further analysis must remain tentative and statistics unspecified.

¹³⁰ Centre for Public Policy, 2006: 31.

Whilst NHS hospitals remain the dominant form of health care delivery, there have been a number of policy initiatives (e.g. 1990 National Health Services and Community Care Act), that have resulted in an increased number of independent sector providers (which includes the third and private for-profit sectors) delivering care in this sector. As a consequence, it is difficult to regulate qualifications and skills in the sector. At present, there are no CoVEs in the North East that cover health training, though the Universities of Durham and Teesside provide several routes for health care professionals (in, for example, nursing, social work, physiotherapy and radiography). Given that approximately 50 per cent of health care professionals in Tees Valley are nursing staff, it is considered essential to maintain and extend this training provision to additional areas. However, training in health care requires not only the provision of places on courses, but also job placements in workplaces around the region. Practical experience in this sector is fundamental to ensuring well-trained and experienced recruits. A shortage of placements in the area is however causing a block in achieving this standard.

Technological changes are ongoing within the health sector and one of the major changes since the turn of the century is the computerisation of patients' records and information systems. These changes to working practices require different skill sets and have created a need for current staff to up-skill in generic areas such as IT skills, communication skills and teamwork. Changing technology may also require new recruits to be able to demonstrate IT abilities and/or have a higher standard of qualification to cope with the changing needs in the health sector.

4.2.10 Logistics

The logistics sector includes freight transport by road, storage and warehousing, postal work, couriers, taxis, and some areas of passenger road transport (including long-distance scheduled coaches and community transport). There are several medium sized and large organisations involved in logistics in the North East. The most notable new addition to the sub-region being Argos in Darlington. However, most firms are small with about 80 per cent of businesses employing fewer than 10 people. Within the sector, the majority of people work full time: 87 per cent in the NE compared with 86 per cent nationally.

In the North East, it has been estimated that the logistics sector added a gross value of £1.24bn to the economy in 2001, which equalled 4.4 per cent of North East GVA. According to one report¹³¹ the sector employed about 35,000 people in the North East as a whole and 8,879 in Tees Valley, that is, 30 per cent of all employed in the North East. The sector contracted in the North East by about 7 per cent between 1998 – 2002, compared to more stable national conditions. Our analysis of WIER data suggest a dip in employment between 1994 and 2004 with a predicted slight increase in employment by 2014.

Logistics is a growing sector in Tees Valley, particularly in Darlington, Stockton-on-Tees and Redcar and Cleveland. According to WIER¹³² data the change in employment patterns within the sector does not fall equally across all occupational categories. Areas of significant increase are: (i) managers and senior officials, (ii) professional occupations and, (iii) associate and professional occupations. Areas of

¹³¹ Hall Aitken (2004) North East Road Passenger Transport and Logistics Sector Skills Research: North Shields, Hall Aitken (commissioned by Adult Skills Pilot North East), www.hallaitken.co.uk.

¹³² WIER data cannot be reported specifically as cell sizes have remained below 10,000.

predicted employee loss are in: (i) process plant and machine operative occupations (that is, drivers and fork lift truck operatives), and (ii) elementary occupations. As noted, we think these are significant underestimates of growth.

The transport and logistics sector remains male dominated over the thirty year period (although this male dominance is in decline). The proportion of women workers appears to have increased across most occupational categories especially in the higher grade occupations but this is not true of all categories. In (i) skilled trades occupations, (ii) process plant and machine operatives, and (iii) elementary skills occupations the percentage of women employed may decline. There is much steeper growth in customer service and administrative and secretarial jobs for women, however. This represents a decline in the absolute number of occupational opportunities available to women at these levels.

The WIER data may underestimate growth, however, and may instead be a reflection of the impact of statistical weighting which leans towards the national picture rather than that of Tees Valley. Our interview data and interpretation of a range of strategic documents strongly suggests that the sector has significant capacity for growth over the next ten years. This growth will centre on purpose built and speculatively built warehousing at Darlington's Faverdale development together with planned expansion in Stockton-on-Tees at Wynyard Park. The growing availability of warehousing/distribution space in Darlington is linked to its connectedness with national road network via the A66 and A1(M). Growth is also expected to be stimulated by the long term sustainability and potential for growth of freight traffic from Tees Port, together with expected growth in freight operations at Durham Tees Valley Airport.

The National Employers Skills Survey (2003) shows that 34 per cent of employees in the sector have skills gaps. Employers in this sector are particularly concerned about the lack of communication skills (29 per cent), team working skills (26 per cent) and customer handling skills (22 per cent). The prevalence of skills gaps in these soft skills areas is significant for the logistics industry as drivers, in particular, are expected to deal with more complex customer-facing activities. Indeed, 41 per cent of employers in this sector (compared with 26 per cent in all sectors) claim to be having difficulties meeting customer service objectives, which in turn affects operating costs and raised difficulties in meeting quality standards. Employer's principal worries about skills, in sum, include lack of experience amongst employees (over 50 per cent), lack of staff motivation (38 per cent) and high levels of staff turnover (30 per cent, compared with 9 per cent across all sectors).

Growth in the sector is at risk due to the prevalence of skills gaps within the existing workforce and because of recruitment and retention problems. Employers report difficulties in recruiting appropriately skilled applicants and claim that this is due to workforce disinterest in this kind of work.¹³³ The sector is also likely to be affected by the age profile of its workforce. One recent study of the road transport industry as a whole indicates that 35 per cent of the workforce in this sector is aged over 50 years compared with only 24 per cent across all sectors. This disinterest amongst potential employees may derive from their perceptions about the relatively poor job offer. Hall Aitken report that in the North East as a whole, most employers are ill-prepared or unwilling to invest in training of workers which leads to accredited qualifications: most training is work-specific. Wages are also low relative to many

¹³³ Transfereed Labour Market Intelligence Study (2003), cited in Hall Aitken (2004).

other occupations. The national average gross weekly wage for full-time drivers in 2003 in the UK was £364, but only £326 in the North East. This level of pay is 36 per cent lower than the North East average wage of £383 at this time. HGV drivers tend to earn a basic wage around 15 per cent higher than other drivers and also obtain substantially more overtime which pushes wages up further. Hours of work across the sector as a whole are high, however, at almost 48 hours a week which may explain why this form of work is regarded as unattractive by many potential applicants.

An indication of employers' lack of commitment to developing good workplace relations may also be reflected in the low number of companies with Investors in People recognition. Only 5 per cent of firms in this sector have IIP compared with 20 per cent of all firms in the North East (2004: 4). The transport and logistics sector has remained male dominated over the thirty year period (although this male dominance is in decline). In 1984 almost 88 per cent of employees in the sector were male, by 2004 this had fallen to just over 80 per cent. It is predicted that by 2014 men will occupy just over 77 per cent of all occupations in this sector. The percentage of women workers has increased across most occupational categories especially in the higher grade occupations but this is not true of all categories. In (i) skilled trades occupations, (ii) process plant and machine operatives, and (iii) elementary skills occupations the percentage of women employed has declined. This represents a decline in the absolute number of occupational opportunities available to women at these levels.

The skills needs of this sector are changing. Technological change is likely to lead employers to make new demands of employees in the operation of equipment, more complex and bespoke modes of delivery (especially in the growing home/web shopping market) but also in their customer-facing roles. The Go Skills Workforce Development Plan¹³⁴ estimates that 70 per cent of job applicants (and 50 per cent of current staff) lack adequate technical and practical skills. While fewer job applicants lack communication skills (30 per cent) than existing staff (60 per cent), over a half of applicants and existing staff lack customer handling and team working skills. Poor numeracy and literacy is reported amongst 30 per cent of existing workers and 25 per cent of applicants.

The response of employers to recruitment difficulties is presently inadequate. As few as 41 per cent of employers increase their advertising or recruitment spend compared with 49 per cent across all sectors. Similarly, only 23 per cent expand recruitment channels (compared with 40 per cent of all sectors). Only 16 per cent increase salaries (compared with 27 per cent across all sectors) Perhaps most alarmingly, 26 per cent of employers 'do nothing' to deal with this problem (compared with 9 per cent of all sectors).

¹³⁴ While Go Skills SSC refers mainly to public transport, these findings throw some light on employment of drivers which is not available elsewhere.

4.2.11 Public sector (local authority)¹³⁵

Employment in the public sector is broken down into two categories as defined by the Sector Skills Development Agency. The first is Asset Skills. This includes:

- Surveyors
- Property Managers
- Caretakers
- Facilities Management Professionals
- Cleaners
- Town Planners
- Local Authority and Social Housing Managers
- Private Landlords

The second category is Financial Services and, in relation to the local authority sector, includes:

- Investment Management
- Pension Fund Management

Remaining local authority employees are included within the remaining SSCs but are not identified as such.

The RES (2006) states that the public sector plays an important role in the economy of the North East, constituting 30 per cent of the workforce and contributing 23 per cent to the region's GVA. However, these figures are higher than the national average which is 26 per cent and 23 per cent respectively. This compounds the argument that the North East is public sector dependent for, amongst other things, employment. Within Tees Valley, Hartlepool local authority employs 4,602 people in the public sector, Darlington local authority employs 4,500, Middlesbrough local authority employs 7,224 and Stockton-on-Tees local authority employs over 8,000.

WIER data illustrates that employment in the Asset Skills SSC has risen significantly since 1984, in common with most other sectors, the 1984-2014 period illustrates the growth in the 'higher skill' level occupations. This is matched by a corresponding decline in the 'lower skill occupations' of process plant and machine operatives and elementary occupations as seen in other sectors. Between 1984 and 2014 it is projected that the percentage of higher skills occupations will increase. In the lower skill occupational categories the corresponding values represent a fall. That said, actual levels of employment appear to have risen in these lower skill occupations. Employment composition by gender has changed from 1984-2014 and is moving towards a greater gender balance in favour of men.

With specific reference to the Financial Services, there is forecast to be continued robust growth within the sector over the next five years and expected stronger growth in overall financial services employment averaging approximately 10,500 new jobs per year over the next five years. This will take the total employed in this

¹³⁵ This section should be read in conjunction with the borough portraits presented in Section Three of this report which provide much more detail on the activities of the public sector in encouraging economic development and growing new employment in Tees Valley.

sector for the UK to 1.2 million by 2010.¹³⁶ According to the National Financial Services Skills Academy, there are several challenges facing the sector. These include:

- Not being seen as a first choice career sector.
- Attracting staff of sufficiently high calibre.
- Problems of recruiting appropriately qualified or specialist staff.
- Internal skills deficiencies which impair effectiveness and profitability.

The key needs within the sector have been identified as, (1) technical and professional, and (2) customer handling skills.¹³⁷ The same survey identified that there would be 500,000 new entrants needed in the industry nationally in order to cover replacement and growth in the next ten years. No similar detailed data is available specific to Asset Skills. However, the total national requirement for the next ten years is almost 500,000 employees.¹³⁸

Our qualitative data suggests that there is a general lack of confidence in the prospect of the public sector growing significantly in the next few years. Indeed, many respondents noted the importance of shifting responsibility from the public sector to the private sector for significant employment growth. It is generally agreed that the public sector has been charged with too much responsibility for economic development in the sub region which has led to unrealistic expectations of its capacity or capability. That said, it is recognised that the public sector will continue to play a vital role in laying the foundations for successful economic development, particularly in its infrastructural provision and in its potential to encourage entrepreneurship. The recent submission of a LEGI bid by Stockton and Middlesbrough is indicative of this aspect of the public sector's leadership role.

4.2.12 Renewables

Renewables are part of the remit of the Energy and Utility SSC which represents the electricity, gas, waste management and water industries.¹³⁹ The renewables sector is highlighted in the RES and *Tees Valley Vision* as a key driver of regional and sub-regional economic development. There are a wide range of 'high profile' renewables projects either under construction, development or discussion at present.¹⁴⁰ Despite a potential shift in emphasis within the latest Government energy review towards nuclear power generation, it is anticipated that the market for renewables will continue to grow and diversify.

Within the sub-region, the following projects illustrate the growth of activity in this sector. Progressive Energy is planning an 800MW coal gas gasification plant with carbon capture and storage which will, as a bi-product produce hydrogen which could make a major contribution to the development of a hydrogen fuel economy. Conoco Philips and Excelerate are both planning liquid natural gas (LPG) plants on the River Tees which could act as a buffer supply, if required, for the chemicals sector. Hydrogen fuel economy development is suited to development in Tees

¹³⁶ FSSC (2006) UK Financial Services: Five Years Forward. London: FSSC.

¹³⁷ NESS (2006)

¹³⁸ Dickerson *et al* (2006) Working Futures: 2004-2014, Coventry, WIER.

¹³⁹ This definition is from Energy and Utility SSC at <http://www.euskills.netxttra.net/content.php?pageID=184>.

¹⁴⁰ See the portrait of Redcar and Cleveland in Section 3 of this report.

Valley through the existing physical and expertise infrastructure. Large scale industrial capacity is available at the Wilton site and research and development expertise from the Wilton 'chemical hub'.

Renewable electricity supplies using a range of approaches at a cost effective level are under investigation for the Middlehaven regeneration. The world's largest biodiesel production plant is in operation in Tees Valley with interest in further plant developments from a range of companies. The largest biomass fed power station in the UK is also under construction at Wilton and it is expected the supply feedstock for the station would extend across Tees Valley and into North Yorkshire. A major turbine manufacturer is currently being sought for Tees Valley to facilitate current companies' diversification into component supply for offshore wind turbine development, a major development is currently underway at Redcar. If the developments illustrated above are successfully implemented this sector will have a very significant impact on the sub-regional economy and may have a substantial impact on the labour market.

Within Tees Valley it is estimated about 4,400 individuals are employed within the Energy and Utility sector. The occupational structure of the renewables sector has changed significantly over the last thirty years.¹⁴¹ The growth of the renewables sector to date has come about in response to global ecological and economic factors and should ensure continuing employment growth. WIER data suggests that the total workforce in Tees Valley will increase to some extent.¹⁴² Our qualitative evidence suggests that this is a significant under-estimate given current investment in the industry in Redcar and Cleveland in particular.

Within the sector more than 95 per cent of employers employ fewer than 50 people. However, 5 firms employ 500 or more employees representing over 50 per cent of all employees within the sector¹⁴³. The sector is characterised by a full-time male dominated workforce¹⁴⁴. There is a requirement for employees to be skilled at NVQ Level 3 and above which is not currently being met within the sub-region. Currently estimates suggest that fewer than 10 per cent of employers are training staff to NVQ Level 3 and fewer than 4 per cent are training staff to NVQ Level 2.¹⁴⁵ Training has been either arranged or funded by just over 72 per cent of employers in the last year but, just under 63 per cent have no training budget for the next 12 months¹⁴⁶. These findings indicate that the majority of training may be conducted 'in-house' by existing staff.

The sector is becoming increasingly economically viable due to the high costs of conventional petrochemical and gas fuels. The requirement to meet reduced targets for carbon dioxide emissions within the UK is also acting as a policy and economic driver within this sector. In addition to the economic contribution to the sub-region, the sector also has the potential to make a significant ecological contribution. To provide the feedstock for the biofuel plants areas which are currently brown-field

¹⁴¹ It should be noted that the statistics presented in this paragraph relate to the Energy and Utility Skills SSC and therefore cannot be disaggregated to the 'Renewables' sphere alone.

¹⁴² As cell sizes remain below 10,000 we cannot report these data in detail.

¹⁴³ NESS (2005): data from this source should be treated with caution due to the effects of weighting on small cell values at the sub-regional level.

¹⁴⁴ LSC (2004c) Tees Valley Strategic Area Review 2003-2005: The Energy Sector (Offshore and Renewable), Tees Valley, LSC

¹⁴⁵ NESS (2005).

¹⁴⁶ *ibid*

and derelict could be planted with appropriate woodland which would also enhance the visual attractiveness of areas.

4.2.13 Retailing

Retailing's SSC, Skillsmart Retail, adopts the ABI and ONS definition of the sector, to include¹⁴⁷:

- sales in specialised stores¹⁴⁸;
- sales in non-specialist stores that sell food and beverages (e.g. supermarkets);
- Repairs (e.g. watches and shoes);
- Dispensing chemists (but not opticians);
- Second-hand shops

Employment in retailing, according to WIER data has fluctuated significantly over time.¹⁴⁹ Two downturns can be identified, the most severe of which was in 1984 when employment in the sector fell to 26,800 staff. In 2004, levels of employment fell to 29,369 but it is predicted that by 2014 levels of employment will rise to 31,067. This represents an increase of just over 4 per cent on the 1994 peak of 30,329 employees.

The sector has experienced significant changes to its occupational structure under the period of scrutiny. Some occupational categories have decreased in importance between 1984 and 2014. Administrative and secretarial occupations appear to have fallen substantially. Elementary occupations are shown to have fallen, but to a lesser degree. Other occupational categories appear to have exhibited growth. Amongst the 'higher skill level' occupations: (i) managers and senior officials, (ii) professional occupations, and (iii) associate professional and technical occupations. The concentration of attention on customer-facing occupations is reflected in the increasing number of sales and customer services jobs. Here, a very substantial increase is suggested by WIER data. There are some signs of change in the gender profile however, as the concentration of female employees has fallen from almost 77 per cent in 1994 to a predicted 65 per cent in 2014. The most significant increase in male employment is in sales and customer services.

As would be expected within this sector small employers predominate. That said, there is a preponderance of franchises and branches of larger store chains. In many cases, medium sized organisations originating in the region have a sizeable workforce across the whole area, although they tend to be hidden from the statistics¹⁵⁰.

¹⁴⁷ This definition was gained from Wilson, J., Keenan, L, and Murray, M. (2006) Examination of Retail in Tees Valley, London: Marketry.

¹⁴⁸ *ibid*, pp. 9-10. The definition excludes some specialist food shops including master bakers, butchers and fishmongers which are included in Improve, the food and drink SSC.

¹⁴⁹ Employment in this sector has remained significantly above 25,000 from 1984 to 2004, so it is possible to selectively report WEIR data in this section.

¹⁵⁰ *ibid*, p. 4.

The retail sector is characterised by its relatively low-skill workforce. A recent survey suggests that 39 per cent of employers stated that they require no specific skills for entry into work¹⁵¹. The principal employer needs are, instead of formal qualifications, their potential employees' personal attributes such as personality and abilities in customer handling. As few as 8 per cent of employers actively seek to employ people with NVQ3 qualifications or higher.

As would be expected in these circumstances, employers put a low priority on accredited training. Instead, most training undertaken is informal, on-the-job, and is provided by company staff. That said, the evidence from one study suggests that staff morale and motivation is generally high, with relatively low levels of staff turnover. While 90 per cent of staff report satisfaction with retail work, they recognise that such work does not carry high status. Many young people see retailing jobs as a stop-gap whilst undertaking education or training and have no real intention of committing to the sector in the long term. The fact that almost half of the jobs in the sector are part-time, relatively short term, and occupied mainly by women suggests that the sector will be more attractive to people who are earning a secondary wage in families, or as noted, working in the sector as a stop gap during training, education or when between career jobs.

