West Yorkshire Economic Strategy:

Summary Pack for Employment and Skills Committee

West Yorkshire Economic Strategy: draft policy in development

A New Economic Strategy to deliver the West Yorkshire Plan

Devolution provides a historic opportunity for West Yorkshire. Now is the time for a new Economic Strategy to deliver the vision and the missions of the West Yorkshire Plan.

Working collaboratively, the Economic Strategy will take a whole systems approach to tackle long-term, systemic and complex issues facing our region.

Our Partnership: this is a regional strategy and is being developed in partnership with the five West Yorkshire local authorities. It provides a regional framework that aligns to district plans and strategies as well as northern, national, and international opportunities.

The West Yorkshire 2040
Vision and missions

Our vision:
A brighter West Yorkshire – a place that works for all. An engine room of ideas and creativity, where anyone can make a home.

Our vision and missions put equity, diversity, and inclusion at the heart of everything we do. We will lead the way to embed these values across all our work.

The West Yorkshire Plan includes:

- **The West Yorkshire story** – our region's unique identity
- **The future of West Yorkshire** – our vision and missions for 2040
- **Working together** – our partnerships for change

1. Mission 1: A prosperous West Yorkshire – an inclusive economy with well paid jobs
2. Mission 2: A happy West Yorkshire – great places and healthy communities
3. Mission 3: A well-connected West Yorkshire – a strong transport system
4. Mission 4: A sustainable West Yorkshire – making lives greener
5. Mission 5: A safe West Yorkshire – a region where everyone can flourish

The Challenge

Entrenched, generational and a significant constraint to inclusion and prosperity.

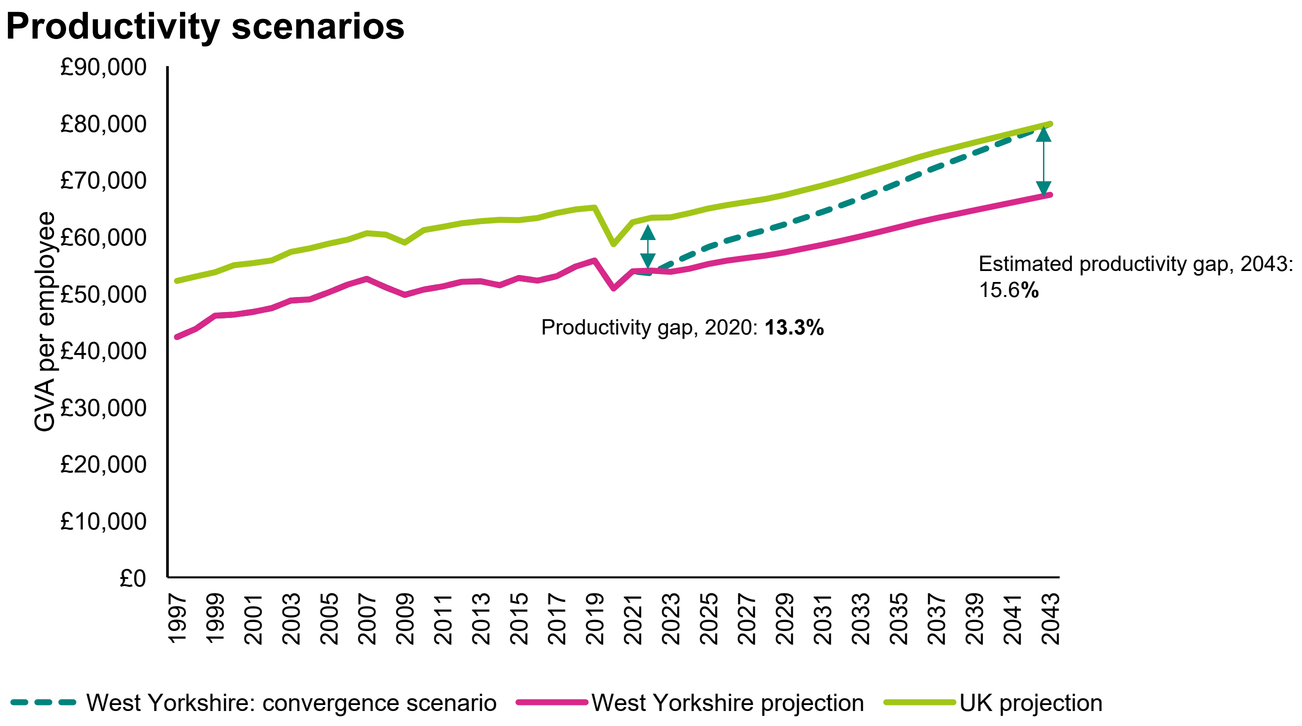
West Yorkshire’s productivity growth has not kept pace with the rest of the UK. This is impacting on living standards across the region.

Longstanding deprivation, economic inactivity and health inequality is holding back economic growth.

Too many people in the West Yorkshire workforce do not have the qualifications and skills they need to reach their full potential.

Productivity growth is underperforming.

Figure: GVA performance and projections, UK and West Yorkshire (1997-2043)

