

Regional Skills Strategy Aberdeen City & Shire



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1. Introduction

This summary document is the culmination of work undertaken by Skills Development Scotland (SDS), in partnership with a wide range of regional and national organisations¹, to develop a shared Regional Skills Strategy for Aberdeen City and Shire which fully reflects the skills challenges and future opportunities in the region.

It seeks to bring an agreed and shared approach to skills investment, ensuring that there is a structured, co-ordinated, consistent and strategic approach to the design, development and implementation of the investment required to address the skills needs and priorities in Aberdeen City and Shire.

It is important that this should not be seen as a stand-alone document, but instead one which is consistent with, and supportive of, the wider economic ambitions in the region, expressed through the recently approved Regional Economic Strategy² and the recently signed Aberdeen City Region Deal³.

It reflects the priorities set out in these documents, and the recently published Regional Skills Assessment, and seeks to address the skills implications of the significant changes to the North East economy taking place as a result of the downturn in the oil & gas industry, which has been the major contributor to the economic success of the region over the last 40 years.

“This strategy seeks to address the skills implications taking place as a result of the downturn in the oil and gas industry.”

This summary is supported by a comprehensive evidence base⁴ which includes:

- Regional Skills Assessments
- Regional Skills Forecasts
- Key Sector Skills Investment Plans.

The Regional Skills Strategy is a shared partnership approach and identifies the roles, responsibilities and commitments of the partners to deliver the approach set out in this document.

1. Appendix 1: Partners and Stakeholders

2. REGIONAL ECONOMIC STRATEGY: Securing the future of the north east economy

3. Available at: http://www.aberdeencity.gov.uk/council_government/shaping_aberdeen/City_Region_Deal.asp

4. Available at: <https://www.skillsdevelopmentscotland.co.uk/>

2. The regional picture

The North East of Scotland has been a major contributor to Scotland's and the UK's economic performance for many years, largely due to the success and growth of the oil and gas industry. This success has resulted in a region whose economy has, historically, performed well above national averages and whose citizens have generally experienced economic growth and prosperity over many years.

“The challenge is clear. To continue to prosper, the North East must seek to build a more balanced economic future.”

But this has come at a price, with the North East being one of the most expensive locations to live and conduct business in Scotland. While this had been generally accepted as a price worth paying when the oil price remained high and supported extensive employment in the industry and its associated supply chains, it is now acknowledged that the North East economy is in a period of transition due to the recent downturn in the oil and gas industry.

Following earlier downturns, the oil and gas industry has, until now, returned to previous levels of success. This time however, there is recognition that the downturn in the industry has been longer and is deeper than those before, and it is uncertain whether the sector will return to playing such a dominant role in the regional economy in the future.

This reflects a number of factors including: a larger number of marginal and/or smaller fields; hard to reach and expensive locations; a comparatively high-cost operating environment, even with the current cost reductions; and more attractive, alternative investment options in other locations. The effect of this downturn has been both significant and wide-ranging through its impact on employment, business viability, property markets, supply chains and local services.

The challenge is clear: to continue to prosper the North East must seek to build a more balanced economic future. While still relying on a strong energy sector, it must also seek to exploit wider and more diverse strengths and opportunities.

These challenges are clearly identified and articulated in the recently published Regional Economic Strategy which aims to capitalise on the broader foundations of the economy and focus on developing activity in key sectors, diversifying within them and into new markets through investment across four key areas:



Infrastructure



Inclusive economic growth



Innovation



Internationalisation

The challenge for the Regional Skills Strategy is to ensure that the appropriate and required skills are available, at the right time, to support the successful delivery of the economic goals and ambitions of the North East.

While the immediate impact of the downturn and concurrent high levels of redundancies have not yet manifested themselves in major increases in unemployment, a number of factors suggest that this mis-match may be only temporary and the full effects of the downturn could become apparent in the longer term without any further external changes or responses.

