

The Sheffield City Region Economy: Performance, and Challenges

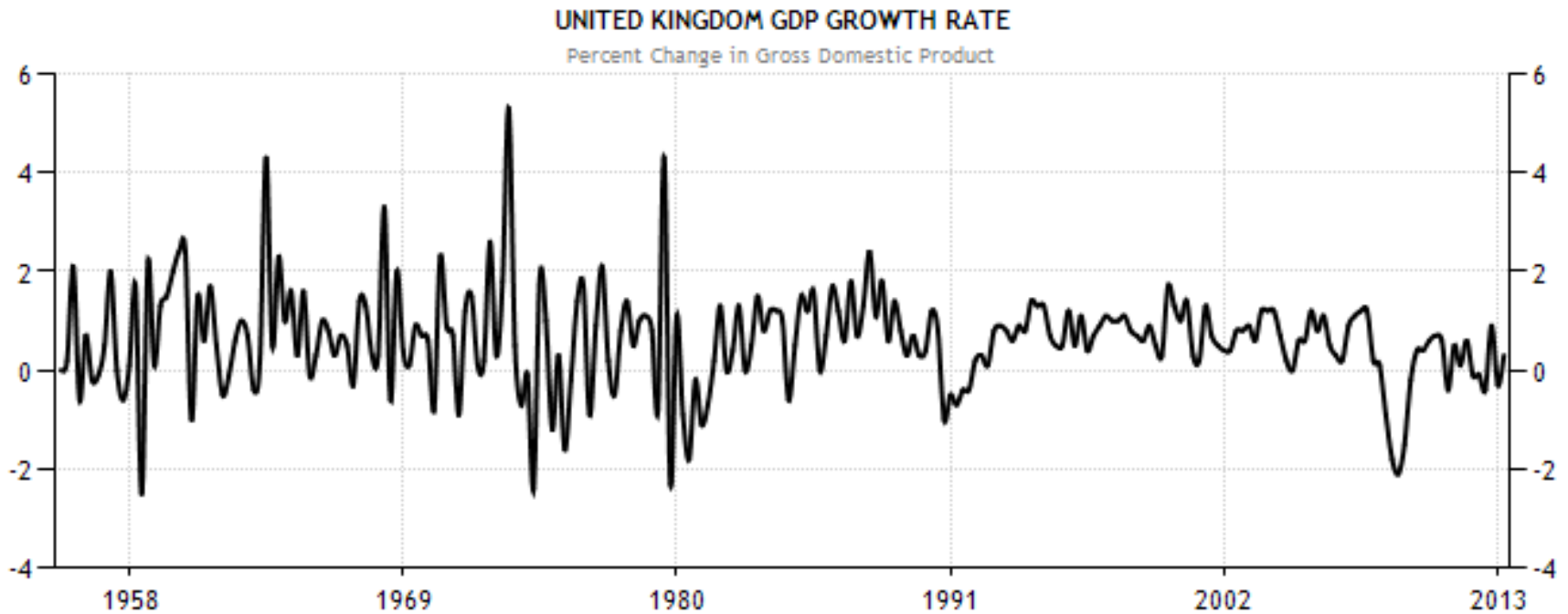
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Leeds City Council

UK National Economic performance



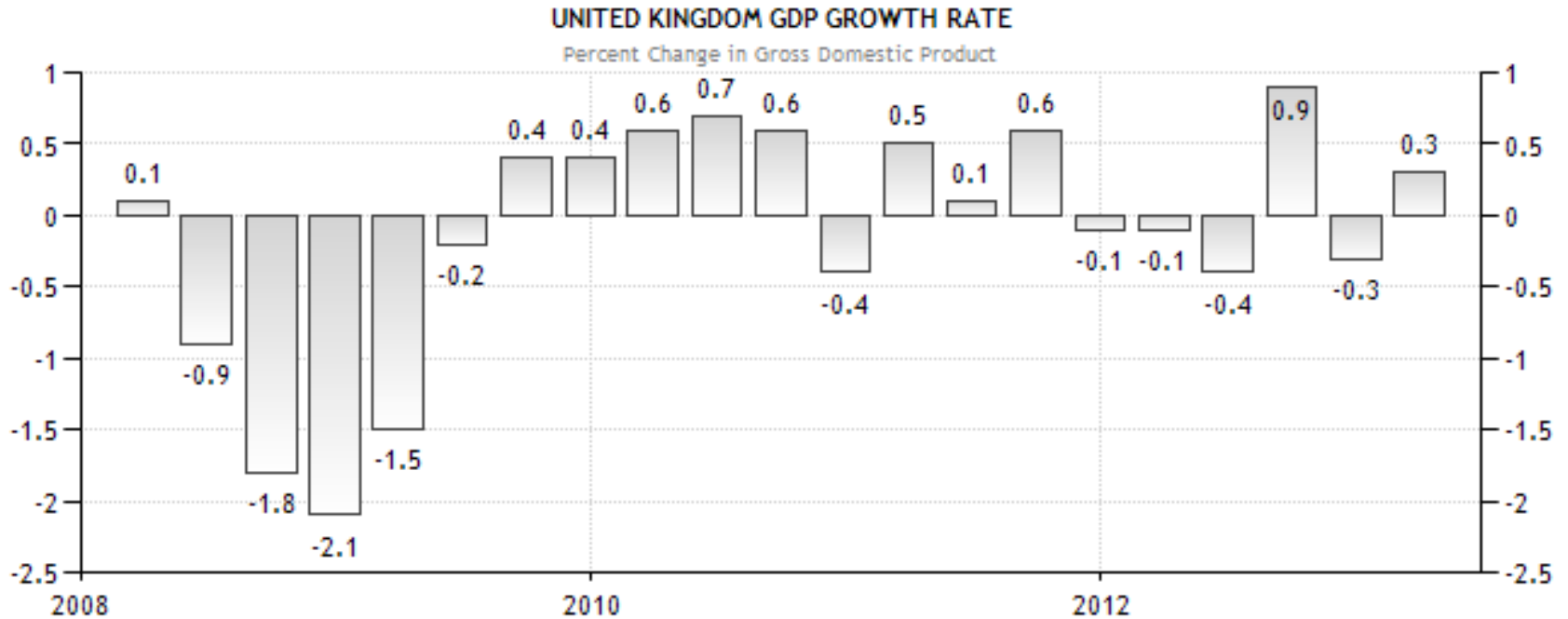
UK GDP Trends, 1958 - 2013



SOURCE: WWW.TRADINGECONOMICS.COM | UK OFFICE FOR NATIONAL STATISTICS

•UK GDP, growth has generally been much less spikey since 1991 compared to the preceding decades

UK GDP Trends 2008-2013

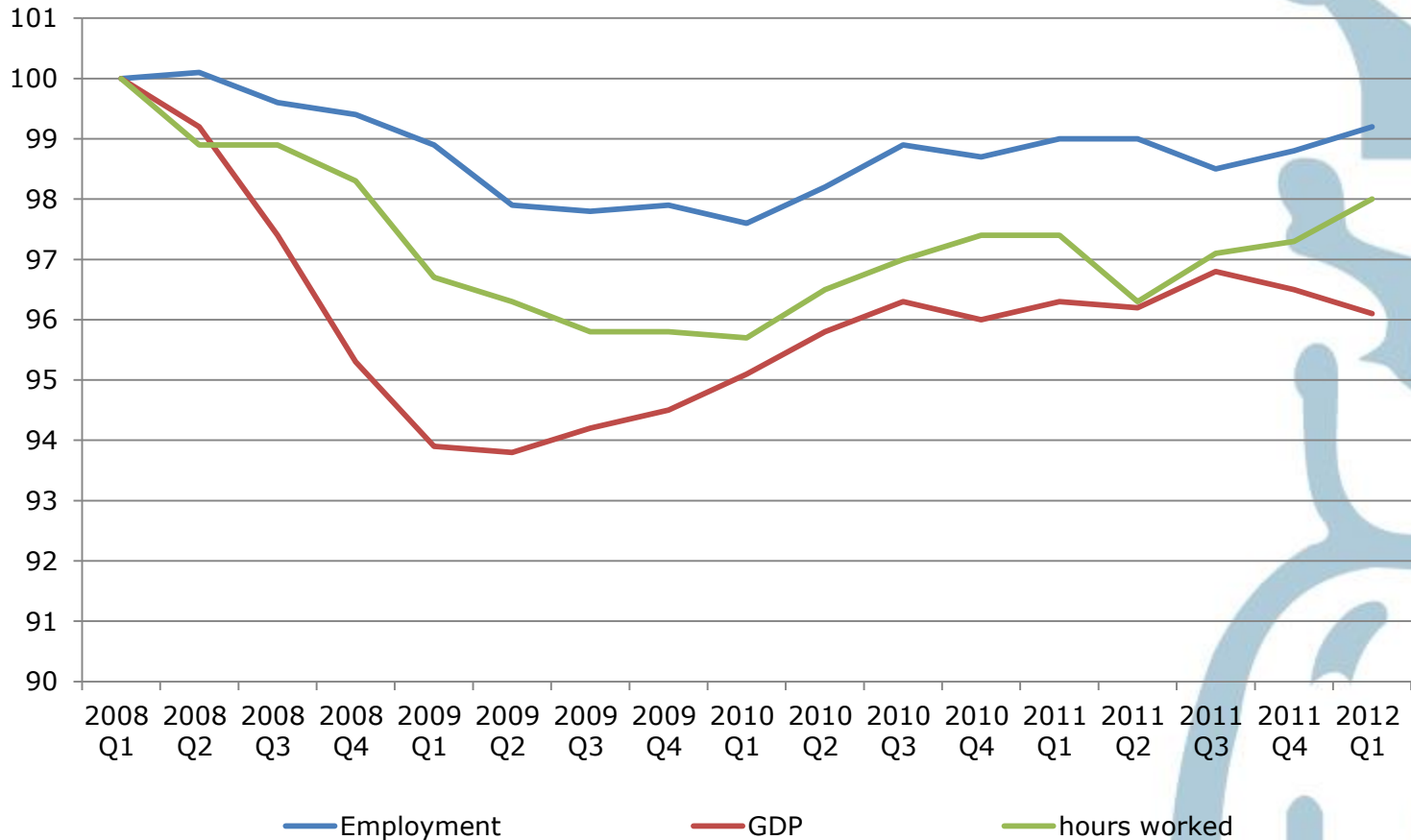


SOURCE: WWW.TRADINGECONOMICS.COM | UK OFFICE FOR NATIONAL STATISTICS

•GDP growth has been weak since 2010



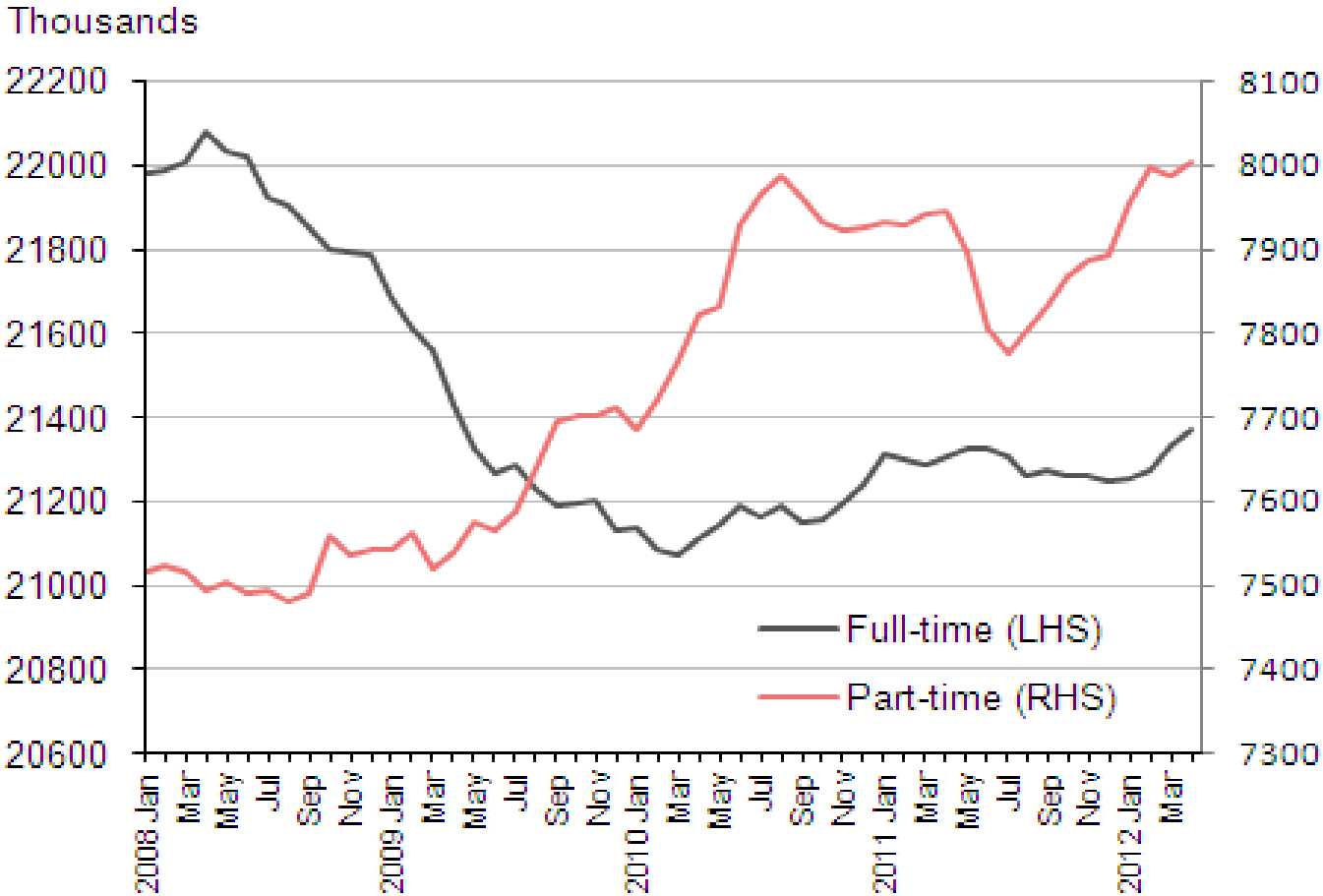
Employment, Hours and GDP in the UK, 2008-2012