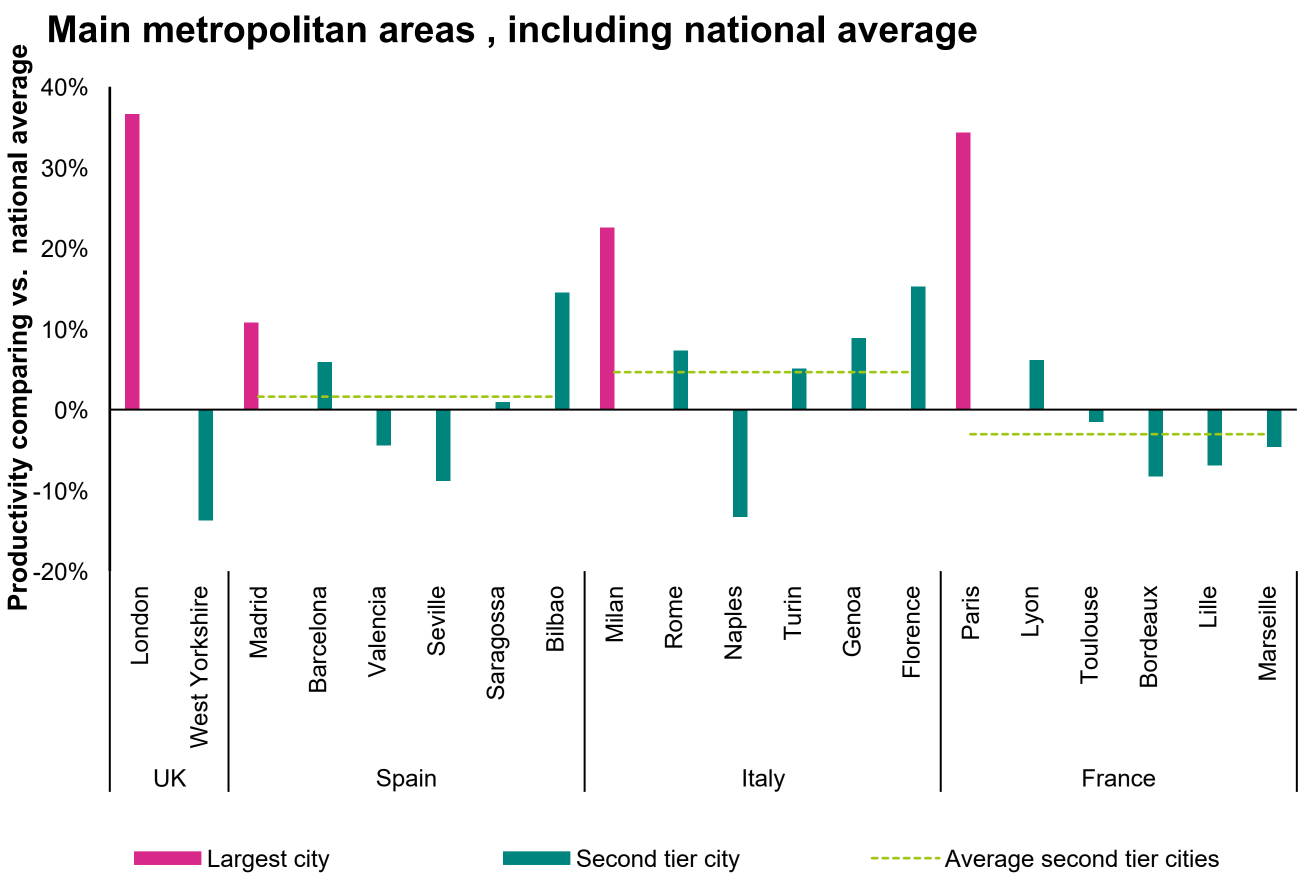


Source: Experian, West Yorkshire Combined Authority REM.

- West Yorkshire is underperforming the (already low) national average.
- Projections suggest the productivity gap will widen in the next two decades.
- Closing the productivity gap by 2043, would mean GVA growing at 2.3 per cent a year **leading to an economy £15bn larger than projected and £38bn larger than today.**
- Closing the productivity gap with the UK average would align West Yorkshire with second-tier cities in international comparators.

Comparisons with peer countries suggest that West Yorkshire should aim to reach UK's average productivity

Figure: Labour productivity, 2019 (GDP per worker in USD, constant prices, constant PPP, base year 2015)

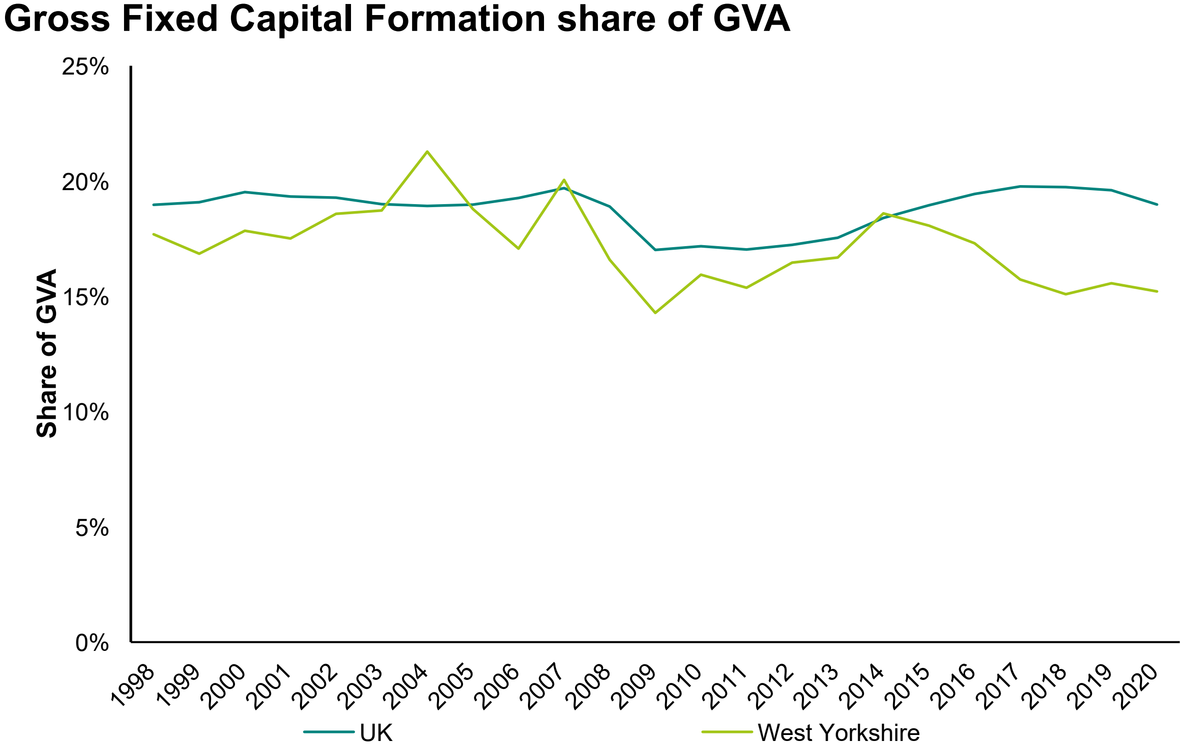


Source: OECD, Metropolitan areas, GDP per worker. Leeds OECD's definition of metropolitan area being used for West Yorkshire.
The second cities considered are the following. **Spain:** Barcelona, Valencia, Seville, Bilbao and Saragossa. **Italy:** Rome , Milan, Naples, Turin, Palermo, Genoa and Florence. **France:** Lyon, Toulouse, Strasbourg, Bordeaux, Nantes and Lille.