In response to this, the approach to skills intervention and investment will need to reposition itself to address these new challenges and opportunities. SDS recently published their labour market outlook for Aberdeen and Aberdeenshire (summarised in Appendix 2). Some key points are:

there will be limited expansion-employment opportunities

- total employment is forecast to remain relatively flat over 2017-2027
- future employment opportunities will be largely through replacement demand
- employment opportunities are expected mainly in professional services, construction, administrative and support services and human health and social work.

employment growth areas

- professional and managerial, sales and elementary occupations for health professionals, social care, construction and sales jobs
- jobs in the energy sector are forecast to continue to decline in absolute terms over the next 10 years.

skills are a key issue

- of the 95,500 openings⁵ expected between 2017 and 2027, 60% will require to be filled by individuals qualified to SCQF level 7 or above⁶
- this is, in part, a reflection of the sectoral and occupational trends expected over this period.

Finally, it is worth reminding ourselves that the Regional Skills Strategy will not operate in a vacuum, or in isolation from the wider policy agenda, and must be consistent with and supportive of, the policy developments which have gone before. In addition to those identified earlier it is worth highlighting the work of the Energy Jobs Task Force; the UKCS Maximising Recovery Review (Sir Ian Wood, 2014); the Commission for Developing Young Workforce; the Scottish Government Response to the UK Government Apprenticeship Levy; the Scottish Government Skills Strategy; (the current) Enterprise and Skills Review; the work of SE/SDS/ONE sector teams.

3. Purpose of the Regional Skills Strategy

Skills are a key enabler of economic growth and success and access to talent will have a major influence on the future economic success of the region. As such, the Regional Skills Strategy will play an underpinning role in the delivery of the Regional Economic Strategy.

The Regional Skills Strategy seeks to:

- address the skills needs of a changing North East economy

- guide the repositioning of the skills system, including education, to support the transition and rebalancing of the regional economy

- identify common priorities, with clear roles and responsibilities, to ensure effective and efficient responses to the challenges ahead

- set out a common view and vision on shared priorities, in particular reflecting the Regional Economic Strategy focus (including the Aberdeen City Region Deal)

- help make the case for better focussing existing activity and identify where additional action is required

- seek to reduce duplication and silo working and promote strong partnership working.

“Skills are a key enabler of economic growth and success, and access to talent will be an influence on the future economic success of the Region.”

In developing this strategy, partners have committed to developing and supporting a shared and common approach to reflect the current and future challenges in the region and, as key enablers, to deliver the agreed Regional Economic Strategy.

4. The skills challenges

There are a number of clearly identified skills challenges reflected in this Regional Skills Strategy:

better understanding the regional labour market

- while it is clear that recent employment losses are significant, we do not yet have a full picture of the impact of these on the North East labour market or individuals. This changing regional economy makes it vital to develop a better understanding of future skills requirements.

balancing economic opportunities

- we must support the employment and employability needs of those impacted by the downturn in the short term and, in the longer term, meet the skills needs of sectors offering growth and employment opportunities.

a resilient energy sector

- while the employment challenges within the oil and gas sector are clearly evident, there will remain opportunities in the sector for many years to come. The Regional Skills Strategy must therefore support the potential future demand for talent in the oil and gas sector that will increasingly be internationally focused in its outlook.

new talent attraction and retention

- talent attraction can potentially address specific skills shortages in the short-term, while talent retention will play an important role in maintaining the regional skills base going forward.

retaining current talent in the labour market

- the effects of the downturn in the oil and gas sector have resulted in highly qualified and experienced people being made redundant. The strategy includes commitment to appropriate support to help this group in return to employment.

volume skills priorities

- there are also a number of other high employing and important sectors where skills are a key issue, including Health and Social Care, Construction, Retail and the Public Sector (including teaching).

a skills strategy for everyone

- it is clear that the downturn has impacted not just on oil and gas, but also on the wider economy including anchor/volume sectors such as retail, hospitality, transport, and property. The Regional Skills Strategy must therefore reflect the wider challenges and opportunities in the region.

a realigned skills system

- if the North East economy is in transition and is likely to diversify into new sectors, then it follows that the skills system will need to adapt to these trends in the medium to long term. This presents challenges as well as opportunities for the work-based learning, FE and HE sectors.

