Chapter 11 Conclusions

Economic Linkages

11.1 The review of evidence suggests that the Leicester and Leicestershire sub-region represents a sensible functional economic geography for an economic assessment. The sub-region has a "core-periphery" structure with a large city at its centre, some densely populated towns and a large rural hinterland. The continuous built-up area of Leicester City extends into adjoining areas of Leicestershire County, especially into the districts of Oadby and Wigston, parts of Blaby, Charnwood and Harborough. Almost half the sub-region's population of 916,000 people live in this Principle Urban Area. The sub-region functions as a reasonably integrated economic area; in terms of travel to work and school patterns, retail patterns, housing markets and transport links.

11.2 Recognising the strong economic linkages between Leicester City and the surrounding Leicestershire County, the sub-region was one of the first areas of the country to have a signed Multi Area Agreement (MAA) in January 2009.

11.3 Although our area is a sensible economic unit for the focus of an economic assessment; there is a complex set of economic, environmental and demographic inter-relationships between the City of Leicester, Leicestershire, other parts of the East Midlands and adjoining regions. With the freight and passenger facilities at East Midlands Airport in the north of the County, relationships are becoming increasingly international. There is a constant process of people and businesses moving in and out of the sub-region. Large quantities of goods are also transported from, to and across the area.

11.4 Our sub-region enjoys a central location, with 95% of England's population within a four hour drive of Magna Park in Lutterworth, which has resulted in a strong distribution sector in the area. Rail links from Leicester to London and Europe are good and East Midlands Airport is the second largest freight handling airport in the UK. The express delivery sector has emerged as an important sector in North West Leicestershire, linked to the airport and excellent road links.

11.5 The County of Leicestershire has a high-quality natural environment, vibrant market towns and attractive villages which provide for a high quality of life and a draw for tourism and recreation. Leicester City is a culturally diverse city, with over 40% of its population from non-white British ethnic groups. Leicester is going through a major regeneration programme with significant developments to improve its retail, cultural and business offer. Examples include the new Highcross retail centre, the New Business Quarter, Curve Theatre and Phoenix Square. As a result, tourism makes a significant and growing contribution to the local

economy and the area has a number of high-profile attractions including the National Space Centre, Twycross Zoo and the National Forest.

Commuting Patterns

11.6 There are complex commuting patterns across the sub-region as people travel between City and County for education, work and training. 15% of secondary school pupils living in the City travel to County schools. Moreover, 70,800 people commute into the City each day to work, compared to 27,600 commuting out, giving a net in-commuting balance of 43,200. Leicester is extremely important to the County for the supply of jobs. 17% of County wards have between a third and a half of their workforce commuting to the City. However, the patterns of commuting suggest that there are a number of other important individual labour markets throughout the County.

Retail Patterns

11.7 The Leicester and Leicestershire sub-region has a healthy retail offer that experiences relatively little loss of expenditure to shopping centres outside of the area. Leicester City's retail ranking has improved from 14th to 11th (nationally)[1] following completion of the Highcross centre. Leicester retains 61% market share of resident shoppers and loses only 2% to Nottingham from its core catchment. Fosse Park is a significant retail centre, located in Blaby district, close to Junction 21 of the M1. Fosse Park takes 11% of Leicester's market share.

11.8 Loss of retail expenditure from the sub-region is mainly confined to the districts of Melton and North West Leicestershire, given their proximity to Nottingham, Derby and Grantham.

11.9 Retaining retail expenditure links closely with the provision of high-quality public realm and efficient transport links.

Housing Market Patterns

11.10 The Leicester and Leicestershire sub-region is a good basis for assessing, monitoring and understanding the functional economic area. However, travel to work and trading patterns are not the same as those for households moving. In general, people will travel greater distances to work and to trade than they will to move home. The sub-region offers a wide variety of property types and tenures at a range of prices. These are sufficiently high to contribute to economic buoyancy and relatively affordable compared to household income.

11.11 Leicester and Leicestershire is considered a better starting point for analysis and policy development around housing than local authority

[1] Venuescore, 2009

boundaries. The sub-region is a useful level of aggregation for some planning policy purposes. One of the stronger findings of the SHMA[2] is that Leicester and Leicestershire is not all a single Housing Market Area (based on analysis of more detailed data on migration patterns, substitutability and local knowledge).

11.12 On the other hand, the Leicester City Region, or Principal Urban Area and its immediate surrounds is quite clearly a housing market area. Each of the larger County towns should also be treated as a housing market area for most purposes. Rural areas have their own dynamic and issues, and need a different understanding and approach for housing.

Summary of Economic Assessment

11.13 Chapter ten summarises the key strengths, weaknesses, opportunities and threats facing the local economy (SWOT analysis). There is a danger that this summary presents an overly simplistic view of the sub-region and for this reason, a more detailed SWOT analysis is presented at the end of most themed chapters to provide a more in-depth summary.

