



**Decision Session – Executive
Member for Economy and Strategic
Planning**

26 January 2021

Economic Strategy Update

Summary

1. This report provides a progress update on City of York Council's work to develop a new Economic Strategy for York.
2. A comprehensive report on work towards a new Economic Strategy and Partnership for the city was taken to the Executive Member for Economy and Strategic Planning's October 2020 Decision Session. This report outlined a twin track approach to our new Economic Strategy – to continue the long established focus on developing higher paid jobs in key sectors across the economy, while developing a clearer approach to inclusive growth across our economy. These two priorities will be underpinned by two cross cutting themes: the notion of 21st century jobs, built flexibly around the needs of employees, and supported by continuous learning to improve individual mobility, and a focus on a green economic recovery, addressing the Council's low-carbon commitments and the city's world-leading bio-economy and agri-tech innovation assets.
3. The approach to developing a new Economic Strategy was reviewed by the Council's Economy and Place Policy and Scrutiny Committee in November. Activity since October's Executive Member Decision Session has focused on reviewing and refreshing our economic evidence base, which will underpin the development of the strategy. Gap analysis work has also been undertaken to ensure that the impacts of Covid-19 are incorporated into this economic evidence base, as well as identifying additional themes requiring further research and analysis work and/or engagement. Work has also taken place to reflect on the data and trends emerging from the Council's resident engagement survey, 'Our Big Conversation, as well as the intelligence from the Council's Sector Roundtables initiative, the latter presented at the Executive Member's November Decision Session.

4. Finally, work is underway to plan the Council's engagement activity with business, residents and partner organisations which will inform and shape the content of our Economic Strategy for York. Internal collaboration is also taking place to ensure that this engagement activity dovetails with, and informs, separate planned engagement activity taking place across the Council's Economy and Place Directorate during 2021, including My City Centre, Local Transport Plan 4, Climate Change and the Council's Skills Plan.
5. Whilst our timetable for developing the Council's new Economic Strategy saw engagement activity planned for February and March 2021, with a strategy going to Executive for sign-off in May, subsequent national lockdowns (November 2020 and January 2021) and rapidly changing Tier restrictions has had a significant impact of the workload of the Council's Economic Growth team. In addition to the above, businesses cannot be expected to meaningfully engage with the Council on medium to longer-term economic matters at a time when business survival is paramount. We therefore propose to undertake business engagement on the Council's new Economic Strategy in late spring/early summer, with a new strategy brought to Executive in the autumn for sign-off.

Recommendations

6. The Executive Member is asked to:
 - 1) Note the contents of the report;
 - 2) Provide comments on the draft economic evidence base and plans for engagement activity;
 - 3) Agree to undertake business engagement activity on the Council's Economic Strategy in late spring/early summer 2021.

Reason: To support York's economic recovery from Covid-19.

Report

7. City of York Council's current Economic Strategy was launched in 2016 and covers the period 2016-20. The Executive has committed to renewing and adapting the strategy, with a new focus on inclusive growth, and to launch a new York Economic Partnership, which will include a diverse range of voices and perspectives.

Our Approach

8. A comprehensive report on work towards a new Economic Strategy and Partnership for York was taken to the Executive Member for Economy and Strategic Planning's October 2020 Decision Session. This outlined a twin track approach to the Council's new Economic Strategy – to continue the long established focus on developing higher paid jobs in key sectors across the economy, while developing a clearer approach to inclusive growth across our economy. These two priorities will be underpinned by two cross-cutting themes: the notion of 21st century jobs, built flexibly around the needs of employees, and supported by continuous learning to improve individual mobility, and a focus on a green economic recovery, addressing the Council's low-carbon commitments and York's world-leading bio-economy and agri-tech innovation assets.
9. Activity since October's Executive Member Decision Session has focused on reviewing and refreshing our economic evidence base, which will underpin the development of the strategy. This evidence base can be found in Annex A. Gap analysis work has also been undertaken to ensure that the impacts of Covid-19 are incorporated into this economic evidence base, as well as identifying additional themes requiring further research and analysis work and/or engagement. Work has also taken place to reflect on the data and trends emerging from the Council's resident engagement survey, 'Our Big Conversation, as well as the intelligence from the Council's Sector Roundtables initiative, the latter presented at the Executive Member's November Decision Session.

Economic Evidence Base

10. Our economic evidence base explores York's levels of productivity (pre-pandemic) and wage levels, employment mix (sectors, skills, and types of roles), numbers of business start-ups, skills levels, housing affordability and the economic impacts of Covid-19, current and forecasted.
11. Economic data shows that pre-pandemic, York's economy was performing strongly with higher levels of productivity than the rest of the region, and consistent growth in GVA per hour worked over the last five years. It also shows that our prevailing economic strategy since the 2007 financial crash – to focus on growing high-paid jobs, has borne fruit:
 - We have a strong knowledge economy which has grown, with more than 14,000 high skilled jobs created in York since 2008;

- Pre-pandemic, pay in York was close to the national average (higher for part-time roles), and higher than much of the Yorkshire region;
 - We also have the highest level of skills of any northern city.
12. With significant new developments coming forward in the city, York Central, Hudson Quarter and the Guildhall, we can expect further growth in well-paid jobs. We have also seen strong growth in hospitality, retail and social care employment. These lower-paid sectors provide much of York's part-time work, contributing to household incomes, but also providing some challenges. Data on York property price to earnings ratio shows that York's housing affordability is at UK average levels, but compares poorly with much of the north. In terms of property rents, rental prices in York are equivalent to those in the south of England, outstripping the national average when looking at homes with two bedrooms or more. Those dependent on part-time work have few options beyond lower-paid roles in retail, hospitality and social care.
 13. The economic impact of Covid-19 has been disproportionately felt by industries relying on visitors and consumers. Whilst York's economy has fared better than many other cities, national lockdowns and the current Tier system have disrupted trade in retail, hospitality and leisure sectors, with restrictions expected to continue through winter and spring. National forecasts suggests that economic recovery from the pandemic will take at least a couple of years.¹ Forecast modelling undertaken by Oxford Economics predict that the hit to York's GVA will not be regained for three years, with local employment returning to pre-pandemic levels in 2022.²
 14. During Covid-19, we have seen the total number of people furloughed by York employers reach 15,900 in July 2020, before reducing to 6,800 at the end of October. A further 5,400 people were claiming self-employed income support. This has been accompanied by a significant rise in unemployment, as shown by claimant count data which so far has peaked at just over 5,000 residents unemployed in August. Given current extensions to the Job Retention Scheme and the reality that those on furlough remain at high risk of losing their jobs in the coming months, we can expect further job losses in the city.

¹ [Office for Budget Responsibility's Economic and Fiscal Outlook – November 2020](#)

² Forecasts by Oxford Economics undertaken in September 2020, before the second and third national lockdowns.

