

ECONOMIC DEVELOPMENT SPOTLIGHT Summer 2019

Welcome to the fourth edition of **Economic Development Spotlight**. This bulletin draws attention to recent key publications which should be of particular interest to economic development practitioners and policy makers here in Nottingham. We present a short summary of key findings from each publication, their source and a link to the key document. The publications and links have been grouped under the following eight headings: Employment and Skills; Enterprise and Growth; Innovation and Technology; Cities; Inward Investment; Inclusion; Housing; and Economic Outlook.

If you have any suggestions as to other publications you think we should highlight in future editions of Spotlight, then please contact me.

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Employment and Skills

Laying the Foundations of a Good Work City. Nottingham Trent University, March 2019

Here: NTU

Good Work Nottingham aims to understand and tackle economic insecurity. To do this within a place we needed a thorough understanding of the local context. *Laying the Foundations of a Good Work City* provides a clear, contemporary and regionalised understanding of employment locally. It will help to inform our programme of work going forward and has already begun to shed light on some of the key challenges and opportunities Good Work Nottingham will address.

Tackling Youth Unemployment - the need to employ a new approach. University of Nottingham, January 2019

Here: UoN

This evaluation report has been designed to illustrate the nature of interventions that work effectively to support young people furthest from the labour market into secure employment. The evaluation is based on the 'Young and Successful' (YaS) project which was a five year youth unemployment initiative operating over the period 2014-2018. Funded by the Big Lottery Fund Talent Match programme, the project had the freedom to work against a 'test and learn' ethos to help evolve effective interventions to get young people into employment.

Time for Action: Skills for Economic Growth and Social Justice. Learning and Work Institute, March 2019

Here: LWI

Learning and skills contribute to economic growth both directly, by improving the skills base available to employers, and indirectly, by underpinning the five foundations of productivity identified by the government: ideas, people, infrastructure, business environment, and places. Skills also contribute to social justice, helping to improve social mobility (the extent to which an individual's life chances do or do not depend on their family background) and reduce inequality.

This report shows that improvements in the UK's skills base have stalled and are set to slow further over the next decade, meaning the UK is poised to slip further down the international league tables.

This report analyses the potential impact for the UK of a higher ambition based on: i. increasing the proportion of people with functional literacy and numeracy to 90% by 2030; ii. increasing the proportion of people with medium qualifications with a greater focus on Level 3 qualifications. This would mean by 2030 20% and 30% of people have Level 2 and 3 qualifications respectively; and iii. Maintaining the expected rate of progress in high qualifications, so that by 2030 43% of people have Level 4 qualifications or higher.

Progression in Employment. IES Briefing. April 2019

Here: IES

New research demonstrates the benefits of employers in the retail, hospitality, health and social care sectors supporting the progression of low-skilled, low-paid workers. In spite of challenges in terms of market pressures and demand fluctuations, employers that support low-skilled workers report reputational benefits, improvements in service quality and reductions in employee turnover.

The Progression in Employment project is designed to capture evidence and insights on developing and implementing upskilling pathways for low-skilled adults within four critical sectors (Retail, Hospitality, Health and Social Care) across six countries (Sweden, UK, France, Germany, Italy and Spain). The project is identifying effective employer practice in supporting the in-work progression of low-skilled adults, and aims to share the learning widely to inform and influence employer policy and practice.

Delivering Skills for the New Economy: understanding the digital skill needs of the UK. CBI, June 2019

Here: CBI

Investing in digital skills presents a vital opportunity for UK plc in a post-Brexit world. Digital skills are the catalyst for today's data-driven economy and demand is set to jump across all sectors and in companies of all sizes.

Two thirds of businesses already have unfilled digital skills vacancies 95% of business expect their digital skills needs to grow. Whilst 93% of business are already taking action to address their digital skills needs and most are somewhat confident they will be able to hire the digital skills they need over the next five years, the reality is that most businesses are taking the same action - they are all hiring external UK talent as their go-to solution.

