

Report of Director of City Development

Report to Scrutiny Board (City Development)

Date: 26 April 2017

Subject: Employment Growth and Access to Opportunities.

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. The Best Council Plan sets out the Council's ambition for Leeds to have a strong economy and to be a compassionate city, tackling poverty and inequalities, and includes the Best Council Plan outcome for everyone in Leeds to earn enough to support themselves and their families and the Best Council Plan priorities around supporting economic growth and access to economic opportunities by providing skills programmes and employment support
2. Since the recession the Council has undertaken wide range of work to attract and retain business in the city and directly supported businesses to contribute to an additional 30,000 jobs and 6,000 businesses. Each year the Council supports more than 4,500 people to make the transition from benefits into work and over 8,000 residents to acquire new skills. The changing nature of the economy and the employment opportunities this offers is summarised in this report alongside examples of the current and planned approaches to promote continued growth and ensure that all residents are supported to access these opportunities.

Recommendations

3. Members of Scrutiny Board are asked to note the changes in the performance of the local economy and labour market and the range of interventions in place to support continued economic growth and support available to residents seeking work.

1. Purpose of this report

- 1.1. At its meeting on the 21 December the Board considered the City Development Performance Update report for quarter 2016/17 and requested further information regarding job growth, particularly with regard to the nature of employment in Leeds and how local employment opportunities are being secured.
- 1.2. The following report provides summary information on the changes in the local economy and the labour market. It also provides examples of the demand and supply side interventions for labour, that is the activity to support business and job growth led by Economic Services and the activity to support local residents to access employment led by the Employment and Skills service.

2. Background information

- 2.1 Section 3.1 of the report sets out the key changes in the local economy since the recession highlighting the significant job growth across key sectors. Section 3.2 of the report summarises the impact of this growth on the employment rate, the number of local residents claiming an out-of-work benefit and the changes in full and part time work and the growth in self-employment.
- 2.2 Sections 3.3 and 3.4 provide information on the work of the Council to support greater employment focused on three key elements:
 - helping employers to grow their businesses and create new job opportunities;
 - supporting companies to move to Leeds from elsewhere, bringing employment opportunities with them; and
 - working with Leeds residents to help them into those jobs.Examples, rather than a comprehensive list, of the activities led by the Economic Development and the Employment and Skills services are provided to demonstrate the above approach.
- 2.3 The need to integrate our approach to promoting economic growth and tackling poverty was set in the report 'Stronger Economy, Compassionate City' and agreed by Executive Board on 21 October 2015 and has informed the approach to the More Jobs, Better Jobs Breakthrough Project. It is understood that by enhancing the ability of all our people to contribute to the economy to their full potential, we can boost the economic productivity and competitiveness of Leeds and we can also seek to reduce the costs of poverty to the economy and the taxpayer.

3. Key Issues

3.1 Changes in the local economy

- 3.1.1 Leeds has performed well since the recession and continues to be the main driver of growth in the region. In 2015 there were 430,000 people employed in the city. A breakdown of sectors is available in appendix 1.
- 3.1.2 There are now 30,000 additional jobs in Leeds since 2009, and extra 6,000 businesses. Leeds is expected to outperform the national economy in the next 20 years, forecast to increase its output by an extra £9bn annually (growth of almost 50%) and create an extra 68,000 jobs (25,000 jobs between 2014 – 2024).

- 3.1.3 Most forecasts agree that Manchester and Leeds will be the two best performing cities in the north, and will become the centre of the Northern Powerhouse. Long term forecasts are difficult to predict, but the IPPR estimates an additional 850,000 new jobs could be created in the North of England by 2050. They identify digital technologies, health innovation, energy and advanced manufacturing as prime growth sectors. Financial and professional services, education and logistics are also identified as high growth areas for creating the new jobs which could help add £97 billion to the economy.
- 3.1.4 There were 4,275 start-ups companies created in Leeds during 2014, this was the second highest of all the UK core cities. Perhaps even more importantly our business failure rate is low; the Leeds City Region is forecast to have the highest number of scale-up companies per year between 2014 and 2024. Scale-up companies are those SMEs that have 10 or more employees and those that achieve an annual growth of more than 20% per year over a three-year period.
- 3.1.5 Since the recession Leeds has achieved an average private sector jobs growth of approximately 2.2% per year. More recently the situation has improved and in 2014/15 Leeds had the highest rate of private sector jobs growth of any UK city of 6.1% equating to 19,100 jobs, more than making up for any loss of public sector employees. This helps explain why Leeds has the highest private sector to public sector jobs ratio of any core city.
- 3.1.6 The majority of new jobs will come from the city centre as the region's main hub. Leeds has the majority of high skilled jobs in the region and 32% of Leeds jobs throughout the city are in Knowledge Intensive Business Services (KIBS).