15. How the city responds to job losses and supports residents into new employment is critical, and an emphasis on inclusive growth in our new Economic Strategy is paramount. Pre-pandemic data shows that while full-time work in York had remained stable, the number of employees working part-time had increased to 40% of all employment – contrasting with a national average of 32%. Focus needs to be placed on growing the amount of part-time work available in high-paid sectors and encouraging continuous learning to improve individual mobility.
16. Additional growth has also been seen in self-employment, with this standing at 11.4% at June 2020 – greater than regional and national averages. Supporting residents in setting up and growing their own business will be an important component of our economic recovery response. Indeed, looking at business start-up data across individual York wards, those with the highest claimant counts (Westfield, Clifton, Heworth and Holgate) are also showing higher levels of business start-ups.

Engagement

17. Wide-scale engagement with businesses, residents and partners is planned to inform and help shape the development of the Council's new Economic Strategy for York. The themes and nature of questions asked will vary according to their target audience. In terms of engagement with businesses, we want to better understand the impact of the pandemic on their turnover, workforce, skills needs (both now, and in the future) and workspace requirements. We also want to know what businesses perceive to be the advantages and disadvantages to doing business in York. Engagement here will include questions on York's connectivity (physical and digital), availability/access to skilled labour, the availability of land/workspace, and the city's overall quality of place, amongst other things. Finally, we would also like to engage businesses on what support they need for business recovery and medium to longer-term growth.
18. With regards to resident engagement, we want to better understand how residents feel about the security of their job and/or business, career prospects and the job prospects for their family in light of the pandemic. We also want to get an understanding of attitudes towards adult learning, and what skills residents would like to learn and develop to help them adapt, upskill, and potentially access new careers opportunities. Also important is understanding residents' experiences of employment in York. This will include exploring the reasons behind residents undertaking part-time work, as well as residents' interest in self-employment, and the barriers to them setting up their own business. For

those residents who are self-employed, we want to understand what additional support they need to develop and grow their business. In addition to the above, understanding what residents perceive to be the advantages and disadvantages to living and working in York will be important in informing the development of our Economic Strategy.

19. In terms of engagement with partners, we will take a slightly different approach to the one outlined for businesses and residents. Here, we want to understand from partners where they think the Council should prioritise infrastructure improvements (transport; housing; employment space; digital; energy and low carbon), what is required to support businesses to recover, grow and become more productive in our city, and what skills interventions would have the biggest impact in the city. Focusing in on our two cross-cutting themes of 21st century jobs and a green economic recovery, we would also like to understand what partners think is required to ensure that residents and businesses are able to contribute to and benefit from economic growth in a sustainable way.
20. Work is underway to ensure that this engagement activity dovetails with, and informs, other planned engagement taking place across the Council's Economy and Place Directorate during 2021, including My City Centre, Local Transport Plan 4, Climate Change and the Council's Skills Plan. Budget is available from the Council's Inclusive Growth Fund to support the development of the Council's new Economic Strategy, and could therefore be used to enable effective engagement.

Revised Timetable

21. Whilst our timetable for developing the Council's new Economic Strategy saw engagement activity planned for February and March 2021, with a strategy going to Executive for sign-off in May, subsequent national lockdowns (November 2020 and January 2021) and rapidly changing Tier restrictions has had a significant impact of the workload of the Council's Economic Growth team. A great deal of resource is currently being utilised responding to business queries in relation to the economic impacts of the current lockdown, and signposting businesses to available sources of grant funding.
22. In addition to the above, businesses cannot be expected to meaningfully engage with the Council on medium to longer-term economic matters at a time when business survival is paramount. We therefore propose to push business engagement on the Council's new Economic Strategy back to late spring/early summer, with a new strategy brought to

Executive in the autumn for sign-off. This will allow for a better understanding of the impact of the pandemic, as well as more meaningful engagement with businesses, residents and partners.

23. Work continues on the development of York's one-year skills plan and 10-year skills strategy, as outlined in the skills and employment update report provided to the Executive Member's December 2020 Decision Session.

Consultation

24. Engagement with businesses, residents and partners on the development of the Council's new Economic Strategy is currently planned to be carried out through existing communication mechanisms such as the Council's Big Conversation, sector roundtables, business bulletin and the various channels and networks operated by York's business support and membership groups. This activity is planned for late spring/early summer 2021.
25. Work is also taking place to ensure that this engagement activity dovetails with, and informs, other planned engagement taking place across the Council's Economy and Place Directorate during 2021, including My City Centre, Local Transport Plan 4, Climate Change and the Council's Skills Plan.

Council Plan

26. Our work addresses the following outcomes from the Council Plan:
 - Good health and wellbeing;
 - Well-paid and an inclusive economy;
 - A better start for children and young people;
 - A greener and cleaner city;
 - Safe communities and culture for all; and,
 - An open and effective council.

Implications

27.
 - **Financial** – no new financial commitments.
 - **Human Resources (HR)** – no implications;
 - **One Planet Council / Equalities** – our work positively supports the Council's equalities objectives;
 - **Legal** – no implications;
 - **Crime and Disorder** – no implications;

- **Information Technology (IT)** – no implications;
- **Property** – no direct implications.

Risk Management

28. There are no specific risks identified in respect of the recommendations.

Contact Details

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Director of Place

Report Approved Date 18/1/21

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Background Papers: None

Annexes

Annex 1: York Economic Strategy Evidence Base (draft)

ANNEX 1

York Economic Strategy 2020-25: Draft Economic Evidence Base

Simon Brereton

Head of Economic Growth

We will cover:

- Economic strategy – what is it & why now?
- Beyond productivity – a new basis for strategy
- How are we going to build our new strategy?
- How you can help!

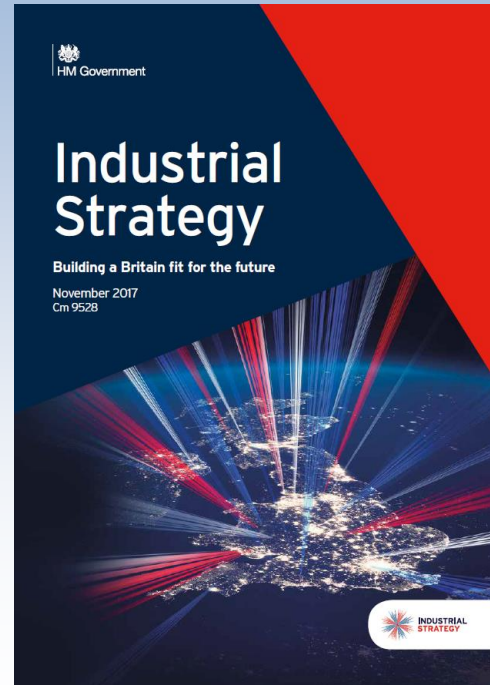


Why do we need a new Economic Strategy?

- Economic strategy – statement of city priorities, allowing all stakeholders to push together
- Current strategy runs 2016-2020
- Continued sense across the city that not all are benefitting
- New Council Plan setting new city priorities, while MyCastleGateway and MyYorkCentral have raised the bar for consultation!