- West Yorkshire underperforms the national average, while second tier cities in other large countries tend to perform in line with the average.
- Not all metro areas overperform the national average, but only Naples underperforms (against the national average) as much as West Yorkshire.
- In absolute terms, West Yorkshire is the third least productive area analysed. Only ahead of Naples and Seville by 1.4% and 0.7%, respectively.
- This feature is common across the UK's largest cities outside London like Manchester, Glasgow and Birmingham.
- London's productivity relative to the national average is broadly in line with other countries.

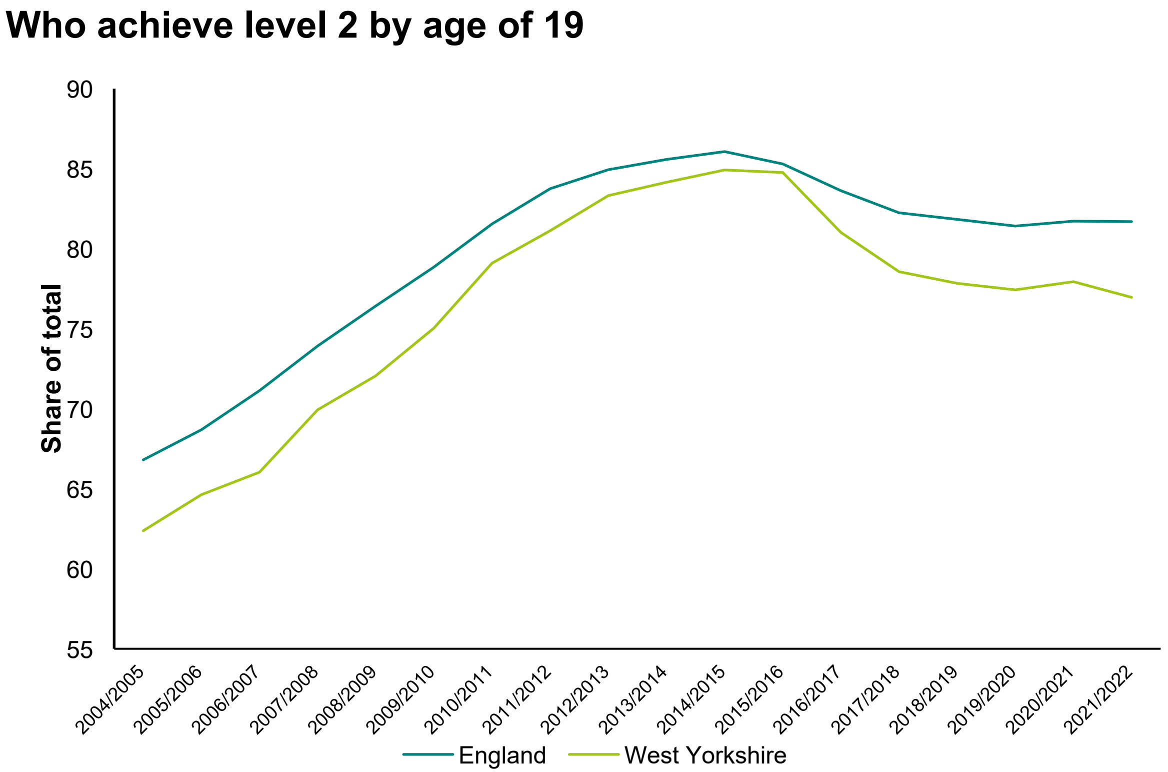
West Yorkshire’s investment and skills pipeline is diverging from UK average

Figure: Investment at the subnational by ITL2 (1998-2020)



Source: ONS, Experimental regional gross fixed capital formation (GFCF) estimates by asset type: 1997 to 2020. ONS, GVA at ITL2, current price estimates: 1998 to 2020.

Figure: Share of who achieve level 2 and level 3 by the age of 19 (2004/05 and 2021/22)



Source: DfE, Level 2 attainment age 16 to 25, Academic year 2021/22.

Economic Enablers Holding back Productivity

Connectivity is constraining West Yorkshire's economic activity and investment in transport infrastructure has not kept pace with need:

- Average commuting times have been increasing overtime. Congestion in Leeds is much higher than international peers in more productive second-tier cities.
- Sectors that are expected to play an important role in closing the productivity gap, like advanced manufacturing or professional services, report higher dissatisfaction with connectivity than average.

There are pockets of **Digital Connectivity underperformance**, particularly in rural areas of Calderdale.

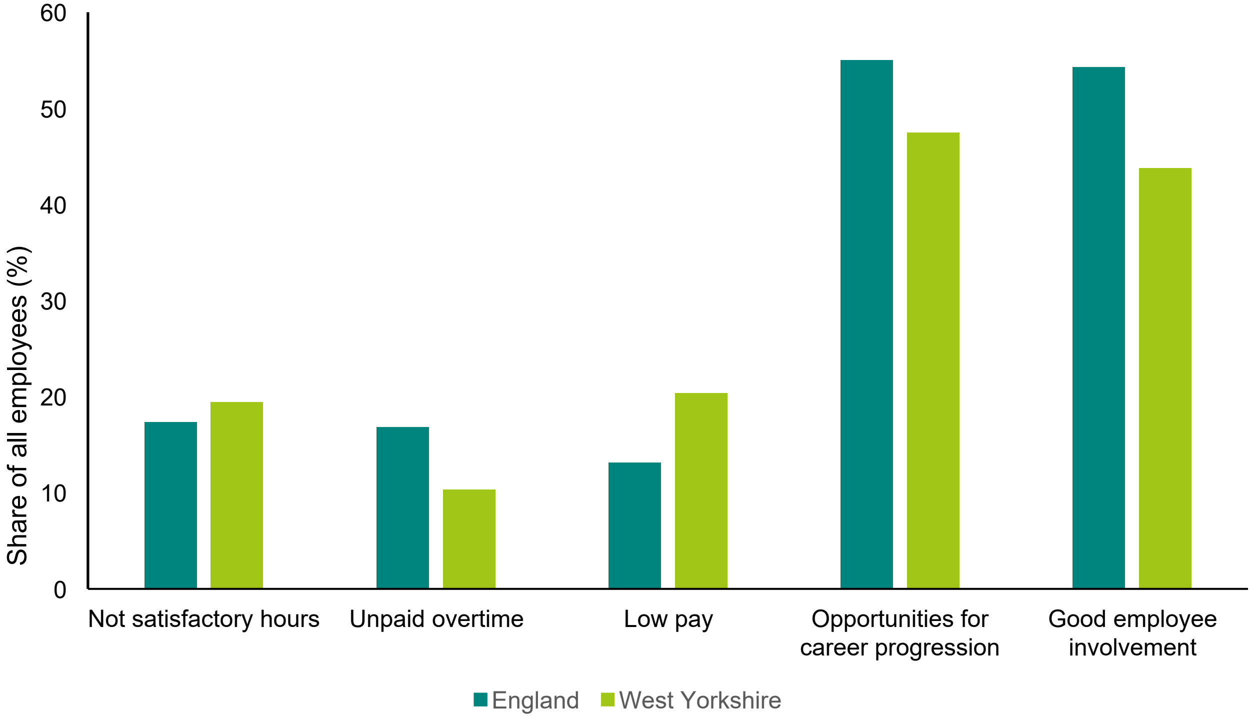
Despite levels being lower than the national average, **house prices and rents have been rising faster than the national average**.