Source: NOMIS

•GDP has suffered a more severe fall than employment and hours worked

Part-time and Full-Time Employment

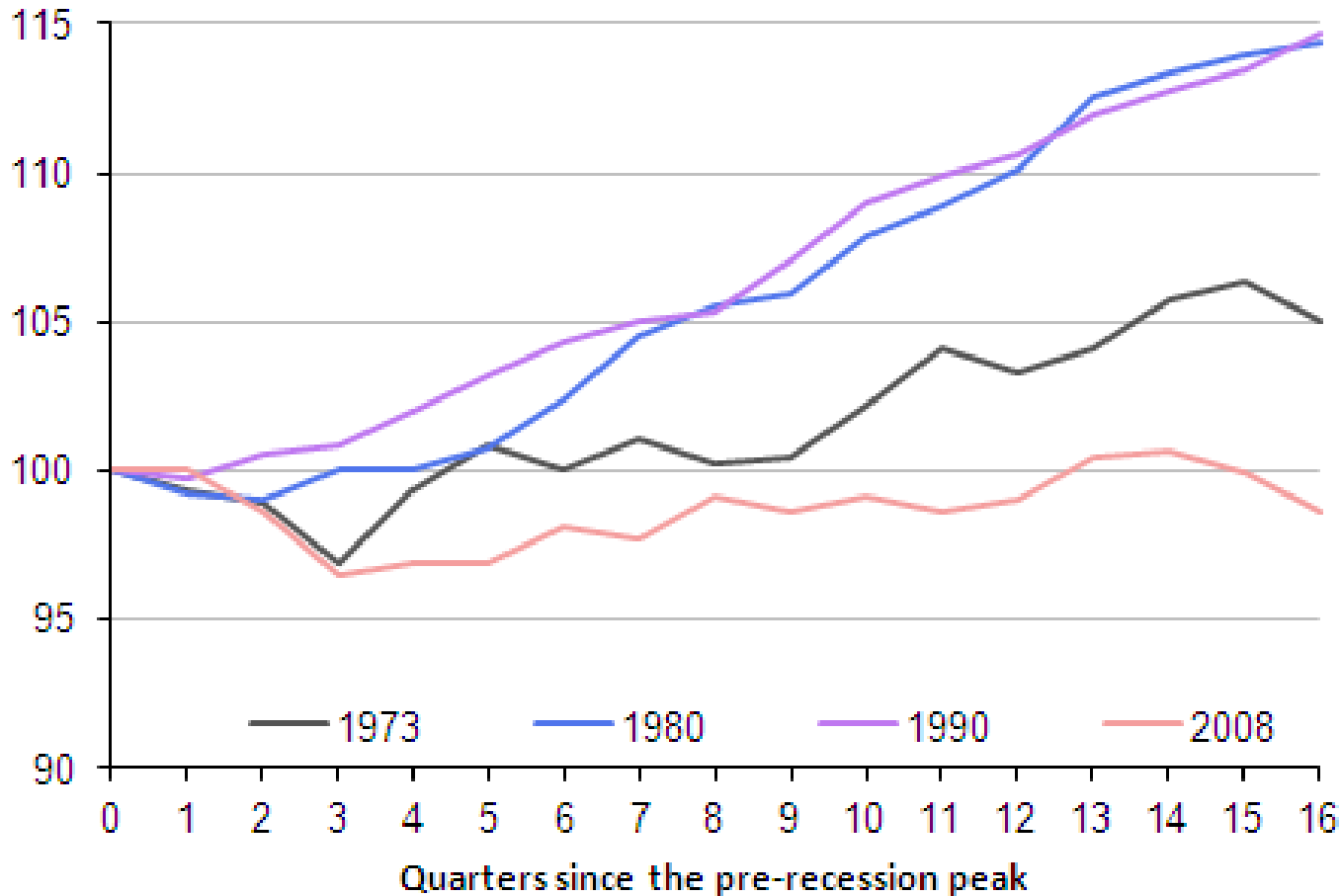


Source: ONS, 2012

•Full-time Employment has generally fallen while part-time employment has risen strongly since 2008

Productivity growth across Recessions

Index (Pre-recession peak=100)



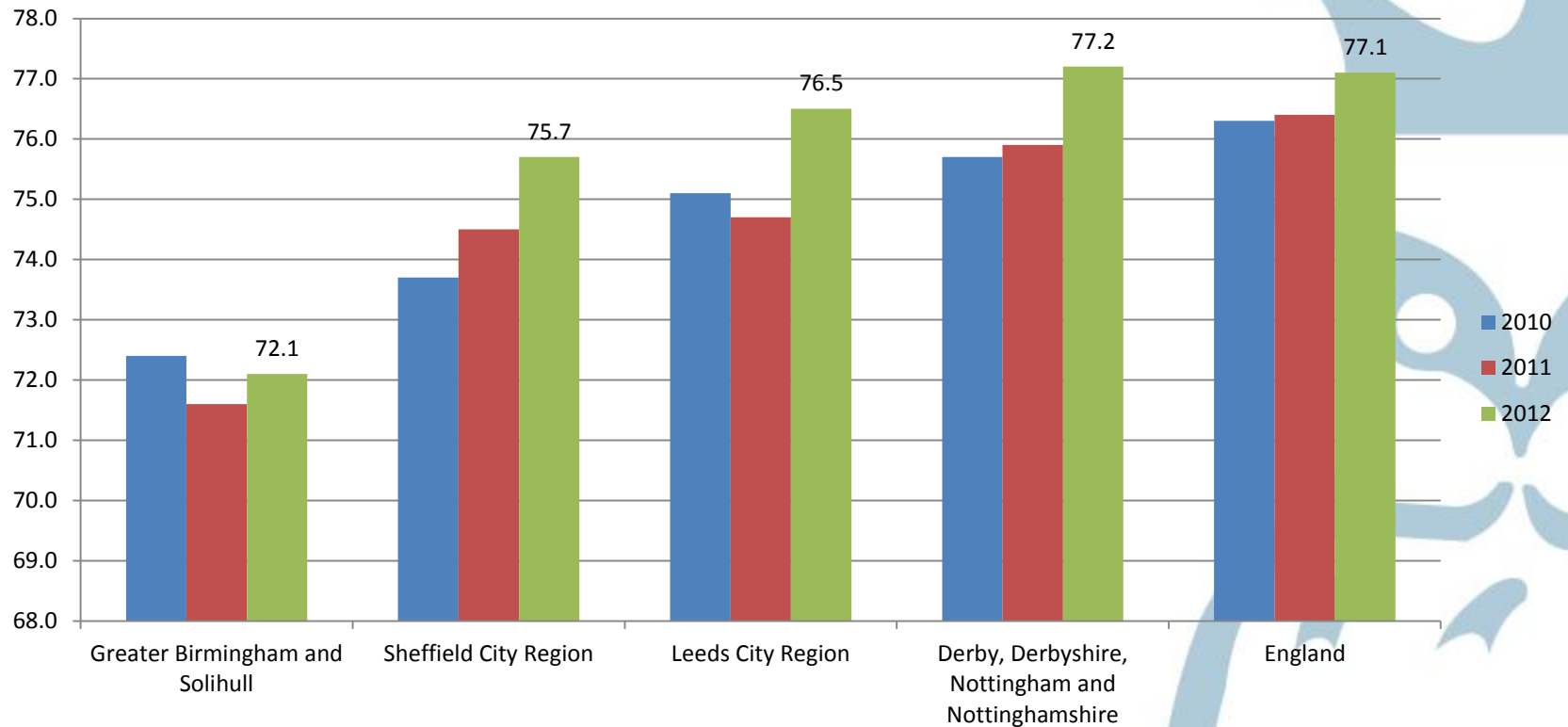
Source: ONS, 2012

•Productivity growth since the 2008 recession has been very weak compared to previous recessions

Recent SCR labour market performance



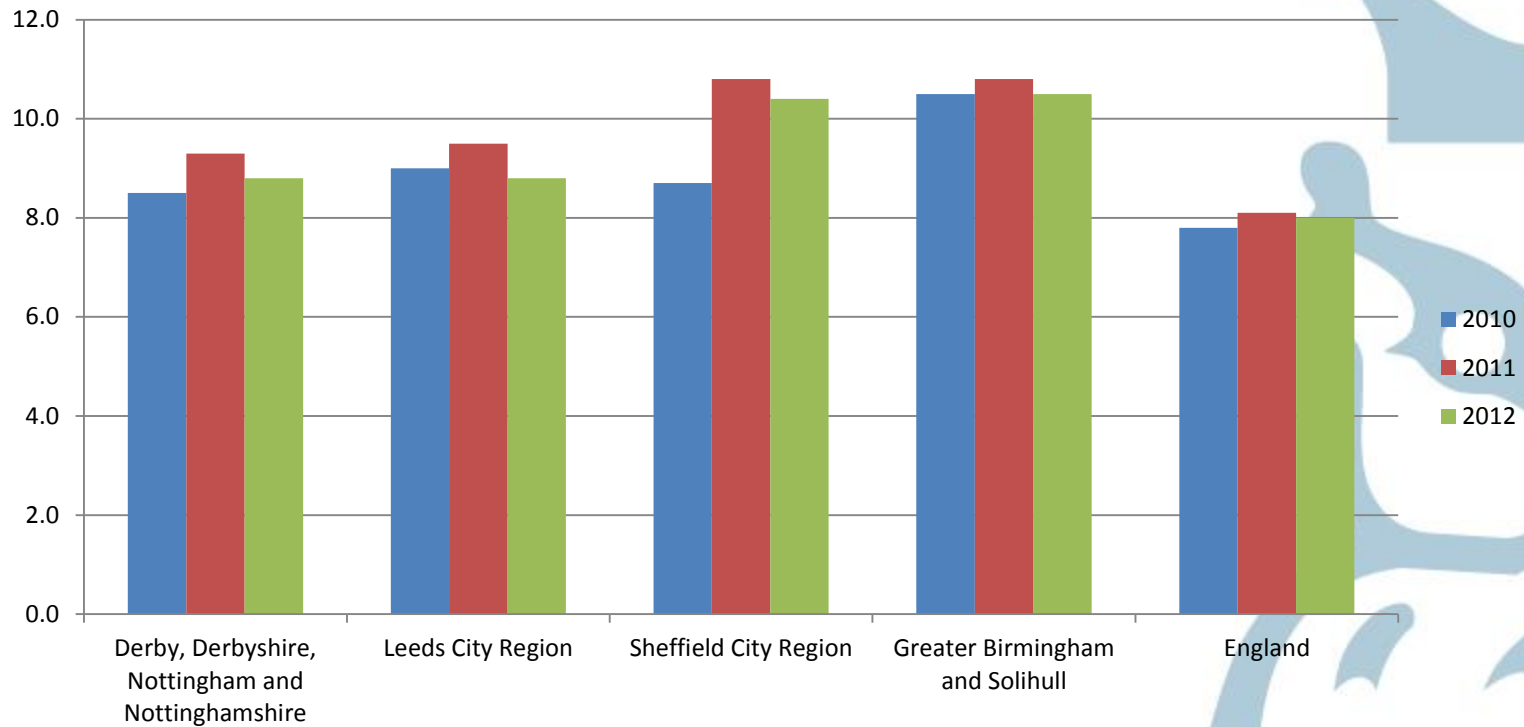
Economic Activity Rate of 16-64 Year Olds



Source: APS/ NOMIS

•Economic activity rate has improved but still lags behind in the England average

