

**2015**  
**Sector Skill Needs Audit**  
**Action Plan**

## **Introduction**

### **Situation overview**

The 2015 bi – annual sector skill needs audit attracted responses from 92 locally based companies, from across 12 key sectors within the city. All of these responses were submitted prior to the full impact the reduction in Brent Crude Oil price had on the local economy. This significant valuation reduction has driven a dramatic change in the local economic landscape, considerably reducing the requirement for skilled and experienced personnel within the Oil & Gas sector, which over time has had and will continue to have a ripple effect across other sectors.

These changes have had an impact on the development of this action plan, but are also viewed as a positive opportunity to ensure Aberdeen has an appropriate skills base when demand increases and diversifies.

This audit specifically focused on “skill shortage” within the business community and the “Economic Impact” these shortages would have in the long and short term, on local businesses.

Analysis of returns clearly identified skill issues across all sectors within the city, with these issues most strongly felt within the Energy, Engineering, Construction, Manufacturing and Healthcare sectors.

The most prevalent recruitment difficulties reported were for professional and technician level staff, closely followed by semi-skilled staff. These shortages had driven a significant increase in contractor numbers, which potentially increased operating costs and reduced company competitiveness. Rates for and numbers of contractors within the Energy sector have been significantly reduced in the past 12 months to assist in addressing increased operating costs, with the sector currently seeking to reduce costs by 20 – 40% per boe – (Barrel of oil equivalent) to ensure a sustainable future for the UK Continental Shelf, as unit operating costs rose to an all-time high of £ 18.50 per boe in 2014, up from £ 17 in 2013. This level of operating costs makes the UKCS unattractive for investment currently, further emphasising the need to increase and diversify the skill pool within the region for this sector.

At the time of the audit companies were actively recruiting and training unemployed and unskilled personnel as a means to increase the labour pool and address skill shortages. There is a significant opportunity to increase business engagement with and

recruitment directly from secondary, further and higher education establishments, with only 42% of respondents currently engaging with these establishments.

53% of companies increased salaries as a tool to attract new staff, again this will potentially increase operating costs and reduce company competitiveness and will be a less well used tool in the current economic climate. Companies with over 200 and less than 5 employees were least likely to increase salaries to attract staff.

This audit also highlighted that there is scope for more companies to use retired, part-time workers and Modern Apprenticeships to address skill shortages.

Both construction and manufacturing sectors cited increased usage of agency workers as the best way to attract new staff whilst the engineering sectors most successful recruitment initiative was to recruit from outwith the UK.

All businesses stated that skill shortages were negatively impacting on their business across 7 broad categories, with the overall 3 top issues being:

**Struggle to meet contractual obligations and obtain new work**

**Increased stress and workload on staff**

**Restricted business growth**

Looking at longer term business impacts driven by continued skill shortages, larger organisations were most concerned about the:

**Reduction in quality of service**

Whilst smaller companies were most concerned about the:

**Reduction of business growth potential**

Clearly there are issues in relation to skill shortages within the city across all sectors which if not addressed will have serious impacts on the sustainability, growth and competitiveness of our locally based companies and potentially a negative impact on the health of their employees.

On closer analysis the issues fell into 2 main categories:

### **People**

### **Cost of living**

#### **PEOPLE**

The key issues reported at the time of the audit which are still relevant are:

Lack of appropriate qualifications, Lack of experience, Lack of people, Lack of wider sector awareness and the impact of skill shortages on existing workforce

#### **COST OF LIVING**

The cost of Living in the City negatively impacted on the ability to recruit suitable staff this is most prevalent with:

Lack of affordable accommodation, which in turn drives high salary expectations. The need to earn high level salaries in the city has increased recruitment pressures within the public sector (NHS, Police, Fire and Local Government) with individuals opting for other higher paid sectors.