The recent Marketry Report recommends that employers invest more heavily in accredited training, but it is reasonably clear from our analysis why they may choose not to do so. Within the sector, there are already clear progression routes into more senior jobs and management which do not require formal training, but are instead experientially earned. While it may be the case that the status and remuneration of these managerial jobs may be significantly lower than in other sectors, but for the incumbents of such jobs, it can reasonably be claimed that they would regard them as an achievement and a representation of advancement. The likelihood is that in larger firms which have more specialist professional needs, such employees may be bypassed by graduate entry employees.

The sector does not feature strongly in the RES or in sub-regional strategies as it is assumed that private sector investment should be the prime driver of change. That said, very significant infrastructural investment and enhancement of the retailing built environment has been funded through the RDA and EU, so attempting to enhance the shopping experience of local people and visitors.

Middlesbrough town centre, which remains the premier shopping destination in Tees Valley, has recently undergone a significant refurbishment with new paving, street and pavement lighting and the illumination of key buildings to enhance the impression of the town in the early winter evenings. Refurbishment of existing Malls and the development of Captain Cook Square have helped to integrate and increase the footprint of the retail offer in the town. Speciality shopping remains relatively limited for a retail centre of this size, especially in the centre of the town which is dominated by national outlets. However, the development of a specialist retail offer is progressing on Linthorpe Road, adjacent to the University. Here, the number of specialist clothes shops (including the Psyche department store), cafes, restaurants and bars has much improved this once dilapidated shopping street.

Teesside Park has become a significant shopping destination over recent years as the retailing offer has become more varied. Initially the site was dominated by sports shops, DIY, furniture shops and electrical goods outlets. But as more up-

¹⁵¹ *ibid*, p. 4.

market stores have moved on site (Borders Books, Clarks, Next, Marks and Spencer, Mamas and Pappas, and so on) the centre has become, in spite of its sub-standard planning and unattractive built environment, a more attractive destination. Our research evidence suggests that economic regeneration teams have significant anxieties on the impact of the commercial success of Teesside Park on neighbouring shopping centres. This is particularly so in Thornaby and Stockton-on-Tees town centre where levels of shop vacancies have remained relatively high and a relatively high proportion of low-value thrift shops have the potential to adversely affect the shopping experience. The arrival of a new Marks and Spencer, in particular, has worried Middlesbrough and Darlington as this move threatens to draw more affluent shoppers from their towns.

Darlington's own relatively affluent population, and its ability to draw in more wealthy visitors from Teesdale and North Yorkshire, has helped the town to develop a more varied retailing offer. The focus on high spend, specialist shops in Grange Road is now spreading to adjacent streets and the shopping experience is enhanced by a large number of cafes. Recognising competition from the Metro Centre and increasingly from Teesside Park, Darlington's economic regeneration teams have worked hard to secure the private sector development of a new Mall with a major department store (to include the redevelopment of Queen Street). The town is currently undergoing significant redevelopment in the Darlington's 'pedestrian heart' scheme which involves high specification paving improvements, to include public art, enhanced street lighting and expanded pedestrianisation.

Hartlepool's shopping centre has retained its relative independence from other major Teesside shopping areas due to the physical distance from Middlesbrough. The shopping centre has recovered significantly from a downturn in the early 1990s. Further development at the marina promises to improve the linkage between Hartlepool's tourism, leisure and retailing offer. Redcar's new Wellington Square centre, similarly, has much improved the towns shopping experience, whilst remaining primarily a locality rather than visitor driven retail centre.

While the retailing sector in Tees Valley is relatively buoyant at present, it is clear that there are dangers associated with the relatively intense competition between towns for footfall. Most particularly, the over-production of retail space in key centres may further threaten the viability of smaller shopping centres. Larger centres are also vulnerable to economic decline in the area given intense competition and the consequently tight margins within which businesses operate. Presently, household income remains relatively low in Tees Valley, and there is emerging evidence of high levels of credit dependency across the social spectrum. Significant levels of job losses in the area could potentially upset the current equilibrium and lead to a downturn in the sector's prospects.

Retailing makes a significant contribution to the sub-regional economy, as noted above, but it should also be stressed that this sector has the potential to make a significant social contribution to the area – especially in terms of building a sense of confidence in town centres. As noted, some town centres have suffered to an extent from competition from out of town shopping centres. The Regional Spatial Strategy recognises this and proposes that no further out of town shopping developments should be built. Out of town shopping centres can also adversely affect employment opportunities when there is insufficient access to these sites by public transport, as is reported here to be the case at Teesside Park.

4.2.14 Social care

Over recent years there has been a growing number of policy initiatives aimed at improving patient care and raising the overall quality of services (e.g. 1990 National Health Services and Community Care Act). Such policies are underpinned by, amongst other factors, the belief that large bureaucracies, such as the NHS, make it difficult to respond efficiently to patient needs. As a result, there has been greater outsourcing of in-hospital services (e.g. catering, cleaning, etc.) and primary care provision to a growing number of independent sector providers (which includes third sector and private sector providers). Additionally, a growing number of social care services – usually provided by local authorities - are being procured to the independent sector; this includes domiciliary and day care services. For example, in 2001 it was calculated that the independent sector was providing 92% of residential home places nationally.¹⁵²

In terms of its contribution to North East economy, the social care sector is extremely important with more than 40, 000 people employed in the sector. When combined with the health and early years sectors, this constitutes 13% of the region's workforce.¹⁵³ Social care is already a substantial employer in Tees Valley and the sector is set to grow due to demographic changes identified in Section Two of this report.

WIER data shows that levels of employment have increased dramatically over the period 1984 to 2004 and is predicted to continue to grow by 2014.¹⁵⁴ In percentage terms, there is a predicted increase of over 37 per cent in employment from 1994 to 13,698 employees by 2014. Whilst there is expected growth in the sector, this may be spread unevenly across occupational skill groups. It is anticipated that there will be significant increases in the requirement for managers and senior officials; professional occupations and associate professional and technical occupations. By contrast, the numbers of administrative and secretarial posts are likely to decline. It is assumed some of these posts will be lost as services are transferred from NHS and local authorities to independent sector providers who have less bureaucratic administrative systems in place.

The most surprising change, perhaps, is the fall in the number of elementary workers. One reason for this decline is that fewer independent sector providers directly employ workers in elementary occupations. Despite the fact that the majority of people working in the care sector in the North East are care assistants and home carers, those delivering care services generally are relatively well qualified compared to other parts of the UK and other sectors.¹⁵⁵ As such they are represented in a higher category than elementary workers. An opportunity exists therefore to up-skill those currently carrying out elementary work in order that they are able to take up the newly created posts in the associate professional and technical areas that are set to increase. Otherwise, these employees will either continue working at low skill levels or potentially face redundancy.

As in the health sector women predominate, comprising 80 per cent of social care sector staff. The only areas of significant increases anticipated in male employment

¹⁵² StAR report on Social Care, LSC Tees Valley, 2004.

¹⁵³ *ibid.*

¹⁵⁴ Employment in this sector has been greater than 10,000 since 1994 so it is possible to report selectively on our WIER data analysis.

¹⁵⁵ StAR report, *op cit.*

are in professional occupations. Male employment in associate professional and technical occupations is expected to rise, albeit from a low baseline.

According to WIER data, this sector is expected to make a valuable contribution to employment and skills development in Tees Valley. The sector could be vulnerable if private sector operators find that their profit margins are squeezed by raised statutory expectations. While professionalisation of the health care sector has improved its image and attractiveness to new recruits in some areas of employment activity, social care still suffers some image problems in the eyes of potential recruits. As recent research shows, blockages on potential career progression, unsociable hours and low levels of pay contribute to this negative image.¹⁵⁶ In addition, drop out rates on training courses are relatively high. Young people in particular, do not regard social care as an attractive sector, as a consequence, labour shortages may become an increasing problem. There is some evidence to suggest that migrant workers are now populating this sector in larger numbers. This may have the effect of depressing pay further and possibly worsen employment conditions.¹⁵⁷

4.2.15 Tourism and hospitality

The tourism and hospitality sector includes the provision of accommodation, catering, travel agents and the operation of leisure facilities and public resources (i.e. libraries and museums). Much of this work is seasonal and/or part-time employment. Women make up the majority of the workforce. Such work appeals to married women with families because of its flexibility, but the work is often low-paid and there are few opportunities for career progression. Women predominate in enrolments onto tourism and hospitality related training courses. Encouraging potential workers to undertake long training courses is often difficult as there are few perceived long term benefits.

WIER¹⁵⁸ data shows that tourism and hospitality is an important sector in employment terms for Tees Valley. The numbers of employees in the sector have risen from just over 17,000 in 1984 to a predicted 21,000 in 2014. The occupational structure in this sector has changed significantly during this period with a fall in the proportion of employees in elementary occupations from about a half of the workforce in 1984, to only a third in 2014. Most other occupational categories have experienced proportionate growth, especially in management. It remains unclear, however, at what level such managers are working given that many going concerns in the tourism and hospitality sector are relatively small and have few employees.

While the tourism and hospitality sector remains female dominated, there is evidence of a shifting balance. In 1984, women comprised 76 per cent of the workforce, but are predicted to be 67 per cent of employees by 2014. This proportional decline masks a very significant increase in the numbers of employment overall. However, the sector remains dependent on a high proportion of relatively low-skilled employees compared with other sectors of the labour market which employ larger numbers of knowledge workers.

¹⁵⁶ *ibid.*

¹⁵⁷ Pillai, R. (2006) *Destination North East? Harnessing the regional potential of migration*, London: IPPB.

¹⁵⁸ Employment in this sector has remained well above 10,000 from 1984-2004 so it is possible to report selectively from our analysis of WIER data.

Within the hospitality sub-sector, low pay and long hours contribute to recruitment problems and the retention of skilled, experienced staff. Attracting applicants to work in an industry that is perceived as an unattractive career option compounds this problem.

Employees are increasingly being expected to provide a higher standard of customer service. Middlesbrough College and Darlington College are the two main providers of tourism related training in Tees Valley; both colleges are CoVEs in catering and hospitality, and have some extra provision in leisure and travel courses. This sector is one which has traditionally recruited from the unqualified or low-qualified population and 60 per cent of hospitality workers are either unqualified or have Level 2 qualifications. The difficulty in recruiting better qualified workers is exacerbated by the lack of co-ordination of tourism and hospitality training. Many parts of the sector would benefit in up-skilling their existing workforce in specific areas where there are particular shortages, such as financial management and customer service.

The tourism industry can benefit from the range of diverse skills it can ask of a varied workforce, such as personal qualities in customer care, as well as more formal qualifications in languages or recreation and leisure. However, this can also be a detriment to the industry because the skill requirements and entry level for each area can be differ widely. The industry attracts young workers, with 55 per cent of the restaurant sub-sector being under 25 years of age. While training provision for younger employees is reasonably well established, there is concern that the older workforce (who may require up-skilling as new technologies and working practices are introduced) find it more difficult to access training.

One of the main barriers to the development of the tourism sector is the challenge of changing perceptions of Tees Valley as a tourist destination. This is the collective responsibility of the sub-region via marketing and advertising campaigns, but can only be helped by the development of visitor attractions, facilities and investment in well-trained, skilled and attentive customer friendly staff.

4.3 Summary of findings

The discussion of employment change in industrial sectors reveals very significant variation between sectors in the occupational make up of the labour market. It has also been demonstrated that established gendered divisions of labour remain pervasive. Women are heavily represented in personal service, sales and customer service, administrative and secretarial work and some areas of the associate professions (mainly in health). Men continue to dominate in skilled trades, professions, management (with the exceptions of health and tourism) and technical occupations. The situation is less clear cut in elementary and semi-skilled occupations, but it remains the case that gendered divisions of labour persist in particular industrial sectors in these occupational groupings.

4.3.1 Industrial sectoral areas of strength

At the start of this report, a very brief overview of strategic objectives for Tees Valley was outlined in the context of regional and national policy development and economic change. Strategic thinking about industrial development must, of necessity, make some imaginative and creative leaps on the basis of

predictions drawn from the available information. The problem with such foresights about the growth of a particular area is that industrial development is unpredictable.¹⁵⁹ The reasons for unpredictability are complex but can be summarised under five main headings:

- **The impact of competitor behaviour at a regional, national and global level:** *it is not generally possible to anticipate fully what other areas are planning to achieve or to measure (or match) and the level of investment in that sector especially in a global market.*
- **The impact of unanticipated industrial innovation:** *capitalism, by its very nature, forces companies to seek competitive advantage over competitors, consequently, what seem like staple products or promising new areas of market development, can face almost immediate obsolescence if competitors change the shape of market demand.*
- **Significant and unpredictable shifts in market conditions:** *As above, market conditions are shaped by competitor behaviour, but consumer behaviour is also unpredictable and shifts in attitude can render products and services redundant – especially when profit-margins are tight. Competitor migration to low-cost labour areas is a particular threat as are uncontrollable economic pressures such as rising energy or raw materials costs.*
- **Political, economic and legislative change:** *political change can occur in unexpected ways and produce new ways of thinking about economic development; while sea-changes in political economy are relatively infrequent, even relatively minor changes in emphasis can radically impact on infrastructural support for industrial growth and labour market development.,*
- **Geographical, cultural and social inertia:** *geographical, cultural and social inertia is not necessarily a negative process, but in regions where conditions have been difficult for a long period of time or where there is an over-commitment to particular industrial sectors, it can be difficult to break the mould and get people to behave in different ways and have different aspirations.*

Our analysis suggests that some sectors are particularly well placed to grow over the next 20 years providing that social, economic, environmental and political conditions remain favourable. To summarise our findings, Figure 4.2.1 presents an outline of the relative strengths and weaknesses of each of the sectors which have been scrutinised. The purpose of this exercise is simply to illustrate in a visual way the areas of greatest strength at present.

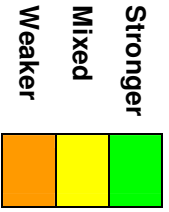
The table provides an indication of the relative strength or weakness of each sector in relation to a wide range of issues. Where the evidence suggests that there are more or less equally balanced factors, they are categorised as mixed.

The rank order of sectors is not precise, but does provide an indication of where the sub-region's greatest strengths lie at present. What this analysis does not do is to take into account potential contribution to GVA or make reference to the size of the sectors in employment terms.

¹⁵⁹ For useful literature reviews on sectoral development and industrial location theory, see O'Donohue and Townshend (2005), McCann and Sheppard (2003).

Figure 4.3.1

Strengths and Weaknesses of Sectors

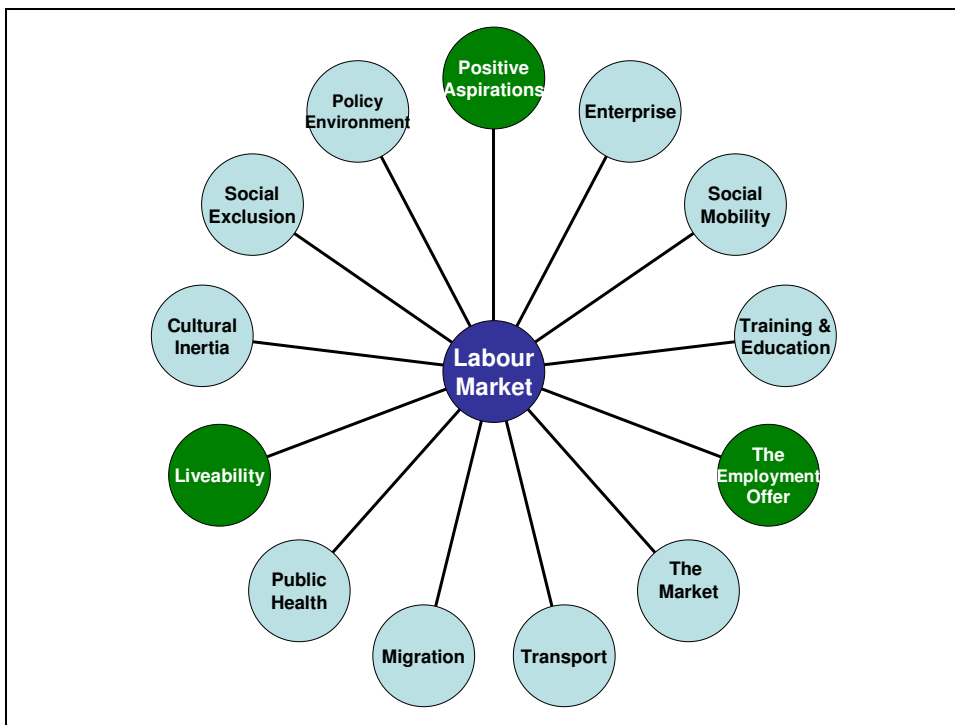


Sector	There is a well established and well trained workforce available to this sector	The sectoral infrastructure is well established	There are established patterns of training and good relationships with providers	Transport infrastructure is clearly beneficial to the sector	Links between the sector and the FE / University sector are strong	There is an established research and development culture and infrastructure in Tees Valley	The size of companies and the critical mass of the industry benefits the sector	There is sufficient economic growth in Tees Valley to open opportunities for the sector	There is sufficient inward investment into the sector to assist in its development	There is sufficient technical support available in Tees Valley to sustain the development of the sector	The visibility of the sector in Tees Valley is beneficial to its development and sustainability	The sector has a clearly stated market with which to engage	Levels of government investment in the area benefits the development of the sector	The sector has benefited from strategic initiatives in the area which seek to develop Tees Valley
Chemicals	M	S	S	S	M	S	S	S	S	S	S	S	S	S
Construction	M	S	M	S	M	M	S	S	M	M	M	M	S	S
Contact Centres	M	S	S	S	W	M	S	S	S	S	S	S	S	S
Creative Industries	S	M	M	M	S	M	M	M	W	M	M	M	M	S
Digital Media	S	M	S	M	S	S	M	S	S	S	S	S	S	S
Mech Engineering	M	S	M	S	M	M	M	M	M	M	M	M	M	M
Civil Engineering	M	S	M	S	M	M	M	M	M	M	M	M	M	M
Financial and Business	M	M	S	M	M	M	W	M	M	M	M	M	W	M
Food and Drink Man	M	S	S	M	S	M	M	M	W	M	M	S	M	M
Health	M	S	S	M	S	S	S	M	W	S	M	S	M	S
Logistics	W	S	M	S	W	W	S	S	S	S	S	S	S	S
Public Sector Las	M	S	S	M	M	M	S	W	W	M	M	M	M	S
Retailing	S	S	M	S	W	W	S	S	S	M	M	M	W	S
Social Care	W	M	M	M	M	S	M	W	W	S	W	S	W	W
Tourism and Hospitality	M	M	M	M	M	M	W	W	W	W	M	W	M	S

5 Key themes affecting economic development of Tees Valley

The objective of this summarising section is to pull together the key themes affecting the economic development of Tees Valley. In this section we draw on the literature review, statistical analysis and our qualitative work to evidence our assertions on what factors may create opportunities or constraints on the future development of the sub-region. This analysis leads into the substantive conclusions which will be presented in the final section of this report.