Setting the Record Straight - how record employment has changed the UK. Resolution Foundation, January 2019

Here: RF

This report chronicles not just how the UK jobs market is different now from when it was last at its peak, but because employment is the economy for most people, how the economy and indeed how the country has changed in this time. It addresses some of the key questions being asked in relation to the employment boom. Has the massive expansion in the amount of work come at the expense of job quality? Has the jobs surge ameliorated or exacerbated geographic divisions? Which occupations and industries have grown, and which have declined? And has record employment improved prospects for people settled in the UK, or has it predominantly offered opportunities to people willing to move to the UK from abroad?

Estimating the Impact of Traineeships. Department for Education, June 2019

Here: DfE

Traineeships are an education and training programme that provide young people aged 16-24 with an intensive period of work experience and work preparation training, as well as offering them support in improving their English and maths, to give them the best opportunity of entering an apprenticeship or employment. Based on the analysis of national administrative data, this report estimates the effect of participating in a Traineeship on the three intended outcomes of progress into an apprenticeship, further learning or employment.

Who Benefits from Apprenticeships? The English Experience. SOTA Review No 24, March 2019

Here: ERC

The evidence suggests that there are positive returns to individuals in terms of earnings from apprenticeships but their size varies markedly by gender, sector and apprenticeship level, with bigger returns for men than for women (in part explained by gender segregation by sector) and for advanced, higher and degree level than for intermediate level apprenticeships. Employers benefit from the supply of skills provided by apprenticeships but in their decision-making about investing in apprenticeships are concerned to trade-off costs (e.g. wages, training and supervision costs) versus benefits (i.e. the productive contribution of apprentices). Net costs and benefits and associated payback periods vary markedly by sector and apprenticeship level.

Best Practice in Designing and Delivering Pre-Apprenticeship Programmes. Learning and Work Institute and JP Morgan, March 2019

Here: LWI

This study identifies ways in which organisations can design and deliver pre-apprenticeship programmes that provide a pathway to apprenticeships for young people, across Europe.

Pre-apprenticeship programmes are defined as programmes targeted at young people aged 16-24, where the aim is progression to an apprenticeship. Following a call for evidence the report identifies a number of organisations across Europe that exemplify best practice in the design and delivery of pre-apprenticeship programmes. They undertook deep dive case study visits with each of these organisations to explore their pre-apprenticeship programmes in detail, including the local economic context, the sustainability of programmes and key success factors.

Enterprise and Growth

Fast Growth Firms and their Wider Economic Impact: the UK Evidence. ERC, January 2019

Here: ERC

Small groups of fast-growth firms make a significant contribution to job creation and economic growth. Yet we know little about their broader impact on the economy. This research paper investigates how the number of fast-growth firms in a region and industry impacts on growth of other firms.

Local Productivity: the real differences across UK cities and regions. CRESR, July 2019

Here: SHU

This research paper disaggregates productivity across UK cities and sub-regions. Beginning with the wide variations in output (GVA) per head, it presents a series of alternative measure of productivity culminating in a new measure of the efficiency with which goods and services are produced in different parts of the country. In doing so it adjusts for a range of factors including employment rates, commuting, industrial mix and occupational structure. The evidence suggests that the promotion of growth and jobs in less prosperous parts of the country is not damaging to the productivity of the UK economy as a whole.

Skills, Management Practices and Productivity in SMEs. Research Paper No 75. Enterprise Research Centre, April 2019.

Here: ERC

Public policy related to the performance and growth of existing small firms has focused on improving access to finance and more recently on reducing regulatory burdens. However, there has also been an increasing recognition of the importance of management knowledge, skills and the adoption of best management practices. In this research paper the authors match survey data on management skills and practices in a large group of SMEs with longitudinal data on productivity to examine the causal links between skills and management practices in 2014 and productivity performance in 2017. Our focus is on a group of firms led by a single entrepreneur or owner-manager.

The two leading hypotheses were confirmed by the research findings. First, higher leadership and management skill levels are strongly associated with the adoption of more structured managerial practices. Second, the adoption of more structured Management Practices contributes to higher productivity in both larger and smaller firms.

Employee Wellbeing: the impact on productivity and firm performance. CEP Discussion Paper No. 556

Here: Wellbeing

Does investing in employee wellbeing actually lead to higher productivity and are there any tangible benefits to the business bottom line? This study seeks to answer this question by conducting a meta-analysis of 339 independent studies accumulated by Gallup. It focused on four key performance indicators: customer loyalty; employee productivity; profitability measures; and staff turnover. The authors conclude that “our work is suggestive of a strong, positive correlation between employee wellbeing, productivity and firm performance. The evidence base is steadily mounting that this correlation is in fact a causal relationship (running from wellbeing to productivity).”