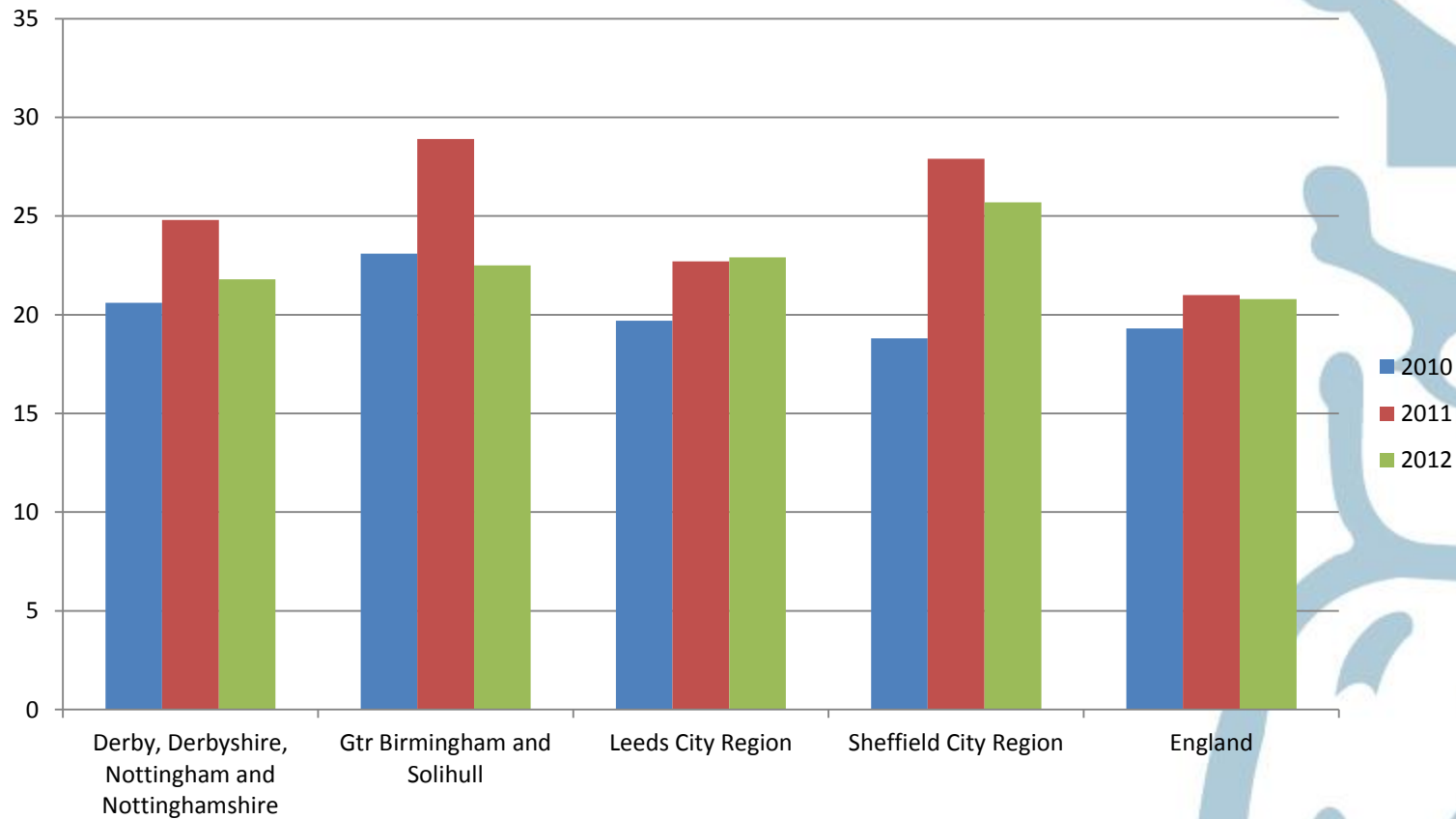
Unemployment Rate Among 16-64 Year Olds



Source: APS/ NOMIS

• **Unemployment in SCR remains higher than the England average**

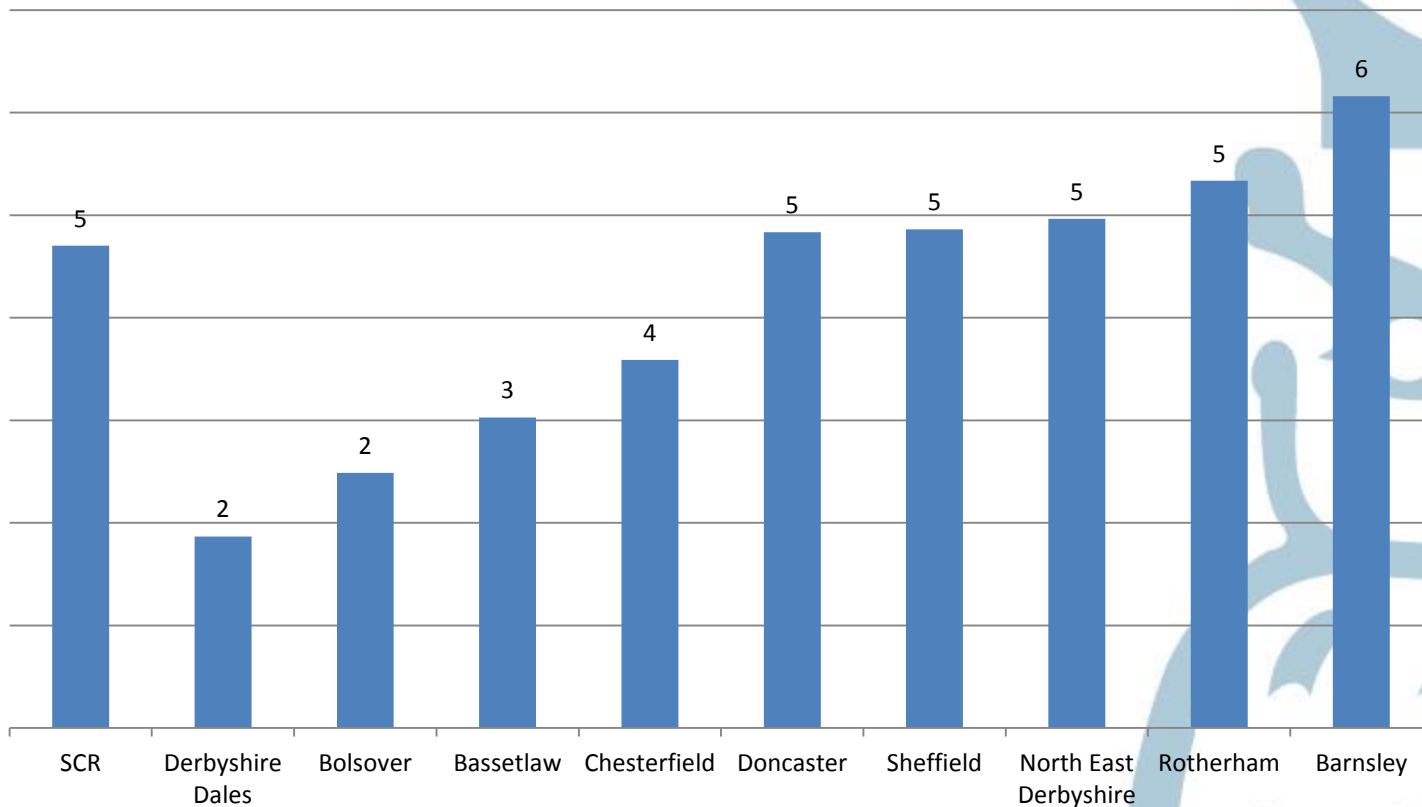
Youth Unemployment Rate in SCR (%), 18 – 24 Year Olds



Source: APS/ NOMIS

•Youth unemployment fell in SCR in the 12 months to December 2012

Vacancy to Claimant Ratio



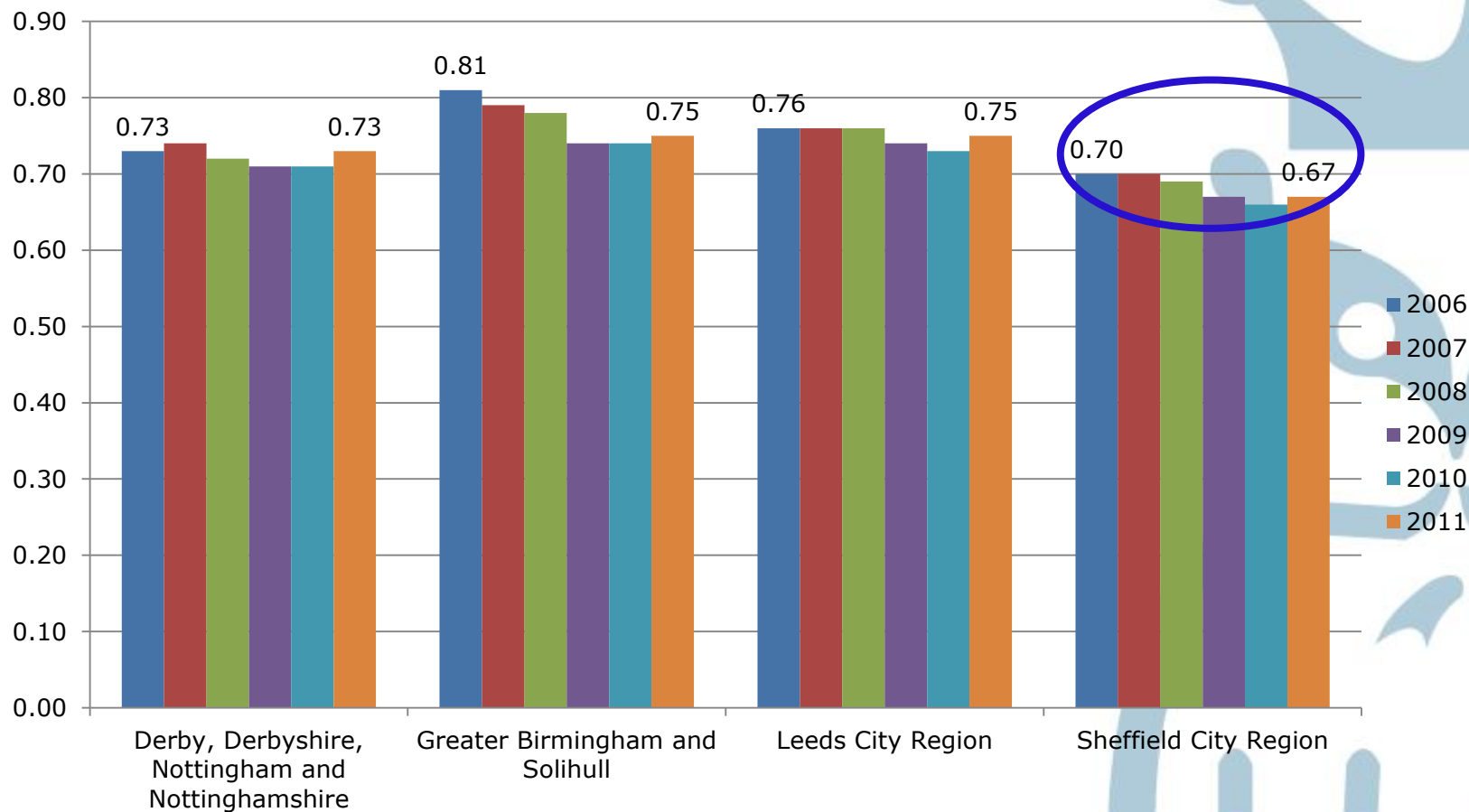
Source: NOMIS

•In the year to November 2012, there were 5 claimants for every vacancy in SCR, compared to 4 in England

Challenges in the SCR labour market

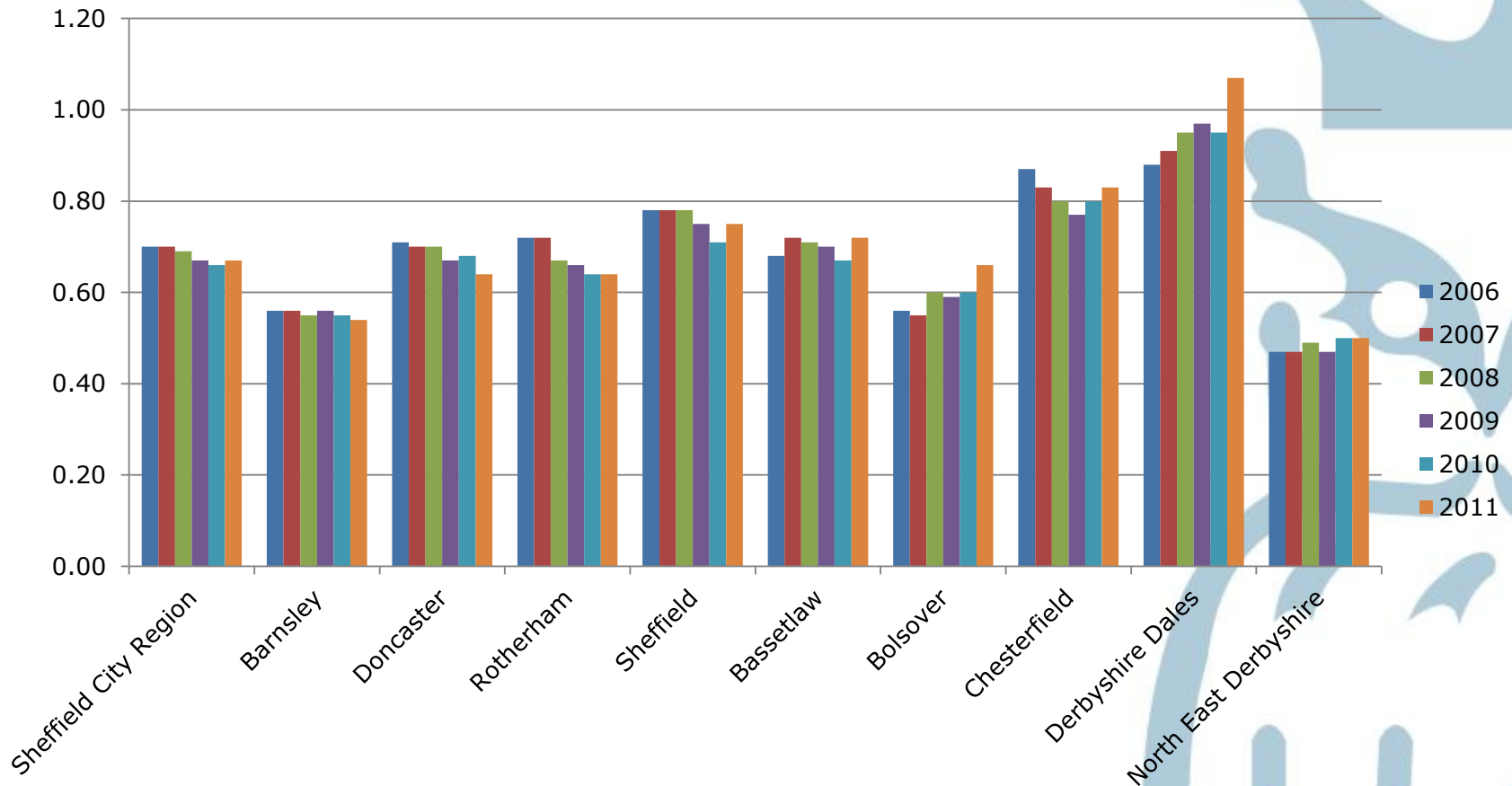


Comparison Job Density Rates (%)



- The job density rate in SCR is lower than in other comparable LEP areas.

Job Density rates across SCR, 2006-2011



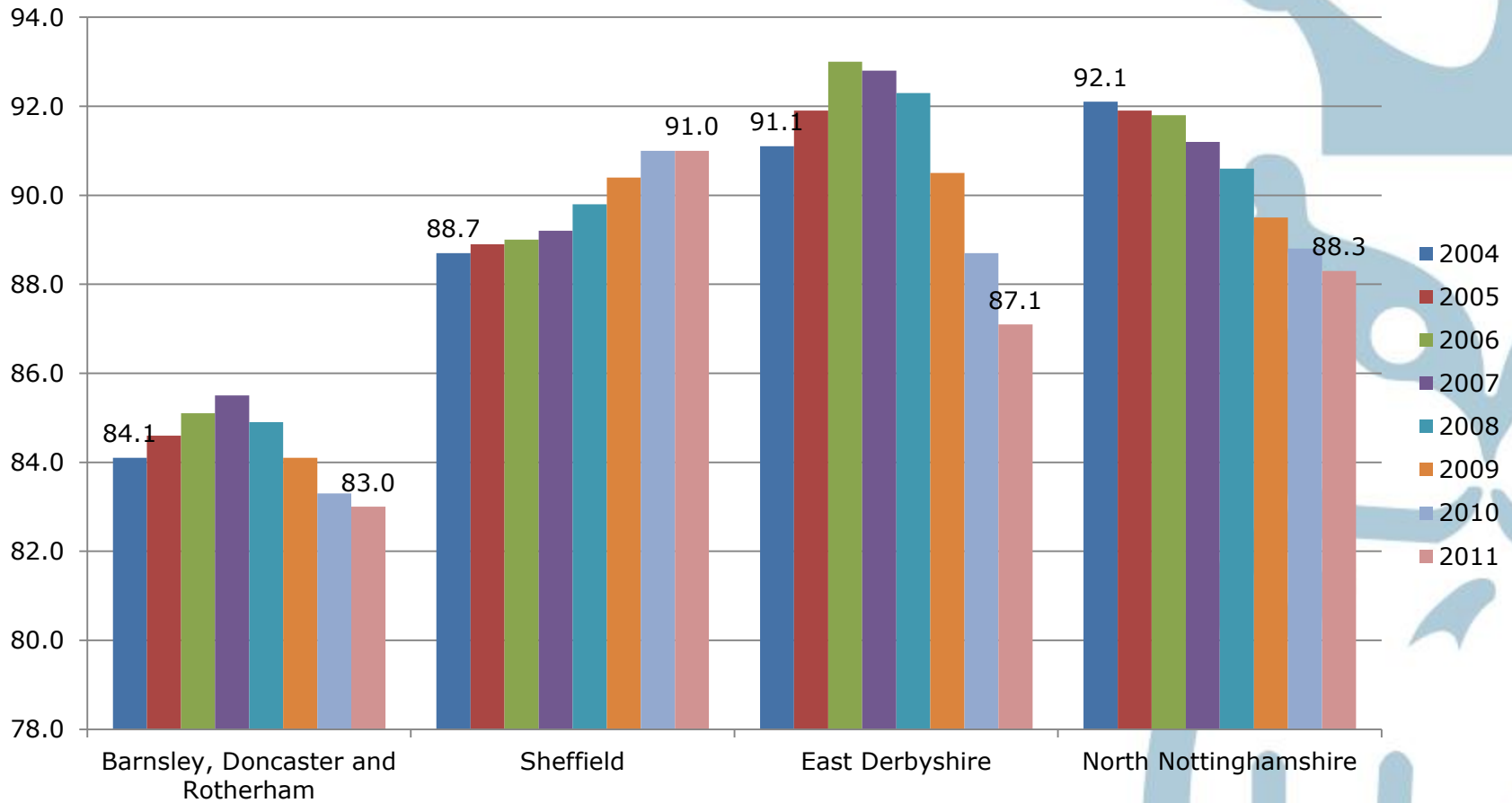
• **Within SCR job density rates vary greatly with the lowest in North East Derbyshire and Barnsley and the highest in Chesterfield and Derbyshire Dales.**

Job Density continued....