National Industrial Strategy

- “A long-term plan to boost the productivity and earning power of people throughout the UK”
- Priorities for Government & LEPs
- Headline: Increase productivity
- 5 foundations: ideas, people, infrastructure, business environment, places
- 4 grand challenges: AI & data, ageing society, clean growth, future of mobility



ANNEX 1

The economic strategy landscape



- National and regional strategies guide funding
- Local strategy interprets and adds a local layer
- Enables CYC, Universities, businesses & LEPs to collaborate

Build Back Better: Government ^{ANNEX 1} Priorities

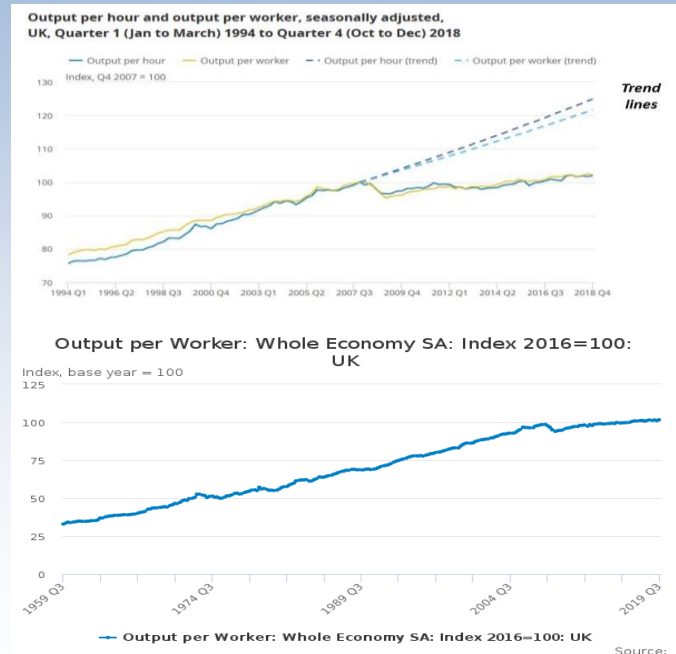
- “Levelling up” agenda – addressing inequality and investing in underperforming places
- UK as a science powerhouse – investing in R&D, developing and attracting top talent and scaling up innovation
- A green industrial revolution – achieving net zero by 2050 whilst creating and supporting <250,000 jobs

Covid-19 – Economic Impacts

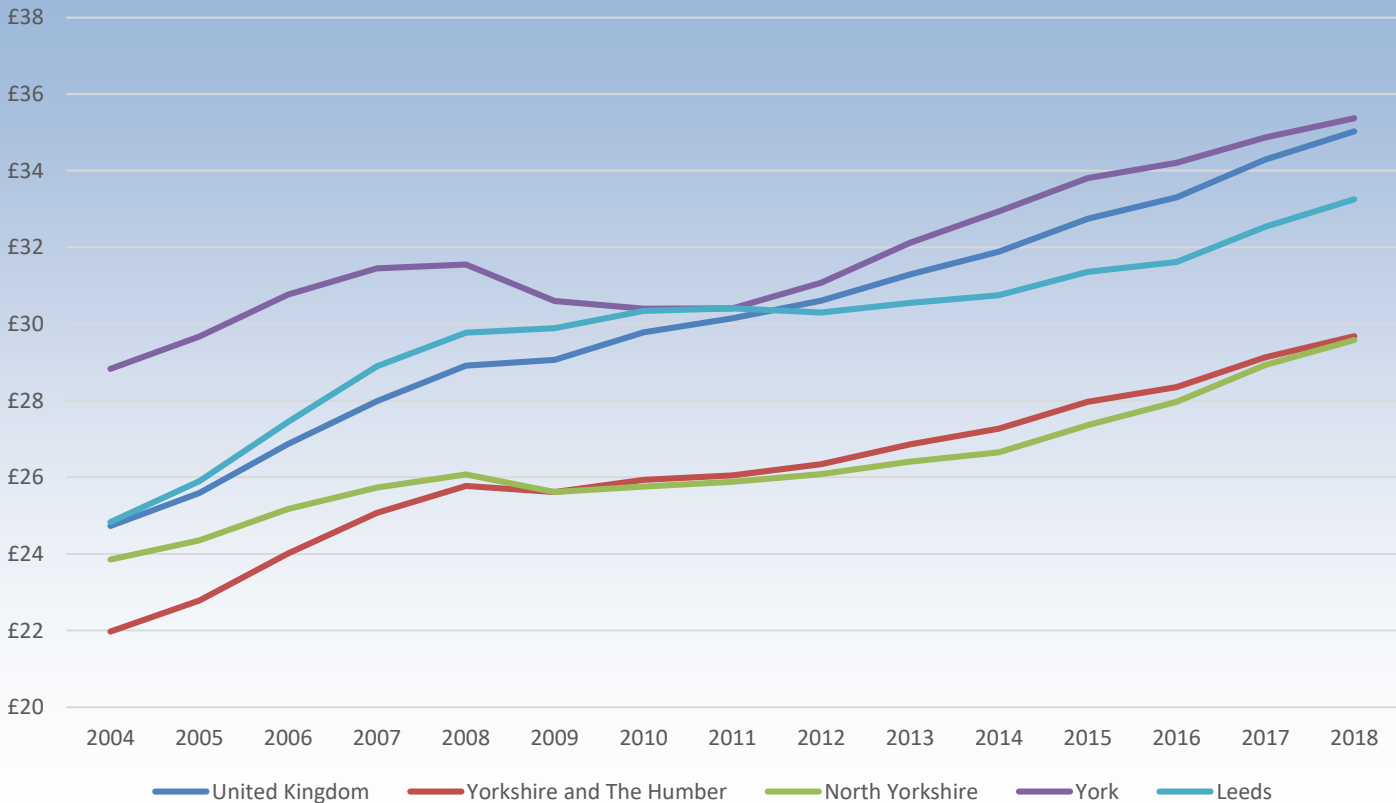
- Full economic impact of Covid-19 still unknown
- Nationally, OBR forecasting a 11% drop in GDP for 2020 – we've since had another lockdown!
- Oxford Economics forecasts for York predict a 11% decrease in GVA for 2020, with GVA returning to pre-pandemic levels in 2022
- Full impact on jobs difficult to tell due to Government support (furlough, business grants, loans etc.)

The productivity challenge(s)

- UK productivity stalled in 2008
- Productivity growth underpins wage growth
- For low-wage cities, growing jobs, skills and productivity is vital – “more jobs, better jobs”



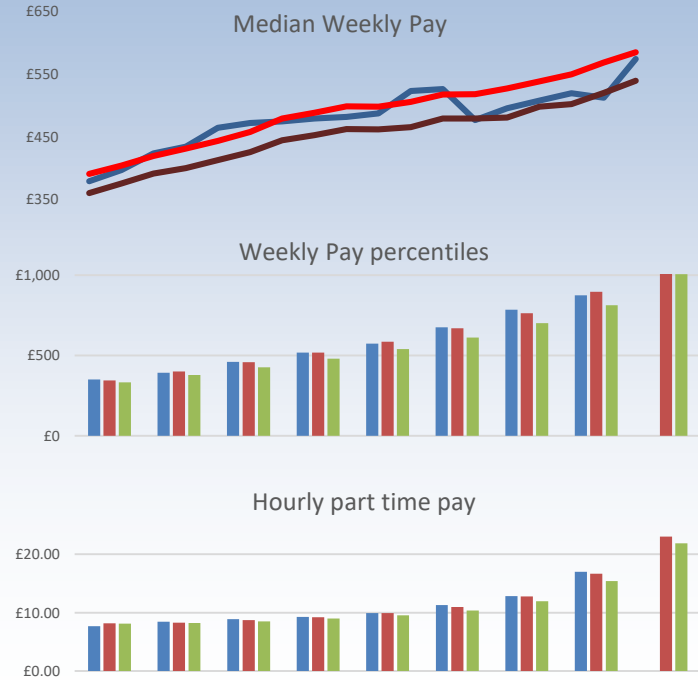
York is a highly productive city ANNEX 1



