

Report of the Director of City Development

Report to Executive Board

Date: 21st June, 2017

Subject: Graduate retention and mobility and its impact on the Leeds economy

Are specific electoral Wards affected? If relevant, 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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input 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 cities that will succeed in the knowledge economy of today and the future are those that can develop, attract and retain a skilled workforce. There is clear evidence that businesses invest, grow and create jobs where they have access to a wide range of talented people.
2. There have been several recent studies focusing on cities attracting and retaining graduates. Leeds performs relatively well and attracts a higher number of young people to study here than it loses to other cities. Although many students leave on graduation, many also remain in Leeds. These graduates, combined with the new graduates attracted into Leeds for work by its strong economy, mean that overall more people move into the city to study or begin their graduate careers than leave after graduation.
3. A different pattern occurs for older graduates who tend to leave the city but in fewer numbers, and to move within a commutable distance for work purposes. Put simply, in general terms Leeds gains young graduates and loses older ones but as it is easier for young people to migrate (they tend to have less ties in terms of families and careers) they do so in higher numbers producing a net gain.
4. Indicators point to an increase in the number of graduate level jobs across the city, but particularly in the city centre and there is a need to support young people who wish to go to university in order to meet this demand. Widening participation for higher

education and a focus on linking local job opportunities with Leeds graduates will increase productivity and benefit the wider Leeds economy.

5. Overall attractiveness of a city impacts on where people wish to work and study. Leeds has a good offer to graduates, including relatively cheap housing (compared with London and the South East), a good quality of life, a thriving night-time economy and easy access to the countryside. KPMG argue that a city's attractiveness should be central to city growth strategies in order to entice talent.

Recommendations

6. Executive Board is asked to:
 - a) Note the need for more graduates in Leeds to cope with an increasing demand for skilled jobs in the city;
 - b) Authorise the Chief Officer Economy and Regeneration to roll out a programme of initiatives, as outlined in 3.18, to attract more graduates to the City and increase retention of graduates from our Universities.

1 Purpose of this report

- 1.1 The purpose of this report is to set out the main findings of recent and current research on graduate mobility to and from Leeds, and to outline our response as a city.

2 Background information

- 2.1 Recent work has begun to explore the evidence behind graduate mobility in Leeds and more broadly in the UK. We now have a much clearer understanding of the complexity of young peoples' moves first to study and then to work, and a deeper appreciation of patterns of relocation as graduates build careers and lives in their 20s and 30s.
- 2.2 Leeds specific work on this topic includes input to the Government Office for Science (GoS) study on graduate mobility and productivity (see [link](#)), analysis of social media evidence by Bloom agency for both Leeds City Council and Leeds Beckett University, analysis of Higher Education Statistics Agency work for LCC, and a detailed study undertaken by Centre for Cities (see [link](#)).
- 2.3 The Centre for Cities report ('The Great British Brain Drain: Where graduates move and why', Centre for Cities (Nov 2016) – see [link](#)) shows that many university cities lose their graduates to London, with this movement especially strong for the highest achieving students from the top rated Universities. Despite this, most university cities experience a net increase in level 6 qualified workers – more graduates arrive than leave. This is because the majority of movements to and from cities consist of students moving to a new city for university, and then returning home again for work, with over half of all graduates following this pattern.
- 2.4 Leeds has six awarding institutions offering degree courses - University of Leeds, Leeds Beckett University, Leeds Trinity University, Leeds College of Art, and the Northern School of Contemporary Dance. In addition, Leeds City College offers degree courses, the Leeds University of Law offers graduate and post-graduate level qualifications, and over 1,000 Leeds residents are studying with the Open University. Each institution has a different role and attracts students from different geographies, with 20% of University of Leeds students coming from overseas, contrasting with the 78% of Trinity students who are from either Yorkshire or the North West.
- 2.5 Leeds is attractive to young people, with a big net inward migration in the 16-21 age group, and tends to export older people, particularly 26-45 year olds. While some of these move to the south (20% of 22-30 year olds moving away go to London), the majority of leavers with degrees in their 30s are moving house, not job and consequently stay close by and continue to commute into Leeds.
- 2.6 The data on destinations of graduates after university shows that 29% of graduates from Leeds stayed in the city, according to the Higher Education Statistics Authority (HESA) destination survey for 2014/15. Those universities drawing students primarily from the local region saw a higher proportion of

graduates remaining in Leeds, whereas only 18% of University of Leeds graduates stayed here.