The Economic Strategy aligns to key strategic enablers demonstrated in ongoing policy work to develop:

- A Local Transport Plan
- Housing Strategy
- Digital Blueprint.

Lack of desired hours and progression opportunities are higher in West Yorkshire than in England

Figure: Job quality indicators, January to December 2021

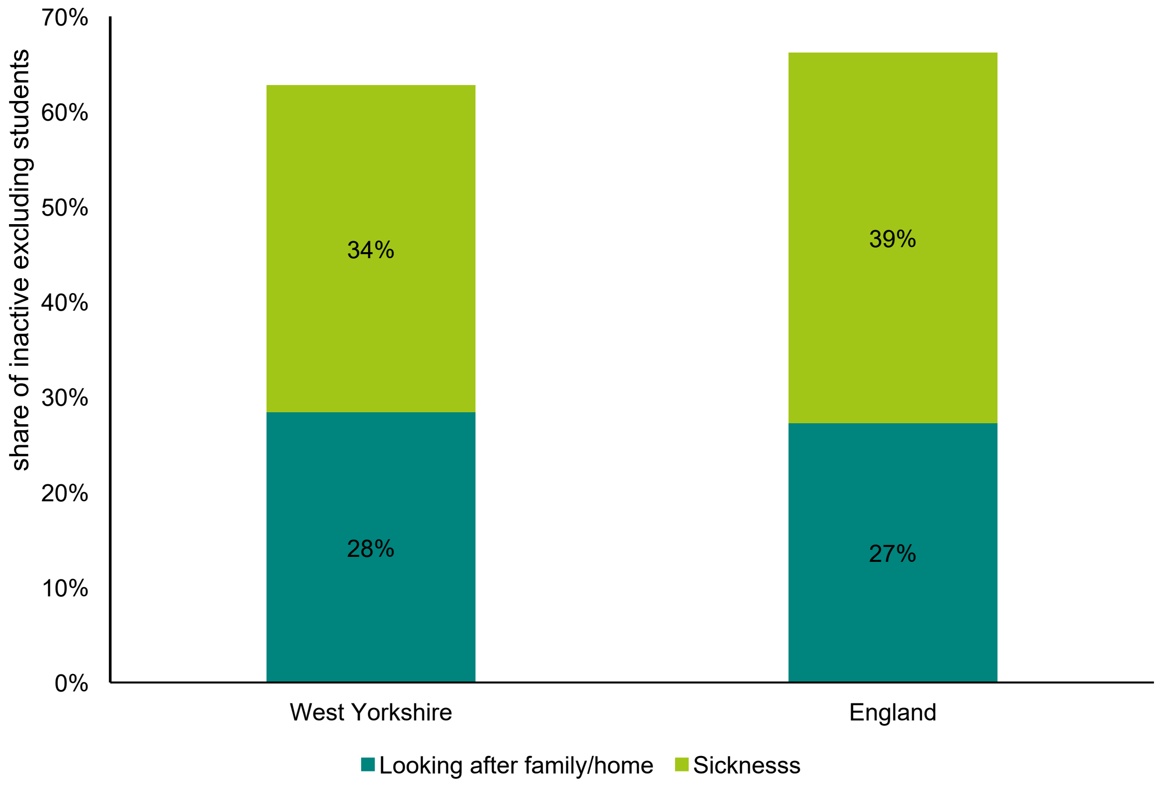


Source: Jobs quality indicators in the UK - hours, pay, contracts, opportunities, and involvement: 2021, Office for National Statistics. West Yorkshire figures estimated using local authority statistics and weighted them using the number of employees provided by Business Register and Employment Survey (BRES).

- Part time work is more prevalent for workers with lower qualifications, which limits income earned by workers.
- This may be a choice, but research suggests the the gap between male and female part-time rates is driven by caring responsibilities.
- The UK has one of the highest childcare costs in the OECD.
- Working towards improving childcare is likely to promote income gains at the bottom of the income distribution and allow West Yorkshire to make the most out of its talent.

A large share of inactivity due to sickness and caring responsibilities

Figure: Share of economic inactive (excluding students) by reason of inactivity, Oct 2022-Sep 2023



Source: Annual Population Survey.

- There are around 250,000 people classified as inactive in West Yorkshire (excluding students).
- From those, almost two thirds are inactive due to sickness or looking after family/home.