Figure 7: Location of high-skilled jobs across Leeds City Region, 2011

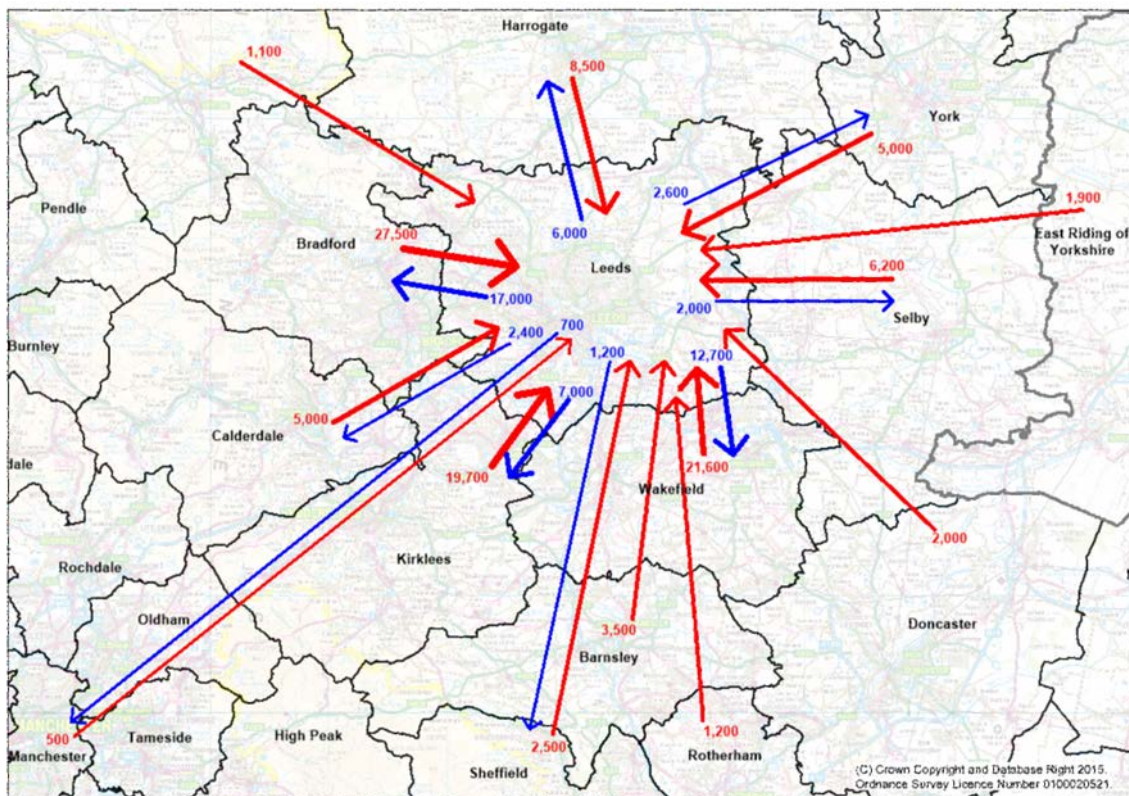


- 3.1.7 The financial and professional services sector continues to perform well and has benefitted from a sustained period of growth, between 2009 and 2015 this resulted in an additional 20,000 jobs – a 26% increase. The digital sector includes over 1,300 companies including a particular national strength in digital health jobs (the city region contains 22% of all jobs in the UK digital health sector thanks largely to Leeds).
- 3.1.8 Our manufacturing base is still strong with 1,800 firms employing around 28,600 people although despite growth of over 2% in 2014/15 there has been a slight reduction in employment since the recession. Elsewhere overall retail

employment has declined slightly since 2009, this is most likely due to the growth of online retail cancelling out additional city centre retail growth. Our hospitality sector is performing well, as is tourism which generates £1.15 billion of economic benefits and 18,500 jobs across the city.

3.1.9 A major trend is the growth in self-employment, reflecting the national picture. The amount of people in self-employment nearly doubled from 32,000 in 2010 to 63,000 jobs in 2016.

3.1.10 Commuting patterns across the region demonstrate the attractiveness of Leeds for workers. The flow rate is important as it shows that even a large increase in the amount of jobs in Leeds does not automatically result in additional jobs for Leeds residents. Over 47,000 people work in the city from elsewhere in the City Region and over 55,000 people overall commute into Leeds for work. The diagram overleaf shows the travel patterns of workers within the region.