ONS: Nominal smoothed GVA (B) per hour worked (£) 2004-2018

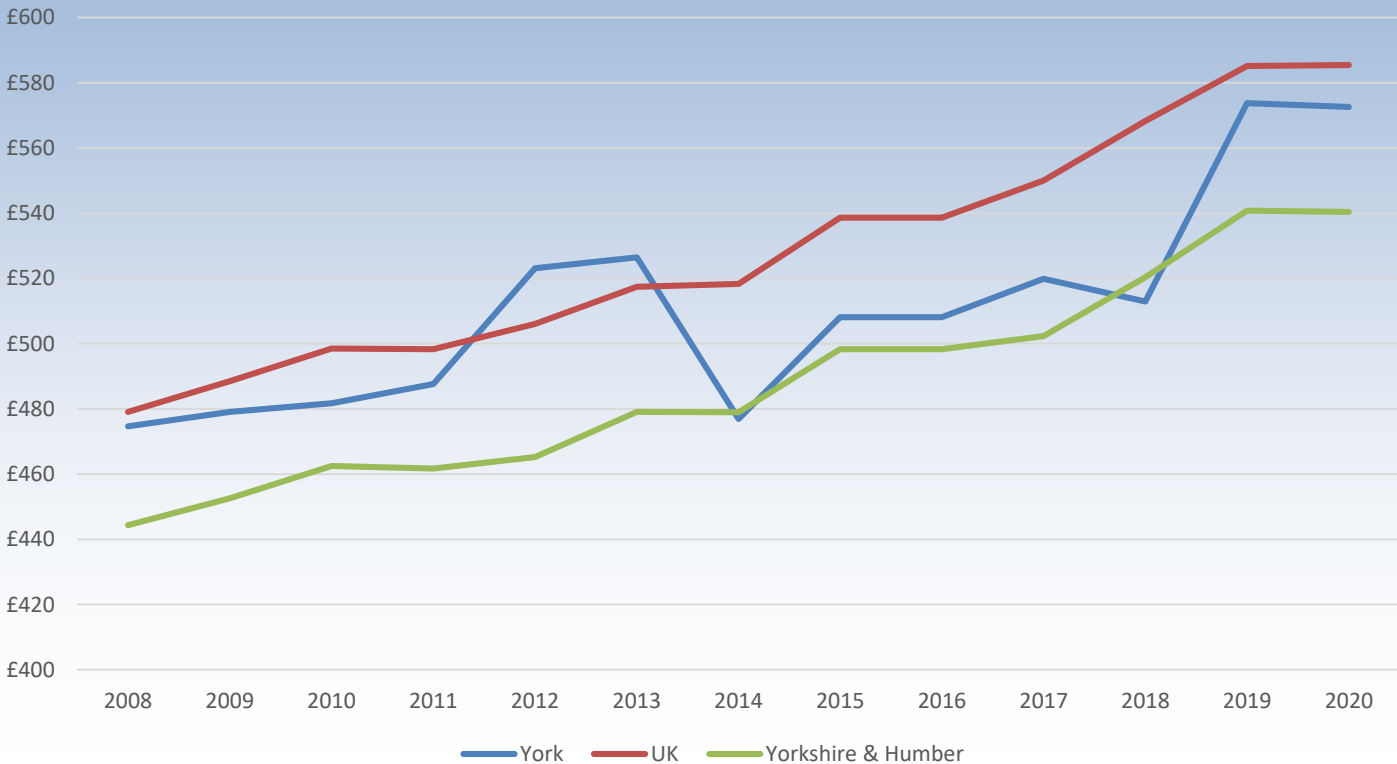
York is not a low wage city

- Median full time pay close to national levels
- At all percentiles, York is above our neighbours
- Also true for hourly rates of part time staff
- See following charts for more information



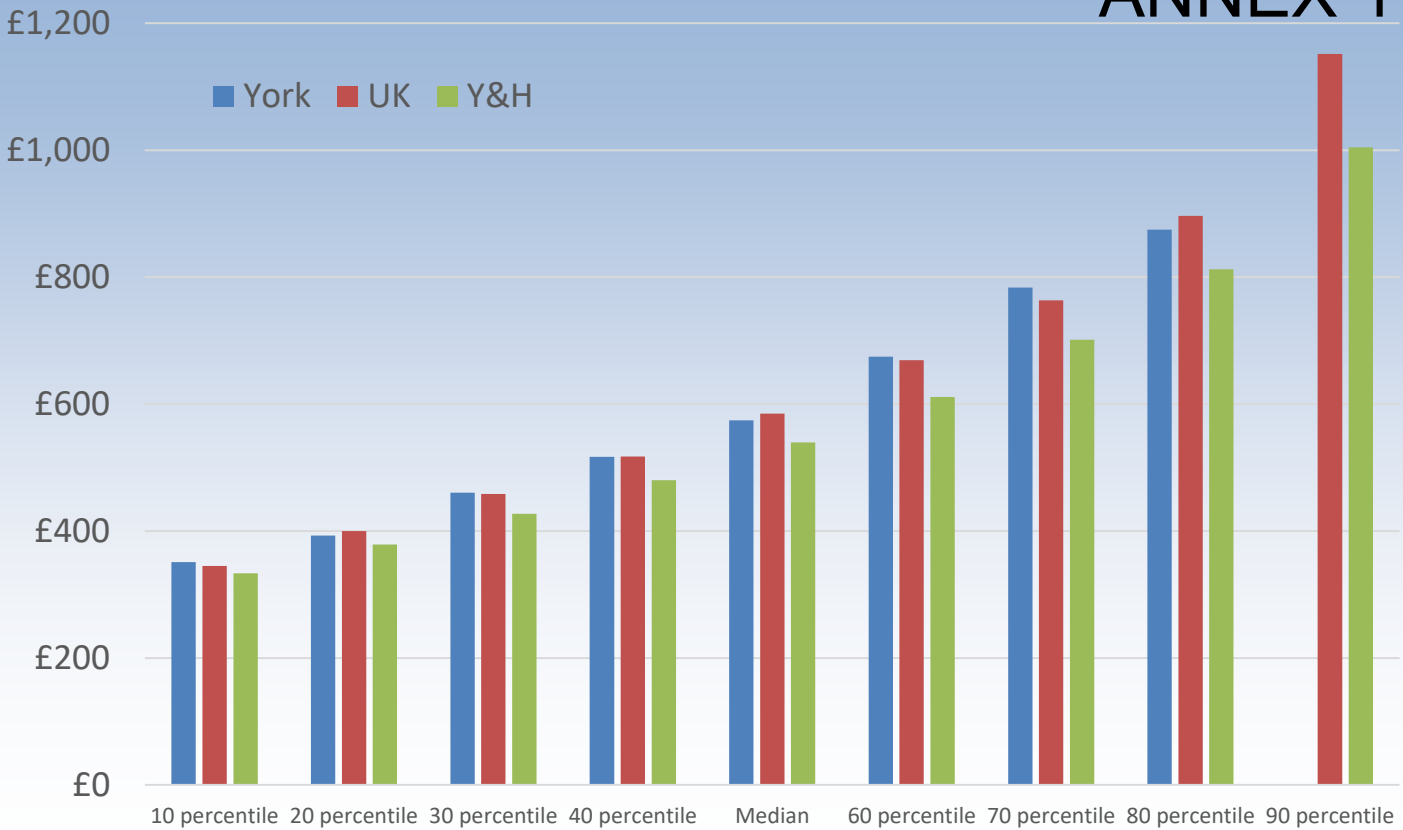
Median full time weekly pay in York is close to the national average