The development of the 2015 Sector skills needs audit, Action plan will focus on these 2 issues and identify any potential opportunities that may work towards addressing these issues in the current economic climate

## **Opportunities**

There is a significant opportunity to increase business engagement with and recruitment directly from secondary, further and higher education establishments, with only 42% of respondents currently engaging with these establishments.

Widen recruitment process to embrace the use of retired and part-time workers

Re engage those currently disengaged

Increase Modern Apprenticeship numbers

Recruit from across and outwith the UK to address skill shortages.

### 2015 Skills Audit Action Plan

<b>Issue</b>	<b>Activity</b>	<b>Timeframe</b>	<b>Status</b>	<b>Service</b>	<b>Finance</b>
<b>People</b>					
Lack of people ( all sectors)	Early engagement with prime contractors to identify needs and ensure optimum local opportunity.	Ongoing	On target	Business Growth	Within existing service budget
	Promotion of city as a positive life destination	Ongoing	On target	Business Growth	Within existing service budget
	Support for new economic migrants	Ongoing	On target	Business Growth	Within existing service budget.
	Proposed delivery of ESF strategic Intervention to increase economic activity across the regeneration areas	Aug 2016 – December 2018	On target	Business Growth,	40% funding from ESF, currently seeking partner commitment
Lack of sector awareness	Highlight positive career options within construction and other non oil & gas sectors	Ongoing	On target	Business Growth	Within existing service budget. And external support from CITB and SDS
Lack of experience/qualifications	Link into activities to attract experienced personnel to the city	Ongoing	On hold due to reduction in oil price	Business Growth	Within existing service budget.
	Increase in uptake of Modern Apprenticeships	Commence March 2016	On target to commence in March 2016	Business Growth	Within existing service budget. And external support from CITB and SDS
	Delivery of Business Booster workshops	Ongoing	Will be refreshed as initiatives and funding	Business Growth	Within existing service budget

			streams change		
	Early engagement with prime contractors to identify needs and ensure optimum local opportunity.	Ongoing	On target	Business Growth	Within Existing service budget
	Flexible training fund promotion	Continue to end of initiative	On target	Business Growth	SDS funded initiative
	Construction Academy	Ongoing	On target	Education & Children's Services	ECS & business funding
	Shared Apprenticeship scheme	Evaluation of Highland Council pilot	Will be evaluated prior to possible delivery	Business Growth	No cost currently
<b>Cost of Living</b>	Identify innovative practices to increase availability of affordable housing	Ongoing	Significant progress has been made towards this objective by colleagues in CHI	<b>CH &amp; I</b>	

## People

### Lack of People

To ensure that key projects are delivered and optimum community benefit is gained from these projects, officers will establish relationships with key personnel to ensure early identification of opportunities. Whilst it is recognised that many of these opportunities may be for skilled, qualified and experienced personnel, with appropriate notice it may be possible to work with those that are currently inactive to ensure they have the appropriate skills and qualifications when recruitment commences. E.g. Employability Training Providers Forum members are now working with appropriate clients to ensure they have CSCS cards and Manual handling certificates to make them eligible for the construction recruitment process (AWPR, Marischal Square etc)

It has been apparent for many years that to successfully grow the North East economy we will need to attract more people to live and work in the region. Work has been ongoing to promote the city and dispel the remote reputation through the development of

appropriate marketing materials and attendance at UK and European recruitment events. Eures (European Employment Services) have been fully briefed on the opportunities and skill shortages within the city and actively promote Aberdeen Businesses. Attendance at recruitment events outwith the city has ceased currently due to the low Oil prices, but should the demand for support from external businesses grow this option will be reviewed. In order to support the settlement of international workers the “Living & Working in the North East “ guide is currently being updated and will be translated into Polish, Latvian, Portuguese, Arabic, Russian and Lithuanian, with circulation to our key partners early in 2016. The availability of a robust information pack will ensure incoming workers have access to appropriate information and services ensuring optimum lifestyle.

