

**Report to:** Culture, Heritage and Sport Committee

**Date:** 26 January 2023

**Subject:** **Economic and Sector 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 checked="" type="checkbox"/> Yes <input 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 data relating to the sector.
- 1.2 To provide a briefing on the Energy Bill Discount Scheme and how it affects the culture, heritage and sports sectors.
- 1.3 To set out evaluation plans for the Culture, Heritage & Sport Framework.

## 2. Information

### Update on economic data

#### 2.1 National economic context

2.2 The latest available data presents a mixed picture for the sector. In summary:

- Employment is holding up in spite of wider economic challenges including rising costs and the sector continues to operate in a tight labour market, although vacancies at national level have fallen back somewhat from their highs in early 2022.
- Average pay continues to grow in nominal terms but this is being offset by high inflation.

- The output of the sector is declining based on quarterly figures, although there was growth in October as activity rebounded following the funeral of Her Majesty Queen Elizabeth II.
- It is clear, however that rising energy costs will have a significant negative impact on the prospects for the sector in terms of profitability and sustainability of organisations, particularly when government support comes to an end next spring.
- The impact of inflation on disposable income is certain to affect engagement with the sector in terms of affordability of ticket prices, audience sizes etc.

#### Output (figure 1 of appendix)

- 2.3 In common with the wider economy both elements of the sector saw output growth between September and October 2022. This follows a decline between August and September associated with the extra bank holiday for the State Funeral of Her Majesty Queen Elizabeth II. In *Arts, entertainment and recreation* output grew by 3.8% in October (figures for this sector are volatile) and by 0.5% in *Information and Communication*. Output across the whole economy grew by 0.6% during the same period.
- 2.4 Looking at the broader picture, output fell for both parts of the sector in the three months to October 2022 compared with the three months to July 2022, by 0.5% and 1.2% respectively, compared with 0.3% across the wider economy.

#### Employment (figure 2)

- 2.5 Seasonally adjusted employment in the *Arts, entertainment and recreation* sector remained broadly flat across England between June 2022 and September 2022, growing by 0.3%. As of September 2022, it remains 29,000 or 3% lower than in March 2020 (pre-pandemic).
- 2.6 Employment in the *Information and Communication* sector grew by 2% (+36,000) between June and September 2022. Employment in the sector was 9% higher in September 2022 than in March 2020.

#### Productivity (figure 3)

- 2.7 According to ONS' flash estimate productivity in *Information and Communication* was 6% higher in Q2 2022 than in Q1 2020 (pre-pandemic) and 14% higher in *Arts, entertainment and recreation*<sup>1</sup>. This compares with growth of 2% across the whole economy for the same period.

#### Pay (figure 4)

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<sup>1</sup> Data for Arts, entertainment and recreation are volatile over time.

- 2.8 At £1,015 per week, average earnings in the *Information and Communication sector* are 71% higher than across the *Whole Economy* (£609), based on figures for October 2022. Average weekly earnings for *Arts, entertainment and recreation* are, at £469, are 23% lower than the *Whole Economy* average.
- 2.9 Average weekly earnings in *Arts, entertainment and recreation* grew strongly, by 10% year-on-year in nominal terms in October 2022 whilst *Information and communication* saw year-on-year earnings growth of 7% in October. The equivalent figure for the wider economy was 6%. To set this latter figure into context the 6% increase for the whole economy in nominal terms equates to a real-terms fall of 2.7% when adjusted for inflation.

#### Vacancies (figures 5 and 6)

- 2.10 According to the ONS Vacancy Survey the number of UK vacancies in the *Arts, entertainment and recreation* sector fell by 20% in the September to November quarter as compared with June to August. This was higher than the reduction across the wider economy of 5%.
- 2.11 Vacancies in *Information and communication* fell by 6% over the same period.
- 2.12 However, the level of vacancies for both *Arts, entertainment and recreation* and *Information and communication* remain high in historic terms. The level of vacancies in the former sector are 95% higher than in September to November 2019, whilst in the latter they are 48% higher.
- 2.13 *Information and Communication* and *Arts, entertainment and recreation* are ranked fifth and eighth respectively in terms of the sectors with the highest ratio of vacancies to jobs. These ratios have declined from their peaks in early 2022, reflecting the softening in recruitment demand.
- 2.14 Data from online job postings allows us to assess the vacancy situation in West Yorkshire<sup>2</sup>. The data show that recruitment activity remains strong. The number of postings for creative and cultural occupations remained close to record highs in December 2022 and was 162% higher than the monthly average for the January to March 2020 (pre-pandemic) period. The biggest occupational categories in terms of online job postings continue to be *IT, software and computer services* and *Advertising and marketing*.

#### Leeds City Region business survey

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<sup>2</sup> Note that an occupational definition is used for the analysis of West Yorkshire online job postings whereas ONS' UK vacancy analysis uses industry sectors. Therefore, the basis for each analysis is different.

