



Norfolk Skills Economy Project

A Baseline Report

September 2010

For: Shaping Norfolk's Future

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Executive Summary

This ESF project will work with key growth sectors in Norfolk to identify vocational skills gaps in the workforce and explore how providers in the county can work together to deliver the skills that employers want for their workforce, and employees need for their personal development.

The Norfolk economy is diverse, dispersed between large rural areas and key urban conurbations, and its skills base is uneven.

This project will attempt to gain better understanding of sectors and get underneath the issue of skills, and gain a clearer insight into how supply and demand works for the skills economy.

Gaps & Shortages

The importance of the distinction between a gap and a shortage cannot be overemphasised because it impacts directly on funding and allocation decisions in FE.

A shortage implies a deficit in supply, “in short supply” we might say. Whereas a gap is less about supply and more about shaping the skills of existing employees to meet the needs of the company. This is an important distinction – and without it, there is a danger of policy being made which confuses gaps with shortages:

Demand for Skills

The demand for skills is more complicated than it may first appear, and calls for demand led training often lack clarity about whose demand it is they’re talking about. “Demand” is a multi-faceted term – sometimes referring to individual demand (the student), at other times demand as anticipated by government as a proxy for macro demand for the nation; and occasionally, it has meant the actual demand for skills from employers – based on their individual company need. These different demands pull in different directions, so, to use the overworked but clear example, teenagers may choose (demand) hairdressing as their vocation. The college provides the course, the (often very good) facilities, and the teachers; and the government pays for the delivery of skills. But the local economy, and probably the national economy, may not have a need for new hairdressers.

There is a further problem with demand in connection with skills shortages and perceived recruitment difficulties; employers naturally seek a labour and skills market where both the labour and skills required are in abundant supply. This not

only improves choice and depresses labour cost, but also keeps existing labour 'on their toes'. Intervention based on 'perceived employer demand' may simply create a dis-equilibrium in the market – an oversupply of specific labour or skills.

Apprenticeships

It is worth dwelling on the value of apprenticeships in terms of supply and demand. In the report we refer to addressing skills gaps as akin to a precision tool whilst addressing skills shortages is seen as more of a scatter gun approach. Apprenticeships result from a skills shortage, but because the trainee is employed by the business, the shortage turns into a skills gap – apprenticeships can therefore also be viewed as a precision tool – in fact they can offer a perfect model of supply and demand.

Ideally apprenticeships should be driven by businesses themselves – the employer 'demands' the skill and the labour, which is delivered (to the employer's requirements) by the local training provider and the apprentice. In theory this economic symmetry cuts out waste and addresses skills needs with optimum effectiveness. In our later sector specific reports, this project will fully test out that theory.

The Supply Side – FE Environment & Challenge

FE has sometimes had a hard time convincing the world that it can respond to employers needs. Train to Gain contracts haven't always helped their cause: free training, for NVQ work based training isn't necessarily the same as meeting an employer's needs for training. What is free may not be valued and what is delivered to prescribed pre-defined contracts (NVQ outcomes) can appear more of a supply led initiative rather than a demand led outcome.

Colleges and universities vary in their approach and understanding of sectors. Some colleges in the past have been too keen to please the primary demand of the (government funded) student and this has led to an over-supply of skills in some sectors (e.g. hairdressing) and an apparent under-supply of skills for other sectors (e.g. engineering). As part of the research undertaken for this report, we interviewed most public sector providers in the county to gain an insight into their workforce development and sectoral strategies.

The findings are positive and the FE and HE sector have many good examples of employer engagement. Below are some key questions derived from the interviews:

What more could City College do to ensure that it is the first choice provider for workforce training in the greater Norwich area?

To what extent is the college meeting the needs of smaller companies and micro businesses?

How can the Easton example of sector based engagement be used as a model for other colleges to use in meeting the needs of employers from other sectors?

To what extent is 'entry level' supply an issue which requires public sector intervention? What is the danger of non intervention?

To what extent can the Institute for Food Research (IFR) help solve the perceived need for soil scientists in Norfolk?

To what extent can the Research, Enterprise & Engagement Office at University of East Anglia (UEA) help develop SME's innovative capacity in the county?

How can UEA's EVOLVE programme continue beyond its current funding?

How can initiatives such as the IDEA Programme (focusing on apprenticeships) be harnessed for better engagement with SMEs?

To what extent could NUCA's experience of working with SMEs be transferred to other sectors and other skills providers?