- SCR is ranked 37th out of the 39 LEP areas in terms of job density.
- Ranked 1st is Thames Valley Berkshire with 0.93 job density.
- SCR could aim to be in the top x over the next x number of years. Such a relative target is more relevant and practical as it factors in the prevailing economic climate.
- Improving job density to 0.7 is the equivalent of about 37,600 extra jobs
- Our latest forecasts indicate that employment in SCR will grow by 30,240 by 2020. However in the same period, working age population if projected to grow by 76,000.

LEP	Ranking
Greater Birmingham and Solihull	26
Leeds City Region	27
Derby, Derbyshire, Nottingham and Nottinghamshire	29
Greater Manchester	30
Sheffield City Region	37

Productivity in SCR at NUTS 3 level, 2004-2011



• **Economic activity rate higher in Leeds City Region compared to other key LEP's but still lower than England average**

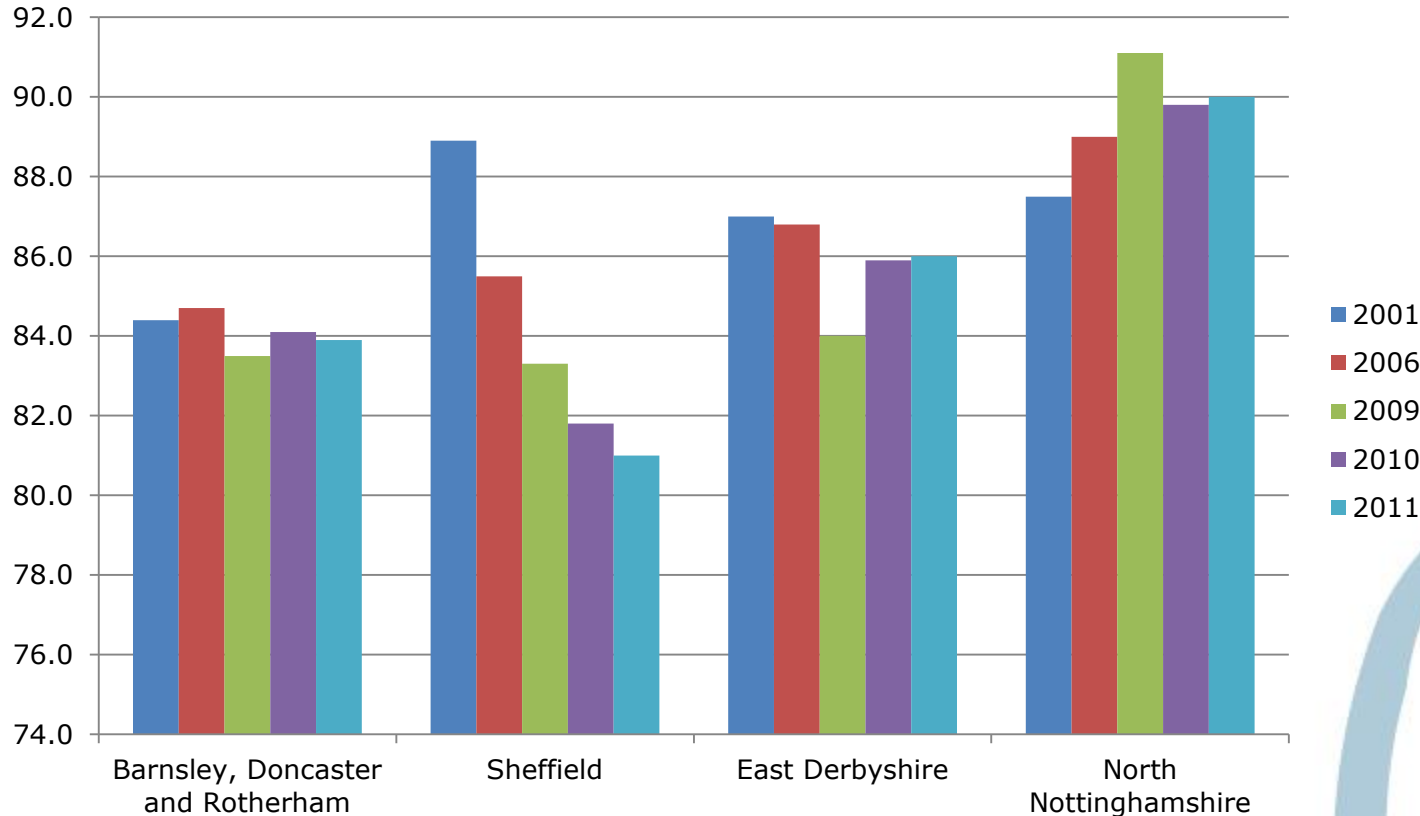
GVA per Hour Worked in SCR

NUTS 3 Area	GVA per hour worked 2006 (UK = 100)	GVA per hour worked 2011 (UK = 100)
Barnsley, Doncaster and Rotherham	85.1	83.0
Sheffield	89.0	91.0
East Derbyshire	93.0	87.1
North Nottinghamshire	91.8	88.3

Source: ONS

- **Productivity in SCR is significantly lower than the national average**

Gross Disposable Hhld Income per head indices (UK – 100)

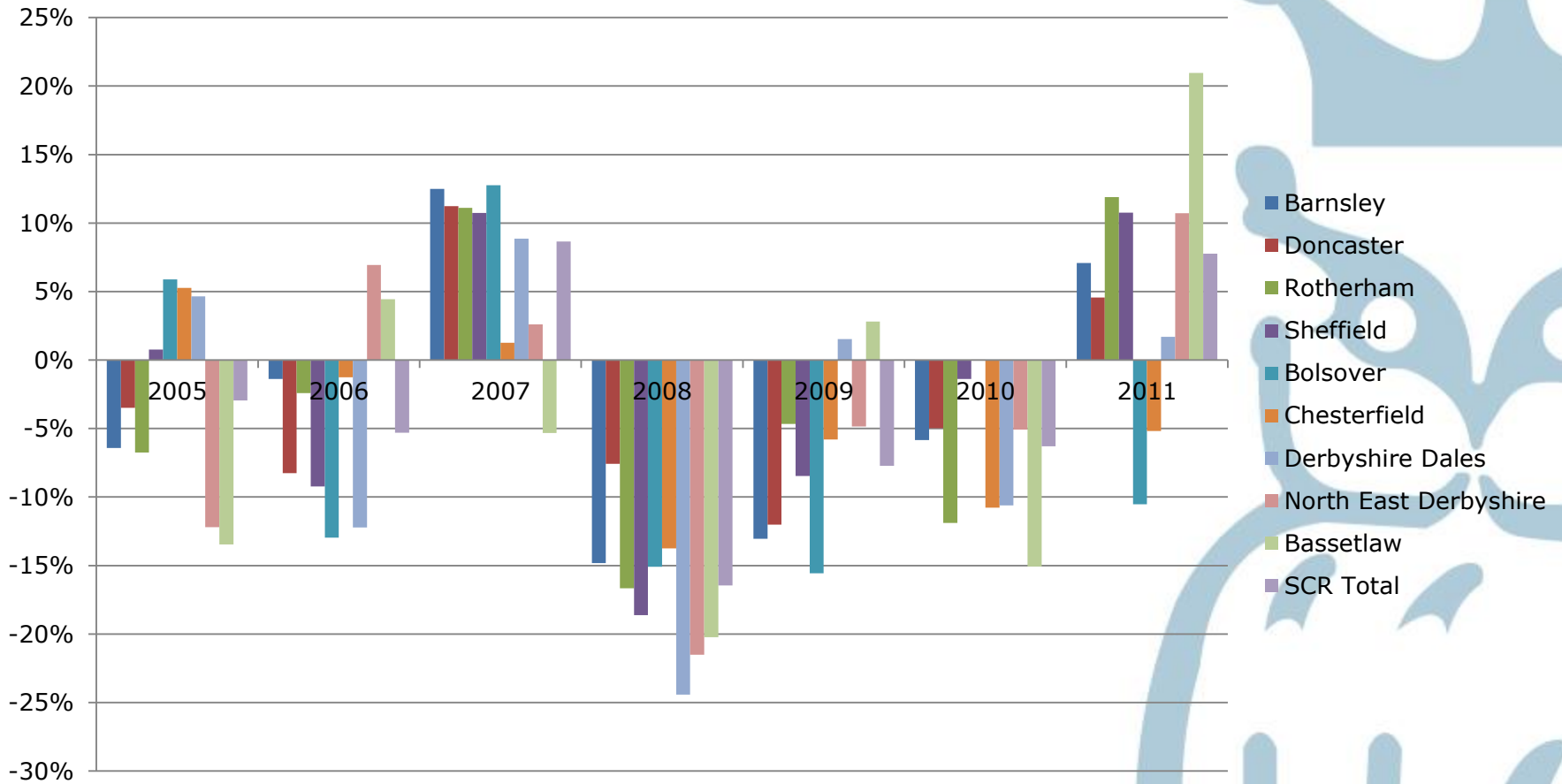


NUTS 3 Name	Gross disposable household income per head 2011 (£)
Barnsley, Doncaster and Rotherham	13,447
Sheffield	12,982
East Derbyshire	13,789
North Nottinghamshire	14,435

Source: ONS

•Whilst household income has fallen sharply in Sheffield, other parts of the city region have fared relatively better.

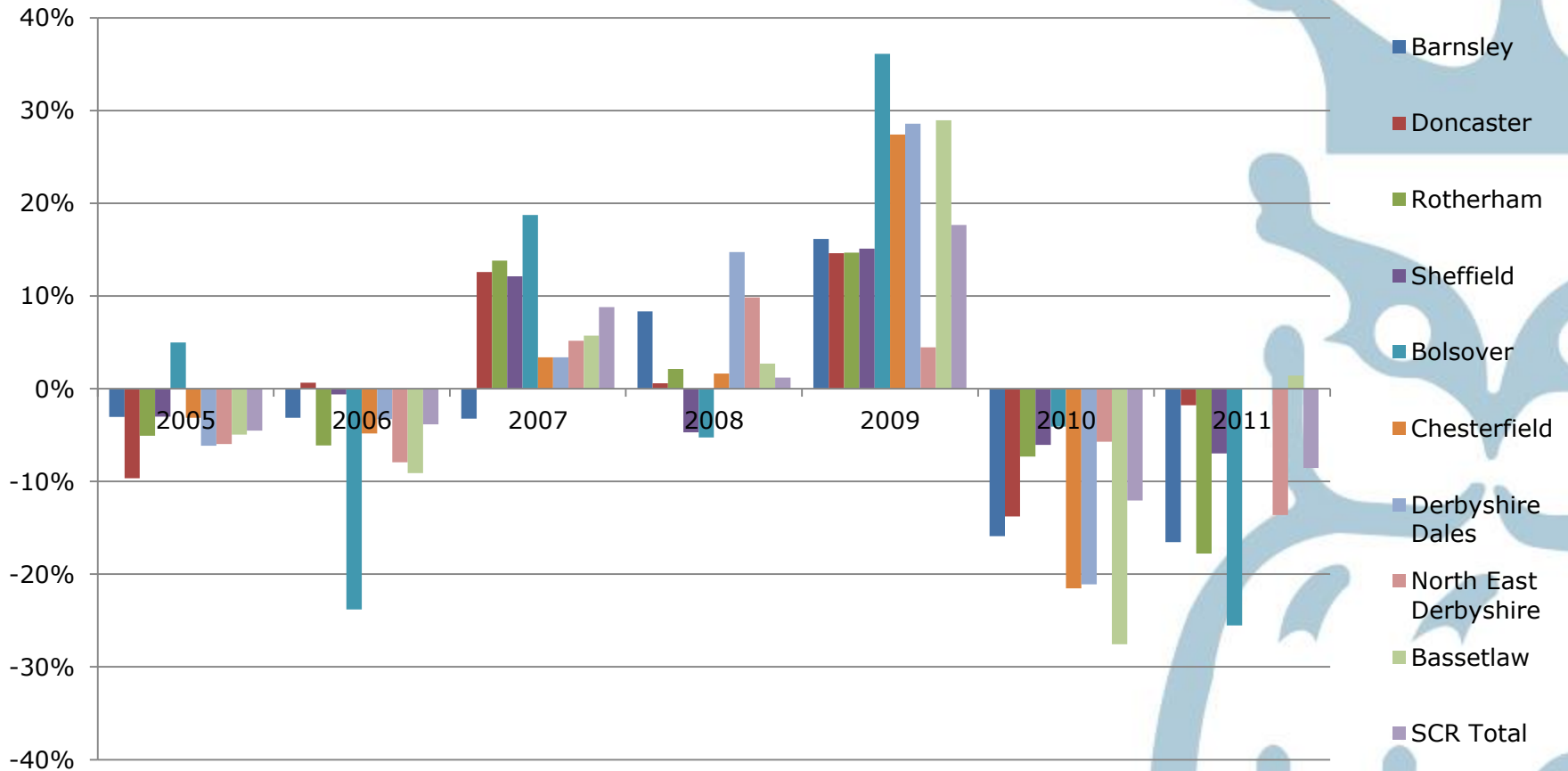
Business Start-up Rates in SCR, 2005 – 2011 (y-o-y change)