If successful the current ESF strategic intervention project application will work across the regeneration areas to deliver a series of activities that will increase economic participation of those currently inactive, through the provision of counselling, employability training, skill development and work experience placement, leading to supported and finally mainstream employment. These individuals will be fully informed on the wide range of opportunities within the city and guided towards the sector that offers the most long term opportunities appropriate to their skill sets.

### **Lack of sector awareness**

Due to the dominance of the Oil & Gas sector within the North east for the past 4 decades many people have become blinkered to the wider range of career paths across other key sectors firmly anchored within the city. To ensure the continuance of these sectors and diversification of the skills base from Oil & Gas a number of initiatives have been developed:

Production of refreshed marketing materials to promote the diverse career options through either direct or graduate entrance to the construction sector.

Development of a citywide roadshow to promote the careers in the construction sector, engaging with potential applicants and influencers.

Support in the development and delivery of a women in construction pilot to promote the wide range of suitable careers within construction.

Support towards the development and launch of Aberdeen Guarantees to ensure ease of access to career information and vacancies for those under 26.

Working with PACE and local employers to deliver information and recruitment events for those facing redundancy from the Oil & Gas sector, highlighting the transference of skill opportunities

Supporting the development of relationships between business and Further and Higher education

### **Lack of experience**

Many sectors are being hampered by the lack of experienced personnel. Businesses must however accept some of the responsibility for this is due to their lack of investment in training and fear of poaching of experienced staff by competitors and also a general unwillingness to engage with inexperienced personnel. It is imperative that the skill pool within the North East is increased to cope with future economic growth and reduce sector poaching. Business Booster workshops have been run to highlight the different levels of financial support available when recruiting staff from different supported groups. (Unemployed, disabled, looked after children, ex-offenders, school leavers.) to build up staffing levels. Additionally work with contractors that are delivering major projects in the North east drives the creation of opportunities that will give experience and skills to disengaged personnel.

### **Lack of qualifications**

Like lack of experience, many sectors are being hampered by the lack of qualified personnel, and again businesses must accept some of the responsibility for this due to their lack of investment in training and fear of poaching of qualified and experienced staff by competitors. An ongoing activity within this action plan will be to work with local businesses and ensure they are aware of the support available to train new staff. Workshops have already been delivered through the Business Booster programme to simplify the new qualifications framework and also highlight funding available through. Support has also been given for the development of the Construction Academy within Northfield Academy, this will create opportunities for students to participate in accredited training relating to the construction sector and make informed decisions prior to leaving school. This will also support the creation of relationships between construction companies and individual pupils, which may lead to employment. The shared apprenticeship scheme is currently being piloted by highlands and Islands council, this scheme will support the creation of larger numbers of

construction craft apprenticeships. Highlands & Island Council will underwrite the employment of the apprentice, however they will be assigned to different contractors who may not have had a sufficiently sustainable order book to take on an apprentice. If the relationship ends before the completion of the apprenticeship another employer will be found or the apprentice will be offered a place with the local authority as a last resort. This scheme will be evaluated over a period of time to identify suitability for Aberdeen City Council.

### **Cost of Living**

Many potential jobseekers are deterred from considering employment within Aberdeen city due to the real and also perceived high cost of living. It is well documented that the price of accommodation in the city is above the Scottish average. This fact is a key influencer particularly for those seeking public sector employments which offers no cost of living allowance. This factor has significantly impacted on recruitment for public sector workers (Nurses, Teachers, Police etc). Communities, Housing and Infrastructure are working on a number of initiatives that will provide affordable housing for “Key” workers, already delivering the Smithfield Court initiative in 2015.

Since the decline in oil price, there has been a significant increase in the number of private rental properties that are on the market at more affordable prices. The private rental market will continue to be pressurised to reduce costs due to the decline in workers seeking accommodation linked to Oil & Gas employment in the city and the increase in numbers of property available for lease.