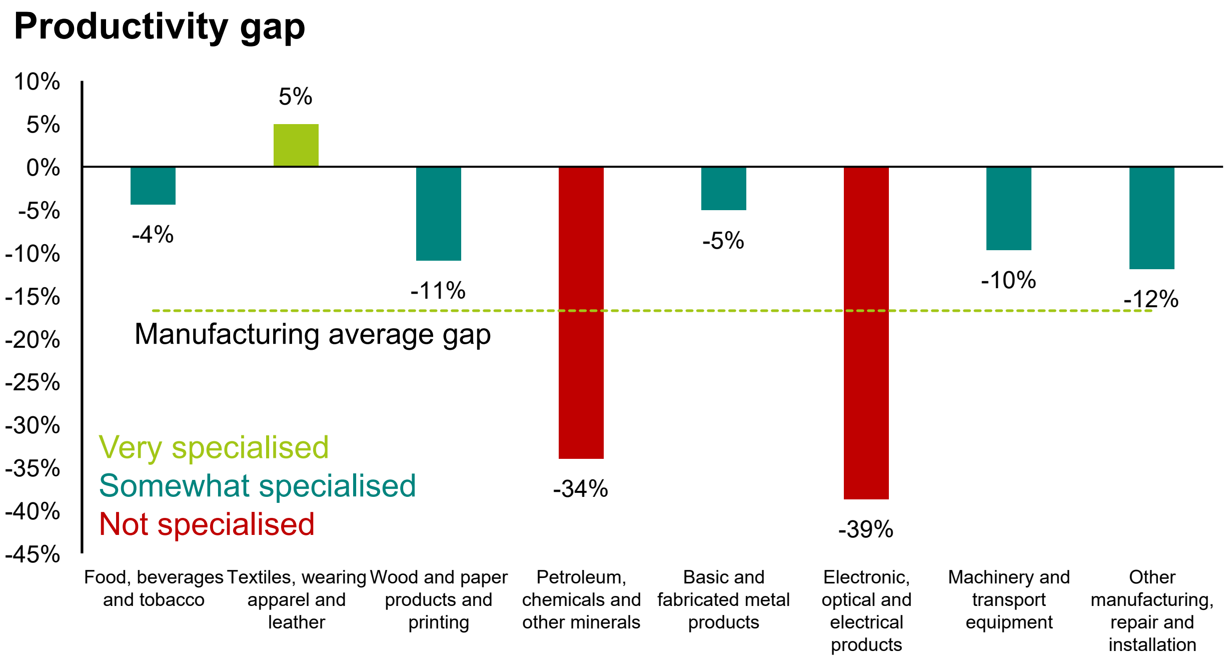
The Opportunity

West Yorkshire’s diverse economy has pockets of specialisation spread across the region. There are positive examples of manufacturing specialisms with above average productivity, alongside knowledge-based specialisms where productivity improvements are needed.

These specialised clusters and emerging sectors demonstrate the potential for productivity growth. West Yorkshire is a self-contained labour market, so these specialisms provide opportunity for people across the region.

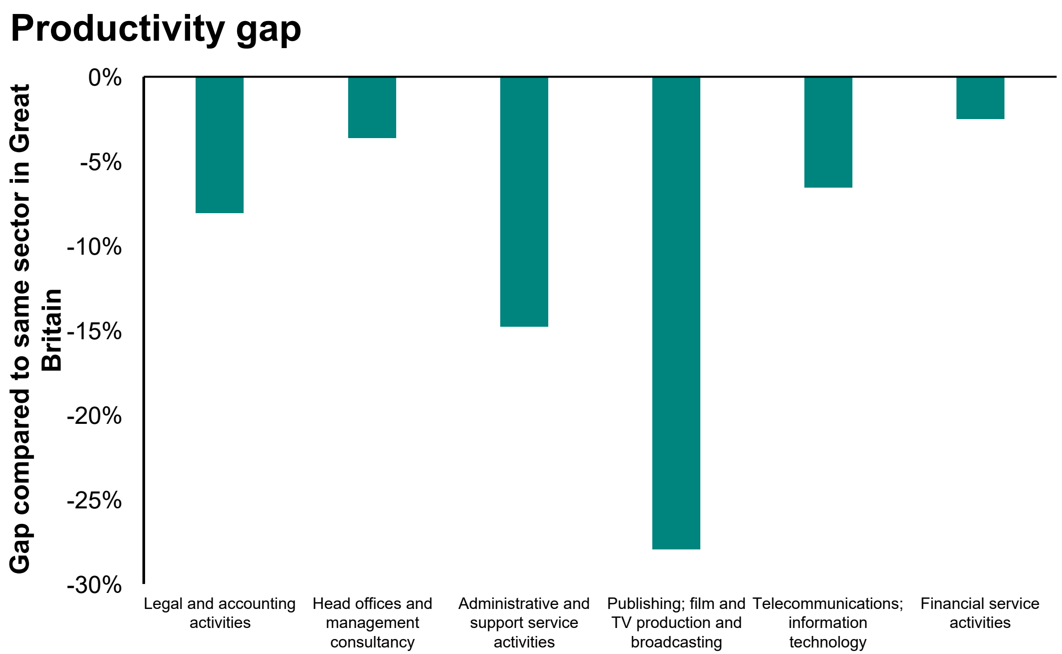
Closing the productivity gap will require new manufacturing specialisms in West Yorkshire and a deepening of existing specialisms in Leeds

Figure: Manufacturing productivity by ITL3 and industry, West Yorkshire 2019



Source: ONS, Regional gross value added (balanced) by industry: all ITL regions. ONS, Business Register and Employment Survey.