Source: ONS

• Start-up rates suffered significantly between 2008-2010

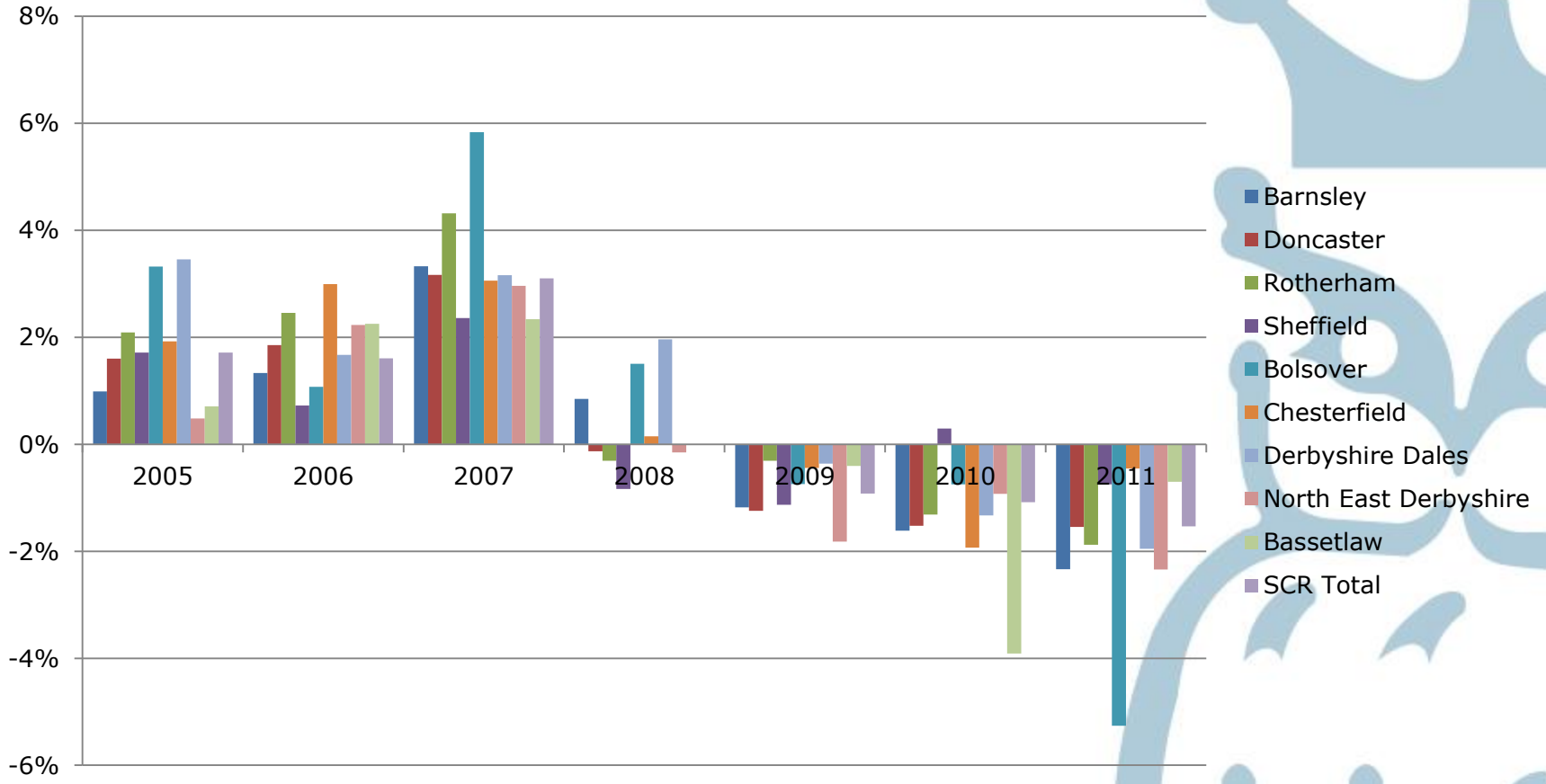
Business Death Rates in SCR, 2005-2011 (y-o-y change)



Source: ONS

•The Business Death rate has improved significantly since 2009

Stock of businesses in SCR, 2005-2011 (y-o-y change)



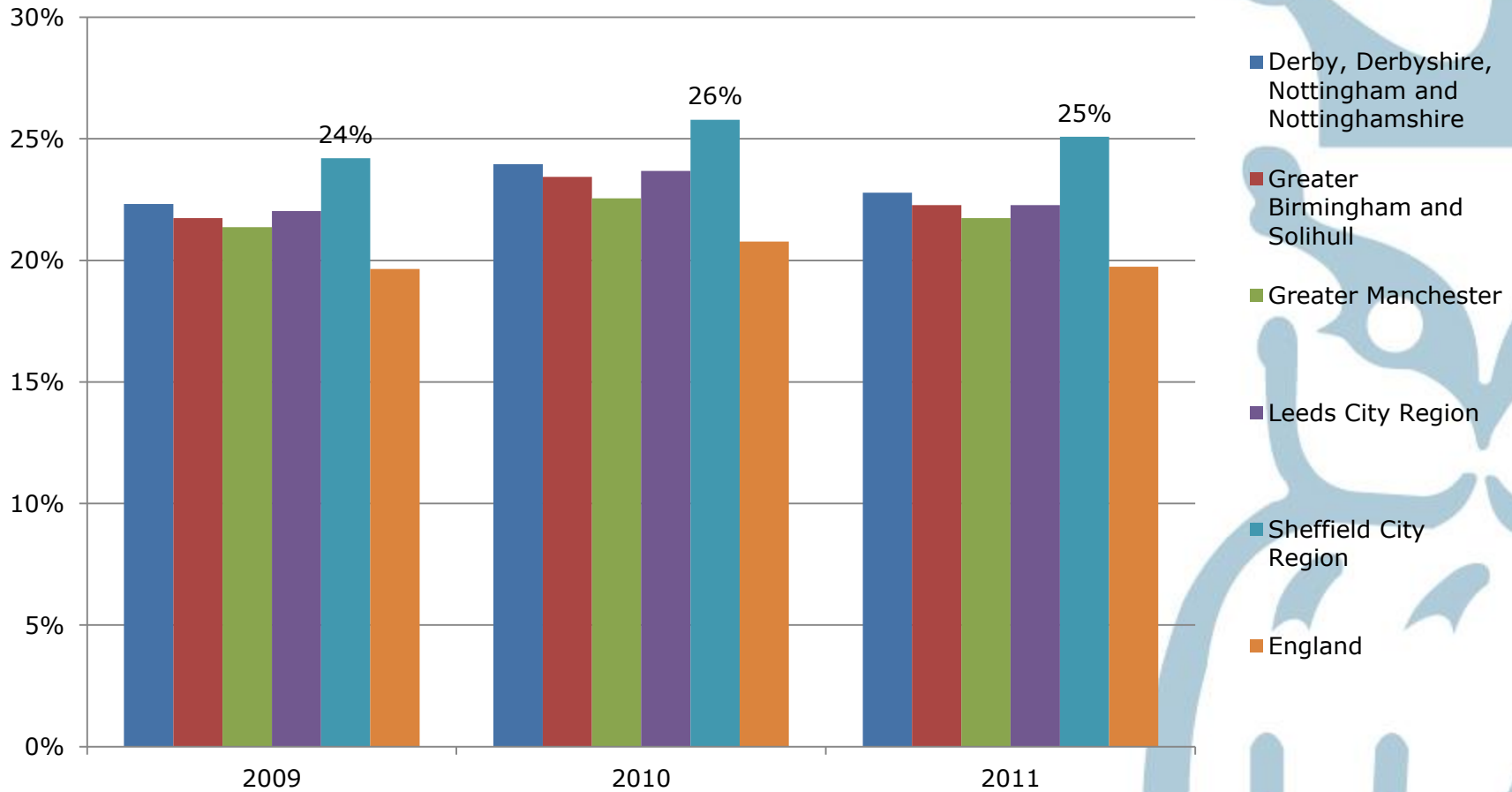
Source: ONS

•The business stock in SCR has fallen year on year since 2009

Specialisation in SCR

Sector	LQ	Total Employment 2011	Sector	LQ	Total Employment 2011
Mining of coal and lignite	9.0	1,408	Residential care activities	1.2	20,934
Manufacture of basic metals	4.4	7,613	Education	1.2	74,142
Manufacture of fabricated metal products, except machinery and equipment	2.1	15,800	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.2	1,701
Manufacture of rubber and plastic products	1.9	6,745	Manufacture of machinery and equipment n.e.c.	1.2	5,430
Manufacture of other non-metallic mineral products	1.9	3,879	Veterinary activities	1.2	1,402
Civil engineering	1.7	8,404	Land transport and transport via pipelines	1.2	14,842
Manufacture of furniture	1.7	3,148	Specialised construction activities	1.1	21,049
Other manufacturing	1.7	3,616	Repair and installation of machinery and equipment	1.1	2,555
Office administrative, office support and other business support activities	1.6	14,347	Warehousing and support activities for transportation	1.1	11,093
Remediation activities and other waste management services. This division includes the provision of remediation services, i.e. the cleanup of contaminated buildings and sites, soil, surface or ground water.	1.6	128	Manufacture of wearing apparel	1.1	763
Postal and courier activities	1.5	9,096	Retail trade, except of motor vehicles and motorcycles	1.1	74,852
Other mining and quarrying	1.5	613	Wholesale trade, except of motor vehicles and motorcycles	1.1	29,022
Manufacture of food products	1.4	11,831	Telecommunications	1.1	5,339
Wholesale and retail trade and repair of motor vehicles and motorcycles	1.3	16,335	Manufacture of paper and paper products	1.0	1,364
Manufacture of electrical equipment	1.3	2,888	Public administration and defence; compulsory social security	1.0	35,515
Human health activities	1.3	63,565	Sewerage	1.0	404
Waste collection, treatment and disposal activities; materials recovery	1.2	3,927			