3.2 Employment and out-of-work claimant rates

3.2.1 There city's employment rate matches the national rate of 77.8% with 408,000 people in employment in Leeds between October 2015 and September 2016. There has also been a continued reduction in the number of out-of-work residents claiming Jobseeker Allowance to around 8,620 or 1.7% of the working age population in August 2016 to near pre-recession levels.

3.2.2 However the numbers reliant on Incapacity Benefit or Employment Support Allowance remains stubbornly high at over 32,370 or 6.4% of the working age population. Most of these individuals will have a disability or long term health barrier that prevents or currently limits their ability to secure employment. Nearly 50% of this group suffer from mental ill health and are disproportionately concentrated in our most disadvantaged communities. The Government has published a Green Paper, Improving Lives: Work, Health and Disability, setting

out proposals to address these inequalities and contribute to the Government's full employment ambition.

3.2.3 More recently policy makers have been increasingly focused on the fact that 'a job, any job' is no longer a guaranteed route out of poverty in the modern economy. Research by the Joseph Rowntree Foundation shows that 55% of the households in poverty contain at least one adult that is in work, these families equate to approximately 7.4 million people across the UK. It is estimated that 13.5% of all working age adults are affected by in-work poverty. If a similar proportion of the Leeds population was affected in this way, it is estimated that around 68,000 adults are experiencing in-work poverty.

3.2.4 Skills are a key determinant of success in the labour market. While skill levels have generally been increasing with 33% of Leeds residents aged 16-64 years qualified to NVQ Level 4. However 18.2% of Leeds residents do not hold a qualification at Level 2 and 8.8% hold no qualifications at all. Labour market forecasts indicate that nearly half the new jobs will require a Level 4 qualification or above and that relatively few are expected to be added requiring no or below a Level 2 qualification. This hollowing out of the labour market has resulted in many people being stuck in low paid and often insecure jobs that lack opportunity for progression.

3.2.5 Information on levels of pay for full and part time workers is provided by the Government's annual survey of hours and earnings (ASHE). This takes a sample of 1% of all workers from tax records to produce estimates for the working population. For Leeds residents (who may work outside of Leeds), the 2016 figures are as follows:

Number of workers	f/t	p/t	Total
Male	145,000	19,000	164,000
Female	91,000	63,000	154,000
Total	236,000	82,000	318,000

Median hourly pay	f/t	p/t	Overall
Male	13.94	7.81	13.33
Female	12.77	9.03	10.97
Overall	13.53	8.68	12.12

Lowest 20% hourly pay	f/t	p/t	Overall
Male	9.63	7.14	8.74
Female	9.08	7.30	10.97
Overall	9.35	7.20	8.20

The data shows that almost 90% of male workers are in full time employment, while 40% of women workers are part time. In terms of rates of pay, the median overall rate for men is around 20% higher than for women, although for part time workers, women are paid more than men with a median rate of £9.03 per hour, which is above the living wage.

- 3.2.6 Issues such as the numbers of people earning less than the living wage and the prevalence of zero-hours contracts are not covered in these statistics. Indeed, the scale of use of zero-hours contracts is not known as such arrangements are not covered by the ASHE survey. An estimate of the number of people earning less than the living wage has been produced for Leeds and other cities by the Office for National Statistics. For Leeds, the estimate is 19.7% (equivalent to approximately 63,000 people), which is the lowest rate in the Leeds city region.
- 3.2.7 Another key issue in low pay and job creation is the rise of self-employment in Leeds. Ten years ago, Leeds had a very low start-up rate with fewer people starting businesses here than elsewhere in Yorkshire. However, since 2007, 45% of all jobs created in Leeds have been self-employment, and our start-up rate has increased as a city. The strongest growth in start-ups has been in the most and least affluent wards, with 28% of startups in Leeds last year being from those wards in the 20% most deprived.
- 3.2.8 According to data supplied by Banksearch, who monitor the creation of business bank accounts, there were 4,864 new businesses started in Leeds last year, with 450 of those in City and Hunslet ward, 200 in Gipton and Harehills, and 199 in Roundhay. The table at Appendix 3 shows the number of start-ups per 1,000 residents for each ward in the city.