Figure 5.1 **Key factors affecting the future development of the labour market and skills needs in Tees Valley**



On the basis of our analysis of documentary evidence, statistical analysis and qualitative research we have come to the conclusion that there are thirteen key factors which affect the future development of Tees Valley over the next two decades. These interconnected themes are shown diagrammatically in Figure 5.1. Below, we provide a brief headline on the importance of each theme followed by more detailed discussion.

5.1 Key areas for thematic focus

5.1.1 Enterprise

Headlines

Being enterprising is not just about raw ambition to make money through setting up a business, although it can manifest itself this way. Instead, enterprise should be viewed as an ability to think creatively about problems and opportunities, look for innovative solutions and make things happen. Having an enterprising outlook is essential for people who do start their own business, but it is important for employers to recognise and foster such an outlook in their employees. Enterprising activity should not be thought about as being a 'natural' trait, but is something which can be developed. Tolerance to the risks of going into business is probably learned, which is why most people who do go into business either have been brought up in families with business interests, or who have worked in an enterprising way for someone else. A key point is to help people who have an enterprising outlook to recognise it, and ensure they are supported sufficiently to be able consistently and confidently to engage in such activity.

Discussion

Creating a more enterprising economy is a central plank of government, regional and sub-regional regeneration policy.¹⁶⁰ In the North East, in particular, the emphasis on home grown enterprise activity is highly prioritised in the RES. The reason for this is a concern that the region has been too dependent in the past on large employers, many of which were branch plants with strategic decision making headquarters established elsewhere in the UK or abroad. The 'home grown enterprise' strategy is persuasive in the sense that it may cushion the region from significant employment shake-outs: certainly this has been the case in the past which has resulted in a fundamental restructuring of the economy and labour market opportunity. But the problem with this approach is that the North East in general, and Tees Valley in particular have a very low enterprise base upon which to build, and it is suspected that the local population are less likely to choose the enterprise route for themselves if opportunities of paid employment are on offer.¹⁶¹

Strategists in the sub-region are alert to these problems and recognise that 'The economic challenge is to grow Tees Valley economy faster than the UK economy to narrow the gap in GVA'.¹⁶² As shown in Section Two of this report, the level of business activity in Tees Valley is low compared with the rest of the UK. For example, business VAT registrations stand at 24 per 1,000 members of the working-age population, compared with 50 for Great Britain. Similarly the stock of businesses per 10,000 members of the working-age population is 271 in Tees Valley compared with 499 in Great Britain. Bridging the gap therefore means that the sub-region would have to achieve much more growth in business activity than elsewhere in the country. These figures may be misleading to some extent because not all businesses are VAT registered. Our qualitative research provides much

¹⁶⁰ There is too little space to explore the recent academic literature in detail on the relationship between regional development and new business enterprise. For useful leads in this literature see: Acs and Storey, 2004; Fritsch and Mueller, 2004; Acs and Armington, 2004; Lee et al., 2004; Freel and Harrison, 2006.

¹⁶¹ See Section 2.7 of this report for statistical data to support these assertions.

¹⁶² Tees Valley Partnership (2006) Tees Valley City Region: a business case for delivery, Middlesbrough, TVJSU (draft), p. 9.

anecdotal evidence of businesses remaining below the £56,000 VAT registration threshold. This may be worrying in the sense that it suggests a lack of ambition on the part of business people, but also because of the suggestion that in many cases, businesses cross the divide between the formal economy and informal economy in order to remain beneath the ceiling. Estimates suggest that there are between 13,000 and 16,000 micro businesses in Tees Valley (but it is not possible to quantify the level of activity in the informal economy).¹⁶³

We asked respondents to discuss enterprise opportunities at three different levels: amongst professionals and senior managers, intermediate skill workers, and amongst lower-skill or unskilled workers. Professionals and senior managers were not thought to be a particularly good target audience for enterprise development. While it was recognised that there are high profile cases of former managers and professionals moving into business, it was generally agreed that the level of media and political attention they received was more a function of their ability to exploit social capital than the volume of actual activity. There is a strong sense that this target group were likely to be risk averse because they had set their sights on salaried career progression and had committed heavily to pension funds. Risk aversion amongst middle-aged professionals and senior managers may be exacerbated in the sub-region because of the limited level of job fluidity. Anecdotal evidence from respondents suggested that in the South East, people changed jobs more often and move between sectors more regularly than is the case here. It would be useful to explore this in more depth through primary research. The exceptional groups are professionals, whose career trajectory often takes them into private practice, including dentists, solicitors, surveyors, accountants and so on.

Intermediate skilled employees, it was generally agreed are the most likely to move into business careers once they had served apprenticeships and worked for employers for a period of time. In the case of skilled or craft workers, this is a well trodden career path (for example, plumbers, builders, carpenters/joiners, electricians, heating engineers, etc.). Technical workers in computing, people involved in the creative and media industries, the emerging digital media industries, and so on are also more likely to move into business because this is a route within which they can stretch their ability through engaging with innovative activity which may be constrained in the workplace. The problem with the intermediate skill group, according to our qualitative research, is that the majority are relatively content working for themselves and are not particularly interested in growing their business. It is important to recognise that many people move into small business because of an aversion to working for other people rather than a wish to make more money. Independence is the key to their motivation, rather than enterprise as such. That said, our research strongly suggested that the greater density of small business in Tees Valley, the greater the likelihood that some businesses will grow. And further, there is a strong sense that if elements of dynamism were achieved in emergent industries, such as digital media or creative industries, then the impetus for related forms of business growth would follow.¹⁶⁴

In many cases, these new business ventures will be established by graduates who have gained core skills at university. The provision of incubation space, financial and business support to assist young graduates in the early stages of business

¹⁶³ *ibid*, p. 12.

¹⁶⁴ For a useful review of policy initiatives to encourage people to become self-employed, see Shutt and Sutherland (2003) 'Encouraging the transition into self-employment', *Regional Studies*, 37:1, 97-103.

development (as is the case at the University of Teesside) and the possibility for progression to other premises (at the proposed Boho Zone) will help to increase business volume. Our qualitative research strongly suggests, however, that it would be a mistake to pin the sub-region's hopes wholly on graduate start ups in highly focused areas. Instead, much emphasis was placed on serendipity: the evolution of unexpected ideas by unexpected people. In particular, it was felt that migrants from EU accession states or refugees with indefinite leave to remain may be amongst the most successful entrepreneurs. There is some evidence to suggest that political and economic migrants do have a stronger interest in enterprise,¹⁶⁵ but modes of business and financial support to such groups needs to be developed, particularly when supportive communities of immigrants are under-developed.

Barriers to business growth, especially in areas experiencing multiple deprivation have been explored in some depth at a national level in the run up to the development of the Local Enterprise Growth Initiative¹⁶⁶. The Stockton Middlesbrough application for LEGI funding highlights the difficulties facing target groups of potential entrepreneurs, including young people, older people (over 50s), BME groups, women and the economically inactive. While there is no space to explore these issues in detail here, it is useful to report the key barriers facing most new businesses according to the LEGI bid.

- A weak enterprise culture (residents, businesses, social enterprise, sector and inward investment attraction).
- Limited access to finance.
- Inadequate premises.
- The burden of regulation.
- Low skill levels.
- Lack of support which meets priority group needs (specialist support, lack of role models, low confidence, lack of access to mainstream services).¹⁶⁷

The third sector can play an important role in developing role models of successful entrepreneurship through social enterprise activity. The sector has also been shown to be effective in creating routes to employment from workless households. Business support for social enterprise is important, but the business brokerage system needs to be sensitive to different value systems of many people working in this sector. As we have argued elsewhere, business support for social enterprise is often delivered most effectively by established social firms which understand more clearly the mentality of the non-profit enterprise.¹⁶⁸

Identifying the best ways of supporting new business is being extensively explored by many agencies locally and nationally, for example, Business Link, InBiz, Small Business Service, Entrepreneurs Coalition, amongst others. But there remains a clear recognition from our respondents that the propensity of people to seek business support and to act upon business advice is patchy. It is argued that

¹⁶⁵ Chapman, T. and Neil, B. (2004a) Asylum Seekers and Refugees Skills Audit, Middlesbrough, Social Futures Institute; Pillai, R. (2006) Destination North East: Harnessing the Regional Potential of Migration, London, IPPR.

¹⁶⁶ HM Treasury (2005) Local Enterprise Growth Initiative, London: HM Treasury.

¹⁶⁷ Stockton Middlesbrough LEGI application, Round 2, September 2006, p.16.

¹⁶⁸ Chapman, T., Fuller, T., Forbes, D. and Dodd, M. (2004) Towards a strategy for the social economy in Tees Valley, Middlesbrough, Social Futures Institute.

established and larger business get more business support because they have the time to be supported and the capacity to receive advice and act on it. As is the case in skill development through training, small businesses often feel, probably wrongly, that they cannot devote time and resource to business development work.

5.1.2 Social mobility

Headlines

Social mobility is generally conceptualised as a positive process whereby people move upwards through the occupational structure, so gaining higher status, pay, job security and opportunity for further advancement. The possibilities for upward social mobility is heavily constrained by structural factors: there are only so many jobs at the top, and so it is impossible for everyone – no matter how hard they work – to achieve long-distance mobility. Similarly, mobility is limited by social and cultural factors which favour some people over others because of their class background. More affluent families are generally quite effective at securing a good future for their children by giving knowledge based practical support in the education system and producing a positive and aspirational environment at home. Not all social mobility is upwards. Structural change can result in the breakdown of traditional routes into secure employment which can leave whole communities stranded without work or moving frequently between worklessness and poor quality work.

Discussion

Patterns of social mobility in Britain have not been studied in depth since the 1970s.¹⁶⁹ However, the theoretical and methodological insights from these studies continue to provide a basis for understanding how the changing structure of the labour market and social mobility interact.

Social mobility in its wider labour market (or structural) context is defined in two ways. The first is 'absolute social mobility'. Absolute mobility is the actual number of people who move up and down the occupational status ladder across a given time period. From the 1930s to the 1980s levels of absolute social mobility were very high because the occupational structure changed dramatically. The proportion of people employed in unskilled or semi-skilled manual occupations reduced dramatically in proportion to concomitant increases in the numbers of intermediate workers and professionals and senior managers. Since the 1980s there has been a progressive move towards the service sector, but this has not increased the number of higher status jobs dramatically – instead there has been a general replacement of relatively low skill manual working occupations with equally low skills or lower skilled service jobs in areas such as retailing, tourism and hospitality, health and social care, and so on. In structural terms, therefore, there are fewer higher status jobs being created for people to move into and levels of absolute social mobility is diminished as a consequence.

¹⁶⁹ Classic studies include: Payne, G. (1987) *Employment and Opportunity* Basingstoke, Macmillan Press; Payne, G. (1987) *Mobility and Change in Modern Society*, Basingstoke, Macmillan; Goldthorpe, J. et al (1980) *Social Mobility and Class Structure in Modern Britain*, Cambridge: Clarendon Press.

Relative social mobility is a measure of change which statistically removes the effect of structural change on the opportunity structure. As a conceptual exercise, this is useful because it helps to understand what other factors limit social mobility. What most international analyses of relative mobility demonstrate is that once the effect of job growth is taken out of the equation, there is much less mobility between the social classes than is expected. According to stratification theory, this is because better-educated, higher skilled and economically more secure parents are very effective in investing in their children's future. They have a good understanding of the education system and actively encourage their children to succeed (by socialisation and by moving to areas where there are more successful schools), they build their children's cultural and social capital (by introducing their children to a wider social circle, through travel and by producing a domestic ambience which suggest that success is the only option). There is no convincing evidence available to suggest that this situation is changing, despite political, cultural and public disdain for the idea that a class system still exists (see the section below on social exclusion).¹⁷⁰ This is not to say that all the children from families higher up the stratification order are successful in replicating their parents' success.

Data from this study demonstrates that the structural situation in Tees Valley is also changing quite dramatically. Between 1984 and 2014, it has been shown that levels of employment in semi-skilled and unskilled work are likely to decline further. Jobs in the intermediate skills are likely to increase significantly. Increases in higher skilled professional and managerial occupations are, however, not likely to increase much more across most sectors.

What does this mean for Tees Valley? Essentially, the data indicate that there is a real risk that reduced opportunity in lower-skill jobs may reproduce patterns of social exclusion which are currently prevalent in the area. If it becomes more difficult for people from multiply deprived backgrounds to break into secure jobs with decent wages, training opportunities and a promising future, then there is likelihood that the churn between worklessness, compulsory training schemes and poor work will be reproduced. It is therefore crucial that two key priorities are acted upon. First, to ensure that the quality and outputs of education and training for people from poorer areas improves dramatically over the next two decades. The important point is to recognise that people from such backgrounds need to raise aspirations and achievement so that many can avoid the current pathway into lower skilled work and move instead into the growing intermediate skill sector or above. Secondly, it is necessary that employers recognise the importance of improving the job offer in unskilled and semi-skilled work to improve their own productivity and performance and to invest in the progression of its own employees.

Low levels of opportunity reproduce social exclusion and encourage people to engage in a 'getting by', rather than 'getting on' culture.¹⁷¹ Benefit dependency can be one outcome of this, as can be the avoidance of work in the formal economy. The places available for social mobility will always be limited – and it is not argued here that long-range intra-generational mobility is an option or opportunity that most people hope to achieve. Instead, we mean 'getting on' in a more modest way – that

¹⁷⁰ Even in the 1970s levels of intergenerational (that is between parents and children) downward mobility were remarkably high when patterns of relative mobility were explored, reaching almost 37 per cent amongst men and 40 per cent amongst women, see Payne, G. and Payne, J. (1991) *The Social Mobility of Women*, Brighton: Falmer Press .

¹⁷¹ See Webster, et al., 2004.

is, enjoying reasonable health, living in an area which is safe and attractive to live in, enjoying a degree of employment stability and security, reasonable wages, the prospects of training and personal development and a consequent sense of investment in work place.

5.1.3 Training and education:

Headlines

Over the last 100 years, there has been a progressive movement towards credentialism as the education system has been charged with the task of accrediting and certifying the level of achievement of children, young people and adults. This has been led by the demand for more literate and numerate people in the workforce who have the confidence and skill to work flexibly, understand complex processes, make decisions, and to deal with colleagues and clients in a professional way. As society moves towards a more knowledge based economy, the requirement for educational and training is becoming essential for a much wider range of jobs while demand for unskilled manual labour is decreasing.

Discussion

Levels of educational performance in Tees Valley has been improving in recent years, as shown in Section 2 of this report, suggesting that there may be better prospects for a more highly qualified labour force in future. There remains much to be done to narrow the gap with other areas, although discussion of these issues is beyond the scope of this report. A more important area for discussion in the context of our general findings is the extent to which employers are prepared to invest in training in the future in order to build a more capable, highly motivated and enterprising work force.

The qualitative research which has been undertaken in this project has provided many insights into the reasons why training and skills development has been neglected in Tees Valley over the last few decades. It is evident that private sector businesses in Tees Valley are not geared up sufficiently well to anticipate skills demands. In some cases this is explicable because of the pace of change in the industry. This is especially so in creative industries and digital media. These industries are characterised by a high level of 'self-taught' skills development on the job, once core competencies have been learned (usually to graduate level).

Larger employers are generally more successful in planning for training needs. This is most likely to be the case in the public sector where there is a higher degree of continuity in work patterns and much of the work undertaken follows particular disciplinary routes. In health and social care, education, planning, environmental management, public administration and so on, there are well established routes to accreditation for staff. Larger industrial firms are also geared up for training at least at the level of establishing induction programmes and undertaking statutory training. Employer failure to engage in planning is particularly prevalent in smaller SMEs and micro-businesses.

The third sector approaches training in a relatively piecemeal way, often led by opportunities rather than by human resource strategy. The sector has

been able to access a good deal of free, subsidised or low cost training in recent years which has helped develop a more visible training ethos. That said, smaller organisations find it hard to release development workers for training if they are the principal or only paid employee.

Awareness of training opportunities varies across industrial sectors and by size of organisations. In the case of many manufacturing, engineering, food and drink and process industries there are established training routes and employers are generally well aware of these. SMEs across the board are less aware of training opportunities, or fail to see how they can afford to spare staff time in order to pursue training opportunities.

One weakness across all types of organisations, according to our qualitative data, is that management development training is under-valued. For many organisational leaders, a view prevails that training is for staff, not management. It is explicable that senior organisational staff identify organisational problems as originating amongst subordinates, but they may not always be correct in thinking this.

The extent to which the availability of training opportunities matches the needs of employers was discussed in depth in interviews. The prevailing view is that employers tended to work on relatively short horizons and wanted training to be delivered as and when they needed it. Consequently, many were thought to be disparaging about the fact that colleges, universities and in some case private providers worked on fairly rigid schedules.

While many employers are thought to desire a readily available flexible roll-on-roll-off approach to training, it is also evident that some were also keen to send their staff on training courses which closely fitted their companies' needs. In many cases this is possible, as in the case of statutory forms of training in, for example, social care, food handling, health and safety, and so on. But in relation to more complex tasks, there seemed to be an expectation that agencies should be able to provide bespoke packages of training according to our respondents.

Few employers have training plans, many allocate no funds for training budgets. Relatively few of the sub-region's larger employers have in-house training departments now. At the higher end of the skill spectrum, it is clear that there are now very low levels of provision of bursaries for prospective employees. Additionally, the establishment of sandwich course work experience has also fallen into decline. Similarly, there has been a progressive movement away from the apprenticeship system.

The reasons for this decline are complex and cannot be discussed here in great depth, but a number of key factors have emerged from our qualitative work:

- The over-supply of labour for the last 30 years in Tees Valley has given employers the opportunity to hire people who already have the capability to undertake the work they require.
- There has been a growing expectation amongst employers that training is not their responsibility, but that the public sector should provide this service. Complaints about the quality of school leavers / college students and graduates reflects this to some extent, suggesting that employers expect their employees to be 'work-ready' on their first day of employment.
- There is a raised expectation that if an employer invests in training, they are likely to lose much of this investment through labour turnover,

or through poaching by other companies that do not train. There is an element of circularity in this argument which justifies 'not training' and 'poaching'. The assumption that it is only worth training people 'for life' is misconceived in the current flexible employment environment where employers themselves shift priorities according to changes in market opportunities.

- The expense of training has been taken out of most employers budgets, and once this has been removed it becomes difficult to justify re-investment because of its immediate impact on the bottom line.

While employers regularly criticise colleges for being inflexible in their approach to training, it is less well recognised that it is difficult for colleges to take the risk of setting up bespoke training or flexible teaching arrangements if no guarantees could be had that employers were willing to commit long-term investment in such activity. Some employers are reported to argue that they should be funded by public money in order to backfill roles so that employees can attend training courses.

Many employers are reported to complain that funding from the public purse will decline as SSCs establish training agreements which must be partly funded by employers. In this sense employers feel that they are caught in a bind: on one hand they bemoan the loss of government encouragement to invest in training through, for example, training levies; but show resentment about government expectations that employers must contribute to the cost of training.