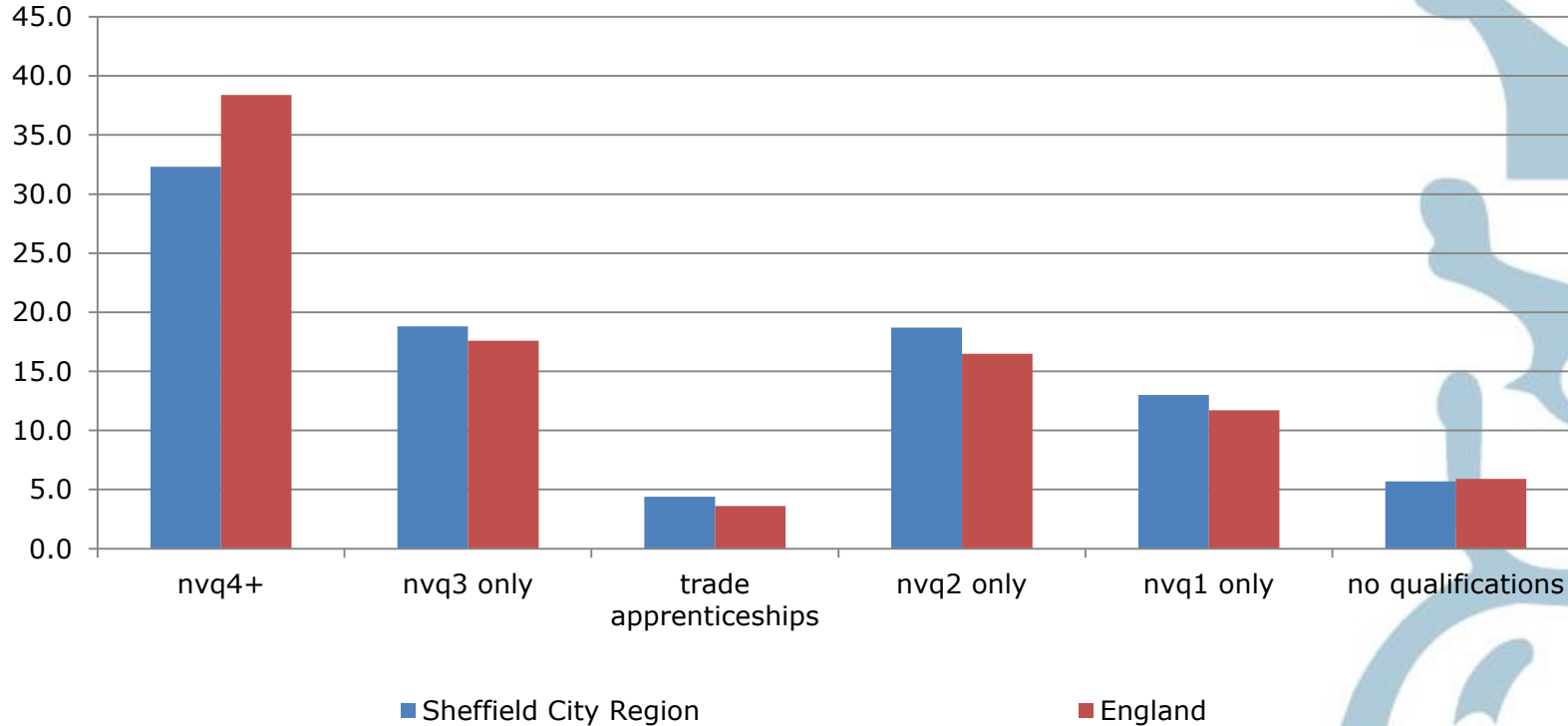
Public Sector Employment in SCR



Source: BRES/NOMIS

• **Public sector employment in SCR is higher than in other LEP areas**

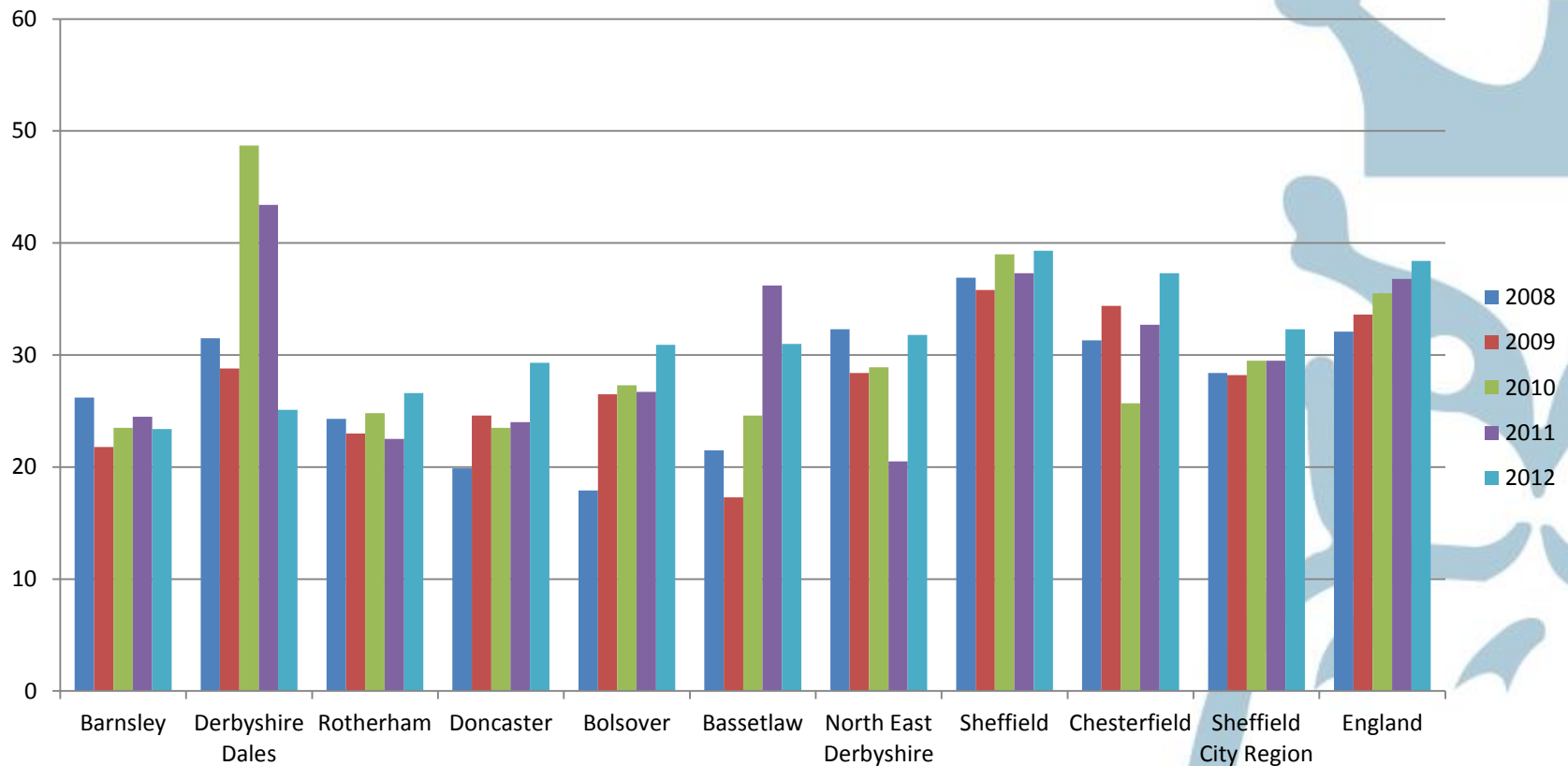
Qualifications profile of SCR Workforce



Source: NOMIS

•SCR has relatively fewer high skilled residents compared to the England average.

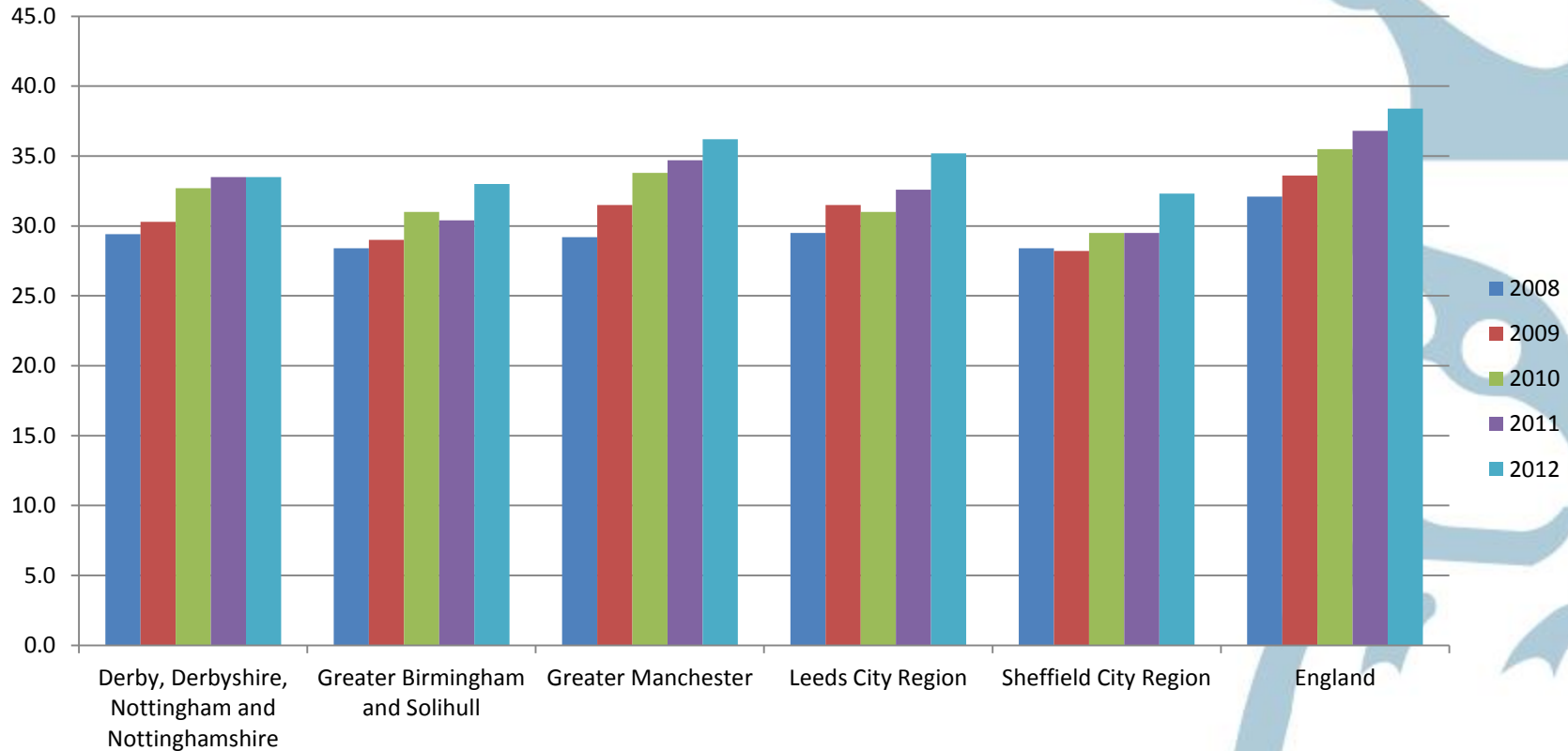
Proportion of SCR Residents with NVQ4+ Qualifications



Source: APS/NOMIS

•SCR has relatively fewer high skilled residents compared to the England average.

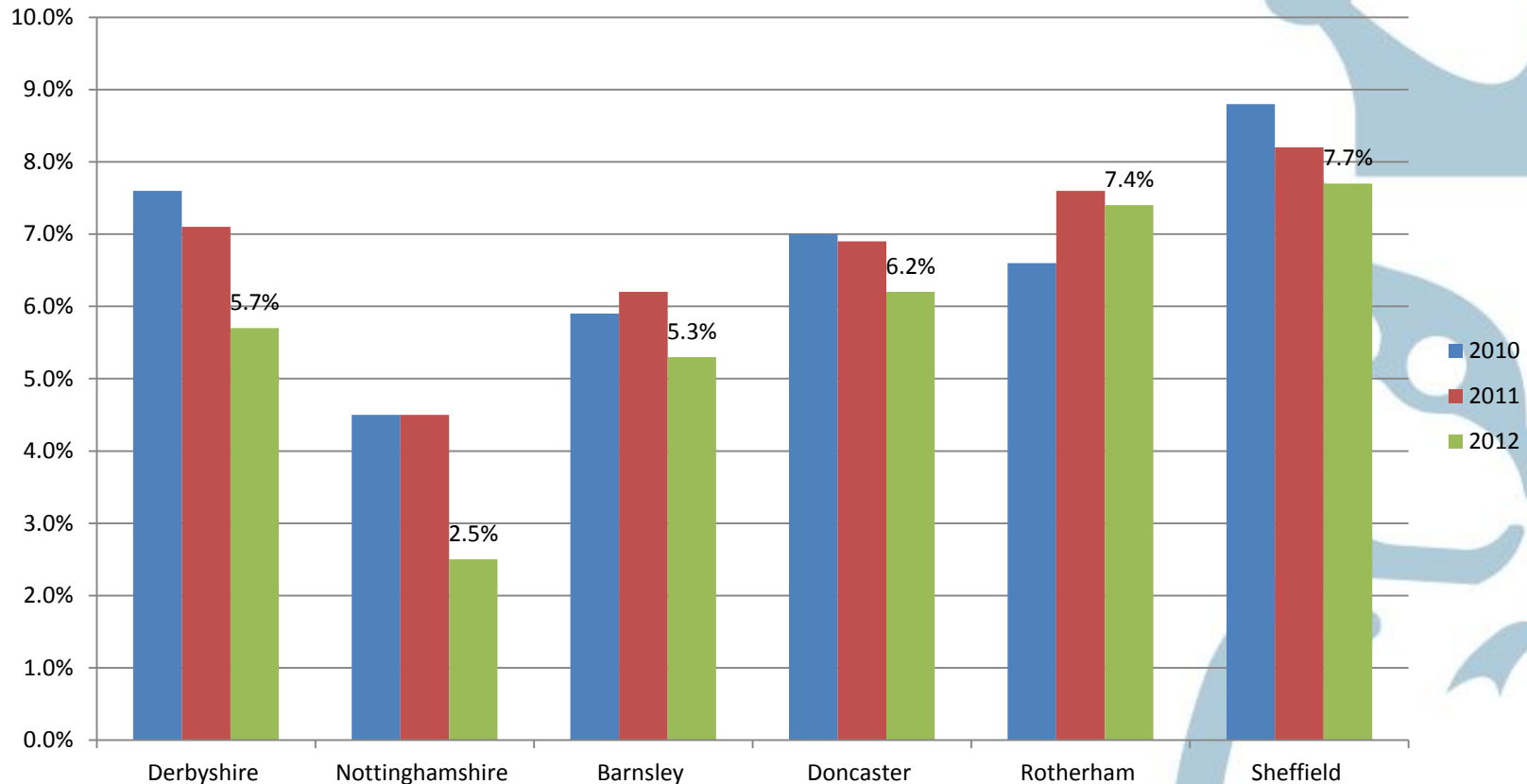
High Level Skills Qualifications, 2008-2012



Source: NOMIS

•SCR has relatively fewer high skilled residents compared to the England average.