2.7 Leeds has an overall net increase in level 6 qualified workers when combining the data on student and new graduate roles, resulting in a total gain of 3,700 graduates between 2013 and 2015. This increase is a more significant percentage than for either London or Manchester. There is still a net outflow of graduates from Leeds as 8,500 students left the city on graduation between 2013 and 2015 but this is offset by graduates moving to Leeds for work who have neither grown up nor studied in Leeds. These people account for 42% of the total graduate employment market.

2.8 Figure 1 below shows the flow of students from school, through university and into work in 2013-14. On the left of the diagram is the location of schooling, in the middle the place of university study, and on the right, the place of work after graduating. A total of 2,825 young people left Leeds schools for university, with 1,700 staying here to study. 415 young people from Leeds studied elsewhere but returned here for work after university. The bottom left shows the 2,140 graduates who came to Leeds for employment having neither been at school nor at university here – more than twice the number who came here to study and then stayed.

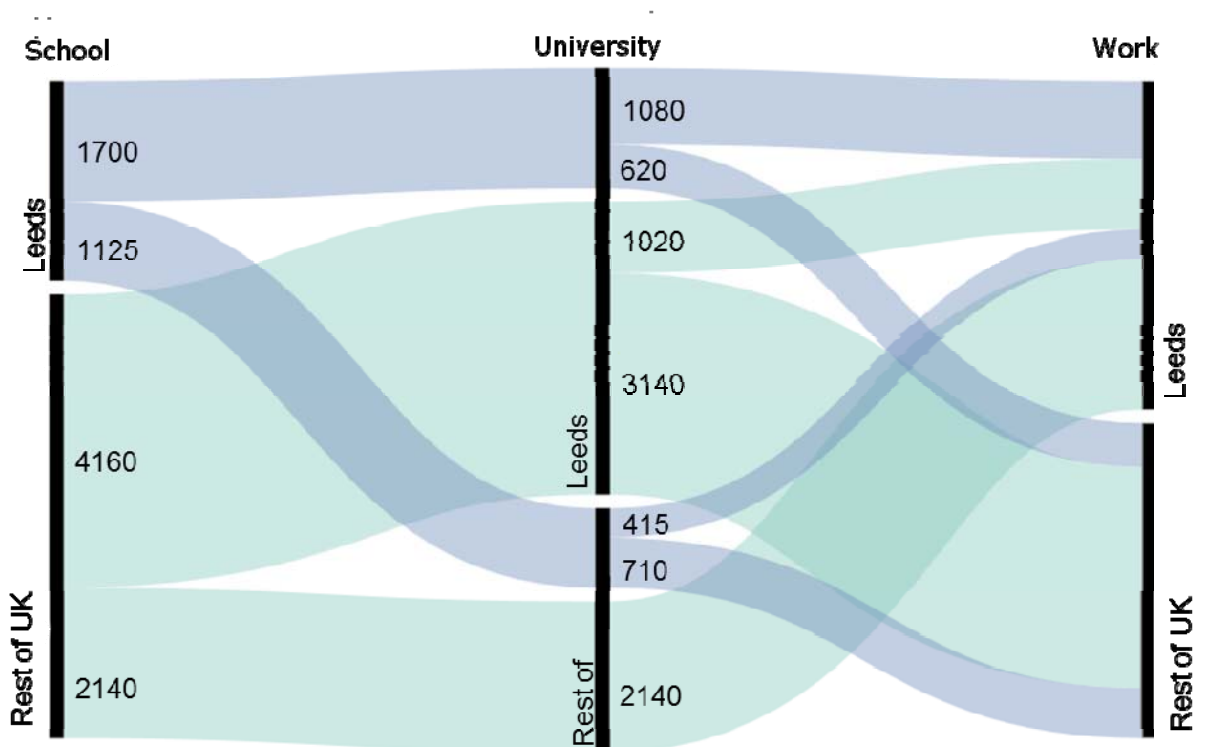


Figure 1: Study paths of graduates, 2013-14

2.9 Leeds is very attractive as a graduate employment destination, and as a consequence employers do not need to offer additional salary enhancements to attract candidates. The mean starting salary of graduates in Leeds is thus