In addition to these economic and skills challenges, the partners have also identified a number of uncertainties and challenges that will impact on the delivery of the Regional Skills Strategy over the next three years

labour market implications of Brexit

- the North East is exposed to sectors which have traditionally operated with significant levels of migrant labour and as a result the final outcome of the Brexit negotiations could have a significant impact on the available labour pool for some employers
- the city's universities have played a crucial role in attracting people to the region, generating skills to support the Scottish and regional economy and in generating world-class research (some of which is supported by European funding and collaborations) that needs to be maintained going forward.

governance

- the second phase of the Enterprise and Skills Review concluded in the Spring of 2017. This has the potential to introduce new models of operation and governance for some public sector partners involved in delivering skills and economic development interventions.
- while the Regional Skills Strategy will require appropriate governance arrangements, in the short term the focus must be on delivery: how the partners work together, their roles and responsibilities, and commitment of resources.

ensuring awareness and understanding

- there are a number of organisations operating within the skills landscape and clarity of roles, responsibilities and contributions is a basic requirement.

Although it is clearly recognised that skills have a clear and present part to play to support the region in going forward, it must be recognised that this is only one aspect of the “mix”.

Infrastructure, business investment and business support are other key components which sit alongside the skills needs – no single factor on its own can fully capitalise on the economic opportunities facing the region.

5. Principles and objectives

The broad principles of the Regional Skills Strategy are to

- develop strong and wide partnerships with clear roles and responsibilities
- respond coherently to the impact of the recent downturn on employment and position the region and its people to make the most of the new opportunities
- improve our understanding of the regional labour market with better (and ongoing) evidence on the skills needs of the region's economy and people
- retain and anchor people and skills, and work to support the economic transition and meet future opportunities
- develop a skills system focused on the future which includes:
 - University of Aberdeen, Robert Gordon University, NESCOL and SRUC as major assets
 - broadening and re-aligning work-based learning and apprenticeships to meet the needs of the economy
 - schools
- design a learning approach by building on existing strengths and activities and in learning from elsewhere
- de-clutter the landscape, co-design solutions and join-up decision making.

In addressing the skills challenges, the strategy will prioritise around four key, specific and thematic objectives:

- continuing to support the ongoing restructuring of the oil and gas sector and ensuring that the appropriate number, level and type of skills are available to support the industry in the future
- provide ongoing support to volume employment markets including: Health and Social Care; Public Sector; and Construction
- aligning resources to support the growth of the identified key economic growth sectors in line with the identified economic priorities
- delivering on the Government's inclusion and young people's agenda.

6. Priorities and actions

Based on the economic and skills analyses and the stakeholder engagement, four thematic areas⁷ for intervention have been identified as follows:

At this stage, the actions are high level and will of course require more development work and confirmation of resources and funding. This will be set out in the accompanying Skills Action Plan.

Summary of Regional Skills Actions

<p>Theme</p> <p>1</p> <p>Responding to the downturn</p> <ul style="list-style-type: none"> • PACE • Transition Training Fund • Enhancing Employability Support 	<p>Theme</p> <p>2</p> <p>Supporting economic transition</p> <ul style="list-style-type: none"> • Oil and Gas Skills Investment Plan • Supporting growth sectors • Volume employers 	<p>Theme</p> <p>3</p> <p>Repositioning the skills system</p> <ul style="list-style-type: none"> • Realigning the skills system • Expansion of work-based learning • Enhancing links to employer-education 	<p>Theme</p> <p>4</p> <p>Supporting school-to-work transitions</p> <ul style="list-style-type: none"> • Expansion of CIAG • Developing Young Workforce Regional Group • Supporting the Digital City Agenda
<p></p> <ul style="list-style-type: none"> • Enhancing and updating the evidence base • Addressing Brexit • Developing appropriate governance and delivery structures 			

7. Note: there is no implicit order of priority in the themes.

1

Responding to the current downturn

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This priority seeks to provide immediate and focused support to those individuals and businesses that have been directly or indirectly impacted by the current downturn in the oil and gas industry.