3.3 Interventions to support business growth and job creation

- 3.3.1 Over recent years, the Economic Development service has increased the extent, scope and intensity of the work with key employers in the city. This work, involving systematic contact with large and strategic companies, seeks to ensure that key companies in the Leeds economy are able to grow and sustain employment. Senior officers from all Council Directorates maintain relationships with these companies, coordinated by our Key Account Management (KAM) function.
- 3.3.2 An example of KAM in action is the work over the past year to support Steeper, a leading global manufacturer of prosthetics who employ 250 people at their base in Hunslet. The premises were affected by the Storm Eva flood and at risk of their parent company closing down the Leeds operation. Working with the local management team, we helped the company to relocate to within a mile of their factory, securing a large number of highly skilled jobs. The management team has since bought out the parent company and is now focussed on expanding their operation.
- 3.3.3 Sector development work focuses on key companies in 7 sectors of the economy. Working with digital companies, we seek to support their growth through promoting Leeds as a hot spot for the digital economy, bringing employers together to focus on their shared needs around skills and employment, and increasing collaboration to help companies secure more work. This sector is expanding rapidly and is forecast to create many thousands of jobs over the next few years. Similarly, we work with high-tech health companies to help them share in the opportunities created by the NHS.
- 3.3.4 The most tangible support we provide for growing companies is the work of our business support teams. The Business Growth Programme, which we deliver across the Leeds City Region, provides capital investment in growing companies,

linked to new job opportunities. To date, the programme has helped create over 4,000 jobs and safeguard a further 1,700. Every £1 spent by the programme brings around £10 of private sector investment, and the scheme is one of the most successful business support programmes in the UK.

- 3.3.5 The Business Growth Service, again part of a city-region-wide programme, works with small and medium sized businesses that are expanding. A combination of advice and small grants ensure that these companies have access to the external support that they need, maximising their growth in terms of employment and turnover
- 3.3.6 As digital infrastructure and communication becomes increasingly vital to all businesses, the work of our digital business support and Superconnected Cities projects are increasingly supporting job growth and retention. These projects provide advice on making the most of digital marketing, process improvement and tech capabilities.
- 3.3.7 The current focus on inward investment, with work on promotion, detailed support for developing business cases, and rate relief for qualifying companies, also targets new employment opportunities for Leeds. Whether it is with global companies like Amazon, or smaller operations such as Zenith (who recently moved to Kirkstall Forge), the detailed work that is required with local management teams can bring substantial rewards in the form of jobs for Leeds residents.

3.4 Interventions to support local residents to access employment

- 3.4.1 Working in close collaboration with the Council's Economy and Regeneration, Planning, and Procurement services; West Yorkshire Combined Authority; DWP; the Skills Funding Agency; learning providers and business leaders, the Employment and Skills service works to align provision to meet skills needs in key growth sectors and recruit individuals to a wide range of jobs, work experience and apprenticeships.
- 3.4.2 Council support to local residents is largely targeted at inner city communities with the highest levels of out-of work claimants with over 4,500 supported into work and 8,500 gaining new skills each year. These interventions aim to equip individuals with job search and employability skills and connect them to known opportunities through the service's business facing activity. Examples of some of the directly delivered services, commissioned programmes and partnership initiatives that contribute to these outcomes are summarised below.
- 3.4.3 The service works with the Communities and Environment Directorate to ensure that an end to end service can be provided through staff in Jobshops as part of the integrated service offer through Community Hubs. Jobshops offer a range of Information, Advice and Guidance services to customers by accredited staff. These include guidance and support on jobsearch, producing CVs, completing applications, information about job roles and the job market and signposting to other services. During the period April to December 2016, there have been 5,233 individuals accessed support at a Jobshop and 2,461 have been supported into work.

- 3.4.4 In addition to the general Guidance services, the Jobshops deliver a targeted support programme to residents claiming Tax Council Support. The Personal Work Support Package (PWSP) is a mandatory programme for residents claiming Jobseekers Allowance for more than 6 months when they apply for Council Tax Support. Since October 2015, 1,799 people have participated in the programme, and 429 have been supported into work. PWSP is available for up to 26 weeks and consists of a period of intensive support followed by an additional period where individuals will receive ongoing support according to need including: job search and employability support, financial help, advice and personal support. It is designed to complement the support that Jobseekers receive from Jobcentre Plus to prepare for and find work.
- 3.4.5 A pilot Mental Health Employability project commenced delivery in 3 Jobshops in May 2016 to offer a more individual and tailored programme of support to those customers presenting with mild to moderate mental ill health by using the specialist skills of Leeds MIND. The 2 year programme includes staff training and development to build the capacity and capability of Community Hub staff to continue to meet this growing need when the programme completes. Integral to this approach is an ongoing evaluation involving the specialist advisors, Jobshop staff and customers to ensure continuous service improvements.
- 3.4.6 The service commissions a range of activity to target support to meet known local needs not met by other providers using external funding secured from Government Departments and their funding agencies. These include the Skills, Training and Employment Pathways (STEP) programme targeted to the long term unemployed with a focus on residents previously in Care, those with mental ill-health and those over 50 years of age to overcome the barriers they face to access work.
- 3.4.7 The Council's Adult Learning programme is aimed at the re-engagement of adults aged 19 years plus with no or low level qualifications with learning in an informal and safe environment to acquire new skills. It aims to provide a progression to more formal adult learning and employment opportunities. The programme supports up to 8,000 learners each academic year at over 125 venues across the city including community centres and community hubs. The majority of providers are third sector organisations with strong networks within local communities.
- 3.4.8 The Council also aims to influence and shape the post 16 skills and learning offer in the city by working with learning providers and employers to create progression pathways and ensure training continues to meet labour market needs. The service is currently working with the FE Colleges and the city's Universities to develop a new degree level apprenticeship standard to meet a growing skills shortage in the digital and creative sector.
- 3.4.9 Since 2012, the Council has used its planning and procurement functions to support over 3,100 residents into employment or apprenticeships, by applying employment and skills obligations to S106 Planning Agreements and Council contracts for goods and services on schemes with the potential to provide a significant impact for entry level employment and training opportunities during construction or in end uses. A recent example is the Victoria Gate development with Hammerson UK. During the construction phase, an additional 534 people