relatively low at £20,700. Centre for Cities argue that Leeds is very attractive to graduates and therefore does not need to compensate graduate employees for amenity-loss ('The great British brain drain: An analysis of migration to and from Leeds', Centre for Cities Mar 2017, pp.20-22). The relatively low level of salaries compared to other cities can also be explained by under-employment (a quarter of graduates employed in Leeds are not in graduate-level jobs) and by the prevalence of graduate jobs in low-paying sectors such as nursing.

- 2.10 Later in their careers, we see a net flow of people in the 31 to 45 age range out of Leeds, but into surrounding areas close to the city. This is interpreted as people moving home but not job, and commuting back into the city. There is some loss of older graduates to London and the South East from Leeds itself, but strong evidence that older people do return to Yorkshire but move straight to smaller towns. Overall there is a net inflow from London and the South East to the City Region for 31 to 45 year olds, with Harrogate, Huddersfield and Wakefield showing the largest net gains.
- 2.11 The prevalence of commuting within Leeds City Region, but between districts (i.e. living in Bradford but commuting to Leeds, or living in Leeds but working in York), highlights the importance of looking beyond the Leeds Council when considering potential policy responses.
- 2.12 The Centre for Cities report presents five conclusions:
- Overall migration patterns for Leeds, like other large cities, are dominated by the movements of students and graduates.
 - Leeds experiences an overall net increase in level 6 qualified workers (i.e. qualified at degree-level), in that it gains a significant number of graduates, once moves of undergraduate students to Leeds are taken into account.
 - Our universities play different roles – in particular, the University of Leeds and Leeds Beckett educate people primarily to work elsewhere.
 - Any policies designed to increase retention should keep in mind these different roles, and focus on graduate demand by increasing employment.
 - Leeds has a strong graduate jobs market in the knowledge-intensive business services (KIBS) sector (which includes professional advice and consultancy, digital and tech, legal, etc), and a smaller proportion of public sector graduate jobs.

3 Main Issues

Access to talent

- 3.1 Leeds is an attractive location for students and for graduates. Our universities have many high quality courses on offer and our graduate employers provide some great opportunities to work on significant projects. However, we still have a shortage of highly skilled people (level 4 qualifications and above) in both Leeds and the City Region, and we have a lower proportion of our graduates remaining

in Leeds than many comparable cities. Post Brexit the need to maintain a highly skilled workforce will be important.

- 3.2 Feedback from employers and inward investors is that access to graduate level talent is very important. Local businesses report that they often struggle to recruit into graduate positions. This is sometimes because they require relevant work experience to supplement qualifications, but also reflects a supply side shortage in the local employment market. We also know that availability of talent is top of the list of inward investor requirements, demonstrated in the recent Ernst & Young national attractiveness survey. Leeds is doing increasingly well as an inward investment location, but this is potentially threatened by skills shortages.
- 3.3 Commuting patterns in the Leeds City Region, with over 120,000 people coming from outside of Leeds District to work every day, demand that any policy responses to this agenda consider broader implications for both our neighbouring districts and for the Local Enterprise Partnership.

The Leeds offer

- 3.4 Being an attractive location for talented people is a key success factor for any city such as Leeds. KPMG's magnet cities work explores this perspective, arguing that the factors which are important to attracting graduates are the right housing, transport, quality of life, and city image. Consequently, they suggest that these issues should be central to city growth strategies.
- 3.5 While the supply side issues are clearly important, and are the areas where public policy can most easily make an impact, the Centre for Cities report argues that it is the availability of graduate jobs that matters most. In this context, seeing Leeds not as a standalone city but as part of a much bigger city region is crucial. While Leeds does well in attracting and employing graduates, the same is not true for its immediate neighbours. Growing graduate employment beyond our city boundary, as well as expanding employment in knowledge intensive industries in areas such as the Innovation District and the South Bank, must be part of our strategy.
- 3.6 There has been substantial development activity across the city, with major development schemes worth over £4 billion completed in the last 10 years. The pipeline of new schemes in development is even larger with major investment areas including the South Bank, Kirkstall Forge, Aire Valley Enterprise Zone, Thorpe Park and the airport. The first direct arena and major events including the Grand Depart and World Triathlon are helping grow the visitor economy to £1.5 billion. Business tourism is now worth £500 million per year.
- 3.7 Successes in the Leeds economy are welcome, but there are still challenges which need to be addressed.