11.14 The Economic Assessment process has identified a number of challenges and issues facing the economy, which are presented in tables 11.1 and 11.2.

[2] http://www.blinehousing.info/LeicSHMA/report_sections/2-Leicester(&shire)Housing_Market_Area_review.pdf

Table 11.1 Key Challenges Facing Leicester and Leicestershire

Productivity and Earnings

- GVA per head in Leicester City is below that of Nottingham and Derby
- Workplace earnings in Leicester are low for a city
- Male resident earnings (median) in Leicester City are the lowest in the region
- The low earnings are linked to the sector structure, the low proportion of jobs in managerial and professional occupations and qualification levels in the workforce

Sector Structure, Business and Enterprise

- The sub-region does not have a strong identity and image, which has made it difficult to attract knowledge-based inward investment
- One in three jobs in the City are in the public sector, making the area vulnerable to public expenditure cuts
- Three-year business survival rates are low in Leicester City and many start-ups are in vulnerable sectors

Skills

- 22.1% of Leicester residents have no qualifications and 43% do not have a level two qualification, regarded by many as a pre-requisite to enter employment
- Only 56% of working age females are in employment in Leicester City
- Graduate retention from the three universities is low
- Poor performance of white young people resident in the City is evident at age 11 and carries forward to GCSE results at age 16
- Skills gaps reported by many businesses, especially manufacturers

Inclusion, Deprivation and Worklessness

- Almost half the neighbourhoods in Leicester City fall into the 20% most deprived nationally, along with five neighbourhoods in Leicestershire
- Significant increase in claimant count (JSA) unemployed in City & County
- One in five working age residents claiming out-of-work benefits in Leicester
- Decrease in vacancies notified to Job Centre in last 12 months
- Low aspirations of those in deprived areas of the City
- Employers reporting lack of “job ready” young people and those returning to the labour market

Transport and Infrastructure

- Peak traffic congestion – especially routes into Leicester, Loughborough and Melton, and at the M1 Junction 21. This could become worse with the planned housing growth
- Lack of affordable housing across the sub-region
- Delivery of planned housing growth – particularly unlocking city regeneration areas
- “City flight” - people leave the City as they become more affluent - a complex issue which is in part linked to the quality and mix of housing available
- Lack of employment land and obsolete premises have constrained growth in the past

- Delivery of infrastructure to meet the planned housing growth
- Limited supply of available Grade A and high-quality office accommodation in Leicester

Environment

- Climate change will increase risk of flooding and extreme weather events
- Managing development and growth against the need to reduce carbon dioxide emissions by 80% before 2050

Table 11.2 Key Opportunities for Leicester and Leicestershire

Sector Structure, Business and Enterprise

- Diverse economic structure not overly dependent on any one sector
- Sector strengths in food and drink, transport and communications, wholesale and retail and high-technology manufacturing
- Growing service sector, with financial and business services sector making a high contribution to GVA and projected to grow in the future
- Tourism and cultural offer including Twycross Zoo, National Forest, Curve, Phoenix Square, National Space Centre, Twin Lakes, Belvoir, Bosworth Battlefield, Mallory Park, inland waterway network
- Strong market towns and rural economy as evidenced by GVA
- Strong retail offer through Highcross and Fosse Park and retail expenditure largely remains within the sub-region
- Business opportunities to support low carbon economy in resource efficiency, renewable energy, sustainable construction, waste management
- Businesses can harness and exploit the expertise in the area around low carbon technologies for energy and transport

Skills

- Workforce qualifications in the County are amongst highest in region
- Qualification levels are improving in both City and County
- Three world-class universities
- Strong and improving FE sector
- Progression rates to HE very high in Leicester City, especially amongst Indian population

Infrastructure and transport

- Strategic location in relation to national road network; 95% English population accessible in 4 hours
- East Midlands airport, second largest freight handling airport in UK
- Fast rail service to London and Europe
- Potential to develop science and enterprise parks
- Grade A office provision in the City Centre - New Business Quarter
- Rail freight site in NW Leicestershire with associated employment land
- Potential for Sustainable Urban Extensions (SUEs) to accommodate and provide strategic employment land and “affordable” housing of the right types and tenures

Environment

- Pleasant and attractive natural environment with good access
- National Forest – national example of environmental-led regeneration
- Scale of mineral resources provides opportunities through planned restoration to provide improved biodiversity and green infrastructure

Priority Themes

11.15 A number of key themes have emerged from the evidence that will help stimulate sustainable economic growth in the future. These include:

- providing enough jobs for local people
- supporting people to develop their skills and businesses to provide high-quality jobs
- ensuring local people are "job ready"
- generating most of our jobs and wealth from our own resources
- providing the right space and infrastructure for companies to start and grow

