

ECONOMIC DEVELOPMENT SPOTLIGHT December 2019

Welcome to the fifth 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 access the relevant document. In this edition the publications and links have been grouped under the following headings: Employment and Skills; Enterprise and Growth; Cities; Inclusion; 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. If you encounter any problem accessing a document via the (Ctrl+Click) electronic link that's shown, then drop me a line and I'll send you a copy via email.

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Employment and Skills

Ageing Fast and Slow. Resolution Foundation. October 2019

Here: Ageing

The goal of this report is to describe differences in ageing by geography, with some places getting older and some getting younger; to understand the drivers of those differences; and to examine the implications for politics and policy. The report established that the quarter of local authorities that have aged slowest (or actually got younger) have done so due to migration, both from other parts of the UK and from other countries. In some of these areas, like **Nottingham** and Newcastle, inward internal and international migration of 19-21 year old university students has had a particular impact.

Work Local: Making our Vision a Reality. Local Government Association. June 2019

Here: Work Local

'Work Local' is the LGA's ambitious but practical programme to improve employment and skills services in England through local public-private collaborations. In this new report, the LGA highlights its strong appetite to test Work Local through local pathfinders and their plan for achieving it.

It also highlights the strength of alliances with partners that want to work together to drive forward the Industrial Strategy and improve England's skills and employment programmes, focusing on themes including apprenticeships, adult skills, post-16 pathways, careers advice and guidance.

Precarious to Prepared - a manifesto for supporting the six million most at risk of losing their jobs in the next decade. NESTA. Autumn 2019

Here: NESTA

As a result of technological progress and demographic changes, more than six million people in the UK are currently employed in occupations that are likely to change radically or disappear entirely by 2030. This report urges the UK to support people at risk, and have been developing practical, evidence-based ideas on how to:

- Empower workers to navigate their way to the jobs of the future by making information and guidance available to more people.
- Tackle personal and systemic barriers to learning such as lack of time, motivation and money to undertake training.
- Future-proof the workforce by supporting interventions that develop social and emotional skills and resilience in young people, and by supporting teachers, parents and carers with the latest information about the changing world of work.
- Stimulate the adoption of management practices and social policies that raise productivity and enrich jobs.

Skills Mismatch and Productivity in the EU. Discussion Paper 100. European Union. July 2019

Here: Skills

This study examines the dynamics of different dimensions of skills mismatch and explores the empirical relationship between these skills mismatch measures and labour productivity. In terms of skills mismatch developments the study suggests that certain types of skills mismatch are indeed on the rise in the EU, notably skills shortages (especially in those countries with good labour market performances) and over-qualification (especially in those countries where tertiary attainment has expanded considerably, without being accompanied by a commensurate rise in high-skilled jobs). Other types are on a long-term declining trend (e.g. under-qualification) or follow more complex patterns over time (e.g. macro-economic skills mismatch). Nevertheless, there are significant differences across EU Member States in the levels of these indicators as well as in their evolutions over time. In terms of the relationship between skills mismatch and productivity, our analysis suggests that it is not as clear-cut as it may seem.

Trends in Economic Inactivity across the OECD: the importance of the local dimension and a spotlight on the United Kingdom. OECD Working Paper. 2019

Here: Inactivity

This paper reviews recent trends in economic inactivity across the OECD, focusing on places and the people who live there. It highlights the importance of the economically inactive as a potential source of labour supply both to offset future skills shortages but also to promote inclusive growth and it demonstrates the importance of assessing regional disparities when looking at the issue of economic inactivity as well as exploring individual characteristics that could lead to inactivity.

The research report concludes that policies and interventions should be designed to address the reasons why people fall into economic inactivity. In some cases, it might be individual choice while in others, it could be a lack of employability skills, motivation, or suitable job opportunities. The economically inactive face a number of barriers to the labour market, including a lack of work experience, the existence of 'generous' benefit systems which provide disincentives for job search, as well as structural changes in the labour market which alter the local job opportunities available. At the regional and local level, a multi-pronged policy approach is often needed, which combines labour market, skills training, and other support, such as assistance for child care, housing and public transport.

Enterprise and Growth

East Midlands Quarterly Economic Survey (Q3 2019). East Midlands Chamber

Here: QES

This report uses data taken from the Quarterly Economic Survey in the third quarter (Q3) of 2019. This regular survey asks businesses a series of questions on key economic indicators. The most notable result from the third quarter's QES findings is the poor performance within the domestic market, with a quarter of businesses seeing a decrease in UK sales activity, traditionally a strong area for East Midlands businesses.

