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Sensemaker Guide

# Are clusters a good solution to optimising the skills needed for regional and national growth?

In partnership with



## Are clusters a good solution to optimising the skills needed for regional and national growth?



Clusters bring together businesses, suppliers, universities, and research organisations so that they gain a competitive advantage over other places. They drive innovative behaviours and help attract world class talent.

The CBI's clusters work will explore how we use clusters to drive economic growth in every region of the UK – to really achieve levelling up. We want to develop practical answers and solutions for business leaders that will help take clusters from good to great.

Skills are an essential part of a cluster's success, a point emphasised at our launch event on Tuesday 10th May. This event will focus on how businesses can come together to identify, articulate and invest in the right skills to drive growth. We'll also discuss the role of clusters and how business and stakeholders can work in partnership to take the UK's current economic clusters from good to great.

## We'll be seeking to gain insight, best practice and ideas by touching on:



- Do you consider yourself to be part of a cluster?
- Does being part of a cluster benefit your organisation when it comes to attracting and retaining skilled people? Why?
- How do businesses collaborate rather than compete, to help develop an inclusive skills ecosystem that benefits all?
- How do you articulate your current and future skills needs? Do you engage with local schools, colleges and universities to help shape and develop the skills you need?



*"There's more that we can do collectively between private and public sector to help encourage digital adoption. There are lots of companies, particularly as you go out into the regions, that haven't yet got those skills, and there's lots more that the government can do but also that the private sector can do to encourage that."*

**Jo Bertram, Managing Director, Business & Wholesale, Virgin Media O2, Business**

## Context: The Case for Action



Levelling up is the defining political and social issue of our time - without fixing it, raising the UK's long term growth rates looks a tougher bet. Clusters are a tried and tested method for improving productivity with examples of success in countries and regions around the world.

Clusters bring together businesses, suppliers, universities, and research organisations so that they gain a competitive advantage over other places. They drive innovative behaviours and help attract world class talent – clusters could offer local solutions to attract and retain skilled workers within regions.

The link between skills investment & economic outcomes are hampered by:

- The UK's relative underinvestment in skills compared to international peers
- Regional variation in skills provision and outcomes

Clusters would benefit from a skills approach which leads to:

- The attainment of higher level skills
- Collaboration across large business and SMEs on skills through clusters could bring learnings and benefits to both
- Opportunity for an employer led view, early workforce planning to work with the skills system and providers to meet future needs

# Half a million

Over half a million people of working age are estimated to have left the UK labour market since 2020, exacerbating long-standing skills gaps

# 7 million

The ISC estimate that an additional 7m people – 20 per cent of the workforce – will be significantly under-skilled for their jobs by 2030

# 75%

75% of a business re-location decisions are based on available skilled workforce

## Challenges



There are key barriers to attracting, developing and retaining skills across clusters and in places:

- Attracting and retaining talent in a tight labour market, where the mismatch between available workers and jobs is more acute outside cities
- Skills mapping & workforce planning
- Available investment in high inflation environment
- Influencing the ecosystem to support the right skills development and the role of public / private
- Having anchor institutions to attract talent
- Collaboration rather than competition on skills development and access
- Changing work practices – creating both opportunities and challenges e.g. hybrid working widening the available pool of talent, while being a challenge for some high technical roles such as engineers

## Success Measures



The CBI hypothesis is there are some key success factors for clusters. Through our roadshows, gathering insights, evidence and case studies we are looking to develop the practical ingredients of success.

The success factors are:

- Shared economic prize – unifying outcomes and stake in success
- Anchor institutions – strong organisations that others gravitate / coalesce around
- Storytelling – strong place narrative, USP
- Strong leadership / figurehead – go to ‘place’ leader
- Great partner collaboration
- Supportive policy – the right policy levers that make a difference



## South West Cluster Skills Case Study



The South West region has a proportionately high reliance on migrant workers, this has exacerbated labour and skills shortages post-Brexit. Clusters could offer a local, place based solution to attract and retain good highly skilled workers within the region. It could also be a way of businesses collaborating on skills development and planning.

### Established Cluster example in the South West – Aerospace and Advanced Engineering (AAE):

- The largest aerospace cluster in the UK (2nd-largest in Europe) directly employing c.29,500 people (2018) in the West of England alone
- Estimated worth (pre-COVID) of £7bn.
- The opportunity is to lead on 'net' zero.
- The challenge is to future proof workforce skills.

The aerospace and advanced engineering sector is facing both threat and opportunity from decarbonisation, 'Jet Zero' and digital agendas alongside the significant system-shocks that it has faced with the global pandemic – both in terms of uptake of air travel (and subsequent opportunity for continued growth) and the loss of experienced employees via early retirement. With 14 out of the 15 Aerospace Primes in the region, this is the largest aerospace cluster in the UK and second largest in Europe. We have both the opportunity and the facilities to lead the sector's development of activities aligned with net zero and digitalisation globally.

In this geography, the industry is worth over £7 billion, and hosts 14 of the country's 15 Primes. The region is home to the National Composites Centre (NCC) which is one of seven world-class centres comprising the UK's High Value Manufacturing Catapult (HVMC) research centre.

Types of skills needs:

- Digital Skills
- Green skills
- Softer skills – Leadership & Management

*Source – West of England LSIP trailblazer report*

## Speakers

### Hashi Mohamed

Barrister, Broadcaster and published author of *People Like Us, What it Takes to Make it in Modern Britain*

In 2010, he joined The Honourable Society of Lincoln's Inn and completed his barrister training in London in 2012. Now at No5 Chambers, Hashi practices in public law; his main area of focus is Planning & Environmental law.

Hashi also presents documentaries on BBC Radio 4, most recently on planning, politics and housing; 20 years since the inquiry into the murder of Stephen Lawrence, and on access to the top professions.

Hashi's second book, *A Home of One's Own*, focusing on the housing crisis and what we need to do about it, is out in September 2022.



### Martin McFadyen

Head of Public Sector at Virgin Media O2 Business

He supports organisations from education to healthcare with their digital strategy to enhance employee experiences and improve people's lives. He goes above and beyond to understand their challenges and provides consultancy to ensure they are overcome and that they are ready to adapt to an ever changing future. He has more than 20 years' experience within the telecoms sector, joining Virgin Media Business in 2007, and progressing from Account Manager, then Regional Director – Scotland, to his current position at Virgin Media O2 Business. Martin lives in Hampshire with his family and is a passionate football fan.



### Ben Rhodes

South West Regional Director at the CBI

Ben leads the CBI's South West operation and supports member businesses as they look to rebuild from COVID and target a sustainable and prosperous future.