In sum, our data suggests a situation in which many employers are generally quite voluble about what they need, in training terms, but are not willing to invest in this either financially or in terms of staff time. Definitions of need, in turn, appear to be too narrowly defined and are situated in very short time-frames. There are, however, some signs of change in the attitudes of employers in some sectors. Generally this is led by a growing awareness of serious problems of labour supply. As noted in Section Four, this is particularly so in process industries where the average age of employees has increased. Similarly, in construction, where there are serious problems of labour supply there is evidence in some areas of consortia of employees collectively investing in training. This is being addressed through the introduction of the 'Train to Gain' programme nationally. Employers who participate receive free Skills for Life training and free first full Level 2 training for their staff. This was implemented through the 2005 Skills White Paper.¹⁷²

Reduced labour supply is not solely the responsibility of employers for not investing in training over the last few decades. On the contrary, there are other factors at play. Possibly the most important of these is changed career aspirations amongst young people whose attitudes towards particular types of work have shifted. This process starts young. Fewer school students now choose subjects which will later carry them into vocational trades or, in the case of academic choices, into science and engineering. It can be argued that this situation has been exacerbated to some extent by changing attitudes towards masculinity and femininity. Boys are now much less likely to associate with those occupations which once were valued as a source of positive masculinity. Manual work is less valued in the community than

¹⁷² DfES, (2005a) Getting on in Business, Getting on at Work, (Part 1) Cm 6483-I, HMSO; DfES, (2005b) Getting on in Business, Getting on at Work, (Part 3) Cm 6483-III, HMSO; For national information see <http://www.traintogain.gov.uk> and for regional information see <http://www.lsc.gov.uk/northumberland/Employer/Train+to+Gain.htm>.

was once the case, just as professional engineering careers have become a less attractive option to men. Similarly, many men now eschew work which takes them away from home for long periods or demands that they engage in shift work. This is due partly to changing attitudes towards the work/family balance, but more importantly, it is related to the fact that there are many more dual career households now and the logistics of allowing men to work away from home over long periods of time are less achievable and acceptable to men and women.¹⁷³ By the same token, women (especially if they are more highly educated) are less likely to marry and have children and are more likely to commit to employment careers. However, those occupations which have strongly established masculine associations remain unattractive to most women. Employers, arguably, need to rethink organisational cultures and practices if they hope to attract more women into those professions where severe labour shortages are likely to prevail.

Reduced labour supply is also closely associated with the prevalence of workless households in Tees Valley, as reported in Section Two of this report. There have been many interventions in the sub-region to tackle worklessness and reconnect people with the labour market. Many of these projects have focused on initial training or re-training and some have enjoyed reasonable success. There remain serious problems of connecting workless people with employment however.¹⁷⁴

¹⁷³ Chapman, T. (2004) *Gender and Domestic Life*: London: Palgrave.

¹⁷⁴ See the following, for recent analyses of the relationship between deprivation and routes to employment: Finn, D, and Simmonds, D. (2003); Arrowsmith, J. (2004); Ashworth, K., Hartfree, Y. and Stephenson, A. (2001) Sharf, T., Phillipson, C. and Smith, A.(2005); Woodfield, K. et al. (2004); Bradshaw, J. et al. (2004); Social Exclusion Unit (2004).

5.1.4 Transport

Headlines

Our research demonstrates that transport is integral to the success of Tees Valley. Analysis of commuting flows has shown that there is significant mobility between towns, especially (but by no means exclusively) by higher paid workers. Public transport can play a particularly important role in reducing congestion within towns. Proposed improvement of rail services to use heavy rail metro trams, we believe, will have a positive effect for visitors and locals in the sense that such a system would initiate a sense of ‘coming somewhere special’ rather than the current situation which presents a down-at-heel image of Tees Valley.

Discussion

In the summary of findings which follows, the importance of different forms of transport for Tees Valley are considered. Proposals have been submitted by Tees Valley Regeneration for the development of a heavy rail tram system across Tees Valley. The plans include the prospect of reducing travel times between Darlington and Saltburn to 40 minutes. It is also envisaged that new stations will be built along the line, to include, stops at the ‘blue-green heart’, James Cook Hospital, Middlehaven and improved station facilities at Durham Tees Valley Airport. Our analysis suggests that a rapid transport system would improve communication for higher-end skilled workers who are more accustomed to longer-distance travel to work and travel to leisure. Such a development would also enhance liveability in the sub-region by giving a ‘forward- looking’ impression for Tees Valley for new visitors to the area (the current rolling stock provides a very poor travel experience). An integrated transport strategy is important, but policy makers have to be realistic about low-skill workers’ enthusiasm for long-distance mobility.

The development of bus travel is particularly important for lower skill workers. This is due to the high proportion of households in Tees Valley without access to a car (rising to over 40 per cent in Middlesbrough). It is important to tackle this particular form of social exclusion which limits the opportunities of people from poorer households. A number of key sites of growing employment in Tees Valley do not have adequate services for potential employees – especially in locations which employ shift workers. Due to the commercial imperatives of private sector bus operators, it is unlikely that such services will be developed without subsidy. There may be some scope for Third Sector involvement in this respect by subsidising (by employers and local authorities) social enterprises which operate services in particular localities or across specific employment related routes.

It is likely that travel to work patterns will remain dominated by car travel. This is especially likely given the current preference of higher paid workers to live in areas which are relatively distant from their workplace and which are relatively poorly served by public transport. It is unlikely however that improved bus transport would encourage this constituency of employees to abandon their cars. There is, however, a particular problem of road congestion in Darlington which may threaten economic development. Plans to develop a cross town route and the potential for dualing the A66 Darlington by-pass may alleviate this problem. Proposals for a park-and-ride system have also been mooted, but at the time of writing it was not clear if a

feasibility study for such a scheme had been undertaken. It is unusual for a relatively small town to be operating such a scheme successfully given the relatively short travel distances involved.

Durham Tees Valley Airport is positioned as a significant economic driver for the sub-region with expectations that it may double its throughput of passengers over the next 10 years. A significant increase in its air freight operation is also expected together with associated business development in the immediate vicinity of the airport. The recent announcement of BMI Baby to withdraw its operation from Durham Tees Valley Airport appeared to be a significant short-term set back for planned development, but other airlines quickly seized the opportunity to operate regular flights from Teesside.

There is also potential to increase the level of mobility of students across Tees Valley if transport connections are improved. Significant capital investment in colleges over the last few years has led to the relocation of Darlington, Stockton Riverside (and soon Middlesbrough College to Middlehaven) so increasing the requirement of easy access by public transport. Efficient longer distance travel routes are essential if students are to access training at colleges designated with CoVE status or offering newly developing Foundation Degrees.¹⁷⁵

¹⁷⁵ DfES has existing policies to support transport for 16-19 year olds, see: <http://www.dfes.gov.uk/financialhelp/16-19transport/index.cfm> for further information. Some local colleges extend the policy to older learners depending on Learner Support Funding available (often these awards are means tested). The LSC can also supply pathfinder money to local authorities to help identify and fill gaps in post 16 transport provision, although the future of this funding stream is under question. Tees Valley has an Accessibility Partnership group which is seeking to address cross-borough issues in a more standardised way. There remain worries about the potential withdrawal of some buss routes by major providers on economic grounds which may put some strain on local authority and college transport funding. The Accessibility Partnership is currently working with TVJSU to identify if there is a correlation between availability of public transport and learner participation in an area.

5.1.5 The marketplace

Headlines

Industrial sectors in any local area are subject to fluctuations in the market for their products or services. Volatility in markets can be produced by a very wide range of factors including: labour costs, costs of raw materials and energy, consumer behaviour, legislative change, technological change, labour relations, logistical disruption and political conditions, amongst other things. Above all of these factors is the impact of competition on the market, either at a local, national or global level. Market volatility has increased with globalism as employers seek new locations to gain competitive advantage. But positive local conditions are often dependent upon the success of other markets. For example, the success of the Teesside steel industry and much of the base product output from process industries are dependent upon Far Eastern and Chinese market demand.

Discussion

Given the complexity of the market, it is difficult to arrive with confidence at summary points on how Tees Valley will develop in the future. It is possible to make some very general observations on where the sub-region's strengths lie, and to state how the leaders in the area can work together to consolidate these strengths and build a more prosperous future.

- Recognise the value to the sub-region as a whole of those industrial sectors (particularly process industries, steelmaking, energy and renewables) which work at a global level. The workforce in these industries is not limited to the local authorities within which they operate. It is therefore necessary to invest in the preparation of the labour force across the *whole* sub-region to maintain and increase the economic momentum of these industries even if the footprint of that industry is relatively slight in some boroughs.
- It is important for the public sector to recognise that it has more potential to stimulate the market. Procurement with local firms in the sub-region is an important mechanism by which local authorities and other agencies can re-invest funds in the area. Encouraging procurement officers to recognise the triple bottom line (that is, social, economic and environmental impacts of investment) is an important step forward if the region is to benefit from multiplier effects of local-investment.
- Some areas of the business community work closely together in order to maximise the advantages of cooperation and integrated activity in economic terms, which in turn can have beneficial spin-offs for the environment and communities. But cooperation, according to our qualitative data, is patchy. Business needs to strengthen its communities of practice both within and across industrial sectors in order to maximise the extent of local procurement.
- Tees Valley business leaders are not as confident as they should be about their future.¹⁷⁶ Recent evidence suggests that in some sectors, businesses

¹⁷⁶ PACEC (2006) Mapping Business Growth in Tees Valley, Report to Business Link Tees Valley.

turn away work due to lack of capacity rather than engaging in the development of their workforce. Workforce skill development and raising the quality of the job offer are integral to economic success.

- It is important that business leaders from across sectors recognise and capitalise upon the potential of investment in new areas of activity for their own business growth. Creative industries and digital media, for example, may not become major employers in numerical terms, but if they operate in areas where business density in general is increasing, and there is a sense that things are 'happening' in the market, they may impact strongly on the ability of the sub-region to retain emergent businesses in the area.
- The marketplace does not just affect private sector work. Our evidence suggests that there is considerable potential to develop third sector activity in some areas. Social enterprise has the potential to be a bigger player in Tees Valley if local authorities become more prepared to offer procurement opportunities to the sector. While there is presently a general lack understanding and mutual trust between the third sector and public sector, there are some signs that there is an increased willingness to work more closely together in some boroughs.¹⁷⁷ The value to the market of social enterprise is that it provides routes to employment and the development of business confidence in more deprived areas and may have some potential to divert people from activity in the informal economy.¹⁷⁸

5.1.6 The policy environment

Headlines

Our evidence suggests a strong political will across the boroughs to retain and build upon individual towns' real sense of local identity, but not at the cost of losing the opportunity for the development of the city region as a whole. Small town culture is what people in Tees Valley seem to want in their day-to-day lives, but they want very high quality city-scale culture, work, leisure and shopping to be available to them when they want it. It is not a contradiction to state that it is possible to have both – providing that boroughs build on their community strengths locally but invest sub-regionally in city-scale quality core activities.

Discussion

Tees Valley Vision is an over-arching discussion on how the sub-region should develop over the next ten years. Stockton-Middlesbrough Initiative, similarly, has provided a clear and ambitious focus for the development of the core of the city region. Following this, a Tees Valley City Region business plan has been developed – while still only in draft, this strategy has again moved the debate forward – arguing strongly for radical change and strong leadership to make tough decisions about the sub-region.

¹⁷⁷ Chapman, et al. (2004) Towards a strategy for social enterprise in Tees Valley, Middlesbrough. Social Futures Institute.

¹⁷⁸ See Stockton-Middlesbrough Local Enterprise Growth Initiative submission.

Underlying these strategic reports are several layers of analytical work within and across the local authorities. Some authorities have developed clear economic strategies, or are in the process of doing so. Each local authority has now produced a Local Area Agreement, within which, a plan is outlined to achieve the ambitions of its community strategy. In some cases, an employment strategy has been written in order to tie together the strands between economic and community development plans. Spatial strategies have been prepared across the boroughs in order to devise plans for land use, remediation of industrial land, connectivity and environmental improvements. And as noted, each Local Strategic Partnership has devised a Community Strategy which outline future plans for improving health, community safety, housing and environment, whilst also proposing ways of tackling worklessness.

Tees Valley Living is in the process of developing a design strategy for housing renewal. This in turn is based on a long period of strategic planning to tackle housing market failure in a number of areas. Tees Valley Regenerations' flagship projects have been devised to inject a new impetus into economic development through its investments in Central Park at Darlington, North Shore at Stockton, Middlehaven at Middlesbrough and Coastal Arc which runs between Hartlepool and Redcar and Cleveland. The LSC, Connexions, Job Centre Plus and Business Link Tees Valley have also all been instrumental in supporting these developments. Additionally, they are generating their own strategies to tackle problems within Tees Valley in order to establish a more positive outlook for the area.

However clear Tees Valley becomes in defining its own ambitions for the future, it is the case that policy will be strongly affected by decisions which are made at regional, national and international levels. While it is not possible to predict how these political futures will pan out, it is clear that external interference will be an endemic feature of the local policy environment. The strategic policy environment in Tees Valley has shifted significantly in the last few years. This is a consequence of government intervention, leading to reorganisation and refocusing of, for example, Connexions, Job Centre Plus, Business Link, the LSC, together with the development of Local Area Agreements, reorganisation of the RDA – and now, the refocusing of the role and activities of Government Office for the North East.

Locally generated strategic plans are inevitably affected by externally imposed policy transformations; however, such change can bring benefits to the sub-region if their implementation can be tailored at least partially to meet locally generated long-term strategic objectives. What our qualitative data suggests, however, is that leaders in the sub-region and its component authorities need to be careful not to grasp at every funding opportunity which becomes available just because it is there.

It has been argued by most of the people we have talked to that in the past Tees Valley has made some serious developmental mistakes by accepting inadequate funds to affect second best solutions. These have been second best solutions for two main reasons. Firstly, under-funded programmes put intense pressure on the agencies which have to deliver them – and as a consequence, key staff and even their leaders lose their sense of strategic direction. In some circles this is known as 'initiative overload', or 'initiative fatigue'. The danger of initiative overload is clear – agencies try to achieve too many things at once and then become less able to define what is working best, or worse, which parts of their activity are actually working in the opposite direction of their principal objectives.

Secondly, accepting second-best solutions undermines the development of a sense of local pride which Tees Valley deserves to gain. Part of the problem which underlies this is that five authorities are in competition for finite funds, and because they have traditionally worked independently on many issues, the impact of funding is watered down. This is not necessarily a fault of local authority leaders, but is a consequence of the way that funding streams are packaged. Taking the Neighbourhood Renewal Fund as an example, it is clear that a huge amount of energy has been devoted to the allocation of these funds across four of the five boroughs by Local Strategic Partnerships. And the outcome of much of the work which has been done has undoubtedly helped many areas. The question is, if the five LSPs had worked together with the same strategic objectives in mind, and had they worked together to build a degree of consistency into their practice, would time have been saved and would the impact have been more effective? This is an open question, however, our view is that the benefits would have been much more significant. The same point may also apply to the generation of individual LAAs across Tees Valley, so wasting an opportunity to develop more connected strategic development across boroughs. There seems to be some recognition in government that a higher level of negotiation across boroughs may be beneficial in the recently published White Paper on local government. Here, the notion of developing Multi-Level Agreements (MLA) is mooted to allow for the provision of shared outcomes.¹⁷⁹

There is a growing realisation in the sub-region that working together on projects will maximise the impact of spend. The recent LEGI submission by Stockton-on-Tees and Middlesbrough is a case in point – the bid relates closely to the ambitions of the SMI and City Region strategy. Within the bid there are clear statements on how the plan could be rolled out to rest of the sub-region if successful

Our qualitative research suggests strongly that there is significant competition between the local authorities. But the policy and political environment is improving through the work of Tees Valley Partnership and its development of a city region strategy. The broad view is that Tees Valley as a whole *is* more than just five boroughs. It is generally agreed that the development of very high quality flagship projects in the core of the region must be achieved in order to provide a centripetal focus for Tees Valley.

One of the most important conclusions which we have drawn from this research is that Tees Valley needs to recognise and understand that its constituent towns and local cultures are a source of strength, not weakness. These different cultural identities are deeply embedded in the local psyche and are the basis of local pride in place. Within this position of strength there is a potential weakness – that is when local leaders accept second best for their own locality because they want to take a part in everything, rather than focusing on what they can be best at.

If Tees Valley is to develop a city region, it is necessary for local authorities to build on their strengths rather than attempt to do everything. The prize is high, of course, because the area can then achieve high quality city-scale objectives across the region which will stem the current centrifugal flow of people out of the area to seek high quality leisure, shopping and work.

The consequences for the labour market of such an environment would be significant because the sub-region would become more accustomed to investing

¹⁷⁹ DCLG (2006) Strong and Prosperous Communities, Vol. 1.

strategically in itself, rather than relying too heavily on inward investment to resolve its problems.

5.1.7 Labour migration

Headlines

Geographical mobility of the labour force can produce positive or negative effects for local labour markets. When an area loses its most skilled workers to other areas and cannot easily replace them, the capacity of the labour market to maintain or develop certain activities is broken. Outward labour migration is led mainly by the existence of a better job offer in other areas, but can also be affected by liveability factors in the local area or in the area to which people wish to move. Inward labour migration is primarily led by high labour demand that cannot be met in the local area either because of full employment or because the local labour force is not prepared to accept the conditions of the employers job offer. Local wages can be further depressed if there is high demand for work from migrant workers.

Discussion

Out-migration from Tees Valley has reduced to some extent in recent years, although there is evidence of a good deal of internal migration in residential terms between boroughs. One oft-quoted problem in Tees Valley is the extent of graduate migration. Our qualitative research has produced very mixed views on this issue however. A minority of respondents emphasised the importance of improving liveability and the job offer in Tees Valley in order to keep home-grown graduates working in the area. By home-grown, most respondents appeared to mean those people who studied in Tees Valley at one of the two local universities – but especially at the University of Teesside. The predominant view was, however, that it is unreasonable to expect graduates to stay (or if they were born here to return) once they had completed their studies. This did not suggest implicit criticism of Tees Valley so much as a feeling that geographical movement amongst graduates was both necessary and advantageous to them personally in terms of their self development. For these respondents, it is not the point to encourage our own graduates to come back, so much as to provide the right environment for *any* graduates to want to come and live and work in Tees Valley.

The most important factor in achieving this is creating the right job offer for graduates. Liveability is also thought to be important. We detected a strong view that Tees Valley's relatively small-town identity was unlikely to be very attractive to younger graduates compared with areas with a stronger city culture such as Manchester, Newcastle or Leeds. The key issue for Tees Valley appears to be the lack of density of up-market leisure opportunities in any one area, although there are odd pockets of this in, for example, Yarm. This situation cannot easily be remedied given the demographic structure of the area.