Productivity

- 3.8 Historically the UK has an issue with low productivity, raising this is important as it is directly linked to living standards and is also crucial in determining long-term growth rates of an economy. In Yorkshire and Humber our productivity is lower than in 2007. In the Leeds City Region GVA per head is just 82% of the national

figure and even further behind London and the South East. This means that we are working harder to produce the same amount of goods and services, the result of which creates a stagnation of wages and living standards. The Institute for Public Policy Research (IPPR) has calculated that if we could only halve the output gap between the North and the national average then the economy would be £34 billion better off. This means more jobs and better wages.

- 3.9 Our Universities already focus on the employability of their graduates and have a range of activities with local employers to facilitate the move from study to employment. However, if we are to address the overall skills and productivity gaps in the economy then we need to increase graduate employment and a focus on increasing retention and better linking under-graduates with employers would seem a good place to begin.
- 3.10 We know that students who remain in Leeds to study are much more likely to remain here on graduation, and this points to a focus on widening access for local people to get them to go to university. There is much work and commitment here already, including initiatives such as the Legal Apprenticeship scheme and current work on Degree Apprenticeships in the digital economy. The focus here needs to be on the right courses at the right institutions. Getting more of our young people to study at university, and encouraging them to do that while staying in Leeds could be an effective intervention.
- 3.11 The relatively high level of KIBS jobs, particularly in law, finance and digital, is a strength for Leeds. Focusing growth on these sectors must be a priority, and growing them beyond Leeds city centre is also important. High-skilled jobs in Bradford, York, Wakefield and elsewhere in the city region are opportunities for our graduates and residents.

Job market

- 3.12 We have had some success in linking SMEs in the digital sector to undergraduates studying relevant subjects. Providing relevant work experience to students through short-term projects in our SMEs can help overcome the lack of relevant work experience that can hamper graduates when they seek their first jobs.
- 3.13 Activities such as the recent Leeds Digital Job Fairs, where local employers have exhibited opportunities to students and job seekers from the city, also have a big role to play. The majority of opportunities presented through the Milkround job fairs are outside of Leeds, and local recruitment fairs can present more of our local employers. Current work by University of Leeds in taking final year students to see graduate employers in the city through a dispersed job fair is another example of local recruitment. There is more we can do in this field.
- 3.14 Linking graduates to the SME job market through a "Teach First" style initiative to place graduates in local firms, has had some success in Sheffield. We have explored this from a policy perspective, but have yet to pilot such an approach in Leeds. An early project in this area should be a priority.

Marketing

- 3.15 It is important that we market and promote Leeds as a place for graduate and high-skilled employment, focussing on the quality of life we can offer and the range of opportunities on offer. Presenting a more clearly articulated case and making the collateral we have more visible, perhaps through a bespoke portal, is also worthy of consideration.
- 3.16 Projects that grow the overall number of graduate jobs are vital. Centre for Cities remind us that it is the demand side for graduate employment which is the biggest factor in attracting talent. Initiatives such as the Innovation District, the Tech Hub, and the Southbank all have a part to play here. Growing the number of high-tech start-ups while supporting the continued growth of our legal and financial services sectors are stated priorities for the city. Such growth would produce more graduate level employment, and is thus very important.
- 3.17 Transport remains a big challenge for the city. Recognising that supporting commuting from outside of Leeds is equally important as getting residents across town should be at the forefront of our strategy. The strength of our economy in the future will be influenced by the ability of talented and qualified staff to remain working here while having access to the right environment for them to build lives alongside their careers.