11.16 These have been translated into the high-level priority outcomes in the economic strategy for the sub-region:

- A productive economy with high-performing businesses
- A highly qualified, skilled and motivated workforce in high-value jobs
- Improved opportunities for vulnerable people and communities
- A highly sustainable environment with excellent infrastructure

11.17 The evidence to support the selection of these themes is described below.

A Productive Economy with High-performing Businesses

11.18 Our economy has undergone a significant change that has resulted in the decline of the sub-region's manufacturing base which once formed the backbone of its economy. Global competition and technological advance has restructured and moved our economy from an industrial, based around the mass production of goods, to a knowledge economy where we have growing employment in business services, high technology manufacturing, consumer services and creative industries. Nevertheless, manufacturing remains important to the local economy and makes our sub-region distinct from other areas of the country. In particular, local strengths in the food and drink sector can be further developed. This sector is forecast to grow locally, whereas nationally it is in decline.

11.19 Productivity, understood as output per head of the local population, is an important indicator of the overall health and wealth of an economy. Productivity for Leicester City is above the regional and national figures but it is usual for cities to show higher levels of GVA per head than the areas that surround them because they provide a focus or core for economic activity to take place.

11.20 The distinction between core-periphery in other city and sub-regions is noticeably more distinct than in Leicester and Leicestershire. This suggests that the contribution of Leicestershire's market towns and rural economy is important and more significant than in other areas of the

country. It also suggests that Leicester City is relatively weak as an economic core.

11.21 If we wish to improve productivity and wealth creation, then we will need more employment opportunities in high-skill and high-wage sectors. This will also increase the demand for skills and create clusters of high-value sectors to attract new investment. A number of elements can contribute to this including:

- Supporting indigenous businesses
- Encouraging enterprise development in high growth sectors
- Addressing poor business survival rates
- Attracting inward investment

11.22 At the same time, we need to recognise the importance of sectors that will create job opportunities for a wide range of people with varying skill levels.

11.23 The diverse economic base is considered a strength. This has meant that the economy has weathered past recessions relatively well. Our analysis has suggested that the following sectors are important for the future:

High Contribution to GVA

- Business and professional services
- Creative industries
- High technology manufacturing
- Food and drink manufacturing

High Contribution to Employment

- Wholesale and retail

Location Linked

- Transport and communications
- Tourism, including culture and sport

Growth Opportunities

- Environmental related sectors

A Highly Qualified, Skilled and Motivated Workforce in High-value Jobs

11.24 There is a contrast between the labour market profile of Leicester City at the core of the sub-region and that of the surrounding County area. The labour market in the County is one of the strongest performing areas in the region. However, the need to improve qualifications and skills levels amongst City residents is one of the most significant challenges facing the sub-region. Although there has been some improvement, there are still high numbers of working age City residents with no qualifications (22% compared to 12% nationally) and a large

proportion (43% compared to 31% nationally) do not have Level two qualification.

11.25 The performance of primary and secondary schools has a profound impact on image and investment. We have some very successful and innovative schools; however, there is some variability in the performance of schools. Overall, the proportion of pupils achieving 5 or more GCSEs at grades A* to C (including English and Maths) has improved over the period 2005 to 2008. In 2008, the proportions were:

- England 48%
- East Midlands 47%
- **Leicestershire 52%**
- **Leicester City 40%**
    - Leicester City White pupils - 27.7% (2007)
    - Leicester City Asian pupils – 47.8% (2007)

11.26 Leicester has relatively low median workplace earnings for a city and the lack of highly skilled jobs in the city is a key feature, with below average employment in management and professional occupations. Male resident earnings in Leicester City are the lowest in the East Midlands. Whilst it is important to maintain a diverse economic structure, an increase in high-wage employment is required to increase average earnings and generate wealth. Increasing the demand for high-level skills should help to retain graduates from our three leading universities and also attract graduates in from other areas, by providing appropriate career and placement opportunities.

11.27 Some businesses continue to experience recruitment difficulties, skills shortages and skills gaps. This is more marked in manufacturing businesses than amongst those in the services sector. 22% of businesses in the 2009 Leicestershire Business Survey reported that skills shortages were having a serious impact on their business. However, this has reduced from 35% in 2005. Over half the businesses surveyed could identify some skills gaps in their current workforce[3]. This highlights the importance of local training infrastructure which needs to meet current and future employer needs. There is significant variation by sector in terms of recruitment and skills requirements suggesting the importance of sector-based initiatives and a role for apprenticeships in developing sector-specific skills. Consultation with employers has suggested that many candidates presenting for interviews are not “job ready” and this is a key issue.