The prospects for mid-life graduate migration are more clearly identified and here the relatively small town culture of Tees Valley seemed to be beneficial. Many respondents emphasised the advantages for families of living in Tees Valley and we heard many anecdotal examples of return migration or first-time migration into the area. It is important to note, however, that migration of these more highly

skilled workers into the area is dependent on a different liveability offer to young people. Schools, family leisure, residential quality and community safety and so forth are more important factors. It should also be stressed that in-migration of highly skilled knowledge workers has to be considered from a sub-regional perspective. Quantitative data and qualitative analysis indicates strongly that inward migrants are unlikely to live in the areas where they work. Many live outside of the sub-region in Teesdale, County Durham and North Yorkshire towns and villages, and as far way as York, Durham and Newcastle. This has important consequences for liveability in towns if there is a nightly exodus from the area. Improving the liveability offer in Tees Valley, especially through the development of high quality city scale attractions remains a key priority.

Migrant workers from new European accession states are quite numerous in the North East. One recent government study suggests that there are currently 40,765 migrant workers in the North East.¹⁸⁰ The vast majority of migrants come from Poland (264,560) followed by the Baltic States (82,390) and 84,145 from the remaining accession states (Czech Republic, Slovakia, Hungary and Slovenia). Migrants from the eight accession states are generally young people (43 per cent are aged 18-24, and 39 per cent aged between 25 and 34), 58 per cent of whom are men. According to national estimates migrants are primarily employed in the following industries:

- process operatives in factories (25,215)
- warehouse operatives (25,215)
- packers (24,130)
- kitchen and catering assistants (24,090)
- cleaners, domestic staff (20,430)
- farm workers (18,105)
- waiters, waitresses (15,840)
- hotel maids (13,835)
- care assistants (12,610)
- sales and retail assistants (10,535)
- builders, labourers (10,525)

The stay of the majority of migrants is thought to be relatively short. About a half stay for less than two years and less than 10 per cent remain over four years.¹⁸¹

The extent of migrant labour in Tees Valley is currently unclear. There has been one wide ranging study of migration into the North East and its impact on the regional economy from which useful insights can be drawn.¹⁸² This study emphasises a number of potential advantages to the region, the most important is the potential to improve levels of entrepreneurship if migrants remain in the region, and secondly the benefits to be gained from retaining more high skilled workers. The report emphasises in particular, the extent of 'brain waste' amongst migrants in the region who are highly education but are undertaking relatively routine work. The report also alerts policy makers to the problems of poor levels of integration in the public sector when dealing with issues surrounding migration. In particular, there is a need to enhance opportunities for language teaching and providing decent housing solutions for migrant workers. There is some evidence of negative local

¹⁸⁰ Home Office figures, reported in The Guardian's Immigration Report, August 23rd 2006.

¹⁸¹ *ibid*, such data are obviously not entirely reliable as entry from accession states is a recent phenomenon.

¹⁸² Pillai, R. (2006) Destination North East: harnessing the regional potential of migration: London: IPPR

reaction to migrant workers which is based on assertions that migrants are taking jobs from local people or driving down wages.¹⁸³

Our qualitative research has provided some insights into the key areas of activity amongst migrant workers in the sub-region. Much of the work undertaken seems to be concentrated in the logistics industry (mainly warehouse operatives and HGV drivers), tourism and hospitality, food and drink production and in construction. The indications are that most activity is currently focused in Darlington, Middlesbrough and Hartlepool.

For the most part, respondents considered that inward migration from accession states was more likely to be advantageous to the sub-region. For example, a strong emphasis was placed on migrants undertaking unpopular work which was shunned by local people. It is also evident, however, that much of this work is very low paid and involves unsociable hours (for example parts of the social care sector). There is emerging evidence that some employers use contracting firms to take on migrant workers on zero hours contracts. This is beneficial to firms in the sense that they only pay for work when it needs to be done. However, there are some clear indications that such work effectively excludes people who are on benefits (particularly Invalidity Benefit) as they cannot afford to make such short term shifts from benefit to work. Our evidence suggests that most migrant labour is taken on as a stop-gap for employers. But there is some concern that employers may routinise the use of migrants to avoid establishing full-time positions which are more attractive to local people who are currently on benefits.

The final group of migrant workers to consider is asylum seekers and refugees (ASRs). There are no studies available on ASRs across Tees Valley at present, but one study of Middlesbrough has produced some insights into their levels of skills and the likelihood that people will commit to the area if they gain indefinite leave to remain in the UK.¹⁸⁴ This research suggested that a third of people had worked in business prior to moving to the UK, that 19 per cent of people who had vocational qualifications had worked in the professions and that 40 per cent had intermediate level vocational qualifications. In terms of previous work experience, 29 per cent were professionals, 48 per cent were intermediate skill workers and the remainder were semi-skilled or unskilled. Many asylum seekers had engaged in further training or education whilst in the UK and were eager to begin work once they had gained leave to remain. Many asylum seekers had endured some hostility from local people¹⁸⁵, but 74 per cent of them wished to remain in the town and build new lives there: 78 per cent of whom believed that they could achieve their aspirations.

In sum, our analytical work suggests that in broad terms there are more benefits to be gained from inward migration than disadvantages. Whilst recognising that in-migration may have some initially negative impacts in terms of community cohesion, the energy and enterprising nature of migrants is likely to have important long-term benefits in terms of business growth and filling skill gaps. It is important to recognise, however, that employers may undermine efforts to tackle worklessness if the use of contract workers becomes embedded in business practice. And further, there are dangers that assumptions about workless people 'not wanting to work' may be reproduced if the job offer is undermined by the use of migrant workers.

¹⁸³ See Webster et al. 2004, op cit.

¹⁸⁴ Chapman and Neil (2004) op cit.

¹⁸⁵ See also, Webster, et al (2005) *A Better Place to Live? An evaluation of Middlesbrough's Community Cohesion Pathfinder*, Middlesbrough, Social Futures Institute.

5.1.8 Cultural Inertia

Headlines

Cultural inertia is not necessarily a negative factor or one which is found only in areas with serious social and economic challenges,¹⁸⁶ but it can become so when an area starts to expect that it is second best or that ‘nothing works’ when trying to tackle local issues. Cultural inertia is not limited to poorer communities where the people who live there have more difficulty identifying ways of improving their lives by their own means (and therefore become heavily dependent on others to support them). It also relates to the activities of policy makers and opinion formers who possibly expect or accept ‘second best’ development opportunities too readily. It is a notion that problems have become insurmountable and that the only way forward is to use ‘sticking plaster’ to keep issues under control.

Discussion

The industrial base which was established in the North East over the last two centuries has had an impact on the region in some positive, but also some negative ways.¹⁸⁷ One important factor in the cultural make up of the region is the historic reliance of the economy upon a small number of large employers. This has created a strong cultural dependency on employment rather than enterprise. This is particularly so in Tees Valley with its dependence on employers in sectors such as manufacturing, process industries, steel-making and shipbuilding.

With significant levels of industrial restructuring from the late 1970s, there has also been a growing trend for the public sector to lead on physical and economic developments. Our qualitative evidence supports the view that when combined, these factors can deter the development of a strong enterprise culture in Tees Valley because of a public perception that building the economy is the responsibility of big business, government or local councils.

When asked about cultural inertia, our respondents felt there had been a shift away from a reliance on a small number of large employers to provide the majority of employment. This was viewed as a positive shift. It was also agreed that a shift in strategic emphasis away from dependence on large international companies moving into the area to ‘solve’ employment problems was a welcome development. It is recognised, as a consequence, that this strategic perspective has placed an increased reliance on SMEs to provide employment opportunities and ensure skills development.

Respondents felt that more must be done by existing companies to up-skill its existing workforce. It was suggested that local businesses seek to employ low skill workers because of a tolerance of low wages on behalf of employees within the sub-region. This is a cycle that needs to be broken if companies are to overcome problems of high labour turnover and lack of aspiration amongst their employees.

Much locally based business lacks confidence and ambition in Tees Valley according to respondents. There is, on the one hand, too much expectation of the

¹⁸⁶ Wealthy areas can exhibit signs of cultural inertia as they refuse change or development for fear of undermining their own privileged position.

¹⁸⁷ For a useful review of the literature, see Tomaney (2006) North East England: a brief economic history, paper delivered to NERIP conference 6th September – available from john.tomaney@ncl.ac.uk.

public sector to identify skills needs and then to deliver them, whilst on the other hand employers complain that public sector definitions and decisions about appropriate skills needs are often rejected as inadequate. This leads the local business community into circular arguments about the pointlessness of engaging in work requiring higher levels of skill because they feel that labour market is inadequately trained.

A small minority of respondents believe that the perceived poor image of Tees Valley dissuades employers from investing in the sub-region. However, those respondents more closely involved with economic development were clear in their view that employers are not unduly affected by issues surrounding liveability. Instead, their focus was on the availability of business premises, connectivity, skills and labour cost, the existence of adequate supply chains and so on. Liveability was regarded as being the 'icing on the cake' for potential employers. In a sense, the over emphasis on the perceived poor image of Tees Valley could become something of a self-fulfilling prophecy and contribute to the negative aspects of local cultural inertia.

The role of the public sector was considered as fundamental in attracting inward investment and stimulating home-grown development. That said, it was felt by some respondents that when opportunities did arise, the public sector was not quick enough to act on them. This was thought to be especially so in the case of stimulating growth of the existing business stock. Complaints about the slowness of processing of planning applications from local business was considered to be a particular blockage to development.

A key issue which respondents felt faced public sector involvement in local economic development is the propensity of local authorities to aim too low in its ambitions. A part of the problem, our data suggest, is that in its attempt to tackle long-term problems associated with worklessness, deprivation and economic restructuring, authorities tapped into too many EU and government funding streams, so leaving the authority over-stretched in staffing terms and a sense of 'intervention fatigue'. Much discussion focused on the raft of initiatives that have operated in Tees Valley over the last twenty years with limited evidence of success. This in turn reinforces a negative mentality amongst policy makers and practitioners that 'nothing works'.

Respondents illustrated this point by stating that the public sector had taken it on itself to solve too many issues and needed to step back from some areas of activity. Having a much clearer focus on where to invest in the future, it was felt, would be more fruitful than a current tendency to use 'sticking plasters' to cover up problems. In relation to tackling social exclusion in particular, our evidence suggests a lack of confidence in the outcomes of many supply side interventions, and instead points to a more selective investment in areas of activity which will stimulate business growth.

5.1.9 Social Exclusion

Headlines

The potential for individuals to improve their lives is too limited in Tees Valley. While the experience of social exclusion is not exclusive to this area, the density of the problem has the potential to undermine the confidence of communities and neighbourhoods. Being socially excluded does not mean that people living in deprived communities do not share the aspirations of people in more affluent areas. It is more a case of their pathways to greater social and economic stability being blocked by structural, cultural and personal factors.

Discussion

Social exclusion is a reality for all regions within the UK. Where Tees Valley differs is its intensity as shown in Section Two and Section Three of this report. The prevalence of social exclusion often leads to a skewed perception of the area as a whole. Furthermore, its pervasiveness over time, in spite of many attempts to tackle social exclusion, lends weight to a commonly held view that this is a problem which cannot be resolved.

For the key stakeholders interviewed in this study, tackling social exclusion remains a priority but many questioned the salience and success of previous schemes. A common assertion was that previous policies had amounted to little more than keeping the lid on the problem, rather than tackling the root causes of the issue. This 'sticking plaster' perspective was evidenced by some respondents when they adopted a critical perspective on the large number of well-meaning but failed regeneration schemes in the 1980s. In the field of housing, in particular, it was felt that some of the internal improvements had been helpful, but, that 'fancification' of estates had done little more than decorate areas – quite literally papering over the cracks of social problems.

There was a general consensus that schemes in the 1990s had been more focused in their orientation and had attempted to target the root causes of social exclusion more effectively. Improvements had been identified in educational performance and in community safety. But many respondents remained sceptical of the long-term success of regeneration schemes and pointed to the tendency of their initiators to 'cherry pick' successful outcomes. The reality, it was argued, is that most areas were subject to multiple interventions which collectively produced remarkably little improvement in key areas of multiple deprivation such as health, worklessness and some aspects of crime (particularly drugs use).

In relation to the issue of worklessness, respondents maintained that interventions could only work if there were clearly identifiable routes into employment. There was a genuine belief that most people did want to work if they had the opportunity, but that they would not do so unless wages were significantly higher than their current household benefits.

Respondents focused on the following priority target groups:

- Older workers. Respondents felt that new legislation will help to tackle this group and more support for Incapacity Benefit claimants is now in place. It was also felt that there was some evidence of success but the law of diminishing returns impacted heavily. This is especially

so amongst some men receiving Incapacity Benefit who they believed had more or less given up on the project of work.

- Thirties-to-forties – Respondents felt that this group were particularly vulnerable to becoming registered Incapacity Benefit claimants but there was an opportunity, if they were caught early enough to prevent this happening. It was felt that there was a need to make sure a new generation didn't follow on from examples set by their parents, relatives, peers, etc.
- Women – Respondents felt that women's wages in general were lower than men's because of their concentration in particular forms of work or sectors. Improvements were identified for better educated women in some sectors. But in deprived communities this was not the case. Married women in workless households were therefore further discouraged from entering the labour market due to the risk of significant benefit loss to the whole household.
- Black and Minority Ethnic groups - BME groups are relatively small in Tees Valley compared with other city regions of comparable size As a consequence, policy initiatives have tended not to focus closely on their situation.¹⁸⁸ Respondents recognised that within the largest BME community in Middlesbrough, there was some evidence of successful community based support. The community, it was argued, managed to offset some of the problems of worklessness through its strong entrepreneurial culture. However, there remained significant cultural barriers to women making transitions into the workplace.
- Mental health – Respondents felt that mental health issues were closely associated with the condition of worklessness. Lack of work, it was argued, led to loss of routine, a sense of self-reliance and self discipline, reduced social and community connectedness and resulted in a significant diminution of confidence. While it was recognised that mental health problems were not necessarily caused by worklessness, the condition of being out of work could exacerbate such problems. It was also recognised that worklessness could compound other health problems as people adopted sedentary life styles.
- Young men - respondents recognised that many conventional routes into employment for young men had been eroded over the last thirty years. Conventional routes into work in the most socially excluded areas have been effectively severed by industrial restructuring. Former routes into work, especially for young men, were achieved through family or neighbourhood connections, and in the mind of the community, these pathways to work were still valued. But the large employers who were prepared to take on large numbers of employees through such connections are now largely gone.¹⁸⁹ The consequence of these changes

¹⁸⁸ There are some significant interventions such as Stockton-on-Tees' International Family Centre, Middlesbrough's Community Cohesion Pathfinder (now complete) and Middlesbrough Council's Asylum Team, together with significant involvement and support by the third sector, particularly through the activity of BECON.

¹⁸⁹ For a detailed analysis of social exclusion amongst young people, see MacDonald and Marsh (2004), and Webster, et al (2004).

is that young men can become caught in a cycle of worklessness, training schemes and poor quality work with few prospects, poor pay and low levels of security.

- Young women – Routes into employment for young women were judged mainly to be in the service sector or in routine unskilled manual work in manufacturing. High levels of teenage conception was regarded as a significant barrier to young women making positive life choices in terms of training and employment. However, the prevalence of teenage pregnancy and early motherhood was not viewed in a wholly negative way. Some respondents recognised that young women become pregnant in order to help them find a place in society – to acquire a clearer sense of identity. But that the outcome of this can be poverty, poor health, and a reproduction of the cycle of deprivation for their children.

To reiterate our respondents' key point, in conclusion, worklessness in households was reproduced primarily by the lack of availability of clear routes into reasonably paid and secure employment which could benefit whole households. While it was accepted that recipients of benefits could be driven into training programmes, the value of such interventions were limited if the likelihood of positive work outcomes could not be clearly identified.

6. What needs to be done and who should do what?

This concluding section brings together many of the strands of analysis which have been explored in this report by focusing on three simply stated priorities for the future if employment opportunities and the skills base in Tees Valley is to improve.

The three areas for strategic focus are all closely integrated and are underpinned by an understanding of a range of thematic issues, as discussed in the previous section. These themes are:

- **Building positive aspirations**
- **Improving the employment offer**
- **Improving liveability**

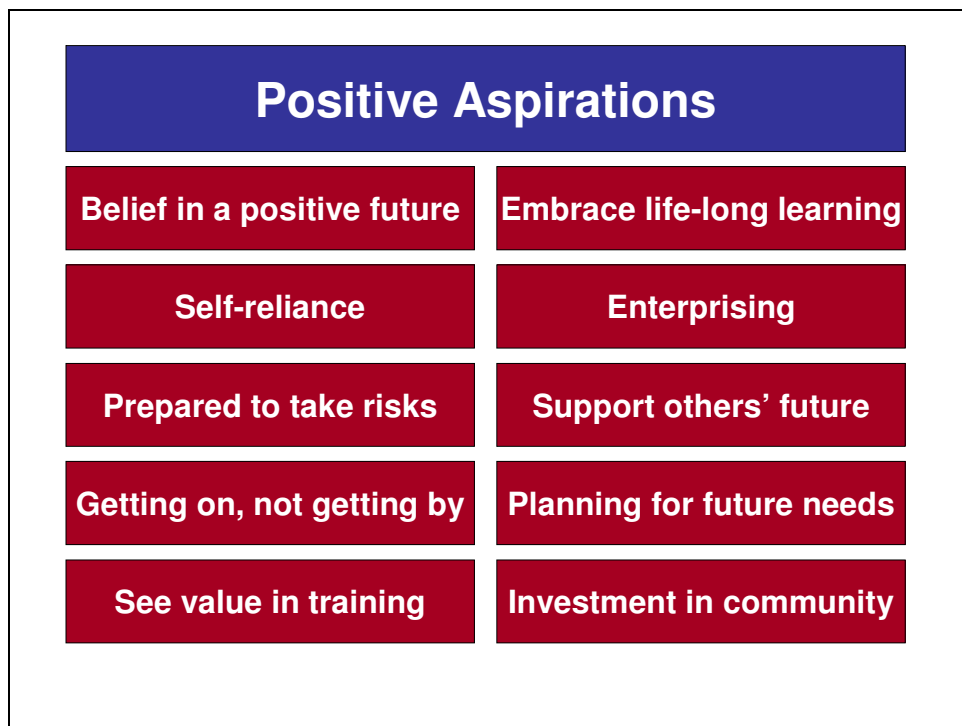
In relation to each of these issues, we discuss those factors which need to be addressed to achieve a more positive economic outlook for Tees Valley. In so doing, however, we also look at the other side of the coin and examine what the consequences may be of the failure of Tees Valley to respond to such issues.

Following this analysis, we move on to make recommendations on what the public sector, private sector and third sector should do to secure a sustainable local economy and, by definition, improve labour market conditions. In so doing, we do not overlook the responsibilities of the citizens of Tees Valley as a whole.

Ultimately, it is individuals who must act on the opportunities which are made available to them.

6.1 Positive aspirations

Figure 6.1.1 Key features of positive aspirations



Headlines

Building positive aspirations does not necessarily refer to particularistic ambitions (such as upward social mobility through the career structure), but rather, a more general belief in a positive future. Being positive about the future tends to help people to be more self-reliant when they make choices, to have the confidence to take risks and to see that they have the prospects of getting on in their lives (which may be to achieve good relationships with a spouse and children and live in a reasonably comfortable and secure spatial and economic environment). People with positive aspirations are more likely to look at the next steps in life and feel able to value education and training, be enterprising at home and work, and through such activities find ways of achieving their longer term plans. Often, people with positive aspirations seek to support others and thereby invest in their community too.