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York's full time jobs pay UK rates!

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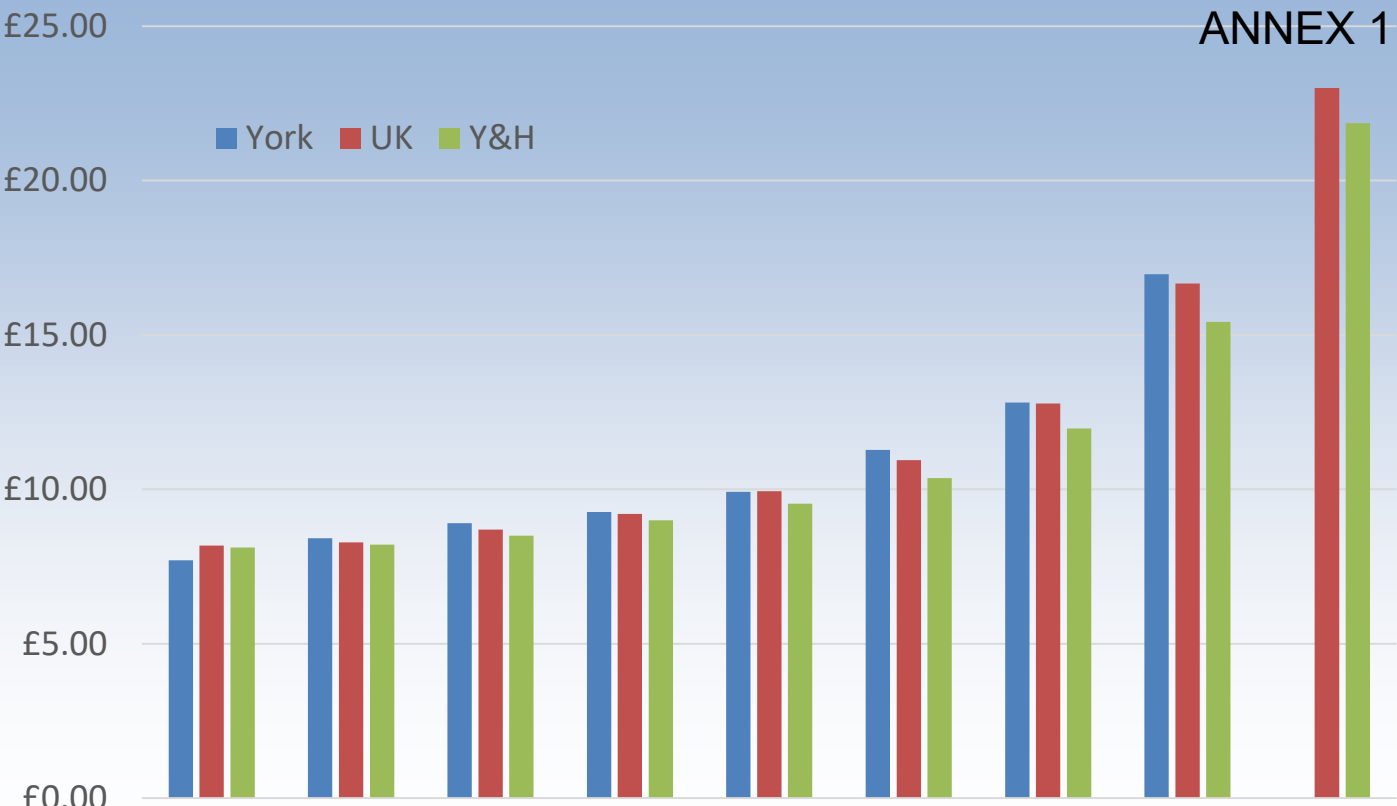


Annual Survey of Hours and Earnings (ASHE): Office for National Statistics 2019 figures - York residents

York's part time jobs pay above UK average

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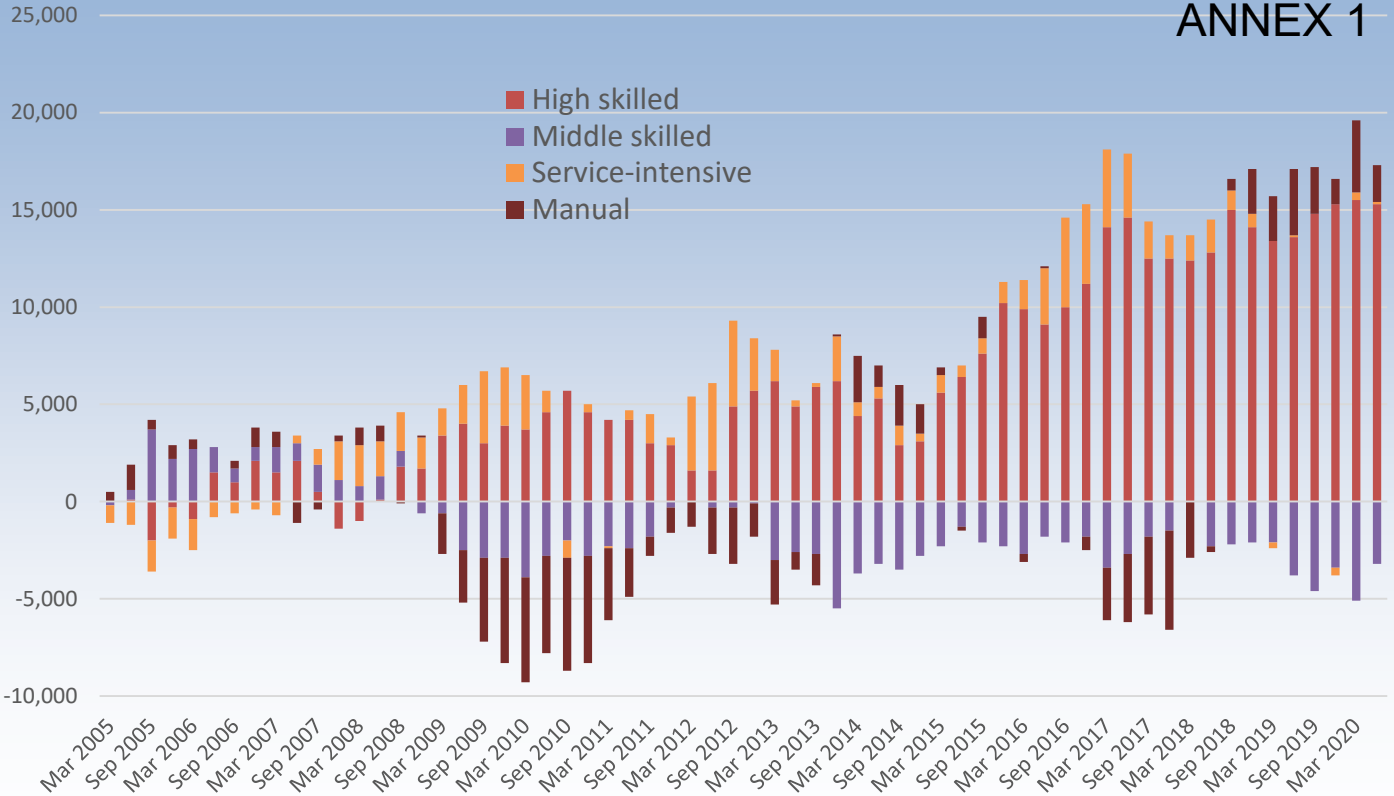
■ York ■ UK ■ Y&H