- 2.15 The Leeds City Region business survey was conducted in summer 2022 and is based on 1,001 interviews with private, public and voluntary/community sector organisations with at least one employee.
- 2.16 The purpose of the survey was to provide a snapshot view of business confidence, investment experiences and intentions; to provide the LEP and the Local Authorities with a significant level of detail about the issues currently affecting businesses; to support the LEP in monitoring and reporting progress to Government against its strategic priorities.
- 2.17 The following section provides a summary of some of the most relevant findings as they relate to the Creative and digital sectors (results are not available for the heritage and sport). The focus is on human resources / skills, export and innovation
- 2.18 A substantial proportion of employers in the Creative and Digital sector offer flexible working practices.
- 54% of Creative and Digital employers offer flexitime – a proportion that is statistically significantly higher than the average for all businesses (46%).
  - 21% of Creative and Digital employers offer full-time home working (the difference with the overall average of 16% is again statistically significant)
  - 37% of Creative and Digital employers offer hybrid working (home working part of the week) which is higher than the average of 31% (again, statistically significant).
  - Although 50% of employers introduced flexible arrangements in response to Covid-19, 90% say that they expect to keep them in place indefinitely.
- 2.19 One-third of Creative and Digital employers indicate that they had vacancies that they had found hard to fill during the previous 12 months. In common with the wider economy, technical skills relating to particular roles were the type of skills most difficult to recruit. There were also specific areas in which Creative and Digital employers were more likely to highlight recruitment difficulties (all following differences are statistically significant):
- 9% of Creative and Digital employers with recruitment difficulties said that Digital skills / advanced IT were difficult to recruit compared with 2% of employers as a whole
  - 9% also highlighted difficulties in recruiting Sales and marketing skills compared with an average for the wider economy of 5%.
- 2.20 Creative and digital employers are more likely to engage in export of products and services. Around a fifth (19%) are involved in export compared with 14% of employers as a whole. Employers in the sector are more likely than average to export to North America, South America and Asia and less likely to export to the EU.

- 2.21 A relatively high proportion of businesses in the Creative and digital sector have engaged in particular aspects of innovation in the last 3 years.
- 46% have introduced new or significantly improved services (compared with average for all employers of 39%)
  - 38% have introduced new or significantly improved processes for producing or supplying goods or services (compared with average of 32%)
  - 49% have introduced new technologies (compared with average of 38%).
  - Overall, 72% of employers in the Creative and Digital sector had engaged in at least one innovative practice in previous 3 years, significantly higher than the overall average of 64%.

### **Energy Bill Discount Scheme**

- 2.22 On 9<sup>th</sup> January the Government announced the Energy Bill Discount Scheme to support businesses and public sector organisations with high energy costs. This initiative will replace the current Energy Bill Relief Scheme from 1 April 2023.
- 2.23 The scheme will work by offering businesses and public sector organisations discounted prices for wholesale gas and electricity. This support will run from 1 April 2023 to 31 March 2024, with the level of support capped at £5.5 billion, compared with an expected cost of the original support totalling £15bn. This represents a reduction in overall support of about 66%
- 2.24 The support will be two-tiered: a general level of support that all businesses can access, and a greater level of support for businesses operating in Energy and Trade Intensive Industries. The list of industries deemed to fall within this latter category is limited to extractive and manufacturing activities, except for the following, which fall within the culture, heritage and sport sector:
- 91.01 Library and archive activities
  - 91.02 Museum activities
  - 91.03 Operation of historical sites and buildings and similar visitor attractions
  - 91.04 Botanical and zoological gardens and nature reserve activities.
- 2.25 The list of industries does not include Operation of sports facilities, although facilities like swimming pools are known to be energy intensive.
- 2.26 Smaller businesses that do not operate in Energy and Trade Intensive Industries will receive the least support, which is likely to mean that the culture and night-time economies are likely to be particularly exposed to high energy costs.

### **Evaluation plans for the Culture, heritage and sport framework**

2.27 The West Yorkshire Combined Authority's Culture, Heritage and Sport Framework is our plan to grow and sustain culture, heritage and sport in the region. Against each of the four themes contained in the framework is a set of indicators that we will seek to measure in order to show the progress that is being made against our ambitions. We have undertaken a review to determine how to collect the data required for each measure (see appendix 2). Based on this, we have identified a number of initial priorities for research activity, as set out below.

#### People and Place: participation survey

2.28 Sports England's annual Active Lives survey provides useful data on sports participation, but not at the granular WY level. Likewise, DCMS's Taking Part survey offered some data on culture and heritage participation at the level of Yorkshire & The Humber, but not below.

2.29 Therefore, to ensure we capture more granular local data, including at a local authority level, we are currently attempting to secure funds to commission a regional survey to measure participation in, and attitudes to, culture, heritage and sport. This will ideally include a second wave survey in 2026 to capture change beyond the years of culture and help to evidence the impact of same. Once funding is secured we hope to have this out for tender by spring 2023.

#### Skills & Business: freelancer survey

2.30 Work is currently underway to design our own survey, to be disseminated via freelancer networks, to provide baseline data on attitudes, training opportunities, etc, prior to the launch of any Gainshare-funded support.

2.31 We are currently identifying, analysing and synthesising existing data, including import, export, visitor economy and business growth data specific to the creative industries, and where available at regional level.

#### Over-arching CHS research and evaluation

2.32 We will explore opportunities to utilise academic expertise, possibly through Yorkshire Universities Y-PERN programme, to help us investigate questions around engagement with culture, heritage and sport and the benefits they bring to the region. In addition, we will engage with partners like Born in Bradford to explore the potential for collaboration on work to measure the impact of culture.

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

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

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

4.1 Future evaluation work will take account of key issues around inclusive growth.

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

5.1 Future evaluation work will examine impact through lens of equality, diversity and inclusion.

## **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 direct staffing implications directly arising from this report.

## **9. External Consultees**

9.1 No external consultations have been undertaken.

## **10. Recommendations**

10.1 That the Committee notes the evidence presented in the report.

10.2 That the Committee notes the plans for future evaluation and provides comments and input.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1: Economic and sector report analysis

Appendix 2: Review of data collection approaches for Culture, heritage and sport Framework