Partnership Action for Continuing Employment (PACE)

- delivery of a co-ordinated and enhanced PACE offer in response to challenges in the oil and gas and food and drink sectors to support retention and re-deployment of key skills and capabilities.

Transition Training Fund (TTF)

- support for around 1,000 individuals each year over three years, supporting redeployment through retraining, upskilling and relevant certification and accreditation necessary to secure employment
- the TTF is also enabling 19 oil and gas workers to transition into STEM teaching posts via teacher training, in support of the Scottish Government's scheme to support STEM teaching.

Enhancing employability support

There is a clear need to develop an enhanced employability service, aimed at those worst affected by the oil and gas downturn, which has been particularly acute in this region.

“Delivery of Transition Training Fund to support the transition of those losing employment in the energy sector to employment in alternative sectors.”

The groups bearing the brunt of the downturn include not only higher skilled/qualified staff, but also those with transferable skills, from oil and gas, as well as the existing stock of, and those at risk of becoming, long term unemployed:

- introduction of an enhanced Employability Service providing technical support, training, mentoring and peer groups to support individuals (including ex-oil executives), who are close to the labour market, quickly back into employment. This could include an Executive Employability Service.
- the service, provided across the partners will focus on the impacts of the downturn on individuals' employment, health and prospects. It is recommended that it should focus on those who have previously engaged with PACE and TTF services and for whom additional support could deliver improved labour market outcomes.

In addition, SDS will lead work with partners to develop a digital hub/web platform to engage more widely with, and provide a more appropriate service delivery portal for affected individuals across the region.

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2

Supporting economic transition

This theme is designed to support the transition of the regional economy to a more balanced one and focuses on important employment sectors.

A specific approach to each of the sectors, including the current sector plans, will be developed in support of the wider regional economic development objectives.

Supporting the oil and gas sector

- a sector manager for oil & gas was appointed July 2017 and will be based in the North East. They will be the focal point for SDS's relationship with the oil and gas industry bodies and continue engaging with and building SDS networks in the sector. A priority will be to work closely with Opito to deliver the oil and gas Sectoral Skills Assessment and with partners including Oil and Gas UK, Opito and Opportunity North East to deliver a Skills Investment Plan which focuses on action to support skills development into the next decade
- continued support for oil and gas and engineering through the current transition phase and into the future. Specific focus on innovation and technology; decommissioning and renewables.

“Deployment of support and interventions for key sectors... including: food, drink and primary sectors; life sciences; tourism and hospitality; digital/ICT.”

Supporting growth sectors

While much of the impact of the oil and gas downturn has been amongst oil and gas employees there has also been a major impact across the wider supply chains and service industries in the region.

- deployment of skills support and interventions for key sectors, working closely with Opportunity North East in: Food, Drink and Primary Industries; Life Sciences; Tourism and Hospitality; Digital/ ICT
- engage with the appropriate ONE board and DYW to raise awareness of the career pathways in each sector
- raise awareness of employer offers and careers in each of the above sectors and the work-based learning opportunities through the developing Apprenticeship Family.

Volume employers

- working with employers, NESCOL and training providers to ensure there is an adequate supply of work-based learning in volume sectors including: Health and Social Care; Construction; Retail and Public Sector.

3

Repositioning the Skills System

The current skills system, with its strong focus on energy has developed over many years to support the regular demands of a growing and successful sector.

On the basis that this sector's footprint is likely to be both smaller and altered in the future we will require a re-positioning of the current skills infrastructure with an emphasis on developing 'joined-up' educational partnerships.

Realigning the skills system

- university provision: through university engagement with ONE, the universities will inform and align research and course provision, based on identified demand
- college HE and FE provision: Through the College Regional Outcome Agreement prioritising skills development and employer engagement that aligns with employer and regional demand.

Enhancing work-based learning

- strategic expansion of MA provision in North East in line with employer demand
- address gender-imbalance and participation from other underrepresented groups in MAs
- further develop a coherent portfolio of Foundation Apprenticeships and Graduate Level Apprenticeships with college and university partners, aligned with employer demand.