Annual Survey of Hours and Earnings (ASHE): Office for National Statistics: 2019 figures – York residents

15,000 high skilled jobs created since 2005

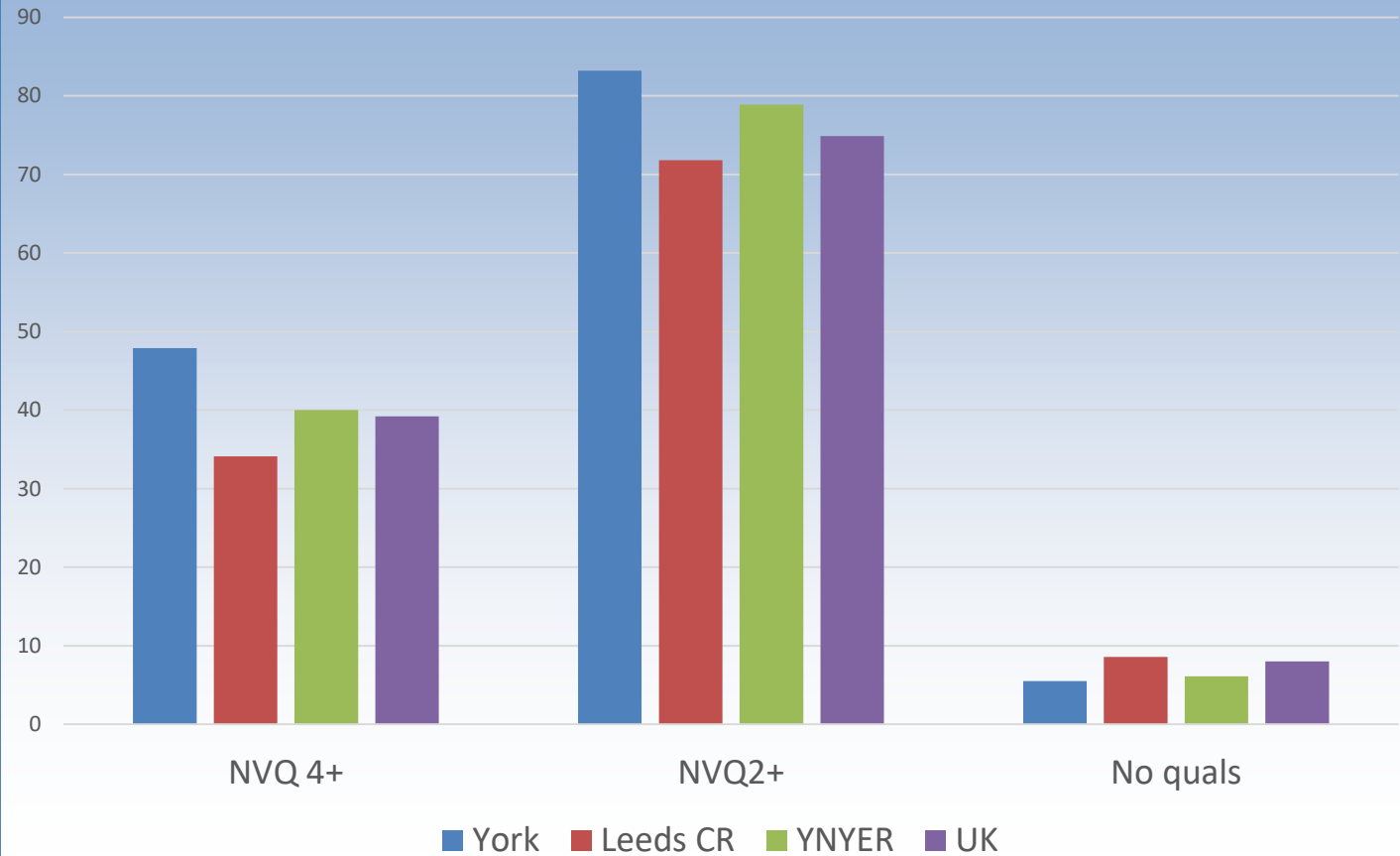
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NOMIS: Annual Population Survey employment by SOC Code

