

**Report to:** Business Economy and Innovation Committee

**Date:** 18 October 2021

**Subject:** **Economic Reporting**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

## 1. Purpose of this report

- 1.1 To provide an update on the latest economic and business intelligence for the Committee, and to update the Committee on the latest activity and intelligence around understanding the impact of COVID-19 and EU Exit.

## 2. Information

- 2.1 The **employment** situation in the region continues to improve. The number of payrolled employees in West Yorkshire recorded on PAYE Real Time Information systems, increased by around 5,000 between July and August 2021 to 988,000. Employment in the region is now 1% above the pre-pandemic level seen in August 2019 and 4% higher than its lowest point in the pandemic in February 2021. This means that the number of payrolled employees has increased by 35,000 between February 2021 and August 2021. All NUTS3 areas in West Yorkshire (coterminous with West Yorkshire local authorities except for the combined area of Calderdale and Kirklees) have also returned to their pre-crisis levels of employment.

- 2.2 The **Job Retention Scheme** ended on 30 September 2021. Latest available statistics show that 47,000 jobs were still furloughed in West Yorkshire at the end of July, equivalent to 5% of eligible jobs. Furlough numbers fell in the months prior to July: the July figure represents a reduction of 11,000 or 19% compared with the end of June. The following key points provide an insight into the potential impact of the end of furlough based on the July data:
- Take-up rates (as % of eligible jobs) were similar across the five local authority areas, ranging from 4% in Wakefield to 6% in Bradford. The take-up rate for West Yorkshire as a whole (5%) was lower than national average (6%).
  - Around 5,500 young people (aged under 24) were still on furlough in West Yorkshire, although the number had fallen quickly in recent months. Around 21,000 (44%) of furloughed employments are female.
  - Sectors with the highest number of furloughed workers were Wholesale and retail (8,000), Manufacturing (7,000) and Hospitality (7,000). A relatively high proportion of workers in Arts and entertainment were still on furlough (2,000 in absolute terms).
- 2.3 The **claimant count** has shown signs of falling but there is still a very large number of people on out-of-work benefits. The latest figures show a 2% fall in the count between July and August in West Yorkshire. The claimant count is now 15% or 16,000 lower than at its peak in March 2021 but still 66% higher than before the pandemic in February 2020, with around 94,000 claimants in the region. There are variations at local authority level: for example, the count remains 74% higher than its pre-pandemic level in Leeds, meaning the number of claimants is not falling as quickly here as in some other parts of West Yorkshire (the equivalent figure is only 53% in Kirklees).
- 2.4 The end of the £20 temporary uprating to **Universal Credit** is likely to have a disproportionately large impact on incomes in West Yorkshire. There were 234,000 people and 199,000 households on Universal Credit in West Yorkshire as of August 2021. The Joseph Rowntree Foundation estimate that 56% of families in West Yorkshire will be affected by the reduction, with Bradford West seeing the highest proportion of families affected of any constituency in England.
- 2.5 **Recruitment** activity remains strong. The weekly count of online postings in West Yorkshire has now exceeded pre-crisis level for 23 consecutive weeks and the latest figure is 41% higher than the count for week ending 24 July when restrictions were lifted. The occupational areas that have seen the strongest growth in vacancies since the lifting of restrictions are linked to Hospitality, food and tourism, Clerical and administrative and Sales (primarily retail). These areas were all hit hard during the pandemic. National data indicates that the number of people who are economically active is around 1 million lower than it would have been had the pre-pandemic trend been maintained, as a large number of older people, as well as some younger people withdraw from the labour force. This trend has the potential to intensify the emerging labour shortages that have been observed in recent weeks.

- 2.6 **Leading indicator** data from the West and North Yorkshire Chamber of Commerce Quarterly Economic Survey (Q3 results) shows that the lifting of restrictions has been accompanied by increased momentum in the recovery, as reflected in strengthening business confidence across all sectors. But there are growing challenges that threaten the sustainability of the recovery, particularly in the manufacturing and construction sectors. Domestic demand has continued to grow as reflected in strong performance on orders and sales in the service sector and robust performance by B2C sectors including hospitality and retail. Recruitment activity shows signs of intensifying with recruitment intentions in the manufacturing sector reaching record levels for the survey whilst there is also evidence of strong growth in service sector jobs.
- 2.7 However, a key concern highlighted by the survey is that as employers have increased their recruitment activity, they face shortages of the people with the skills needed to make the most of growth opportunities. In addition, supply chain delays are delaying order fulfilment and limiting the ability of manufacturers to respond to strengthening domestic demand. Meanwhile, rising input costs in manufacturing and construction mean that inflationary pressures are building in the economy, although businesses cannot always pass on their rising input costs to customers. Manufacturers already express concern about cashflow and prospects for profitability.
- 2.8 Overall, the economic recovery shows signs of gathering pace following the lifting of restrictions. However, the re-opening of the economy has exposed a range of significant supply-side constraints including labour shortages and supply chain disruption, which seem to be intensifying and which threaten the sustainability of the recovery. The employment implications of the ending of furlough have not yet become apparent. Although the latest figures suggest large numbers of workers could be affected, it is possible that any negative effects will be offset by the buoyant labour market conditions.
- 2.9 The latest data suggests that business liquidations and dissolutions are at a relatively elevated level, with a steady increase in the last month at regional and local authority level. There were an average of 432 liquidations/dissolutions per week in the most recent four-week period, compared with the 328 averaged in the first quarter of 2020, prior to the pandemic.

### **3. Tackling the Climate Emergency Implications**

- 3.1 There are no tackling the climate emergency implications directly arising from this report.

### **4. Inclusive Growth Implications**

- 4.1 The number of people claiming out of work benefits in West Yorkshire remains very high relative to the pre-pandemic position. There is a risk that long-term unemployment could grow, although national data suggests that this risk is receding.

## **5. Equality and Diversity Implications**

- 5.1 There is a risk that insecure work and ‘second choice jobs’ will come to the fore during the recovery. Nationally, the numbers of people in temporary jobs because they cannot find permanent work or in part-time jobs who would like full-time employment have both risen substantially during the crisis. Overall part-time working remains below its pre-crisis level with the main impact being on women, who account for three-quarters of people who work part-time. The employment rates of most ethnic groups remain below their pre-pandemic position with pre-existing employment rate gaps between white and some minority groups persisting.

## **6. Financial Implications**

- 6.1 There are no financial implications directly arising from this report.

## **7. Legal Implications**

- 7.1 There are no legal implications directly arising from this report.

## **8. Staffing Implications**

- 8.1 There are no staffing implications directly arising from this report.

## **9. External Consultees**

- 9.1 None

## **10. Recommendations**

- 10.1 The Committee are asked to note the latest intelligence around the economic impacts of COVID-19 and EU Exit and consider how this relates to their work and future work plans.

## **11. Background Documents**

None.

## **12. Appendices**

Appendix 1: COVID-19 Fortnightly Insights Report