Figure: Services productivity in Leeds by its specialisms, 2019

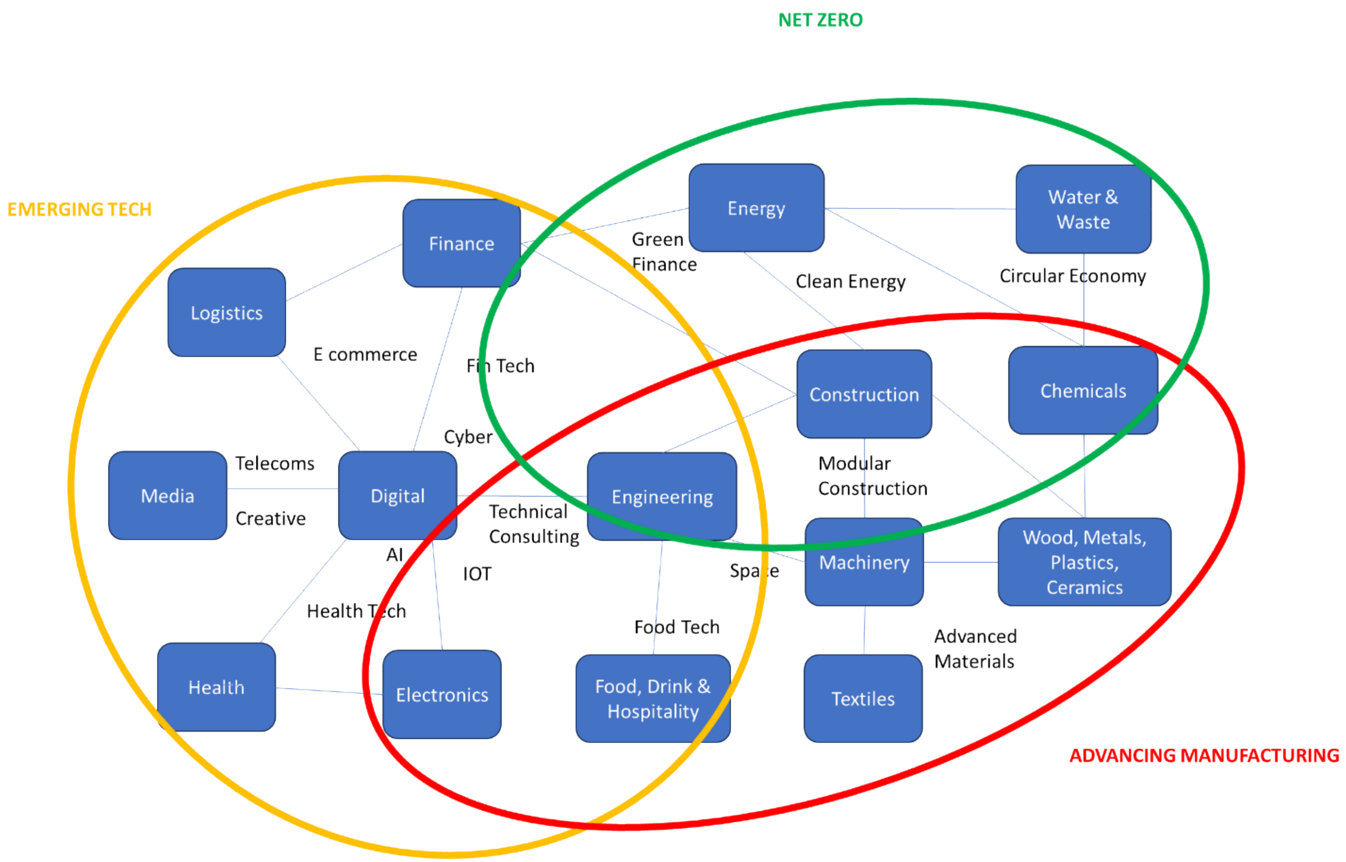


- The main productivity differences are in sectors **in which West Yorkshire is not specialised**. The productivity gap is small in areas that West Yorkshire is specialised. The gap is driven by the absence of specialisms in highly productive industries like electronics (electric lighting equipment vs. electronic components) and chemicals (agrochemicals vs. pharma and petroleum).
- Closing the **productivity gap will require new manufacturing-related specialisms.** Closing (or widening) the gap in existing specialisms may not be enough.

- Leeds underperforms in the services that it has a specialism. Closing the productivity gap requires making those sectors more productive. By attracting new businesses in these sectors and enabling the benefits of agglomeration.

Sector Strengths – cluster analysis

Cambridge Econometrics is leading on a cluster analysis study to understand the sectors where West Yorkshire has comparative advantage and the implications for inclusive growth.