Innovation and Technology

A Toolkit of Policies to Promote Innovation. CEP Discussion Paper No. 1634. July 2019.

Here: Innovate

This paper summarizes the pros and cons of different policy instruments for promoting innovation and provide a basic "toolkit" describing which policies are most effective. In the short-run, R&D tax credits or direct public funding seem the most productive, but in the longer-run increasing the supply of human capital (e.g. relaxing immigration rules or expanding university STEM admissions) are likely more effective.

How Robots Change the World. Oxford Economics, June 2019

Here: Robots

Since 2010, the global stock of industrial robots has more than doubled - and innovations in engineering and machine learning portend an accelerated adoption of robots in service sector occupations over the next five years. This report sheds new light on both the current impact of robots on manufacturing jobs around the world and the potential for robots to transform the much larger (but as-yet far less automated) global services sector.

The Impact of the Digital Transformation on EU Labour Markets. European Commission, April 2019

Here: Digital

Digitalisation is driving rapid changes in the labour market influencing the nature, quality and productivity of work. The report identifies four key interconnected 'trends': digitalisation, globalisation, the rising diversity of work arrangements and ageing workforce. These trends have 'implications' for labour markets which include rising inequality, changing business models, job displacement, workers' skill depreciation and rising skill gaps. There are several 'challenges' for policymakers from the implications which are set out in the report together with policy recommendations structured under three main categories: a skilled workforce; new labour relations; and a new social contract.

Parks and Innovation: Lessons from Sheffield's Advanced Manufacturing Park. Centre for Cities, May 2019

Here: Sheffield

Sheffield's Advanced Manufacturing Park (AMP), which contains the core of the University of Sheffield Advanced Manufacturing Research Centre (AMRC), is helping transform Sheffield City Region's economy from a place for low-cost production to a place for high-value knowledge production. This report explores the impact of policies on the AMP and the way they increase highly-productive and skilled manufacturing activity in the local economy of Sheffield City Region. It also sets out lessons for other cities and policymakers.

Cities

Empowering English Cities. Lord Heseltine, July 2019

Here: Heseltine

Commissioned by West Midlands Combined Authority, this report from Lord Heseltine argues that England's elected metro mayors should have bigger budgets and greater powers over housing, schools and training to boost the economy of their regions, a review they commissioned to assess their role has concluded. Mayors should immediately take on responsibility for overseeing the construction of affordable housing, school performance and employment training, Lord Heseltine said in his report, Empowering English Cities. They should also be able to keep locally raised taxes instead of passing them to central government.

UK Powerhouse: Quarterly Economic Growth Report. Irwin Mitchell, November 2018

Here: QEGR

The latest IM/Cebr estimates of economic activity (in Q1 2019) amongst UK cities indicate that:

- UK GDP growth stood at 0.5% in the first three months of 2019. Of 46 UK cities, Reading (2.0%), Cambridge (2.0%) and Oxford (1.8%) were fastest whilst Belfast (0.2%) was ranked lowest. Nottingham (1.2%) was ranked 16th.
- In terms of employment growth, Stoke-on-Trent (1.9%), Leeds (1.9%) and Birmingham (1.5%) were fastest whilst Stockport (-0.3%), Wakefield (-0.2%) and York (-0.2%) were slowest. Nottingham (1.3%) was ranked 12th.

Powering Up the Core Cities Economies - the City Evolutions Policy Report. Cambridge Econometrics and Cambridge University, May 2019

Here: Evolutions

Despite the importance of the eight core cities to economic growth, this report argues that city growth could be at risk and that a harder Brexit will have a more severe effect on the economies of Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Belfast. In particular it concludes that:

- Core Cities have not achieved their full growth potential, and this growth has been stymied by recessions and other economic set-backs.
- The UK needs to act now to build-in resilience and the ability to recover quickly from future economic shocks, which means investing in infrastructure and skills and giving cities more freedoms and controls over areas like transport.
- Enhancing physical and strategic connections between Core Cities and surrounding areas is likely to secure major economic gains.