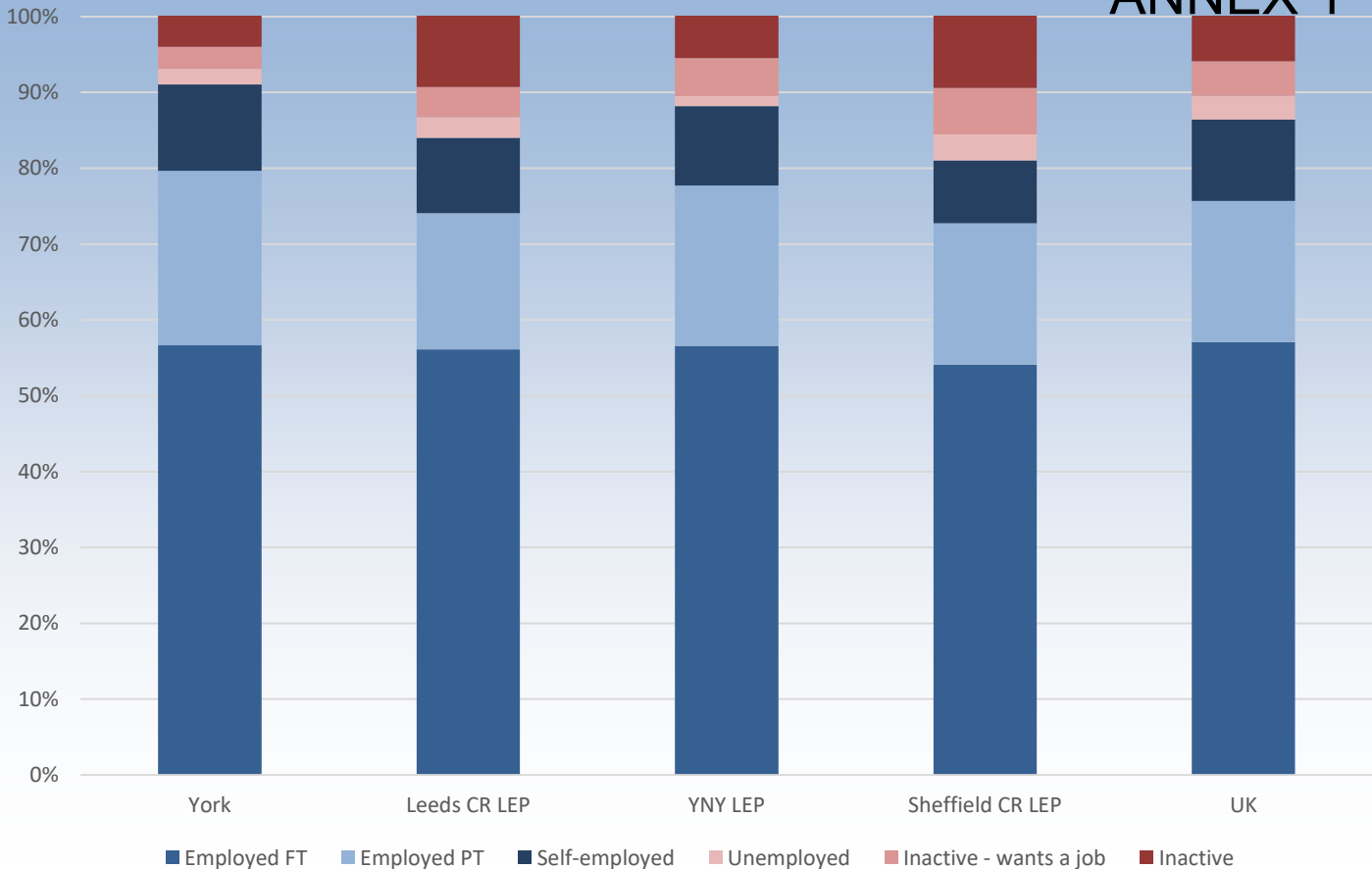
York is a highly skilled city

ANNEX 1



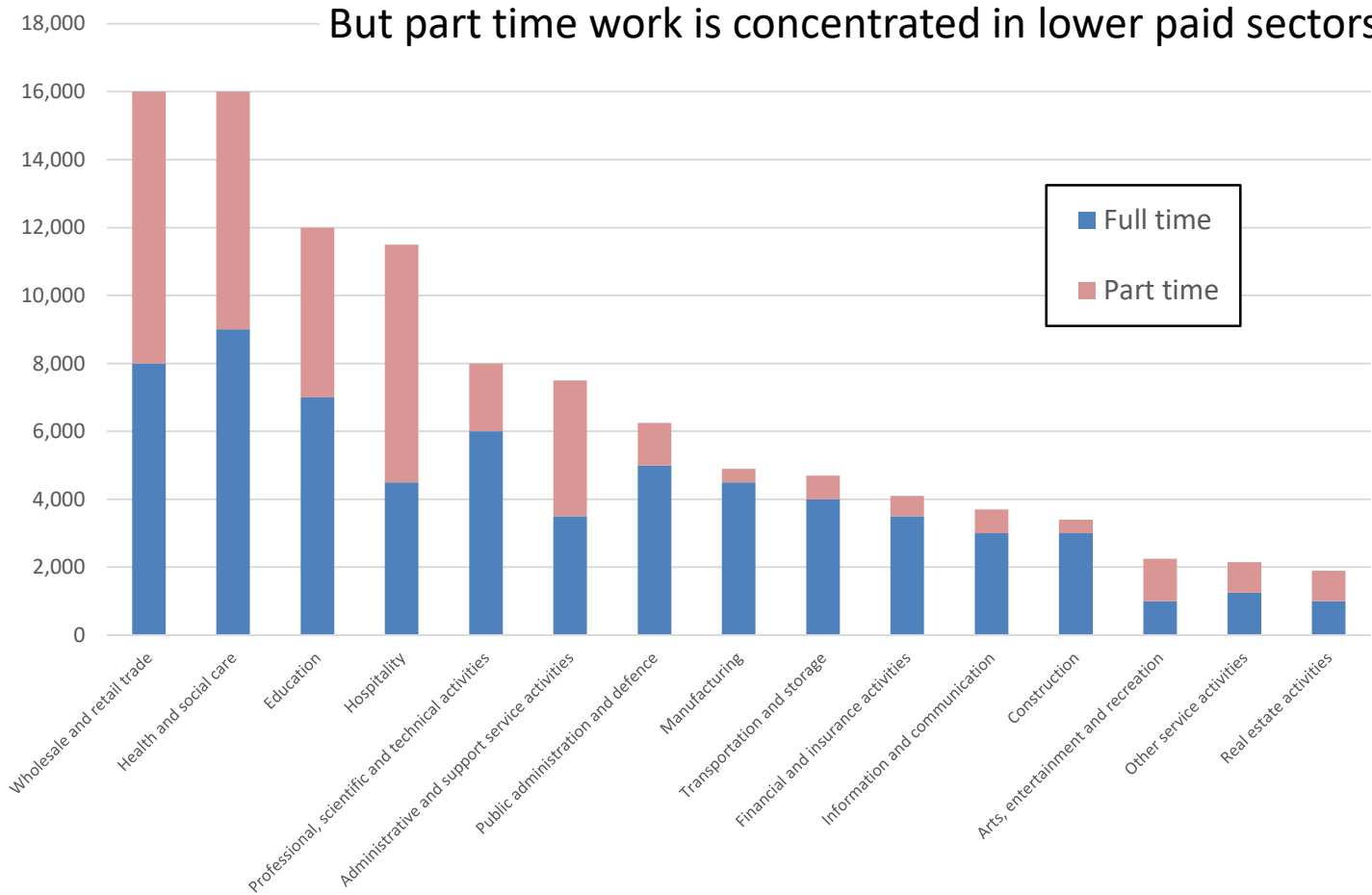
York has high employment, unlike much of Yorkshire