How can NUCA help create a sustainable model for incubator start ups at EPIC?

How might it be possible to experiment with a wider portfolio of short courses to bring more businesses into NUCA's orbit?

How can the College of West Anglia's experience of delivering training across predominantly rural areas be effectively harnessed for wider SME engagement across the county?

To what extent is National Skills Academy accreditation a sign of good employer engagement? What other means might an employer have to identify good training practice?

Business Survey

As part of this initial survey of the skills landscape in Norfolk, we also visited 16 companies across the county from a range of sectors:

These businesses provide a snapshot of employer's views about training, upskilling and FE provision. The responses come from a range of companies that include SMEs and National organisations.

Common themes

Many of the companies have a small permanent staff base but employ contract or agencies staff to undertake additional work; this has a knock on effect in terms of commitment to training. None of the smaller companies had any formal diagnostic program in place to check skills levels. The cost of training was perceived as a major barrier to providing training and most businesses sought ways to externally fund mandatory training. Many questioned the value of qualifications provided by FE or

private providers, and took issue with the lack of underpinning knowledge delivered by providers. The apprenticeship scheme was perceived as “very confusing” – especially sourcing an apprentice. Quality of provision came up several times. Some companies could not name an FE college that provides qualifications in their sector; and where a company did use an FE college it was sometimes a long way from their site and costly to send a learner to it. Training meant down time in the company and almost all felt this was difficult in these current economic conditions.

It is worth noting that no matter how good FE training provision is, there will always be businesses who don't use the local college for a range of reasons. Some have historically never used a college, perhaps because of what they had heard about FE provision (the old “tech”) many years ago; others have tried FE but found that it didn't meet their needs, was unable to be flexible and could not respond to changing business circumstances; and a few claim no knowledge of their local college.

This report is an introduction to the skills economy and is intended to serve as a qualitative baseline for further sector studies within the project. Much has been written about the mismatch of skills but unfortunately this complex issue is all too often reduced to sound bites which end up confusing rather than clarifying the situation.

The report explores the background to a local news article written about Norwich based manufacturing firm, Milltech, in which certain assumptions about the supply of skills are made. This mini case study reveals some interesting solutions to skills needs and some potential opportunities for other sectors to explore. It concludes with the following questions:

Was Milltech's need an isolated problem or does it point to a more general issue to do with a mismatch of skills in this sector?

What lessons can be learnt from this example which can be applied to other sectors?

Conclusions

This report sketches out the issues relating to the skills economy in Norfolk. It shows that many of the issues are complex and there are rarely simple solutions. Supply and demand factors always need further clarification to determine what the supply actually relates to, and whose demand it is we're talking about (employers; government's; employees; pre-work students etc.). The report demonstrates that there is a key difference between skills gaps and skills shortages and that these need to be treated differently. Skills shortages are rare and difficult to predict or overcome without potentially causing an over-supply of a particular skill. Employers react to changes in labour supply with understandable concern but this is sometimes translated into a skills shortage problem when it is usually a local (and possibly temporary) problem.

On the supply side, it is clear that there is some very good practice in employer engagement. Both the universities and the colleges have excellent track records in

areas of workforce development, however there are still many obstacles to overcome in terms of engaging SMEs and micro businesses – who are so important for the county’s economic development. As the brief business survey shows, there are many small businesses who have no interest in training beyond compliance. How can colleges play a greater role in reaching out to this disengaged sector? Many small businesses tend to ‘firefight’ and react to market conditions rather than plan strategically for the future. But to understand the small business person’s mindset really requires direct experience of being a small business and few people in the public sector support network have that experience or knowledge. So bridges need to be built which will encourage small businesses to consider new ways of working, to think the unthinkable – and put training and development at the top of their agenda. But it can only happen if the training is flexible and relevant to their needs – if not it will simply cement the old view that the whole public sector offer is a waste of time.

The report sets the tone for a series of sector studies which will involve both employers and training providers – sharing the good practice that is evident throughout the county, applying successful models of engagement & delivery to other sectors and geographical areas – and where necessary, challenging both sides to do things differently and build a thriving skills economy.

Recommendations

Explore Norfolk sectors in detail – starting with manufacturing; gain a better understanding of the mechanics of delivery, the nuances of supply and demand, and the value of apprenticeships.

Further develop the www.skilluppnorfolk.co.uk website – to ensure information on training is available and easy to access and book.

Circulate this report to training providers and employers – and incorporate feedback into a follow up report for next steering group meeting.