Discussion

We argue that the development of positive aspirations is essential if Tees Valley is to realise its potential economically, culturally and socially in the next 20 years. Achieving success is a complex process. There have been many interventions over the last 20 years to affect change, especially in multiply deprived areas, but progress has often been slow. Figure 6.1.2 shows which key factors would, like as not, contribute to a continuation of the current situation, these are:

- **social exclusion:** which serves to block routes to new opportunities and also reproduces churn between worklessness and low pay and low skill work;

- **employment offer:** if low pay remains prevalent, there will remain few routes from deprivation for many households or the reproduction of deprivation if migrant workers are employed to further depress wages;
- **cultural inertia:** is the expectation that Tees Valley's labour market has certain characteristics which cannot be tackled *because* of the poor employment offer and social exclusion;
- **policy environment:** if reforms to the benefits system, the education and training offer, and action by the third sector fail to motivate people to move from benefit dependency into work.

The consequences of failure to tackle low aspirations are gloomy, as Figure 6.1.2 shows, including:

- the continued prevalence of low levels of **enterprise** (and perhaps the encouragement of more activity in the grey economy);
- structural and cultural blocks to **social mobility**, and thereby reproducing the density of deprivation in some areas;
- a failure of young people and later learners to recognise the advantages of **training and education** because they cannot identify routes to secure and well paid work;
- increased inward **labour migration** by Eastern European workers, which may depress wages further, but more importantly, encourage employers to further decrease the value of the job offer to attract local workers.

A more positive picture is presented in Figure 6.1.3 that identifies those factors which may help to create a more positive future for Tees Valley. These are:

- A stronger focus on **training and education** to raise aspirations and to meet the sectoral needs of growing industries which promise to deliver higher GVA
- Improve the **employment offer** to improve recruitment, retention and motivation of employees
- The prospect of reducing the balance of inward and outward **migration** of graduates due to employers moving into areas of activity requiring higher level skills
- Improving **liveability** to help retain home-grown graduates and attract others to come to Tees Valley, increasing the density of high calibre jobs and thereby raising other individuals' aspirations

The consequences of such investment in aspirations could be: increased enterprise, social mobility and improved liveability, all of which would help to reproduce a positive environment for new business development. On the basis that success breeds success, the policy environment may also become more aspirational.

Figure 6.1.2 Factors influencing lower aspirations

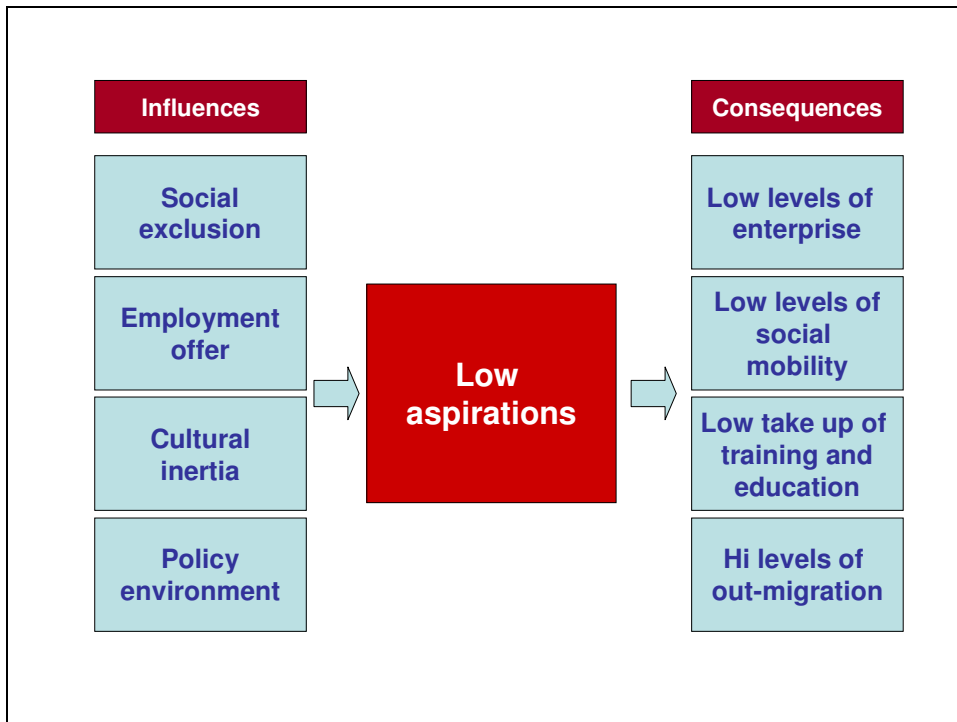
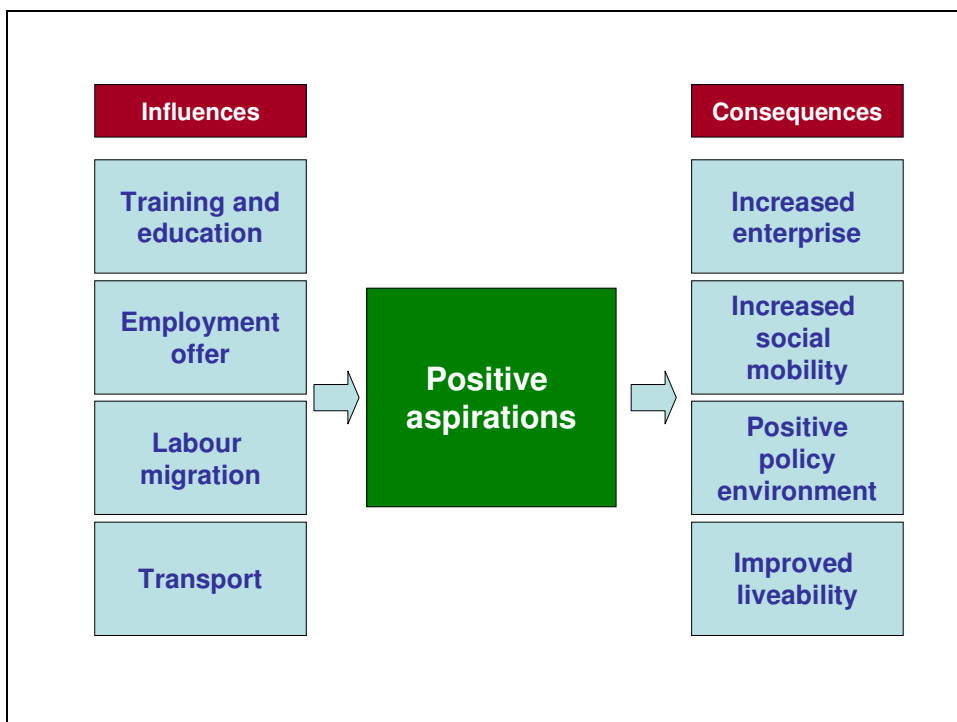


Figure 6.1.3

Factors influencing higher aspirations



6.2 The employment offer

Figure 6.2.1 Key features of the employment offer



Headlines

Because employers work in a competitive arena, it is not surprising that they generally demand much from their employees whilst attempting to limit, as far as possible, their wages bill. Pay is a key consideration for employees in gauging whether the effort bargain is worthwhile and in an open employment market, employers have to respond to demands for higher wages where labour supply is short and when it takes time to get people to the right skill levels. The level of support the state offers to people who live in workless households, similarly, impacts on individual motivation to take jobs which offer pay at or only a little above benefit levels. The employment offer is not just about pay, however. Instead, it embraces many other factors including: job security, working conditions, training opportunities, and the prospects for self-actualisation, professional development and career advancement. Interpersonal relationships at work are important too, including the quality of organisational culture, the extent to which employees feel that they participate in decision making and the level of trust which is perceived between employer and employee. If labour supply is short, then employers who fail to meet the expectations of employees find that vacancies become hard to fill and turnover will be high. When labour supply is plentiful (during periods of high unemployment), employers can pay less attention to employee needs – but this can be a perilous step if they do not attend, in particular, to training new staff to replace older workers or keep existing staff positively motivated

Discussion

We begin with the premise that there is little point in raising aspirations in Tees Valley if there are insufficient jobs of quality for people to aspire to. As noted above, it is accepted that companies operating in the sub-region cannot be expected to operate employment policies which are detrimental to their economic sustainability and profitability. However, the evidence which has been reviewed strongly suggests that if employers invested in their workforce this would pay dividends in the sense that employees would be better skilled, motivated, aspirational and entrepreneurial, amongst other things. The consequences would be higher levels of productivity, reduced turnover and fewer disciplinary and sickness problems.

Figure 6.2.2 illustrates the consequences for employers and the sub-region of maintaining current levels of poor investment in the job offer.

- **Cultural inertia** will remain prevalent because employees or potential employees will not expect to be properly remunerated or valued in their work roles, and employers will continue to argue that the local labour force is poorly motivated at work, or unwilling to work at all.
- **Training and education** will not be valued as fewer people will recognise the benefits of pursuing qualifications if they feel that this will not lead to appropriate work. Employers, similarly, will continue to fail to invest in training because they believe that trained employees will simply leave the company to work somewhere where the job offer is better
- The **policy environment**, especially surrounding benefit payments at present dissuades many people from returning to work either because the financial advantages are too limited (because wages are low) or that people are unable to work because of the contractual arrangements employers impose put people off because they fear that they will lose benefits
- The **market** currently favours the establishment of companies which pay low wages because the area is perceived as a low-wage economy with insufficient numbers of highly-skilled and well-motivated workers.

The consequences of these negative values are the maintenance of **cultural inertia** – in the sense that many workless people continue to choose not to work (even though they express a desire to do so) and employers see no point in moving into areas of activity where they would recruit higher paid or higher skill people. These factors, in turn, **lower aspirations**, increase **outward mobility** as people seek better jobs elsewhere, and damage people's perceptions about the **liveability** of the area.

Challenging this situation requires:

- both employers and employees to **raise aspirations** more or less at the same time to break the cycle of cultural inertia. This is a tall order and will require investment of energy by the public sector, private sector and the third sector to change mindsets,
- encouragement of employers, employees and potential employees to invest in their development through higher levels of take up in **education and training**

- **increased social mobility** will result from a general improvement in the job offer as more people are able to break out of the cycle of churn between poor work and worklessness,
- raised aspirations, increased training and education and opportunities for social mobility would collectively contribute to improved **liveability** as communities came to enjoy higher levels of economic security.

We are under no illusions about the difficulties of producing these kinds of improvements in tandem. But we think it is vital to recognise the advantages of attacking different issues at the same time rather than reproducing a sense that one thing cannot be achieved unless everything else is in place first.

Figure 6.2.2 Factors influencing a weak employment offer

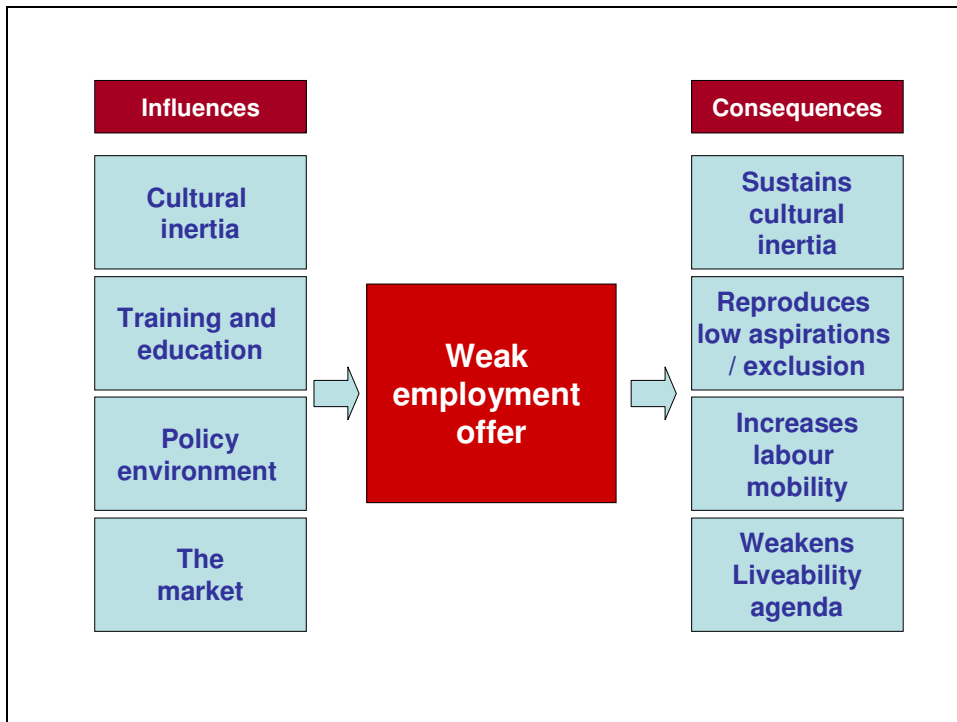
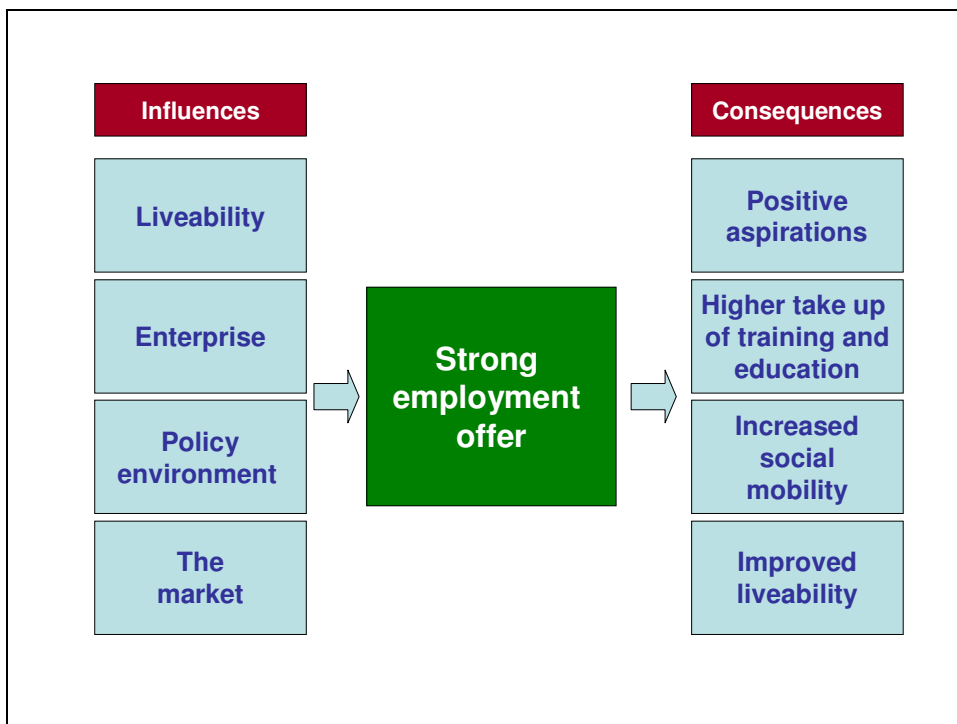
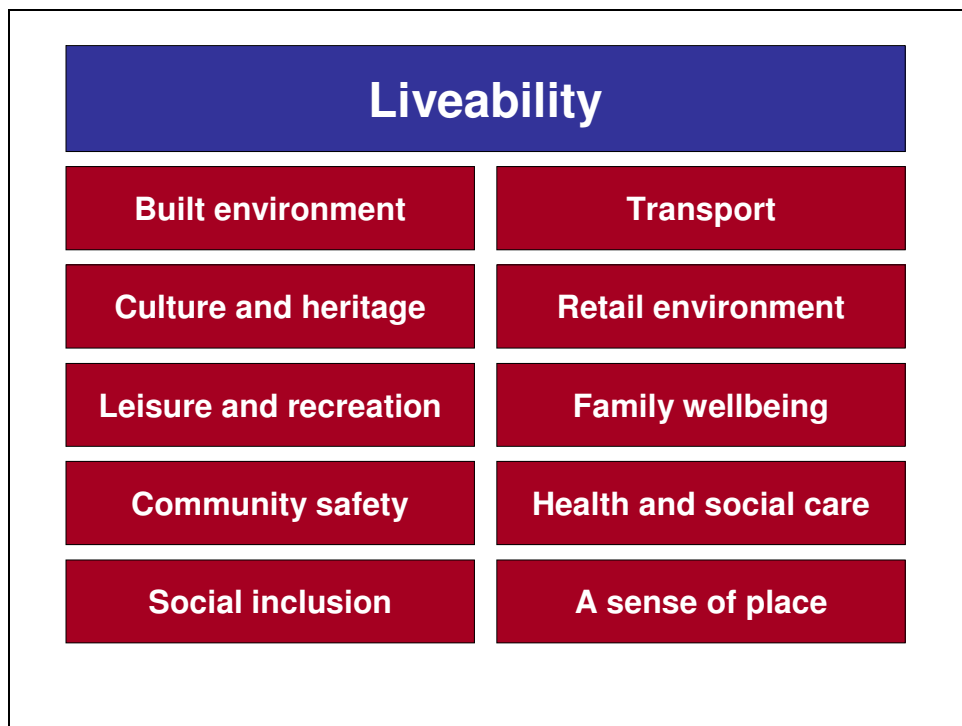


Figure 6.2.3 Factors influencing a stronger employment offer



6.3 Liveability

Figure 6.3.1 Key features of liveability



Headlines

Liveability is a measure of the extent to which people in an area feel a strong sense of well-being. This may be reinforced by the quality of the built environment; availability of good quality road and public transport; leisure and recreation opportunities; local cultural and heritage; the retail offer; community safety; health and wellbeing, amongst others. In addition to this, liveability can be defined in less tangible terms, such as the extent to which an area has 'a sense of place' to which people can relate. Similarly, issues such as a sense of family wellbeing are important: that is, that people experience a degree of intergenerational connectedness which helps to provide emotional, practical and economic support – that the whole family is able to get on in the world, rather than just getting by.

Discussion

As has already been noted, liveability is a multi-faceted concept which embraces the need for improvements in transportation, the built environment, the retailing offer, leisure and recreation, community safety, social inclusion, public health and a common belief in a 'sense of place' where family wellbeing can be achieved.

A weakened sense of liveability is produced when:

- the extent of **social exclusion** produces patterns of social behaviour which weakens community safety, a sense of place and a sense of family wellbeing,
- if there is a poor **employment offer** then people come to believe that they have no prospects in the area and either leave the area or begin to settle into a culture of 'getting by', rather than 'getting on',

- these factors reproduce a sense that nothing can be done to make a change in the area, and so deepen a sense of negative **cultural inertia**,
- the **policy environment** can reinforce, albeit unwittingly, a loss of faith in a sense of place by accepting second best opportunities for development on the grounds that anything will help – when in reality – poor development can worsen liveability,

The consequences of these inter-related factors for the future are **outward migration**, a failure to increase a sense that the area is **enterprising** and changing and will result in further deterioration in the **market** and **lower aspirations** further.