Enhancing employer-education links

- work in partnership with DYW to further develop appropriate employer-education links to support work placements; internships; employment tasters etc.

4

School to Work transition

Young people are a vital source of upcoming talent and will be key drivers of future success. The skills strategy has a strong focus on supporting young people, in line with current Government priorities, particularly through their transition from school to work.

Careers and guidance support will remain a priority and the continued development of the apprenticeship family - Foundation, Modern and Graduate Level Apprenticeships - should reflect specific opportunities in the region.

Expansion of CIAG

- CIAG provision delivered earlier in school to cover P6-S3
- careers advice: model and develop new materials for careers advisers, schools and head teachers on career opportunities in the North East.

Developing Young Workforce Regional Group

- deliver a highly performing, collaborative, coordinated and efficient DYW team in the North East, leveraging activity being driven by the work of individual partners.

Strengthen the Digital City agenda through supporting digital skills development in schools

- deliver “Apps for Good” in 7 schools, involving young people in the design, build, market and launch of mobile, web and social apps that solve problems young people care about in their communities
- establish ‘Code Clubs’ in Aberdeenshire schools via the Aberdeenshire Digital Learning Team.



Cross-cutting themes

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In addition to the four main themes there are three cross-cutting themes which will be addressed through the implementation of the strategy.

Enhancing the evidence base

- it will be necessary to continue to build a strong, comprehensive evidence base to support the development and delivery of the strategy and the ambitions of the Enterprise and Skills Review in relation to Skills Alignment. This will include:
 - analysis of the key issues likely to impact on skills demand at a national level including Brexit, 'Industry 4.0' and skills for the future; and labour market demographics
 - commitment to updating Regional Skills Demand Statements on an annual basis
 - commissioning of specific skills research for key sectors in the North East, including Energy, Oil & Gas, Decommissioning and Health & Social Care
- evaluating delivery and 'what works' to ensure effectiveness and efficiency in delivery and to identify outputs and outcomes

Developing appropriate governance and delivery structures

- no single organisation on its own can, or should, be tasked with delivering the skills strategy.

The implementation of the strategy will require co-ordinated action by partners in the north east, and progress with implementation will be overseen by the Regional Economic Strategy group

- to support the implementation of this strategy and facilitate joint working across skills partners, SDS has appointed a Regional Skills Planning Lead for the North East. The RSPL will play a key role in delivering SDS actions in relation to the strategy, and encourage and facilitate joint working with partners.

Making the case for additional resources

- in order to deliver the strategy resources will be required – people and money. A key part of the next stage of the development of the strategy is to identify resource requirements and seek appropriate support and partners.

Addressing Brexit

- the impact of a hard or soft Brexit is considered a major potential issue for the region; many of the key sectors in the region have a high reliance on overseas workers
- the specific implications of any final Brexit deal are still unclear but it could have serious implications for many industries and sectors that would be challenged to replace their labour, at least in the short-term

- while it may be inappropriate to take any specific action at this stage it would be fitting to undertake an assessment of the region’s vulnerability, in respect of skills, to Brexit and the development of contingency plans to respond as and when required.



Engaging industry

The Regional Skills Strategy has been developed primarily to inform the actions and investments of the main skills partners and stakeholders. However, it also provides the basis for engaging with industry on an ongoing basis.

There is much on which to build, including the work of ONE’s sectoral groups (Food, Drink and Agriculture, Tourism, Life Sciences, Energy and Digital) and the engagement of public sector partners representing the health and education sectors.

A key early action should therefore be to develop an agreed approach to industry engagement, setting out how the various partners will engage and communicate with industry and employers.

Developing an action plan

The Regional Skills Strategy is, necessarily, a strategic document recognising the key issues to be addressed and identifying the high-level actions to be delivered. The strategy is supported by an action plan which has been developed by partners. The action plan includes:

- a description of key activities under each theme
- lead partners involved in the delivery of that action
- initial steps to success
- desired outcomes.

The action plan will be reviewed by the Regional Economic Strategy group on an annual basis.