Improved Opportunities for Vulnerable People and Communities

11.28 According to the 2007 Index of Multiple Deprivation (IMD), Leicester City is the 20th MOST deprived and Leicestershire County is the 12th

[3] Question asked in 2008 but not in 2009

LEAST deprived local authority in the country. Almost half of Leicester City's neighbourhoods fall into the 20% most deprived nationally, whereas in the County five neighbourhoods fall into this category. This suggests that deprivation is relatively widespread in Leicester, but that Leicestershire also experiences pockets of deprivation.

11.29 In total, 83,860 people were claiming out-of-work benefits in the sub-region in August 2009. This equates to one in five working age Leicester residents and 10.5% of County residents. Almost one in three people were on out-of-work benefits in some wards such as New Parks. Job Seekers Allowance unemployment had risen to 6.6% in the City by December 2009 compared to 4.8% in December 2008.

11.30 Certain groups are more likely to experience significant barriers to employment and skills development, namely, women, those on incapacity benefit, NEET, carers, lone parents, older people, black or minority ethnic groups and those from new Communities. These groups contribute to at least 93% of all out-of-work claimants in the sub-region.

11.31 Few barriers to employment exist in isolation and often support is needed to address a number of related or consequential issues such as childcare, housing, health, financial exclusion, debt, etc., before a person can be supported into a sustainable employment. Holistic support needs to be flexible enough to take into account inter-dependent needs.

11.32 It is critically important that the most vulnerable people and communities in our sub-region receive high quality support services to help them access education, training and employment opportunities. This includes a wide range of support ranging from raising aspirations, building confidence, and access to training and opportunities.

A Highly Sustainable Environment with Excellent Infrastructure

11.33 Our sub-region has a pleasant and attractive natural environment with good access and there will be further opportunities for tourism. The National Forest represents a key environmental regeneration success story.

11.34 Nationally, there are targets to reduce carbon emissions by 80% by 2050. This will be achieved by measures that reduce energy demand, improve energy efficiency and by switching power sources to renewable energy. Such responses will reduce costs, reduce waste and help to mitigate the impact of climate change. A key implication is that the design of how buildings and machines work in carbon terms will need to become relatively more important than how the buildings and machines look. There will also be a range of business and education opportunities in delivering energy reduction, energy

efficiency and renewable energy schemes, which could need some investment.

11.35 Our sub-region is at the heart of the motorway network with particularly good north/south road links. East Midlands Airport is the second largest freight airport in the UK. Rail connectivity to London St Pancras and Sheffield is excellent, with Brussels and Paris accessible within 4 hours.

11.36 A relatively high proportion of people travel to work by car which leads to traffic congestion at peak times around Junction 21, and on major routes into Leicester, Loughborough and Melton. There is a good daytime bus network especially in central Leicestershire and on inter-urban routes; however, public transport use is relatively low. 95% of the sub-region's population are within access of at least an hourly bus service. Specific transport issues identified for improvement include:

- Rail connectivity is relatively poor to Manchester, Leeds & Northampton. The service to Birmingham and Nottingham could be better
- Bus-rail interchange in Leicester is currently poor
- Some remote rural areas do not have access to a bus service

11.37 There is a shortage of available high-quality employment land and premises in Leicester City and parts of the County to meet existing and future demand from indigenous businesses and inward investors. This is important in the context of driving economic growth. The evidence has also identified the need to provide adequate incubator and "move on" space for businesses to start and grow.

11.38 There will also be significant housing growth in the sub-region over the next twenty years, including more housing in the City and the Sustainable Urban Extensions (SUEs) adjoining Leicester and the main towns in the County. This, in turn, could have an impact on transport congestion. Leicester and Leicestershire need to provide at least 80,400 new dwellings by 2026, and 26,500 of these are to be affordable. The Regional Spatial Strategy has a policy of urban concentration. Recently commissioned studies have confirmed there is sufficient land to provide these dwellings in Leicester and Leicestershire in an urban concentration approach. At present, there is a significant shortage of affordable dwellings across the housing market area both rurally and in urban areas.

11.39 Leicester City and Fosse Park are important and well-performing retail centres. The sub-region retains most of its retail expenditure, although competition exists from other key centres nearby. Some market towns have the potential to perform better in terms of their retail offer. Investment in improving the retail offer could particularly benefit Coalville and Hinckley. In addition, significant growth in food and drink expenditure is anticipated in the future, which represents an opportunity for retail centres. Environmental improvements of some

district centres will be necessary to improve economic performance and support SUE developments. Additional convenience store provision is required in locations with significant planned housing growth.

11.40 Accessibility and attractive public realm and infrastructure are important to the area's image and in attracting new investment. It will be important to encourage low carbon physical development supported by high-quality infrastructure and services. The sub-region needs to create a thriving local market for new industrial and commercial premises with positive growth in rent levels and capital values. It will also be important to ensure that new housing developments are attractive and serviced appropriately by transport, employment and leisure opportunities.