Business Productivity Review. HM Government. November 2019

Here: Productivity

The UK has a longstanding productivity challenge. This report focuses on the decisions and actions taken by businesses that affect their own productivity. Responses to the call for evidence highlighted that the changes needed to improve the productivity of businesses and in turn realise growth are often cyclical and follow a number of key steps, each with their own challenges. The document discusses the Business Change Cycle in detail and sets out a series of corresponding policy principles which address each stage in the cycle and are the foundation for a set of key policy recommendations.

Understanding Value Added per Employee in Six UK Sectors: the insiders' view. Enterprise Research Centre. October 2019

Here: Value

This report examines factors affecting productivity within six key sectors: Oil and Gas; Beverages; Pharmaceuticals; Transport Equipment; Banking; and Insurance. Key factors include management and leadership qualities, technology, competition and regulation.

Self-employment in Cities. Centre for Cities. October 2019

Here: Self-Employment

This paper investigates the recent growth in self-employment in UK cities and makes three key findings:

- Urban self-employment has grown faster than non-urban self-employment and it now accounts for 52 per cent of all self-employment in the country.
- Urban self-employment is overwhelmingly concentrated in a few industries (construction, transport and storage, arts and entertainment and personal services) and in lower-skilled occupations.
- In cities with weaker economies, self-employment is more likely to be the only source of income and to be lower skilled.

Annual ScaleUp Review. ScaleUp Institute. November 2019

Here: ScaleUp

A ScaleUp refers to companies who have increased their turnover and/or employee numbers annually by more than 20% over a three-year period. Although ScaleUps account for less than one percent of the total stock of businesses in the UK, their combined revenues amount to almost £1 trillion and they generate 3.5 million jobs. There are estimated to be 1,025 scale-up enterprises located in the Derbyshire and Nottinghamshire counties combined.

This year's ScaleUp Annual Review draws on data up to 2017; its main conclusions include:

- ScaleUp businesses are growing – for the first time, all regions of the UK are experiencing a growth rate of greater than one additional ScaleUp per 100,000 of population, according to the most current data.
- The value that ScaleUps contribute to the national economy remains significant, particularly in relation to other SMEs.
- Scaleups keep scaling. Since 2001 two-thirds of ScaleUps have scaled more than once over the period, with 43% scaling three or more times.
- Despite national ScaleUp growth regional disparities do remain. In the three-year period 2014-216 the areas with the fastest growth rates are York, North Yorkshire and East Riding and Oxfordshire while there has been some slowing of the growth rate in Scotland. This reinforces the imperative for local intervention and action.
- ScaleUp leaders are ambitious, innovative and international.
- The core challenges remain but access to markets and finding talent stand above other challenges for ScaleUps.

- Opportunities to collaborate with Government, corporates and universities need to be boosted. Procurement and collaborative opportunities need to be increased and simplified.
- Regional efforts to improve investment and business support have taken place but ScaleUp leaders want to see more equality across the country in financing and programmes.
- Building leadership capacity through local support remains a constant theme of ScaleUp business leaders, although it appears that solutions are beginning to have an impact on this challenge.
- People and place matter most. ScaleUp business leaders still most value locally- rooted resources and services to foster their growth.

State of Small Business in Britain 2019. Enterprise Research Centre. June 2019

Here: ERC

The most recent survey evidence suggests that the profile of growth achieved by the UK's SME population has remained broadly stable since 2015. This overview of a range of business growth metrics underlines the fact that, irrespective of the measures adopted, there are very few firms in the UK which can be categorised as 'high-growth' or 'scaling' and indeed contributing to productivity growth. This small group of firms, whether start-ups scaling or more established businesses growing rapidly, have had a disproportionate impact on job creation. The report concludes that SMEs are crucial to the growth of the UK economy and the re-balancing of the economy away from London and the South East but the evidence points to little impact on the 'productivity gap'. There is evidence of strong business growth underpinning the development of the Northern Powerhouse but there are some 'faulty valves' in the Midlands Engine which need urgent attention - especially in the West Midlands.

Building an inclusive economy through community businesses. CLES. Oct 2019

Here: Community Businesses

This research explores how community businesses can support the development of a more inclusive economy in deprived communities. The research examines the interconnections between social capital and agency in stimulating social action and developing collective responses to social and economic challenges.

The Impact of Business Accelerators and Incubators in the UK. Research Paper. Dept. for Business, Energy and Industrial Strategy. 2019

Here: Accelerators and Incubators

This report examines the key objectives of UK accelerators and incubators, the barriers they face in reaching these objectives, and which types of support they offer (e.g. workspace, mentoring, funding or training) add the most value to participating start-ups. The key findings are:

- Most start-ups consider the contribution of the incubator or accelerator they attended to have been significant or even vital to their success.
- Accelerator participation is positively associated with start-up survival, employee growth, and funds raised.