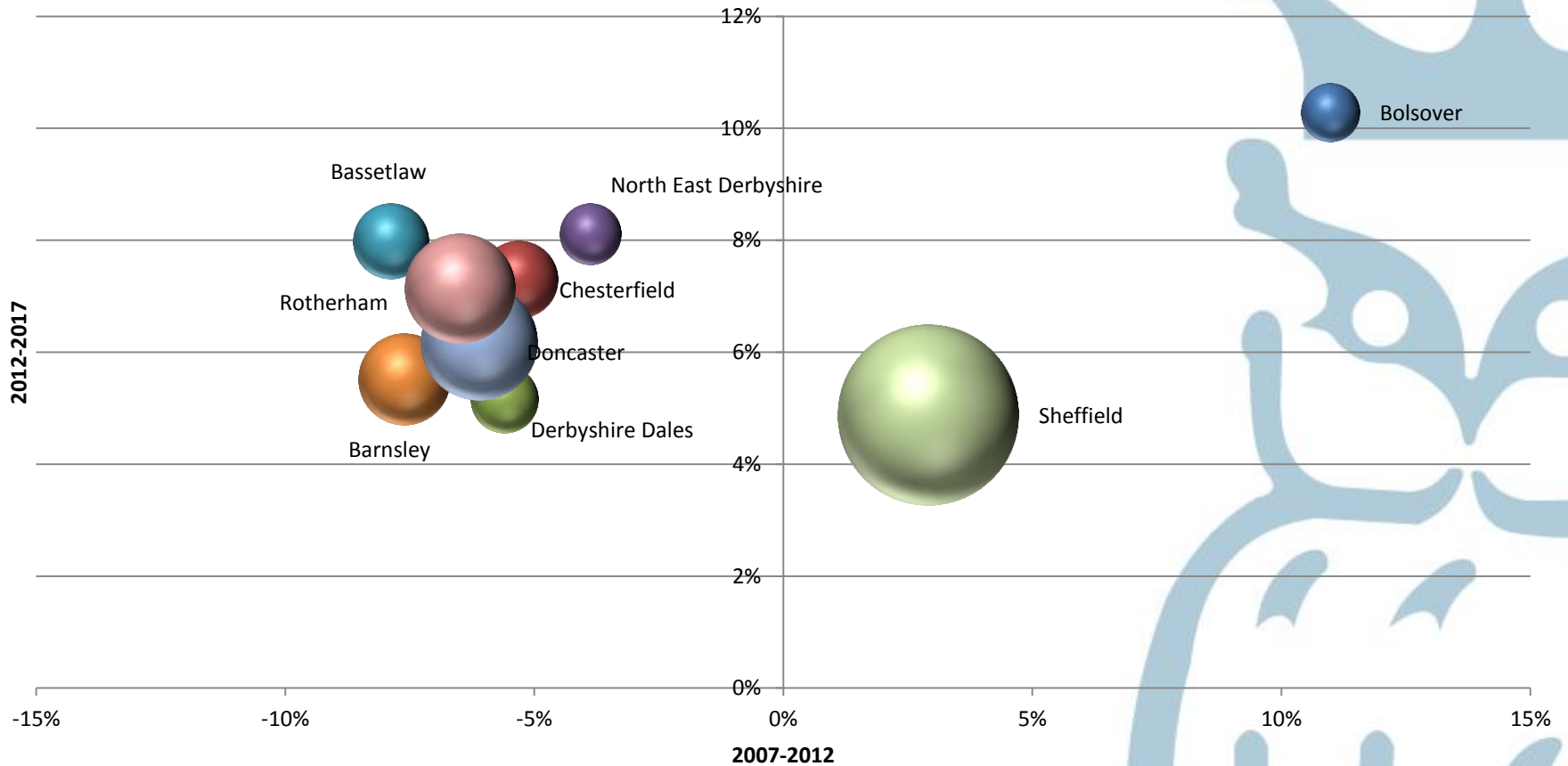
NEETs in SCR



Source: Department for Education

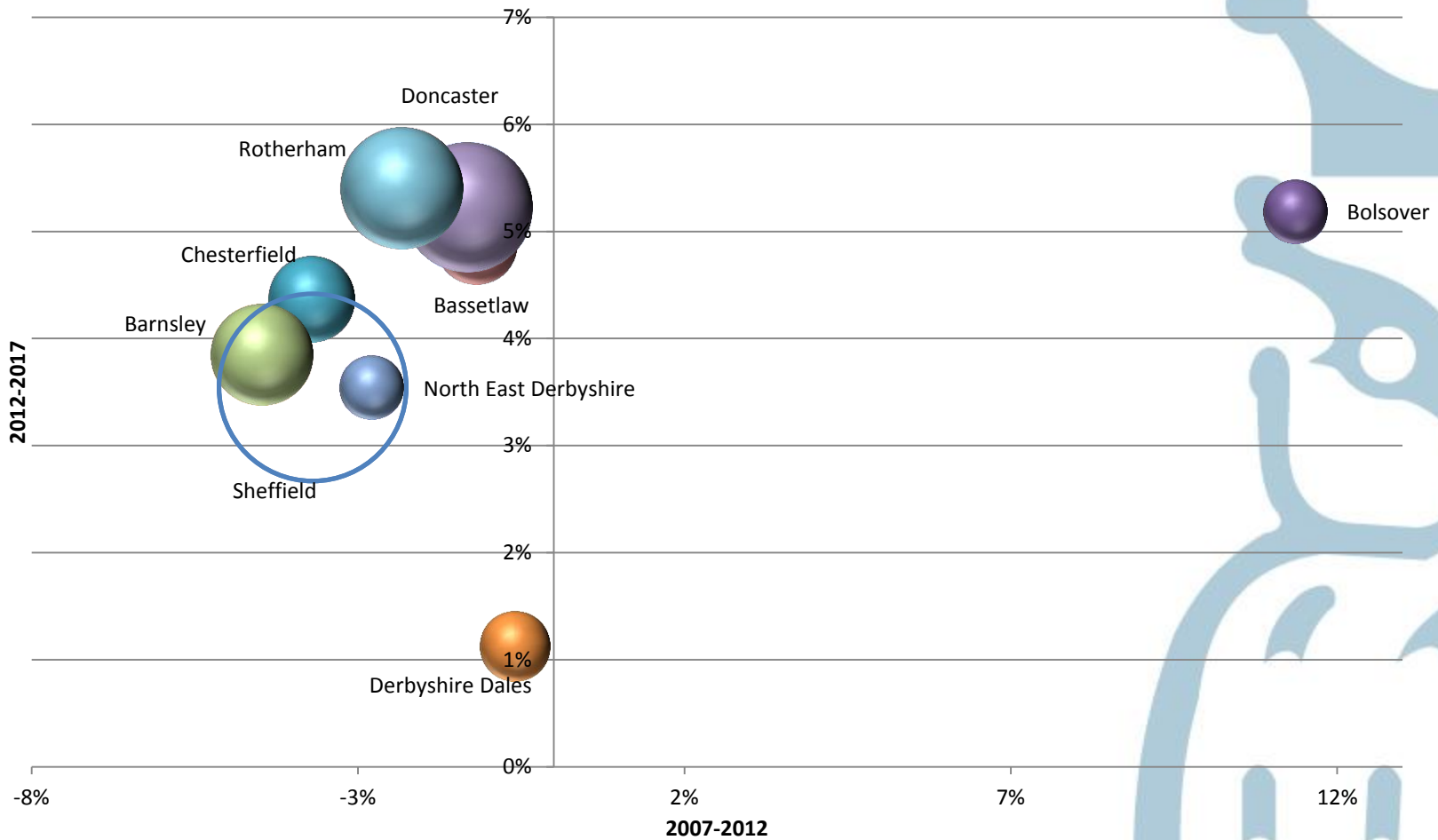
•NEET levels have fallen across SCR over the last year. The average SCR rate (5.8%) as at December 2012 is similar to the England average.