were recruited into new jobs, 46% were filled by Leeds residents, and 17 new apprenticeships created. Occupants of the development including John Lewis and the Casino have supported a range of community information sessions and a pre-employment training programme prior to recruiting. 499 staff were appointed prior to opening of John Lewis with 60% of posts filled by Leeds residents.

- 3.4.10 The service also works with employers and business intermediaries to shape and develop new initiatives. Partnership initiatives enable resources and expertise to be pooled to meet changing workforce needs and encourage employers to change their recruitment practice and invest in skills development. The Leeds BID, which represent some 900 businesses principally in the city centre, has committed to enter into partnership with the Council to co-fund and develop a Retail and Hospitality Centre of Excellence to address skills shortages and retention issues. It will deliver an employer led, flexible and blended training and skills programme supporting both potential new entrants to the sector and current employees, developing their potential for progression within the sector.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 This report provides information to inform the Board in its considerations and does not require further consultation at this stage. The development of specific initiatives referred to in the report were subject to engagement with stakeholders including elected members, communities and service users as required

4.2 Equality and diversity / cohesion and integration

- 4.2.1 The activities set out in the report seek to have a positive impact on equality and diversity by improving access to work for those furthest away from the labour market; tackling low pay and progression for those in work; equipping the next generation with the knowledge and skills to access work; and supporting business productivity and growth to create more and better quality jobs.

4.3 Council policies and best council plan

- 4.3.1 The activities described in this report contribute directly to our ambitions to enable all of our residents to benefit from a strong economy in a compassionate city, and in particular, to the Best Council Plan outcome for everyone in Leeds to earn enough to support themselves and their families and the Best Council Plan priorities around supporting economic growth and access to economic opportunities by providing skills programmes and employment support. They also support our ambitions to be a NEET-free city and a city where children and young people can grow up to lead economically active and rewarding lives.

4.4 Resources and value for money

- 4.4.1 There are no resource implications arising from this report.

4.5 Legal implications, access to information, and call-in

- 4.5.1 There are no legal implications arising from this report.

4.6 Risk management

- 4.6.1 Existing programmes of delivery are supported by risk management plans which are reviewed on a regular basis.

5. Conclusions

- 5.1 The report sets out the recent and forecast changes in the local economy and how this impacts the demand for labour. It provides examples of the activities being undertaken to support continued resilience and growth in the local economy by attracting new investment and supporting the growth of existing business. The report also sets out how the Council seeks to help all its residents benefit from the effects of the city's economic growth in particular those furthest from the labour market by providing targeted skills training and employment support activity.
- 5.2 Many of the activities described in this report contribute to achievement of the objectives of the More Jobs, Better Jobs breakthrough project aimed at integrating our economic growth and poverty reduction ambitions. Increased cross service working through mechanisms such as Key Account Management, the application of employment and skills obligations, grant funding conditions and shared intelligence are building the foundations to deliver this. The Council's commitment to take this forward is evidenced by the current consultation with a wide group of stakeholders in the city including communities and business to develop the Leeds Growth Strategy, a delivery plan for continued growth that ensures that all residents benefit from the city's increased prosperity.

6. Recommendations

- 6.1 Members of Scrutiny Board are asked to note the changes in the performance of the local economy and labour market and the range of interventions in place to support continued economic growth and support available to residents seeking work.

7. Background documents¹

- 7.1 There are no background documents.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.