Building a stronger sense of liveability in the area therefore requires that:

- a sufficiently strong employment offer to help build aspirations and increase confidence in the community
- appropriate training and education opportunities to provide for skills needs and to raise aspirations
- the development of realistic and positive aspirations for individuals, families and communities in Tees Valley amongst key policy makers, professionals and practitioners
- the policy environment is developed to encourage employers to build the skills base through training.

The consequences of improving liveability could be increased confidence in the **market**, so producing increased economic activity. Increasing social investment in the area as confidence improves, thereby reducing **out migration** and increasing the level of enterprising activity, and thus, challenging and tackling the current prevalence of **social exclusion**.

Figure 6.3.2 Factors reproducing poor liveability

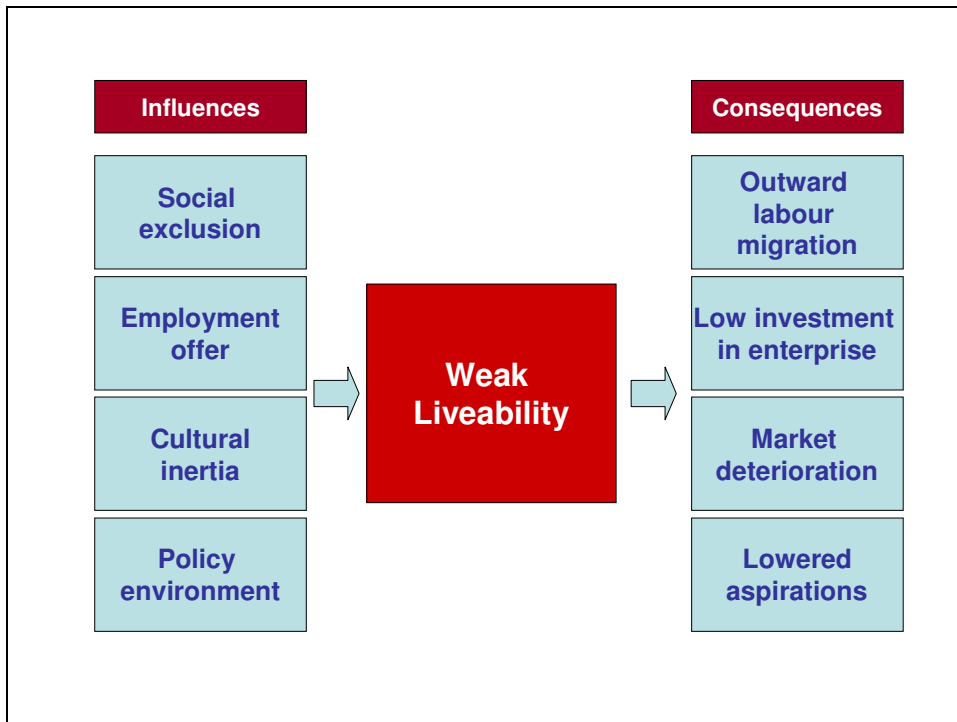
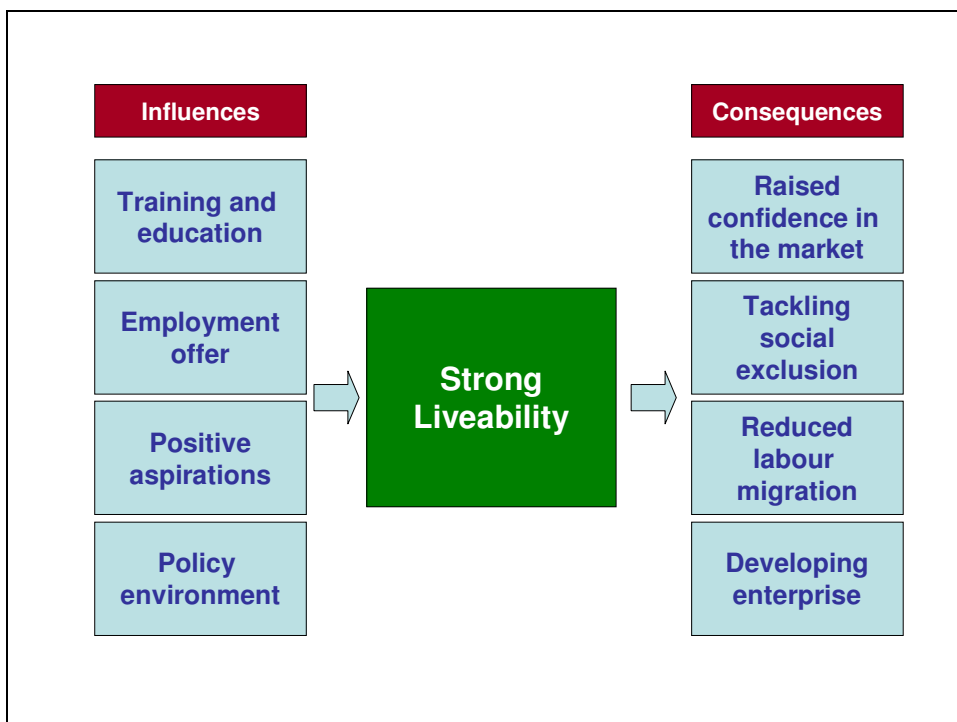


Figure 6.3.3 Factors influencing improved liveability



6.4 Summary: what needs to be done?

Coming to conclusions on what *needs* to be done, as has been shown in the above section, is quite a complex matter. However, it has been possible to draw together a number of inter-related and inter-dependent themes which must be tackled if Tees Valley is to up-skill and move forward to a more prosperous and positive future.

It must also be accepted that identifying what needs to be done (however complex that process might be) is rather more straight forward than actually achieving objectives. Much time has been spent in this report explaining what these barriers to change are. It is a useful exercise, however, to state what would make a difference – even if, as we will discuss in the final part of this section of the report, achieving objectives is going to be a difficult task.

Below, we provide a list of the key priorities for the development of the economy in Tees Valley. 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’.

6.5 Who should do what?

This is the section where we pull together our arguments on who is best placed to *deliver* a better future for Tees Valley.

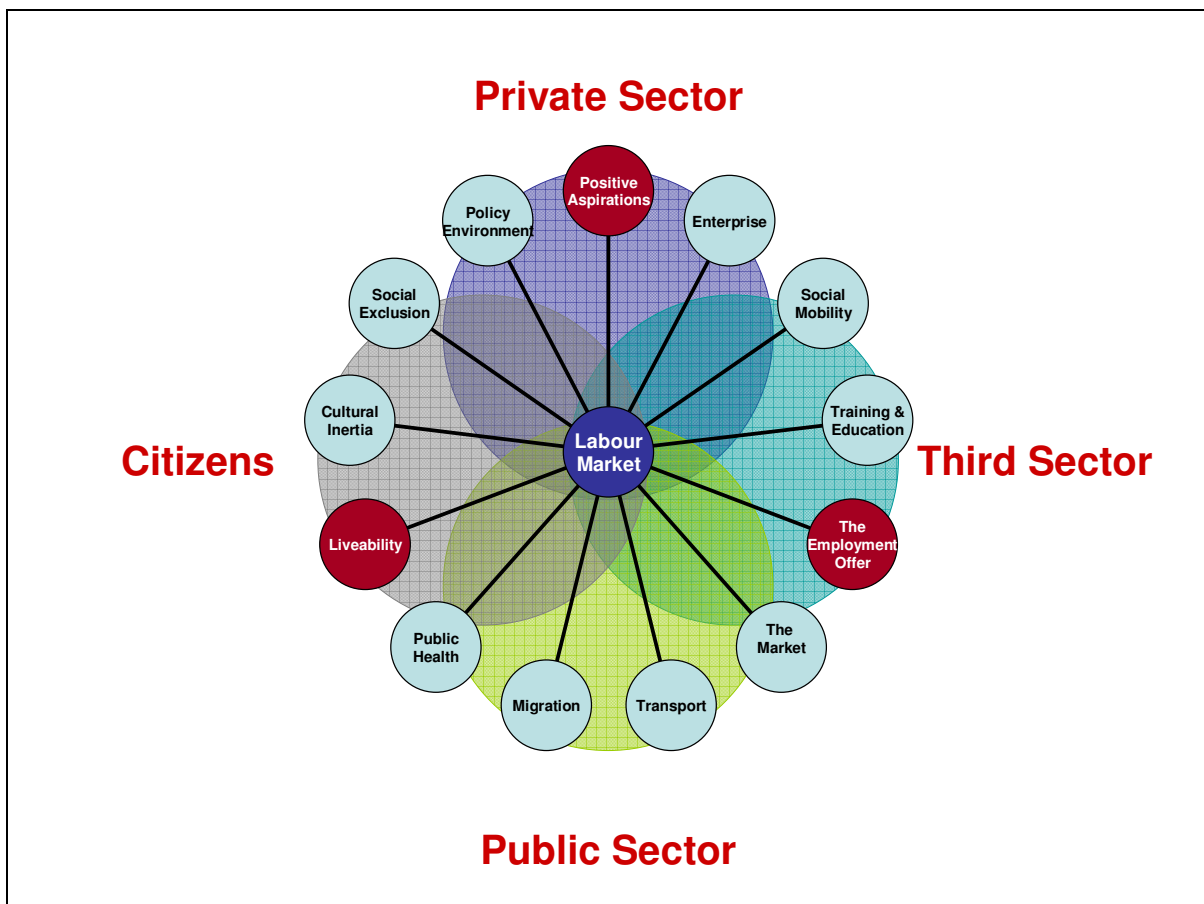
Our key recommendations, to summarise, focus on three principal objectives: **building positive aspirations**, **improving liveability**, and **improving the job offer** in Tees Valley.

In this final part of the report, we reflect on the role of the following groups in effecting a better future for Tees Valley:

- the people who live here,
- the public sector
- the private sector
- the third sector

Each of these constituencies have a vital role to play in developing Tees Valley. But none of them 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 such a strategy and take a lead in making sure that its objectives achieved.

Figure 6.5.1 Who should do what to build a better future for Tees Valley?



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 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 vice-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.

It is worth restating our three key points here:

- there is no realistic prospect of achieving a skills strategy for Tees Valley without the decisive action of an executive group to take the lead and to lead the way, and;
- skills development is too complex an issue to be reduced to one over-arching strategy: instead it must be thematically focused to tackle a whole range of issues at the same time;
- a middle-range approach to a skills strategy must operate in tandem with a big picture economic strategy for Tees Valley as a whole to ensure that its individual parts do not work against each other and undermine overall development.

It is necessary to make the simple but important point that *everyone* is responsible for change and everyone is important in helping achieve that. That said, 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,
- As we have argued in this report, 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.

6.4.1 The people who live here

Cultural inertia has played a major part in the poor performance of Tees Valley in economic terms over the last 30 years. This has operated at all levels: in multiply deprived communities, amongst public sector officers, Members in local authorities, educators and within the business community.

Cultural inertia is a product of a backward looking rather than forward looking mentality. This is not to say that an understanding of historical antecedents should not be understood and respected. On the contrary, as we have repeatedly noted, it is vital to understand how Tees Valley sees itself and what it values.

It is possible to move forward without riding a coach and horses through established value systems. But it is vital to see that real progress can be made over time by investing fully in top-quality interventions. Having five boroughs does not mean that we must water down all our opportunities by having five of everything.

The seeds of success are already in place as sub-region wide organisations invest in new clusters of high quality activity across Tees Valley. And hopefully, people will invest more of their time and money here, and they will develop more positive aspirations as a consequence.

We do not think that poor aspirations are a significant problem for Tees Valley. We found little evidence that people, even in the most deprived communities, have given up hope for a better future. The gap between aspirations and realistic routes into decent employment to achieve them is still wide.

People cannot be expected to embrace training, positive attitudes and believe in their communities until the job offer is improved.

6.4.2 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 (using LM3)¹⁹⁰ or what we might call the triple bottom line: social, environmental and economic return on investment;
- 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

6.4.3 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.

¹⁹⁰ LM3 is a tool to inform public, private and third sector organisations of the impact of investment in the community. More information on the multiplier effect of local investment can be found at this web address: http://www.neweconomics.org/gen/tools_lm3.aspx..

- 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.

6.4.4 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.
- Raising 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.

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<http://www.ssda.org.uk/> (Information on SSC's including weblinks to individual SSC's) (ongoing access)

8. Appendices

8.1 Methods

This research project used three approaches for the collection of data which allowed for detailed analysis of key themes and issues relating to the sub-region. These approaches were:

- Desk based research
- Data analysis
- Qualitative interviews and focus groups with key stakeholders

8.1.1 Desk based research

This involved a comprehensive investigation of existing policy documentation, strategic plans and research reports relating to the economy, labour market and skills development at national, regional and sub-regional levels (see Section Seven for full list of documentation).

This element of the research process enabled familiarisation with key documentation in order to get a complete picture of issues and themes facing the sub-region and also an understanding of planned developments relating to the labour market and skills development. This approach also enabled the research team to analyse the strategic direction for the sub-region and draw out key areas of concern/opportunity in relation to anticipated labour market changes, skills deficits, amongst other things.

All recommendations made in this report are done so in the context of documentation included as part of this research process.

8.2.2 Data analysis

A range of data sources have been considered during the research process. Data sources have included (but are not limited) to the following:

- Tees Valley Joint Strategy Unit publications
- Office of National Statistics (ONS)
- NOMIS
- Annual Business Inquiry (ABI) data, through the 'Working Futures 2004-2014' dataset (WIER 2005)
- National Employer Skills Survey (NESS) 2005 dataset
- National Employer Skills Survey (NESS) 2004 main report
- National Employer Skills Survey (NESS) 2003 main report

Data quality reduces significantly as analysis proceeds from national, through regional and sub-regional levels to individual boroughs. In the case of ONS/JSU/NOMIS, this is due to confidentiality requirements because of the small sample size at the borough level.

The NESS (2005) dataset, although reliable and robust at national and regional levels, is not however robust at local level. This is mainly due to the effects of weighting upon small cell values which gives rise to increasing errors. Additionally, using two different weightings can give rise to noticeable discrepancies in the data. At the sub-regional and local authority level, it is quite possible for the number of firms in an SSC to vary by 10 per cent depending on the weighting used.

The WIER (2005) and NESS (2005) datasets conduct data collection and analysis at the SSC level. This gives rise to difficulties for sub-sector analysis within SSC. None of the SSCs considered in this report have public access to reliable up-to-date data on employee numbers and demographics at either regional or sub-regional level. In terms of the latter, there is extremely little (if any) current data available relating to specific SIC identifiable skills shortages within the sectors considered.

In the process of examining each of the industries it has been necessary to bear in mind a number of important caveats.

- For mechanical engineering, it is not possible to disaggregate data related to SEMTA and provide a specific focus upon mechanical engineering alone from either WIER (2005), NESS (2005) or SSC information.
- For civil engineering it is not possible to disaggregate data from SEMTA, SummitSkills or ConstructionSkills to focus on this aspect of the trade alone. This applies to all the data sources indicated above.
- For construction (not including civil engineering) it is not possible to disaggregate data related to the ConstructionSkills SSC and provide a focus on this area of the sector without including civil engineering data within the findings from either WIER (2005), NESS (2005) or SSC information.
- For digital media, it is not possible to disaggregate the data from Skillset SSC to provide a focus on this specific area of the sector without including data from the remaining areas of the SSC as contained in either WIER (2005) or NESS (2005).
- For Financial and Business Services (including contact centres) data relating to two separate SSCs have to be interrogated. The data relating to contact centres cannot be disaggregated from that for the remaining e-skills coverage (including Information Technology and telecommunications industries) whilst data relating to the remaining areas of financial and business services is derived from the Financial Services Skills Council.
- For the renewables sector, it is not possible to dis-aggregate data from the Energy and Utility SSC to give a focus on this sub-sector. This applies to data sources from WIER (2005) and NESS (2005).
- Public Sector (Local Authority) information should be regarded as indicative only in the broadest sense when it is derived from WIER (2005) and NESS (2005). This occupational grouping is spread across two differing SSCs (Financial and Business Services and Asset Skills.) It is therefore not possible to disaggregate the data to give accurate results.

When examining data from *Working Futures 2004-2014* (WIER, 2005) (based upon the *Annual Business Inquiry*) the caveat within the dataset should be borne in mind, that it is recommended that any published data involving less than 10,000 individuals and any unpublished data involving less than 1,000 individuals should not be used due to the margins of error involved in data collation. Such data has been included within the background analysis of this report to test the reliability of other evidence sources we have interrogated. That said, we have accepted that it is unwise to present these analyses in this published report as margins of error may be significant.

8.2.3 Qualitative Interviews and Focus Groups

A structured questionnaire (see below) was designed by the research team and agreed with the LSC. The questionnaire was comprehensive in its coverage of relevant topics and issues facing Tees Valley. In addition, it was designed in such a way to enhance our understanding of key processes and developments, and to assist us assess the political scope for the success of significant strategic developments across the sub-region.

Interviews also enabled the research team to discuss with key informants the policy implications of changing skills supply and demand across the sub-region over the next 10-15 years. It was never the intention of the research to produce comparable data across the whole Tees Valley, as would be the case in a quantitative survey. Instead, the purpose of the interviews were, firstly, to test the resilience of the findings the research team had made from their analysis of research reports, quantitative data and policy analysis; and secondly, to discuss the implications of findings for policy development over the next few years.

Qualitative interviews were carried out with key stakeholders representing the following organisations:

- Business Link Tees Valley
- Community Campus 87'
- Community Ventures Ltd.
- Connexions
- Darlington Borough Council
- Government Office North East
- Hartlepool Borough Council
- Job Centre Plus
- Middlesbrough Council
- North East Chamber of Commerce
- Northern Arts
- One NorthEast
- Redcar and Cleveland Borough Council
- Regional Skills Partnership
- Skills North East
- Stockton-on-Tees Borough Council
- Tees Valley Partnership

- Tees Valley Regeneration

Policy Seminars were held with key stakeholders that would allow the research team to test the findings of the research and to gauge the possibilities for policy development and strategic action over the next few years. Three seminars were organised, one in Middlesbrough, the second in Darlington and the third in Hartlepool. The content of each was as follows:

SEMINAR ONE - Barriers to social mobility

The following issues were debated in the context of policy to tackle barriers to labour market development:

- How to improve access the labour market for workless people
- How to help people break out of the lowest level skill occupations into higher skilled work
- If members of intermediate skill groups are best placed to enter into their own businesses, how can they be energised and supported to do so
- How to tackle the relatively slow growth of higher skilled occupations in order to retain routes for social mobility within the sub-region

SEMINAR TWO - Reducing the skills deficit

The following issues were debated in the context of policy to tackle barriers to labour market development:

- How to tackle employability issues for priority groups (*including NEET young people, lone parents, invalidity benefit claimants, disabled people, older workers (aged 50+), asylum seekers and refugees*)
- How can employers be encouraged to accurately define skills needs in the short, medium and longer term
- How should colleges, universities and private training providers be incentivised to deliver training and education to meet skills needs in a responsive and flexible way
- How can the link between relatively low aspirations in the sub-region and the prevalence of relatively low paid / low skill work with limited prospects for advancement or job security be broken
- How can employers be encouraged to strategically plan for and invest in future training

SEMINAR THREE - Improving liveability, raising aspirations

The following issues were debated in the context of policy to tackle barriers to labour market development:

- How can the sub-region present positive images of itself to potential employer's given that there are significant areas of deprivation in Tees Valley?
- How can embedded cultural attitudes about the importance of 'industrial work' for the Tees Valley be broken down to encourage more people to work in other sectors?