Change in GVA across SCR, by district 2007-2017



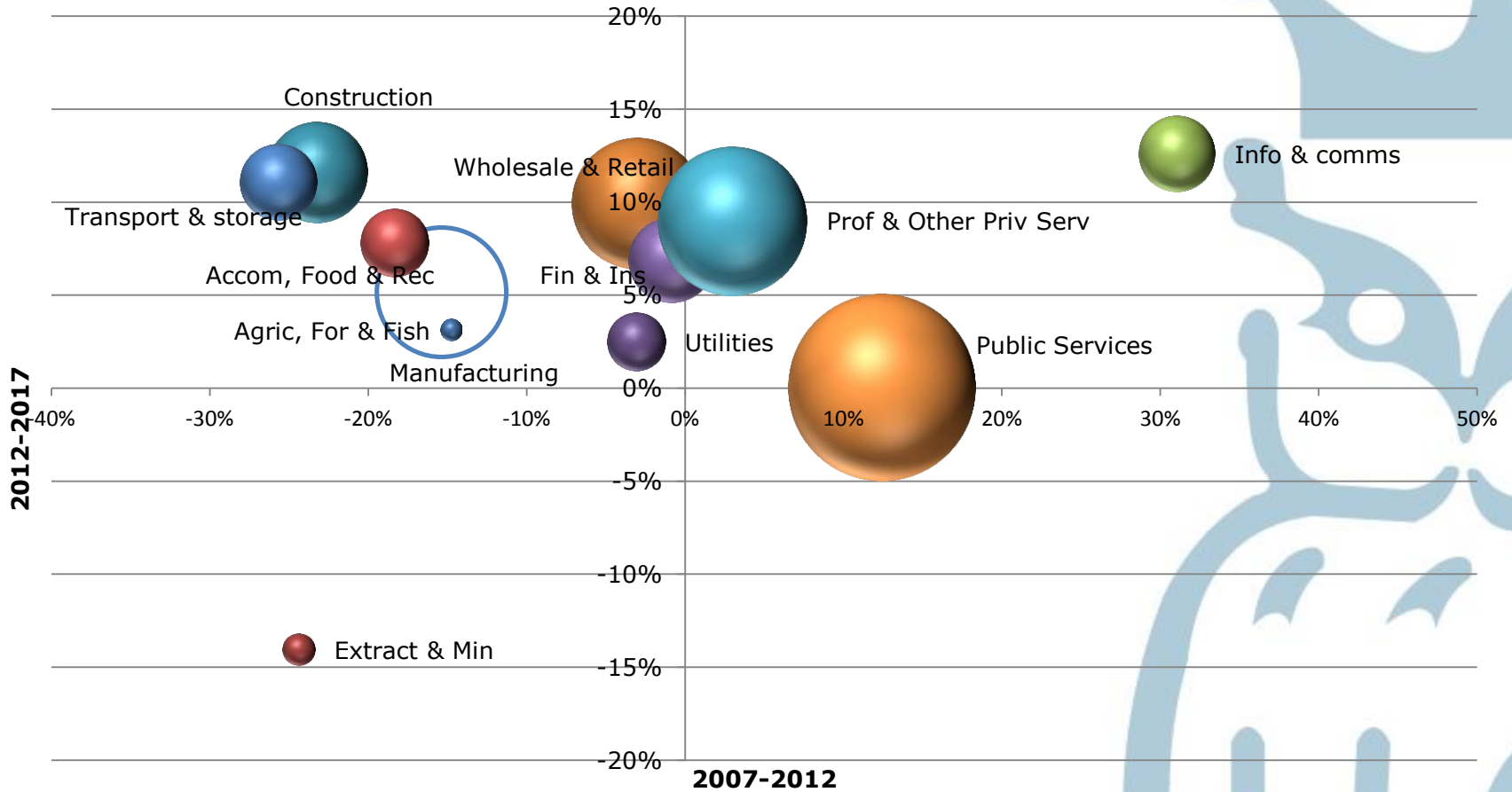
Source: Regional Econometric Model

Change in FTE across SCR, by district 2007-2017



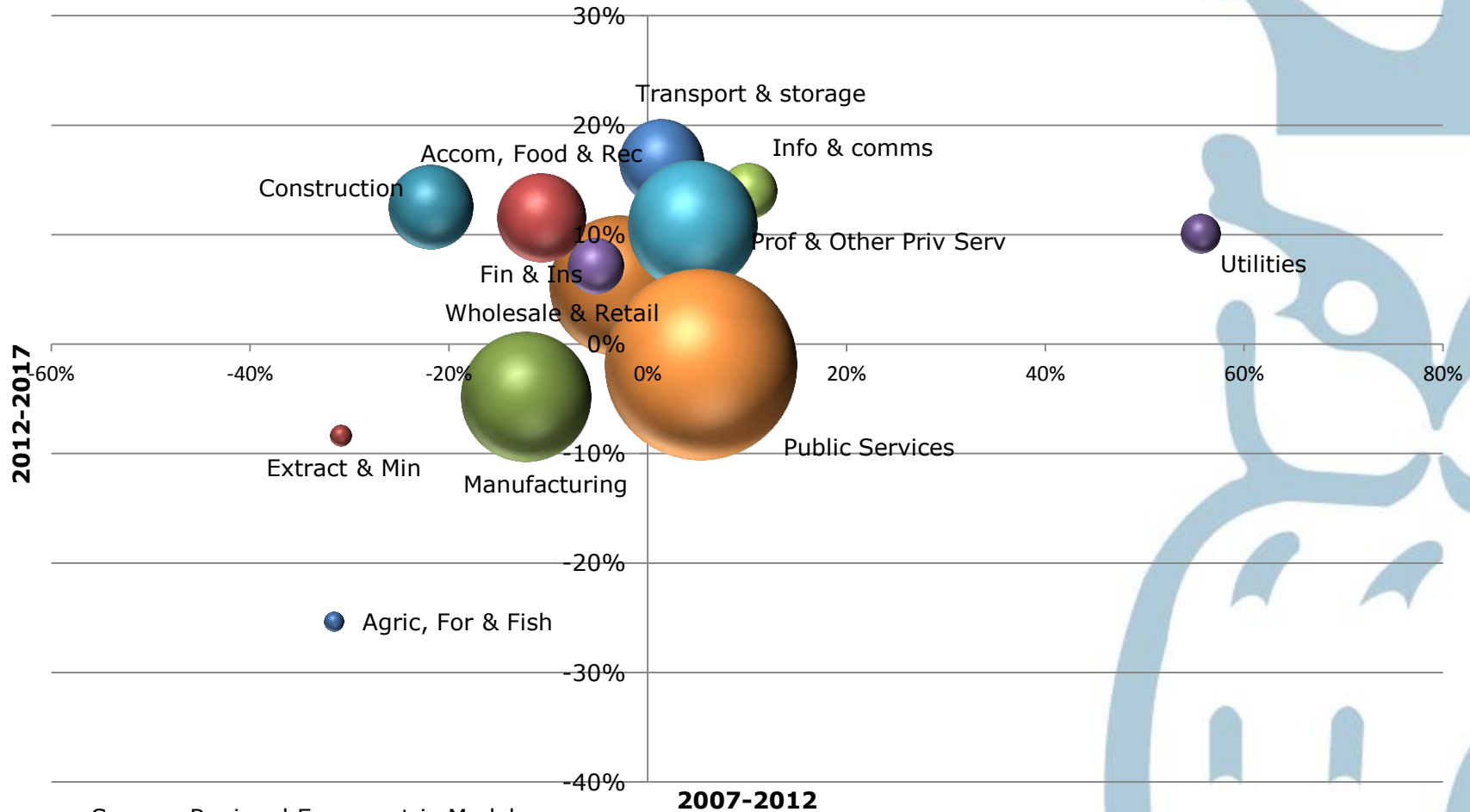
Source: Regional Econometric Model

Change in GVA across SCR, by broad sector, 2007-2017



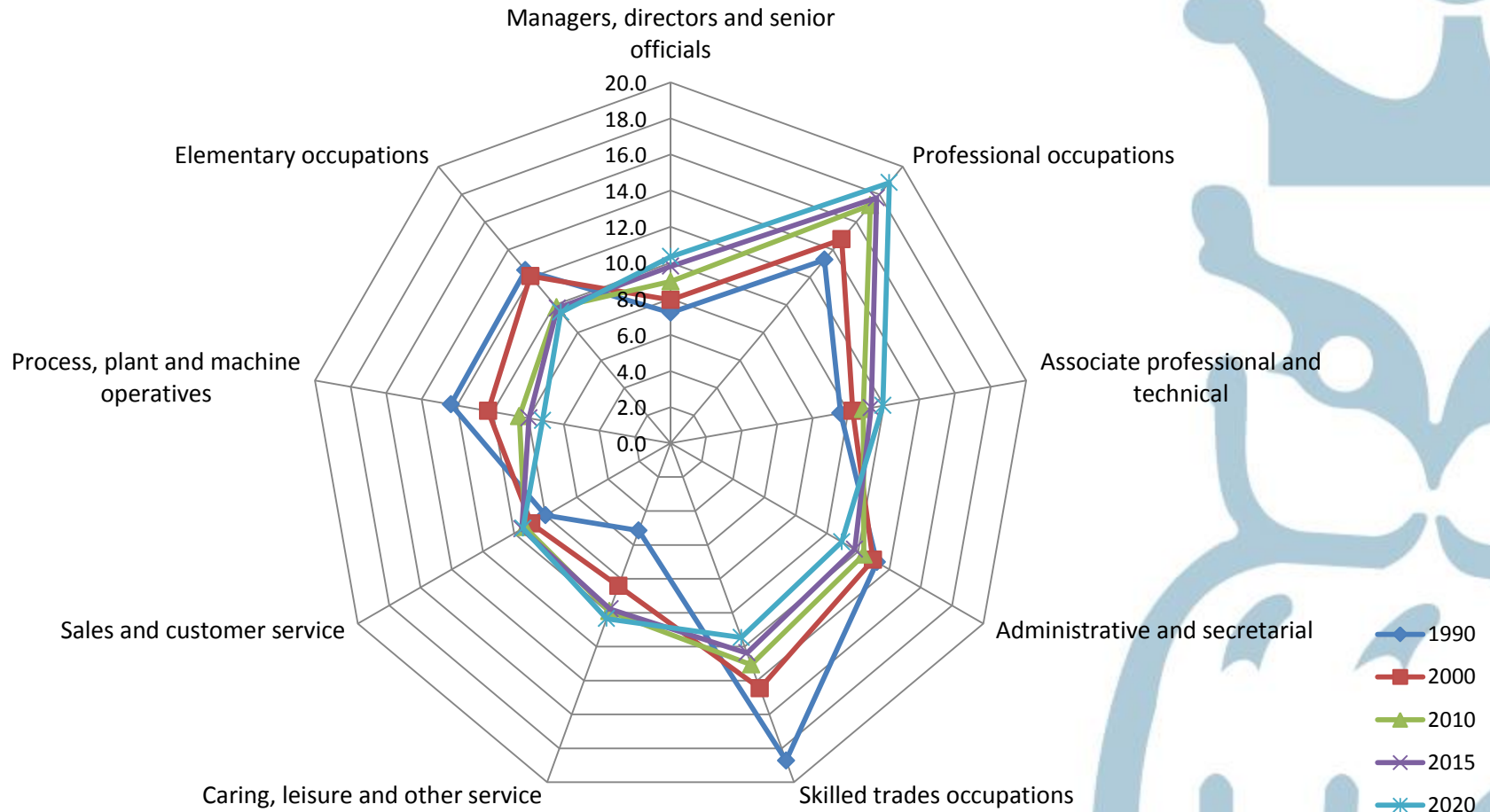
Source: Regional Econometric Model

Change in FTE across SCR, by sector, 2007-2017



Source: Regional Econometric Model

Changing Occupational Profile in SCR, 2010-2020



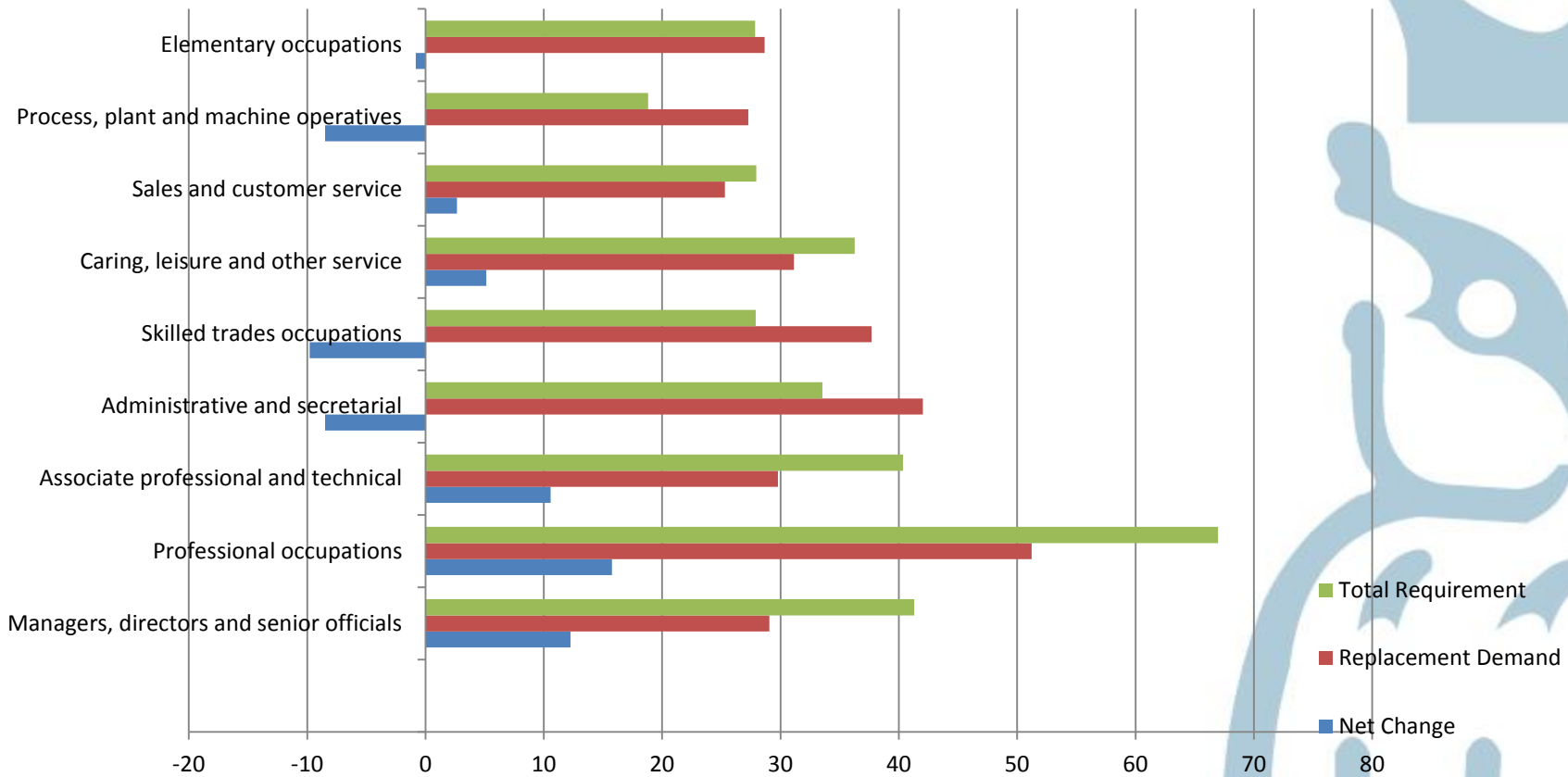
Source: UKCES/Working Futures

Change in FTE across SCR, by sector, 2007-2017

Employment Levels (000s)	2010	Net Change	Replacement Demand	Total Requirement
Managers, directors and senior officials	67	12	29	41
Professional occupations	129	16	51	67
Associate professional and technical	81	11	30	40
Administrative and secretarial	92	-8	42	34
Skilled trades occupations	98	-10	38	28
Caring, leisure and other service	74	5	31	36
Sales and customer service	70	3	25	28
Process, plant and machine operatives	64	-8	27	19
Elementary occupations	73	-1	29	28
Total	748	19	302	321

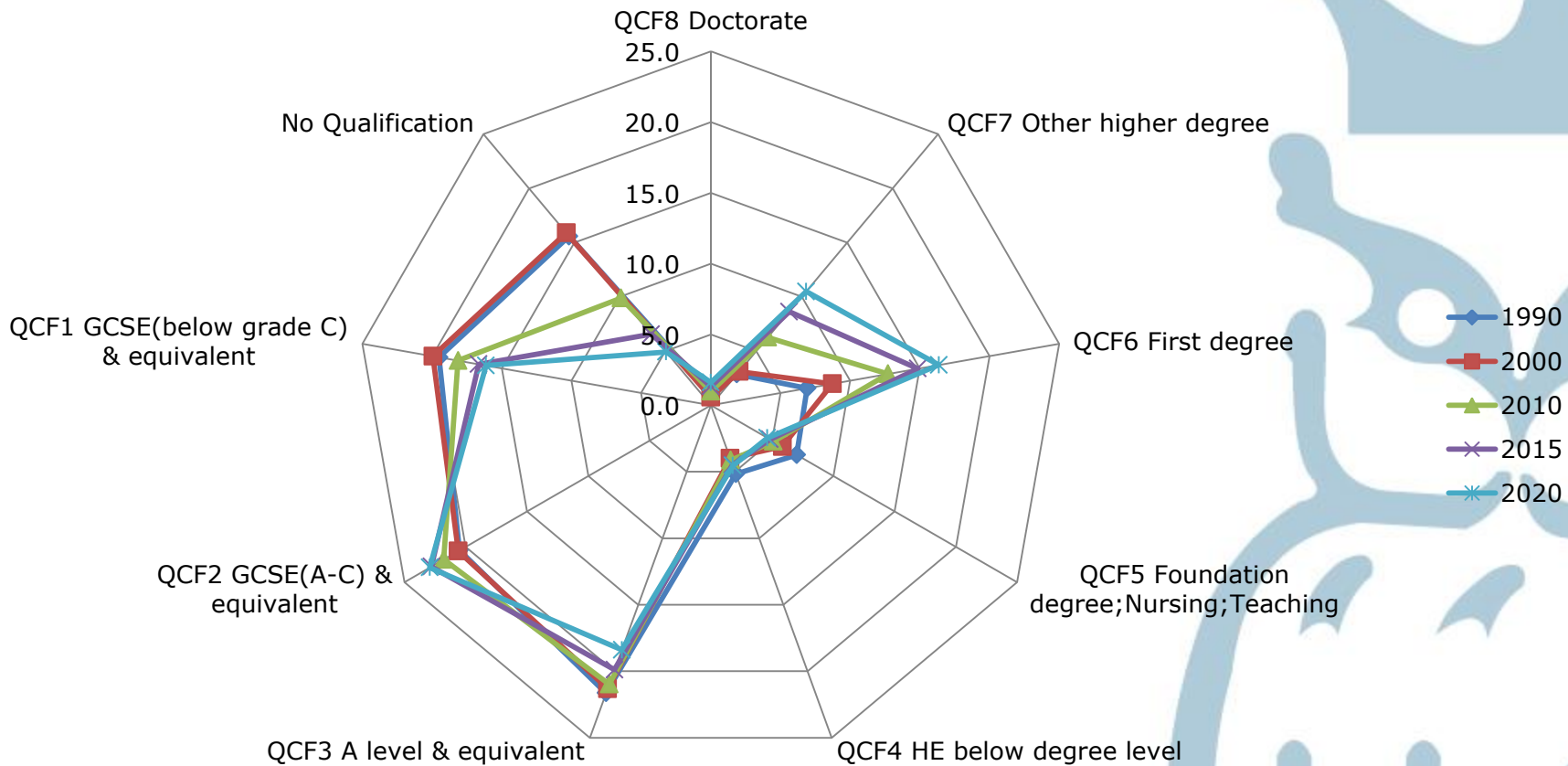
Source: UKCES/Working Futures

Projected Demand for Labour in SCR, by Broad Occupation, 2010-2020



Source: UKCES/Working Futures

Projected change in Qualifications Profile of SCR Workforce, 2010-2020



Source: UKCES/Working Futures

Demand for Labour in SCR by Detailed Occupations, 2010-2020

	Base year employment level	Expansion demand	Replacement demand	Net requirement
Caring personal service occupations	59	6	25	31
Administrative occupations	69	-1	30	29
Corporate managers and directors	44	8	18	27
Business and public service associate professionals	41	7	16	23
Elementary administration and service occupations	56	-1	22	21
Sales occupations	55	-1	20	20
Teaching and educational professionals	35	4	15	19
Business, media and public service professionals	30	5	13	18
Health professionals	32	2	13	15
Transport and mobile machine drivers and operatives	34	-1	16	15
Other managers and proprietors	23	4	11	15
Science, research, engineering and technology professionals	31	4	10	14
Skilled construction and building trades	35	0	13	13
Skilled metal, electrical and electronic trades	38	-5	14	9
Customer service occupations	15	4	5	8
Elementary trades and related occupations	17	0	6	7
Leisure, travel and related personal service occupations	15	-1	6	6
Skilled agricultural and related trades	8	1	4	5
Culture, media and sports occupations	9	2	4	5
Science, engineering and technology associate professionals	12	1	4	5
Secretarial and related occupations	23	-8	12	4
Health and social care associate professionals	8	1	3	4
Process, plant and machine operatives	30	-8	11	4
Protective service occupations	10	0	3	3
Textiles, printing and other skilled trades	17	-6	6	1
All occupations	748	19	302	321

Source: UKCES/Working Futures

Total Demand for Labour in LCR (forecast)

Expansion Demand	19,000
Replacement Demand	302,000
Net Demand for Labour	321,000

Source: UKCES/Working Futures

Estimate of Extent of Skills Shortage Vacancies in SCR

	% of establishments with a skill-shortage vacancy	Skill-shortage vacancy density
Barnsley	2	9
Derbyshire	3	12
Rotherham	4	19
Doncaster	1	15
Nottinghamshire	3	11
Sheffield	3	6

Source: UKCES NESS 2011

Cost Benefit Analysis of lifting an individual off benefits through training and into employment

Costs and Benefits to the Exchequer	
Benefits	
Increase in Tax Revenues =	
	Increase in Income Tax and NICs
	+
	Increase in VAT
Decrease in Benefits	Increase in Employment * Average Benefits Payment
Costs	
Direct Costs	Cost of FE Provision borne by the Public Sector
Indirect Costs	Loss of Income Tax, NOCs and VAT during training

Source: NOMIS

The Added Value of Training

Provision Type	NPV per a'ment (000s)	NPV per start (000s)	NPV per £
Apprenticeship L2	112	82	35
Work-Based NVQ L2	59	43	33
Provider-based NVQ L2	31	22	7
Apprenticeship L3	106	75	24
Work-Based NVQ L3	72	52	31
Provider-based NVQ L3	87	61	15
Basic Skills	27	20	23
Developmental learning	25	19	28

Source: BIS

•On average, every successful L2 apprentice contributes £112 net to the economy over his/her working life

From Benefits to GVA

- ❖ 1* JSA claimant removed from register @ £1,865
- ❖ 1000 * JSA claimants removed from register @ £1,865,000
 - ❖ Note: the £1,865 is lower than the average £3,727 JSA payment in 2011/2012 (Source: DWP) and reflects the average payment adjusted for length of claim (Source: DWP).
- ❖ 1 * FTE increase in employment would result in net additional exchequer income tax gain of £9,516 (based on 2012/2013 tax and NIC primary thresholds).
- ❖ 1,000 * FTE increase in employment would result in net additional exchequer income tax gain of £9,515,919 (based on 2012/2013 tax and NIC primary thresholds).
- ❖ 1 * FTE increase in employment would result in net additional exchequer VAT gain of £2,189.
- ❖ 1,000 * FTE increase in employment would result in net additional exchequer VAT gain of £2,188,795.
- ❖ Adding the two together would give you a tax take gain of:
 - ❖ 1 * FTE @ £11,705 p.a.
 - ❖ 1000 * FTE @ £11,704,714 p.a.

The Impact of Higher Skill on GVA

	Sheffield city region	england
NVQ4+ - aged 16-64	32	38
NVQ3 only - aged 16-64	19	18
Trade Apprenticeships - aged 16-64	4	4
NVQ2 only - aged 16-64	19	17
NVQ1 only - aged 16-64	13	12
other qualifications - aged 16-64	7	6
no qualifications - aged 16-64	6	6

- ❖ If SCR's qualification profile matched the England profile
 - ❖ This could mean an extra 56,000 fte jobs in the economy in 10 years time
 - ❖ An extra £2.9bn annual uplift in GVA in perpetuity
 - ❖ But how feasible/realistic is this?

The Impact of Higher Skill on GVA

- ❖ If SCR the SCR qualification profile changed as shown below....
 - ❖ NVQ 0 1% lower
 - ❖ NVQ 1 2% lower
 - ❖ NVQ 2 1% higher
 - ❖ NVQ 3 1% higher
 - ❖ NVQ 4 1% higher

- ❖ This could mean.....
 - ❖ In year 1, total FTE uplift across SCR would be equivalent to 18,100 FTE's - this would rise to 41,700 within 10 years.

 - ❖ In year 1, the impact on SCR's total GVA would rise by an additional £978 million with this effect amplified over time - rising to just over £2 billion by within 10 years.

 - ❖ The scenario also indicated that average productivity growth would rise across SCR in the period (2013 to 2020) by 0.4%.

- ❖ The approach taken reflects modest "Policy On" assumptions about the changing mix of skills in the SCR workforce but in reality these modest changes have significant supply side challenges as the shift in the skills mix of the SCR workforce implies a shift to more employment at higher levels and a corresponding increase in output at these levels and increases the demand indirect demand for higher level skills in down stream sectors.

- ❖ This scenario assumed no displacement or leakage or deadweight. In reality though these factors would reduce the overall net impact by 25%.

Summary of key points