Proposed Programme of Work

- 3.18 With key stakeholders and partners, we have identified the following strands of activity which will form the focus of further work:
- Seek to quantify and monitor the need for more graduates in Leeds to cope with an increasing demand for skilled jobs in the city;
 - Develop programmes that create better awareness among Leeds students of jobs, careers and employers in the city, possibly using a Teach First approach;
 - Work with our universities in offering more places to Leeds students if they meet entry requirements;
 - Co-ordinate with West Yorkshire Combined Authority and the work of our neighbouring districts to ensure that we take a collaborative approach to their work on graduate retention;
 - Support an initiative to centralise a showcase of graduate level jobs via sector specific job fairs, similar to that of the Leeds Digital Job Fair; and
 - Work with higher education providers and employers to create more work based degrees, internships, mentoring and work placements to enable graduates to gain more experience and become more ready for work as they graduate.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Consultation for this work has been primarily with the Universities and graduate employers. A workshop was held on 28th March 2017 where the Centre for Cities report was presented to an audience including senior leaders from the three Universities and Leeds College of Art, companies such as pwc, KPMG, Sky, DLA Piper and FDM group, and stakeholders including Leeds Chamber, Tech North and NHS Digital. The meeting helped develop the recommendations in this report.
- 4.1.2 Subsequent consultation has been with the Business Improvement District and Chamber of Commerce, both of whom have interest from their members in this important agenda.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 Themes running through this report have an impact on equality and diversity. The Council aims to improve the lives of all its citizens and foster good relations between different groups in the community. Whilst this report focuses on graduates and workers with high level skills, the council also has many initiatives which seek to help other workers and citizens as part of an overall growth strategy and council plan.
- 4.2.2 An Equality Diversity, Cohesion and Integration screening has been undertaken to assess the impact of this report on equality and diversity and is attached as an appendix. It concludes that the initiatives recommended will have a positive impact on equality and diversity.

4.3 Council policies and Best Council Plan

- 4.3.1 The vision from the Best Council Plan is for Leeds to be a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth. Graduate retention has many positive impacts including increasing employment, raising skill levels, and raising productivity that will help build a strong economy within a compassionate city.

4.4 Resources and value for money

- 4.4.1 The measures in this report do not have a direct impact on funding, and it does not set out a budget or involve using additional council resources.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 There are no significant legal issues relating to the recommendations in this report.
- 4.5.2 This report is eligible for Call-In.

4.6 Risk Management

4.6.1 There is always a risk to the Leeds economy through both policies and external pressures. The Council recognises that increasing graduate retention will help grow the economy and has positive benefits to the city. The policy initiatives set out in this report include working closely with business and universities.

4.6.1 Specific financial risks, including fraud, and risks in relation to safeguarding, business continuity and information governance are not considered to be impacted by the recommendations in this report.

5 Conclusions

5.1 Leeds performs relatively well in terms of graduate retention and has an overall net increase in level 6 qualified workers. Furthermore, overall migration patterns for Leeds, like other large cities, are dominated by the movements of students and graduates.

5.2 Our universities play different roles – in particular, the University of Leeds and Leeds Beckett educate people primarily to work elsewhere and any policies designed to increase retention should keep in mind these different roles, and focus on graduate demand by increasing employment.

5.3 Leeds has a strong graduate jobs market in the KIBS sector, and a smaller proportion of public sector graduate jobs but needs to focus on the overall attractiveness of the city to improve graduate retention.

5.4 Attracting further graduate employment to Leeds will be an important driver for increasing retention, and should happen alongside initiatives to increase the proportion of young people from our schools who go to University.

5.5 Supporting the work our Universities do to widen participation, particularly in relation to young people from deprived communities in Leeds, will support our work on inclusive growth.

6 Recommendations

6.1 Executive Board is asked to:

- a) Note the need for more graduates in Leeds to cope with an increasing demand for skilled jobs in the city;
- b) Authorise the Chief Officer Economy and Regeneration to roll out a programme of initiatives, as outlined in 3.18, to attract more graduates to the City and increase retention of graduates from our Universities.

7. Background documents¹

7.1 None.

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.