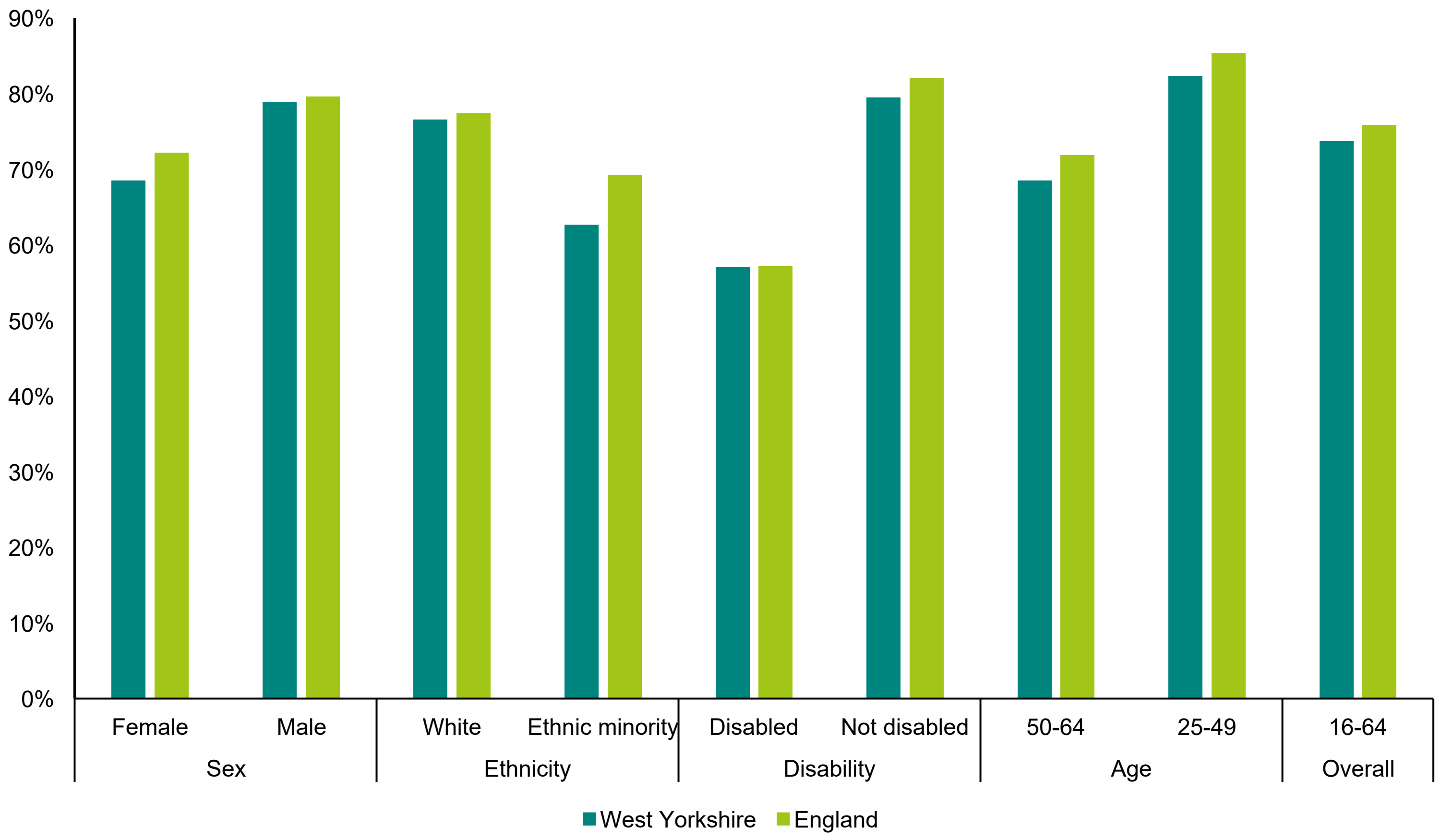


The study is exploring the overlaps between traditional sectors and emerging clusters with 15 traditional sectors linked together with 16 emerging tech clusters (pictured).

The sector/cluster map can be divided into three main (overlapping) groups, each of which represents an opportunity for the region.

Closing the productivity gap should bring more direct and indirect jobs, those could help closing the employment gap between population groups

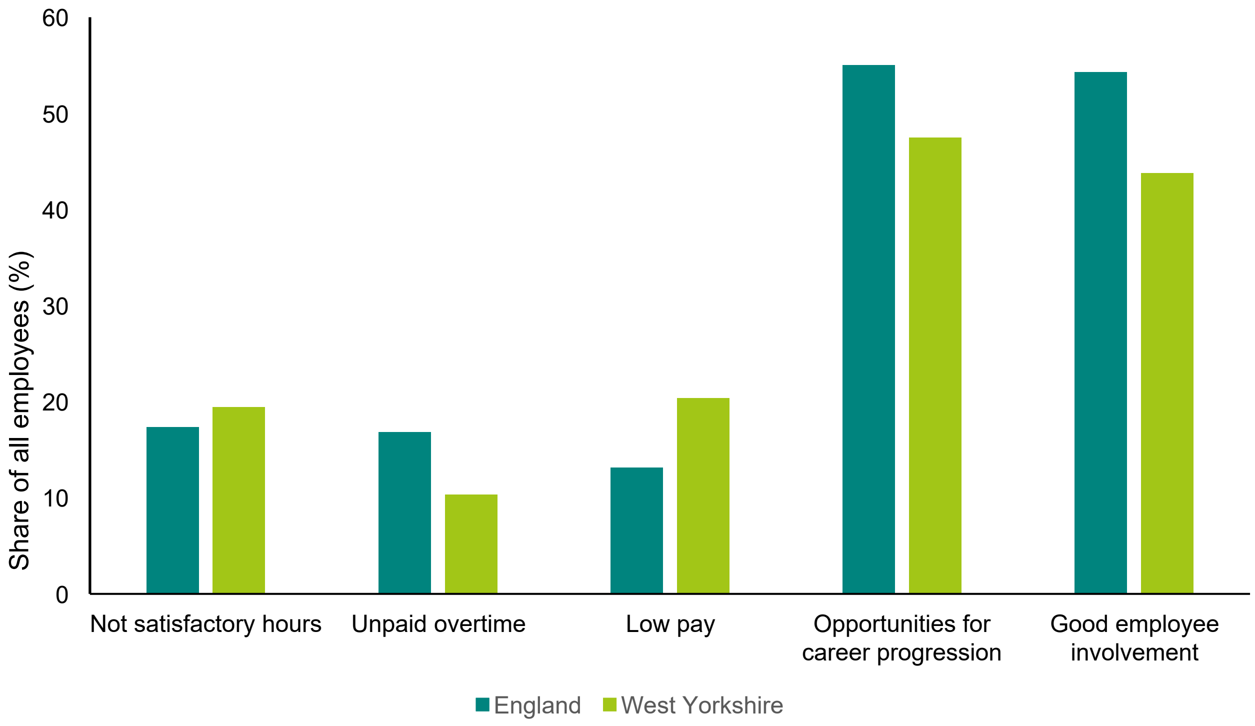
Figure: Employment rates by selected population groups (Oct 2022-Sep 2023)



- Employment rates in West Yorkshire are lower than the national average, especially for ethnic minorities and women.

Source: Annual Population Survey.

Boosting good work across all sectors of the economy



Source: Jobs quality indicators in the UK - hours, pay, contracts, opportunities, and involvement: 2021, Office for National Statistics. West Yorkshire figures estimated using local authority statistics and weighted them using the number of employees provided by Business Register and Employment Survey (BRES).

- West Yorkshire underperforms in job quality indicators like good employee involvement and opportunities for career progression.
- Addressing these issues through Fair Work Charter will ensure that indirect jobs from a productivity boost contribute to inclusive growth and reduce poverty.
- The West Yorkshire Scientific Advisory Group is examining the impact of flexible work on an inclusive economy.