- The importance of 'leadership' and 'civic responsibility' in contributing towards the raising of aspirations and entrepreneurship across all social groups is generally accepted as a truism, but what can be done to achieve it?
- How can liveability issues be tackled to reverse patterns of out-migration of graduates and professionals
- How can the sub-region address the under-representation and underperformance of some Black and Minority Ethnic (BME) groups, women and some groups of young men in the labour market

The following organisations booked a place at one or more of these seminars

- Age Concern 50 Plus
- Arts Council
- Centre for Urban and Regional Development Studies
- Church's Regional Commission
- Darlington Borough Council
- Employers' Coalition
- Five Lamps
- Future Matters
- Joint Strategy Unit
- Middlesbrough Council
- North Star Housing
- Northumberland Information Network
- One NorthEast
- Redcar and Cleveland Voluntary Development Agency
- Renew Tees Valley
- Tees Valley Living
- Tribal Group

8.2.4 Interview schedule

A. SUB-REGIONAL ISSUES

1. The regional economic strategy puts significant emphasis on raising levels of GVA. Where are the best opportunities to achieve this across the Tees Valley?
2. How successful do you expect the sub-region can become in developing an integrated strategy for labour market development in the next 10-15 years?
3. To what extent does competition between boroughs enhance or detract from the development of a buoyant economy in the Tees Valley?
4. How effective do you expect key sub-regional strategic initiatives to be in raising demand for high skilled workforce in the Tees Valley / Boroughs?
5. Which sectors do you think will make the biggest impact on the development of the labour market in Tees Valley / Boroughs over the next 10-15 years?
6. Are there any sectors which you feel have considerable potential for development in the Tees Valley / Boroughs which have not been identified by the Tees Valley Vision or the RES?
7. Which sectors are most vulnerable to decline in the Tees Valley / Boroughs over the next 10-15 years?
8. The presumed prevalence of 'cultural inertia' (*that is, relying on large industrial employers to maintain the local economy, or an over reliance on the public sector to lead development*) in the sub-region is often cited as a reason why new employers fail to invest in the Tees Valley. Is this true? If so, how can we tackle this issue over the next 10-15 years?

B. SKILLS DEVELOPMENT

9. Government has put significant emphasis on employers to take a lead in defining future skills needs. What kinds of opportunities / challenges exist for employers in this respect?
10. Are employers sufficiently aware of training opportunities available to them in the Tees Valley? Does provision meet their needs?
11. Universities, Colleges, and private sector providers are expected to respond to changing employer needs. How effective are they now, and what do they need to do to be more responsive?
12. Entrepreneurship is underdeveloped across the Tees Valley at present, what kind of support should the sub-region invests in to build individuals business confidence at these three levels?
 - (a) Highest skilled workers
(senior managers / professionals)
 - (b) Intermediate skilled workers
(skilled manual workers, higher skilled technical workers)
 - (c) Elementary skilled workers
(semi-skilled or unskilled service or process workers)

C. LABOUR MARKET ISSUES

13. The Regional Economic Strategy recognises that motivating, empowering, and raising aspirations across the whole of the workforce is essential if upskilling is to be achieved. Whose responsibility is this?

14. The Tees Valley as a whole is characterised by its relatively low-pay economy (which produces a high level of 'churn' within the lower skill end of the labour market / and from workless households to low skill jobs). How can this be addressed?
15. What impact does graduate migration, and the relatively low take up of higher education in the sub-region, has on the local labour market? How do you think this problem could be addressed?
16. Many employers report significant skill shortages in the sub-region but have doubts about the motivation of the local population to up-skill to take advantage of these opportunities. How might this issue be best addressed?
17. Many employers claim to be increasingly reliant on migrant workers to fill skill / labour gaps from new accession states (especially in *construction, logistics and distribution*). Is this a problem or an opportunity for the sub-region?
18. Some sectors in the Tees Valley are characterised by gender segregation in the workforce. Do you think this issue needs to be addressed strategically in the sub-region? (for example, *chemicals, construction and engineering* are heavily male dominated; *health, social care, retailing, tourism and hospitality* are female dominated).
19. There is emerging evidence of under-employment of ethnic minorities in the sub-region, how might this issue be addressed to benefit the sub-region?
20. How should the sub-region support the labour market participation of older workers in the Tees Valley?
21. Employers report that they have an ageing workforce due to under investment of skills over the last 10-20 years – what should be done to tackle the skills deficit amongst younger people?
22. How important is it to develop an integrated transport strategy across the Tees Valley to ensure a fluid labour force?

E. LIVEABILITY ISSUES

23. How important are 'liveability' issues for the development of the labour market in Tees Valley? (that is: raising the quality of life by developing an attractive built environment, ensuring that we develop sustainable communities which are characterised by a vibrant, tolerant and inclusive culture; a sustainable housing market; accessibility to high quality schools, public services, health services, etc.)
24. What liveability factors encourage in-migration (and return-migration) to the sub-region now? How might in-migration be further encouraged?
25. What liveability factors may encourage inward investment (or avoid outward investment) by employers in the sub-region?
26. How important is the development of the 'cultural' infrastructure (that is: theatres, public art, community art, festivals, etc.) across the Tees Valley to improve liveability?
27. What role does the 'third sector' have to play in the development of sustainable and inclusive communities and a motivated and aspirational workforce?
28. How important are public health issues for the development of the labour market?

8.2 Key Policy Drivers

In this appendix, key objectives and actions from the following policy documents are summarised.

- 14 – 19 Education and Skills (White Paper) (2005)
- Every Child Matters (Green Paper) (2003)
- Further Education: Raising Skills, Improving Life Chances (White Paper) (2006)
- Getting on in Business, Getting on at Work (White Paper) (2005)
- Regional Spatial Strategy for the North East Consultation Draft (2004)
- Realising the Potential: A Review of the Future Role of Further Education Colleges (The Foster Report) (2005)
- Skills in the UK: The Long Term Challenge (The Leitch Report – Interim) (2005)
- Youth Matters (Green Paper) (2005)
- Strong and Prosperous Communities (Local Government White Paper) (2006)

8.2.1 14-19 Education and Skills (White Paper 2005)¹⁹¹

Issues

- Too many young people leave the education system without functional skills in literacy and numeracy.
- Too many young people are unable to gain, or remain in employment through the lack of appropriate basic skills.
- Numbers in education or training post 16 are too low.
- Too many young people between 16-19 are NEET.
- The most able young people are not fully 'stretched.'

Actions

- Introduce a pilot Entry to Employment (E2E) programme for young people at risk of disaffection/ disengagement pre-16.
- 'Stretch' to be in place by additional 'harder' supplementary questions in A Level examinations.
- Work experience to be enhanced through employer collaboration.
- Training under the NETP will be delivered flexibly including in the workplace.
- The quality and number of employer-based training places in Apprenticeships will be increased.
- Apprenticeships will be brought within the Diploma framework.
- GCSE's and A Levels will continue alongside the Diploma framework.
- Employers will have a major say in the design of the new 14-19 Diploma system through the SSCs.
- It will not be possible to gain a Level 2 in the new diplomas without also having English and Mathematics at this level.
- Support schools and colleges to ensure young people take qualifications when they are ready not according to their age.
- The new diplomas will provide an alternate route for young people to HE.
- Free training will be provided up to NVQ Level 3 to age 25 if it is a first qualification at this level.
- Free training will be provided for NVQ Level 2 qualifications (equivalent to 5 GCSE's A*-C.)
- Qualification reform to reduce the number of post 16 vocational qualifications.

¹⁹¹ DfES (2005c) 14-19 Education and Skills, CM 6476, London: HMSO,

8.2.2 Every Child Matters (Green Paper 2003)¹⁹²

Issues

- Services do not always meet the needs of individual young people.
- Inter-agency working is not always as effective as it could be resulting in increased economic costs and risk to children.
- Truancy is a persistent problem within the education sector.
- Too many 16-18 year old young people are not in education, employment or training.
- Educational attainment of 'looked-after' young people remains too low.
- Too many children are in low-income households compared to other countries.
- The gap in achievement between children of different socio-economic backgrounds is too high compared to other countries.
- Too many children are the victims of crime compared to other countries.
- Children should not be prevented by economic disadvantage from achieving their full potential in life.
- Children should be enabled to live a healthy lifestyle.
- Children should be protected from harm or neglect.
- Children should be able to act as active citizens within the community.
- Children should be able to get the most from life and develop the necessary skills for adulthood.

Actions

- Children's Trusts will be established within Local Authorities to co-ordinate service provision.
- Identified 'lead professional' for each child who accesses more than one specialist agency.
- Sure Start Children's Centres will be introduced in each of the 20 per cent most deprived neighbourhoods.
- The establishment of 'Extended Schools' for early morning and early evening educational and social; provision.
- Increased investment in Child and Adolescent Mental Health Services (CAMHS)
- Improved speech and language therapy.
- Improvement to Homelessness services for families with children.
- Reform to the youth justice system.
- Creation of a SSC for Children and Young People's Services.

DfES (2003) Every Child Matters, Cm 5860, London: HMSO.

8.2.3 Further Education: Raising Skills, Improving Life Chances. (White Paper 2006)¹⁹³

Issues

- The proportion of young people in education and training is low. The UK is placed 24/29 of developed economies.
- The UK is behind France and Germany in the proportion of young people at NVQ Level 3 by age 25.
- The number of adults without NVQ Level 2 skills for productive, sustained employment is too low. The UK is placed 17/30 countries.
- Changes to the 14-19 curriculum will address these issues but FE colleges need to adapt to meet these changes.
- Some employers do not place an adequate value on staff training.

Actions

- The FE sector focus should be on employability and progression of learners to deliver the skills needs of the individual and the economy.
- The economic purpose is to be the central role of FE. The equipping of young people and adults with the skills, competences and qualifications employers require.
- Every FE provider will develop one or more areas of specialist excellence. Expansions of CoVE's will be central to this.
- The National Skills Academies programme will be extended.
- The Sixth Form College sector will be promoted and expanded.
- Colleges role in HE provision will be expanded where access to HE institutions is limited.
- Free training will be provided up to NVQ Level 3 to age 25 if it is a first qualification at this level.
- Free training will be provided for NVQ Level 2 qualifications for all who do not possess these qualifications.
- 'Train to Gain' will be implemented for employers. (Training delivered in workplace.)
- National 'brokerage' system to be introduced for training provision.
- Qualification reform to reduce the number of post 16 qualifications available in FE.
- Monitoring of 14-19 curriculum reform implementation.

¹⁹³ Department for Education and Skills (2006) Further Education: Raising Skills Improving Life Chances, Cm 6768, HMSO.

8.2.4 Getting on in Business, Getting on at Work (Skills White Paper 2005)¹⁹⁴

Issues

- Proportion of young people in education and training is too low.
- The number of adults without basic skills in literacy, language and numeracy is too low.
- Too many adults do not have the wider skills and qualifications to support sustained, productive employment.
- There are too many communities with high concentrations of low skilled adults.
- The UK workforce needs to be highly skilled to compete in the high-value added marketplace at the global level.
- There is the risk of developing a 'low skills equilibrium' where employers do not feel the need to train staff.
- An aging workforce is resulting in a loss of skills to employers which cannot be replaced by a smaller flower of better skilled young people.

Actions

- Regional Skills Partnerships will drive regional economic development.
- National 'brokerage' system to be introduced for training provision.
- The National Employer Training Programme will give employers control over training offered to employees.
- Training under the NETP will be delivered flexibly including in the workplace.
- The training system will be reformed so it is driven by employer and individuals needs and aspirations.
- Employers will have a greater role in vocational qualification content and design through SSCs.
- Free training will be provided up to NVQ Level 3 to age 25 if it is a first qualification at this level.
- Free training will be provided for NVQ Level 2 qualifications (equivalent to 5 GCSE's A*-C.)
- Qualification reform to reduce the number of post 16 vocational qualifications.

¹⁹⁴ DfES (2005a) Getting on in Business, Getting on at Work' CM 6483-I, London: HMSO.

8.2.5 Regional Spatial Strategy for the North East Consultation Draft: View: Shaping the North East (2004)¹⁹⁵

Issues

- The common theme across different strategies for the North East is to reduce the economic and social disparities between the North East and other regions.
- The region has a population of just over 2.5 million concentrated in the Tyne and Wear and Tees Valley City Regions.
- There is a history of diverse traditional heavy industries much of which had declined with some associated dereliction.
- An aging housing stock with some areas suffering deprivation and low quality of life.
- Areas of dereliction are concentrated in the two City Regions, South East Northumberland, County Durham and Redcar and Cleveland.
- There are pockets of 'hidden' rural multiple deprivation.

Actions

- Continue investment in moving the economy of the region towards information based 'knowledge' industries.
- Continued investment in, and management of, regeneration activity.
- Development of skills opportunities to slow the out-migration of skilled, mobile young people to other regions.
- Continued investment in opportunities for SME's.
- Ongoing development of a diverse economy in rural areas.
- A move in manufacturing towards high value sector production.
- Provision of support to high productivity level sectors for example, business services and the renewables sector.
- Through the RES implement improved skills training, and raise aspirations and awareness among young people.
- Facilitate stronger links between companies, universities and colleges.
- Identification of appropriate locations for the establishment of high-value added activities and enterprises.
- Implement changes in nature of current housing provision to focus more development within the conurbations.

8.2.6 Realising the Potential: A Review of the Future Role of Further Education Colleges (*The Foster Report 2005*)¹⁹⁶

Issues

- 200,000 16-18 year olds are not in education, employment or training (NEET).
- 14 per cent of working age adults have no formal qualifications.
- In excess of 5 million adults have literacy and numeracy skills below NVQ Level 1.
- There is a mismatch between course provision and local employer demand. This gives rise to acute skills shortages.
- Persistent under performance in some colleges and courses.
- Course failure rates are too high.
- A mismatch between aspirations of FE colleges and available funding. Rationing decisions are not explicit or their consequences not appreciated.
- Strategic confusion between the roles of the DfES and the LSC in regards to the FE sector.
- FE colleges are generally perceived as not realising their potential.
- There is a lack of a clearly recognised and shared purpose to FE.

Actions

- Increase core focus on skills and employability.
- Develop financial incentives to steer students onto economically valuable courses
- Streamline qualifications and learning pathways.
- Increased specialisation and development of CoVE's and Skills Academies networks.
- Introduction of national 'brokerage model' of training funding.
- Funding methodology should draw on the national learning requirement and its local elements.
- Improved inspection methodology focussing on the learner, value for money and impact of the colleges 'learning offer.'
- LSC *Agenda for Change* should be supported.

¹⁹⁶ DfES, (2005d) Realising the Potential: A Review of the Future Role of Further Education Colleges, (The Foster Report), London: HMSO.
<http://www.dfes.gov.uk/furthereducation/fereview/downloads/REALISING06.pdf>

8.2.7 Skills in the UK: The Long Term Challenge (The Leitch Report -Interim) (2005)¹⁹⁷

Issues

Over one third of adults in the UK do not have a basic school-leaving qualification.

- Five million people have no qualification at all.
- One in six do not have the literacy skills expected of an 11 year old and half do not have this level of functional numeracy.
- Low skill levels are constraining growth and innovation in firms.
- Occupations are likely to require increasing levels of skills.
- Recruitment difficulties are arising across a range of sectors due to skills shortages.

Actions

- Recommended policy actions will be reported in full in the final version of the Leitch Review.
- The Government has already established an extensive framework to improve skills provision within the UK workforce.
- A national brokerage model of training provision is being extended from the pilot areas of the North East and South East.
- The government will fund training to NVQ Level 2 for all who do not possess the equivalent of 5 GCSE's A*-C
- The government will fund training, in full, to NVQ Level 3 for the under 25's if this is their first qualification.
- NETP will be rolled out to provide a more relevant form of training for employers.
- SSC's will play a major role in the development of the new 14-19 Diplomas.

Leitch, S. (2005) Skills in the UK: The Long Term Challenge (Interim Report), London: HMSO.

8.2.8 Youth Matters (Green Paper 2005)¹⁹⁸

Issues

- Services do not always meet the needs of individual young people.
- Inter-agency working is not always as effective as it could be resulting in increased economic cost.
- Not enough is being done to prevent social disaffection/ social disengagement.
- More personalised and improved support is required for young people at risk of social disengagement.
- Young people and their parents do not have enough of a voice in terms of service provision.
- Young people require higher quality information, advice and guidance (IAG) to make informed choices.
- Services for young people are not fully exploiting the possibilities of new technologies.

Actions

- Children's Trusts will be established within Local Authorities to co-ordinate service provision.
- 'Opportunity Cards' will be piloted to provide discounts on ranges of constructive activities for young people.
- Local Authorities will be provided with an 'opportunity fund' to support activities selected by young people.
- IAG will be provided which is impartial, of good quality and accessible to young people. This advice should be free from stereotyping and, as appropriate confidential.
- IAG advice at age 13-14 on post 14 choices and a session with a personal advisor if required. This will complement plans for a local 14-19 learning prospectus.
- Through teenage years on-going support in terms of post 16 options, career choices and personal and social health issues
- Easy to access ICT service for IAG.
- Schools and colleges to be accountable for the progression of their pupils and students.
- Connexions to be merged to become a part of the Children's Trusts.

8.2.9 Summary of Identified Issues & Actions to be Taken: *Strong and Prosperous Communities (Local Government White Paper 2006)*¹⁹⁹

Issues

- Local council leadership mandates (usually one year) are too short a time scale for effective decision making.
- Local authority leadership across boundaries needs to be strengthened for the development of relevant economic strategies in the global environment.
- Strategic leadership across communities is required.
- Centralised public service policy delivery is in many cases inappropriate to meet local needs.
- Continuing improvements to public services require local implantation of localised solutions which cannot be achieved from the centre.
- Local authorities need to have the flexibility to respond to local needs and demands.
- Local accountability towards the electorate needs to be strengthened.
- Local authorities need to work more closely with citizens and communities.
- The current performance indicator systems require simplification.
- Continuing efficiency improvements are required in local services.

Actions

- Councils will change to one of three leadership models with the leader having a four year term.
- Overview and scrutiny committees of councils will be given enhanced powers.
- Councils will be required to publicise overview and scrutiny recommendations and the responses to these.
- The current Standards Board will be reformed and a more locally-based conduct regime introduced.
- Enhanced information on the quality of local services.
- Making the process of establishing Tenant Management Organisations easier
- Devolving the right to establish by-laws and parish councils to local authorities.
- Encourage Employment & Skills Boards to be established in core cities.

¹⁹⁹ DCLG (2006a) *Strong and Prosperous Communities: The Local Government White Paper*, CM 6939-J, London: HMSO.