7. Governance and delivery

In order to achieve the actions set out earlier an appropriate governance and delivery approach is required.

Delivery is seen as more crucial in the short term and the need to establish clear roles and responsibilities for the key delivery partners within the Regional Skills Strategy is paramount.

In terms of governance, it is proposed that

- the implementation of the Regional Skills Strategy will be overseen by the Regional Economic Strategy Group, and be a formal agenda item twice a year (the Universities will be invited to those meeting of the Regional Economic Strategy Group)
- an annual report will be taken to the ONE Board and the Regional Advisory Board, which includes representation from both HEIs.

The SDS Regional Skills Planning Lead for the North East and the oil and gas Sector Manager will work with partners to oversee the delivery of the Regional Skills Strategy, including engaging with employers, partners and stakeholders.

Appendix 1: Partners and stakeholders

- Aberdeen City Council
- Aberdeenshire Council
- Grampian Chamber of Commerce
- NHS Grampian
- North East Scotland College
- Opportunity North East
- Skills Development Scotland
- Scottish Enterprise
- The Robert Gordon University
- The University of Aberdeen
- Visit Aberdeenshire

Appendix 2: Labour Market Outlook⁸

Economic growth

GVA growth is forecast to average 1.6% per year over the 2017-2027 period, just below the Scottish average of 1.7%. However, uncertainty caused by the UK's decision to leave the EU has dampened near-term growth prospects.

Growth in Aberdeenshire's economy is set to be heavily underpinned by growth in the professional services industries.

Information & communications technology/digital and creative industries are expected to enjoy the fastest rate of growth (2.8% each per annum over the next decade) although engineering, financial & business services and construction are expected to make the largest contribution to growth given their outlook and relative size.

Productivity growth over this period is forecast to average 1.6% per year, slightly below the rate expected for Scotland (1.7%).

Employment

Total employment (jobs) is forecast to remain relatively flat over 2017-2027, with the rate of job creation to be at 0.02% per annum over the next 10 years, well below the Scottish average of 0.3% per annum.

Jobs creation is expected to be largest in professional services (4,700), followed by construction (2,200), administrative and support services (2,100) and human health and social work (1,700).

However, these gains will be offset by falling employment within the mining (mainly energy) and manufacturing sectors which, together will account for approximately 10,200 job losses.

Occupations

The sectoral composition of Aberdeen and Aberdeenshire's labour market is evident in its occupational mix, with higher proportions of workers in a number of professional occupations and skilled trades than the Scottish average.

Elementary clerical and service occupations are forecast to see the largest rise in the region over the coming decade (1,100). This is closely related to the rise in administrative and support services employment.

Growth in construction is set to support a rise in the number of workers in skilled construction and building trades (700). We also forecast relatively strong growth in the number of caring personal services (800) and health professionals (700).

However, the number of workers in skilled metal and electrical trades is expected to fall by around 1,400 and we also expect significant declines in the number of process, plant and machine operatives (-1,100) and jobs in science and technology professions (-800) and associated occupations (-1,000).

Skills demand

Replacement demand will result in over 100,000 openings over the period forecast. These openings will occur across all types of occupations including those that are expected to decline in net terms.

Taken along with the overall fall in expansion demand of 500 over the period, there will be an estimated 95,500 job openings in the region between 2017 and 2027.

Elementary clerical and service occupations, will account for over 14% of all openings.

The requirement for workers in sales and professional occupations is also expected to rise significantly over the coming decade. Openings in science and technology will, however, be driven by replacement rather than expansion demand. (continued over page)

The majority of openings in Aberdeen and Aberdeenshire over the forecast will require individuals with higher level qualifications, in part a reflection of the sectoral and occupational trends expected over this period.

Individuals qualified to SCQF level 7 or above will account for 60% of the 86,600 openings expected to be created between 2015 and 2024.

The remaining opportunities will mainly be for individuals qualified to SCQF levels 5-6, equivalent to 30% of openings over the forecast period. The net requirement at these levels, however, will be driven solely by replacement demand.

Thanks to our partners and stakeholders



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