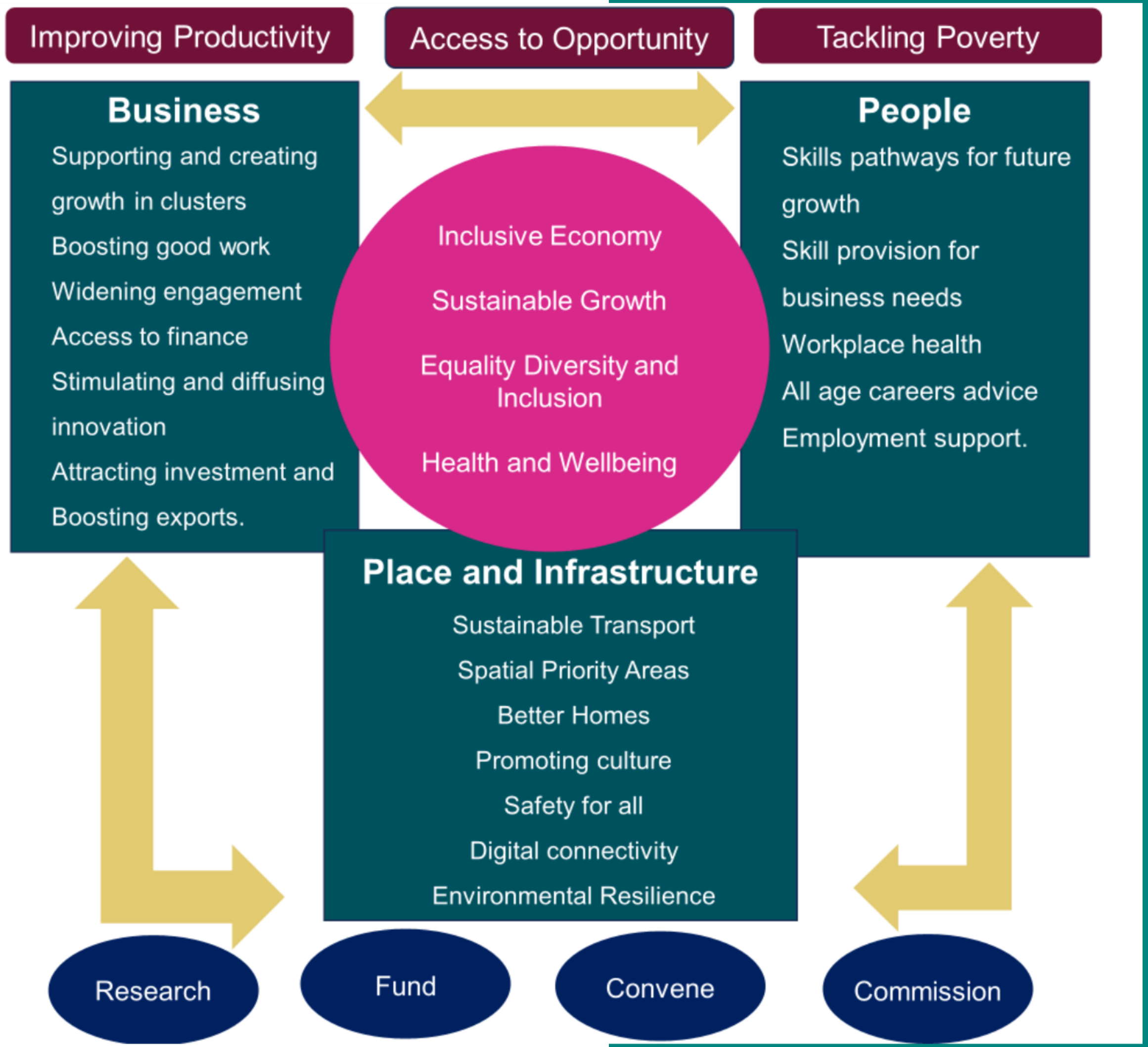
Building a framework

A Framework for Action

The framework aligns with the vision and missions of the West Yorkshire Plan against the pillars of productivity where we need to act. This puts a sustainable inclusive economy at its heart with health as a key driver of activity.

Prioritisation must unpick the relationship between prosperity and inclusivity ensuring that all areas can benefit from the region’s strengths.

Our approach must take a whole systems view of economic development recognising the complex inter-related challenges we face and identifying the right solution at the right spatial level.



Core Principles

Inclusive Economy: this means connecting all parts of our region to opportunity and understanding the wider drivers of productivity including issues such as childcare where we can look at sector needs to offer choice for families and support to children from disadvantaged backgrounds.

Sustainable Growth: this means stimulating investment opportunities for net-zero, boosting green skills, and attracting green jobs to the region, while supporting decarbonisation of transport, homes, and industry to meet our net-zero target.

Equality Diversity and Inclusion: ensuring we champion the diversity of West Yorkshire and utilise networks within communities to reach all parts the region where support is needed.

Health and wellbeing: recognising the role of health and wellbeing in our region's prosperity and promoting good health in employment, transport, and infrastructure development.

Draft Priorities

Business

Building on strengths where West Yorkshire has a comparative advantage in established and emerging clusters:

- Build on and work with business leaders to overcome barriers and unlock investment
- Working with cluster leadership bodies nationally and make links regionally including with universities
- Support opportunities to drive export growth
- Delivering skills pathways aligned to cluster opportunities
- Working with local authorities to ensure the quality and availability of business premises
- Build on the Investment Zones model to wider sectors / clusters of excellence across West Yorkshire linking to university expertise, national and regional bodies.
- Sector targeting for productivity growth must reflect our ambitions for an inclusive economy and consider synergies between sectors. We need to widen our understanding of productivity drivers to consider the impacts of issues such as childcare.

Draft Priorities

We want to ensure that the areas of West Yorkshire's economy can promote good work but particularly in those sectors where there are high numbers of employment such as retail and hospitality:

- Capturing learning from the first year of delivery of the Fair Work Charter and building on the successes
- Working with sectors to support uptake and embed good practice bringing together communities of good practice
- Building on best practice of what works in boosting low productivity, especially in sectors of the West Yorkshire economy currently characterised by large scale, low pay employment.
- Supporting businesses to implement sustainability changes.

We need to deepen our understanding of the finance landscape to include a focus on place-based impact investing and investment opportunities for under-represented groups.

- Provision of grants will not be sufficient to address the investment gap in West Yorkshire. Our role to foster the right conditions for investment and leverage funding should be strengthened. Investment Zones provide a strategic opportunity to do this.

Draft Areas for Action

We must simplify the business ecosystem recognising the role of the Combined Authority as a convenor of support and raising awareness of all types of provision:

- A clear, easy to access portal of information for businesses and professional services.
- We must consider informal networks and key individuals within these networks to broaden our reach and sign-posting activity.
- We must do more to celebrate and elevate the diversity of businesses in our region including in sectors not directly supported by Combined Authority programmes.
- Alternative business models should also be considered alongside an articulation of the role of the Combined Authority.
- The COVID-19 Pandemic has impacted upon the future of work, we must reflect these opportunities in our offer of business support reflecting the needs of different types of businesses and understanding more on the potential of the informal economy and informal support networks that exist.

Draft Areas for Action

- Skills are a big driver of inequality between places and have central role to play in an inclusive economy. There is a need to move beyond just upskilling and understand where it might be more appropriate to focus support on lower-level skills with the opportunity to open-up in work support.

- Our review of the skills system and further devolution will support our ambition to fully integrate business and skills working with local employers to understand their current and future skills needs and make sure our schools, colleges, universities and training providers deliver the right courses to meet these.