- Most types of support offered by incubators and accelerators are positively associated with at least one outcome measure, but few interventions can be positively linked with multiple outcomes.
- While some types of support offered by incubators and accelerators appear to have a direct impact on start-up outcomes, others seem to be mediated by changes in start-up behaviour.
- Accelerators have positive spill-over effects on the wider business ecosystem.

The report includes a set of recommendations targeted at public funders, incubators and accelerators and Local Enterprise Partnerships.

Cities

Good Growth for Cities 2019. pwc and Demos. 2019

Here: Good Growth

Now covering over a decade of data, the Demos-PwC Good Growth for Cities Index measures the performance of a range of the largest UK cities, as well as Local Enterprise Partnership (LEP) areas and Combined Authorities in England, against a basket of ten indicators based on what the public find most important when they think about the 'work and money' side of their lives. As in last year's index, the two highest performing cities are Oxford and Reading. **Nottingham** is ranked 26th out of 42.

The Economic Performance of Britain's Cities: Patterns, Processes and Policy Implications. ESRC. 2019

Here: Cities

This detailed 'booklet' sets out the main findings of a major research project on various aspects of the economic evolution and performance of Britain's cities since 1971. It identifies a number of key policy issues, including:

- Part of the explanation for the divergent growth paths of British cities resides in their differences in resilience to major recessionary shocks eg the financial crisis of 2008-09. Most southern cities appear to be more resilient than northern cities, particularly in terms of recoverability from shocks.
- The possible impact of Brexit will be varied across the UK, with no marked divide between more southern cities and more northern ones. However, southern cities are likely to recover more successfully.
- Policies aimed at improving the growth performance of northern cities should seek to improve their resilience to future recessionary and other economic shocks.
- City resilience seems no longer to be shaped by sectoral structure. What may be important is a city's functional specialisations, including its position and role in supply chains and networks. Productivity also appears to play a role, mainly as a factor influencing city resistance to shocks.
- City resilience is built up over time, as part of a city's mode of growth, and is a path dependent process. A dynamic and successful city economy tends to breed an underlying climate of business confidence, so that even if the city is hard hit by a shock, businesses are less likely to retrench, and investment and jobs may be maintained.

UK Local Growth Dashboard, Enterprise Research Centre. September 2019

Here: Dashboard

The UK Local Growth Dashboard has been developed by the Enterprise Research Centre (ERC) and builds on the LEP Growth Dashboard first launched in June 2014. Its purpose is to present a set of growth metrics for start-ups and existing firms across a range of sub-national geographies in the UK with a specific focus on each of the 38 English Local Enterprise Partnership (LEP) areas. Alongside these metrics it provides some other contextual data for each LEP including the changing sectoral composition of local economies over time.

Inclusion

A Healthy Foundation for the Future. The Health Foundation. October 2019

Here: Health

The final report of the Young People's Future Health Enquiry. While young people are preparing for adult life, they are also building the foundations for their future health. If they can secure the building blocks they need such as good quality work and housing, and build supportive relationships, then their prospects of a healthy adulthood are improved. This report explores:

- Whether young people currently have the building blocks for a healthy future.
- What support and opportunities young people need to secure these building blocks.
- The main issues that young people face as they become adults.
- What this means for their future health and what policy action is needed.

The report concludes that "the challenges and opportunities young people face vary across the country. In some parts of the UK there is evidence of a more enabling policy environment. However, there is much more to be done to ensure that every young person can make a safe and successful transition to adulthood."

Feel Poor, Work More - explaining the UK's record employment. Resolution Foundation Briefing. November 2019

Here: Employment

Over 3 million more people are in work and the working-age employment rate is around 3 percentage points higher than when we were last broadly at full employment in 2008. These are levels no-one thought possible a decade ago and that have flown in the face of demographic headwinds. Why are so many of us working? Because we're a lot poorer than we expected to be. That's the fundamental argument of this paper.

Economic Outlook

EY ITEM Club: Autumn Forecast. November 2019

Here: ITEM

The UK economy is performing in line with expectations this year, but the outlook has deteriorated for 2020 according to the latest economic forecast. Uncertainty has been the dominant theme of the EY ITEM Club forecasts over the last three years since the Brexit referendum. The latest forecast markedly cuts expected GDP expansion in 2020 to 1.0% from the 1.5% rate previously expected. There is no obvious boost to growth in sight and investment analyses will remain difficult in this environment, due to the lack of clarity on the UK and EU relationship after 2020. The next 12 to 18 months are likely to be volatile, with the potential for sentiment to shift quickly in response to political developments.