Inward Investment

EY Attractiveness Survey - UK, June 2019

Here: EYAS

This annual report examines the performance and perceptions of the UK as a destination for foreign direct investment (FDI). This year, the report shows that the FDI market in Europe has been very challenging and the UK has experienced a reduction in FDI volumes and a decline in investor sentiment. The analysis shows that Brexit has changed the economic situation in the UK and urgent action is required to chart a new path to achieve success in the future in this new environment. While the UK held onto its longstanding position as Europe's leading recipient of FDI, the number of projects it attracted in 2018 fell by 13% from the previous year, against a backdrop of a 4% decline in FDI projects in Europe a whole.

Inclusion

How we built community wealth in Preston. Preston City Council/ CLES, July 2019

Here: Preston

This report tells the story of community wealth building in Preston. It reflects on eight years of collaboration, outlines key achievements, offers reflections on the journey and maps out possible next steps.

Time to Build an Inclusive Local Economy: A Charter for Change. DTNI. May 2019

Here: Inclusion

Time to Build an Inclusive Local Economy is a charter that sets out key steps to harness the power of communities to create resilient local economies. It builds on what is already happening in communities across Northern Ireland (NI) and seeks to influence new thinking in order to create an inclusive local economy. The charter has been developed by Development Trusts NI in collaboration with CLES with the support of Friends Provident Foundation and The Community Foundation for NI.

Housing

Understanding Local Housing Markets - Advice and Guidance for Local Authorities. Local Government Association. July 2019.

Here: LGA

This report was commissioned by the Local Government Association to provide local authorities with advice and guidance on how to best understand the various complexities within their local housing markets in order to inform their decision making. The report covers three key housing-related themes: affordability, availability, and suitability. These include summaries of 15 key issues facing housing across England.

UK Cities House Price Index, Hometrack. June 2019

Here: Hometrack

The Zoopla UK Cities House Price index powered by Hometrack is the only UK index which analyses housing market trends at a city level - across 20 cities (including Nottingham), plus regions and nationally. The latest data shows that UK city house price growth (June 2018-19) is running at 1.7% as the rate of price inflation continues to slow. Nottingham recorded an increase of 4.0%, joint third highest.

Economic Outlook

Quarterly Economic Survey (Q2 2019). East Midlands Chamber, July 2019

Here: QES

The impact of the March Brexit deadline on business has become clearer following analysis of the second Quarterly Economic Survey of 2019 by the Chamber. Overall, the data from Q2 showed a small improvement over Q1 when there were high levels of uncertainty in the economy. The Q2 survey showed a more upbeat business sentiment, evidenced by more companies reporting enhanced domestic activity and improved cash flow following a worrying decrease in Q1 where some firms said they were struggling to collect payments from customers while trying to ensure their own financial security by settling only essential accounts.

UK Economic Outlook. pwc, July 2019

Here: pwc

Economic growth has been volatile in recent quarters. Consumer spending growth has remained relatively strong, and government spending has picked up somewhat, but business investment has softened and shrank for four consecutive quarters in 2018 as anxiety about the uncertainties of Brexit became more acute. The housing market has cooled and job creation is likely to slow over the next year although the employment rate is still expected to remain at record levels into next year.

pwc's main scenario is for UK GDP growth to remain at around 1.4% on average in 2019-20, similar to the average rate in 2018. This forecast assumes that a Brexit deal will be struck at some point, but the timeline for this is unclear.

EY ITEM Club - Summer Forecast, July 2019

Here: ITEM

Key messages from the latest forecast: Brexit uncertainties continue with all outcomes looking possible ahead of current UK exit date of 31 October. Business investment likely to remain pressurised until Brexit uncertainties ease decisively. Modest pick-up in growth expected if a 'no-deal' Brexit avoided. Growth would likely be modestly lower in 2020 if Brexit delayed again. Growth seen taking substantial hit if 'no-deal' Brexit.

Global economic environment remains challenging and uncertain. The economy likely contracted in Q2 2019 after Q1 performance was buoyed by stockpiling and robust consumer spending. Consumer fundamentals have distinctly improved markedly since mid2018 but earnings growth and employment are likely to find the going tougher in near term.