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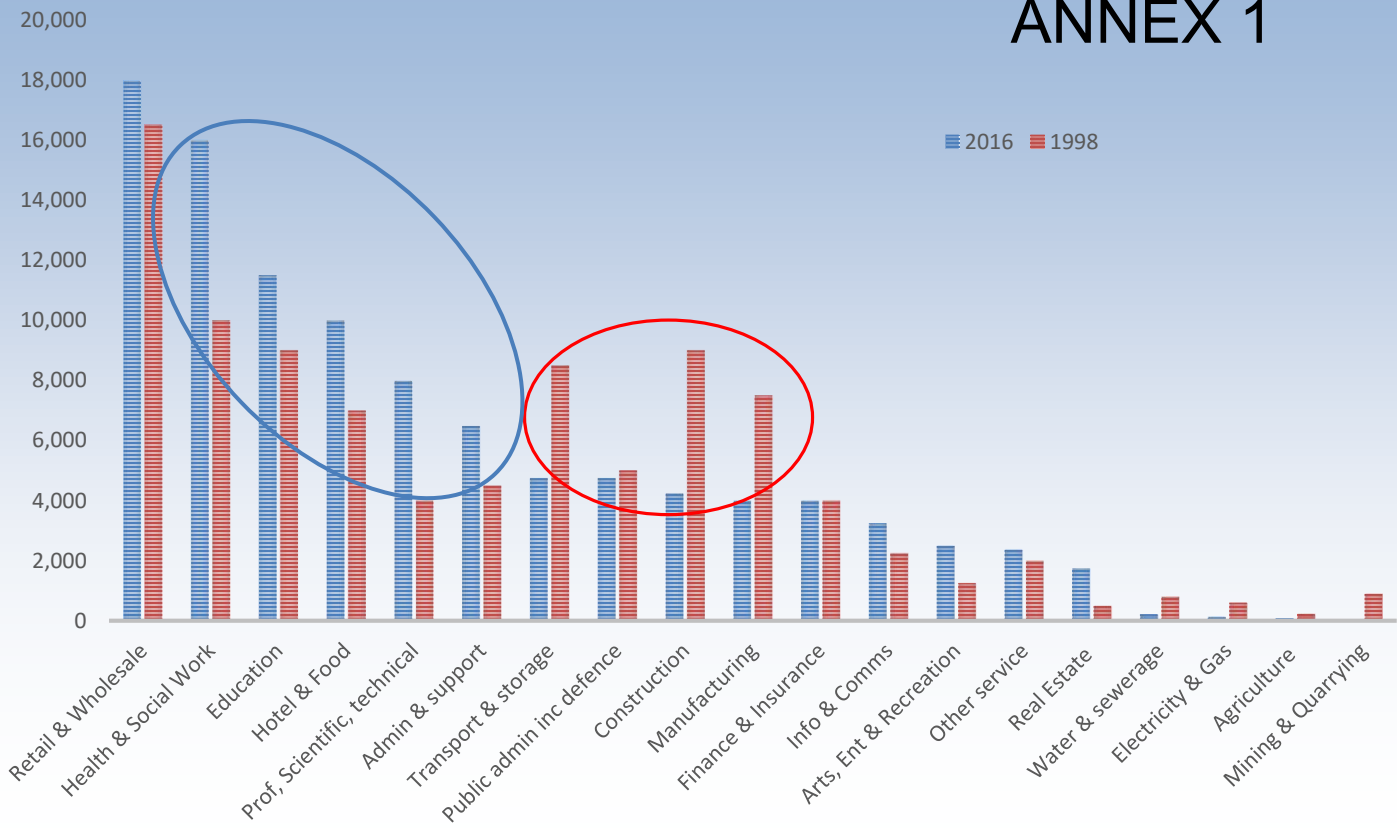
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But part time work is concentrated in lower paid sectors



AND WE HAVE LOST 16,000 WELL PAID LOWER SKILLED JOBS OVER THE PAST 20 YEARS

ANNEX 1

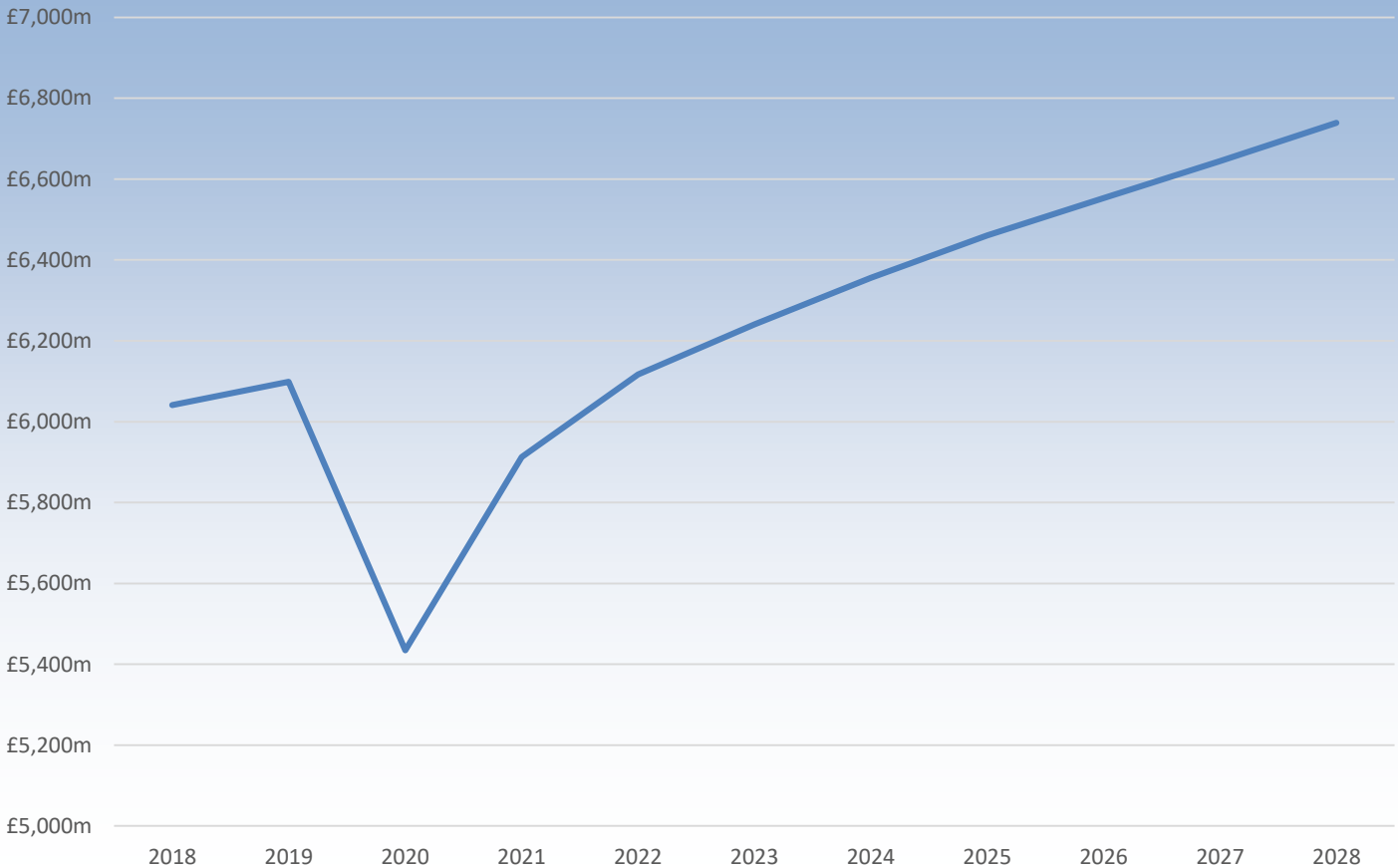


Employment in York is forecast to continue to grow in the years ahead **ANNEX 1**



Making history, building communities

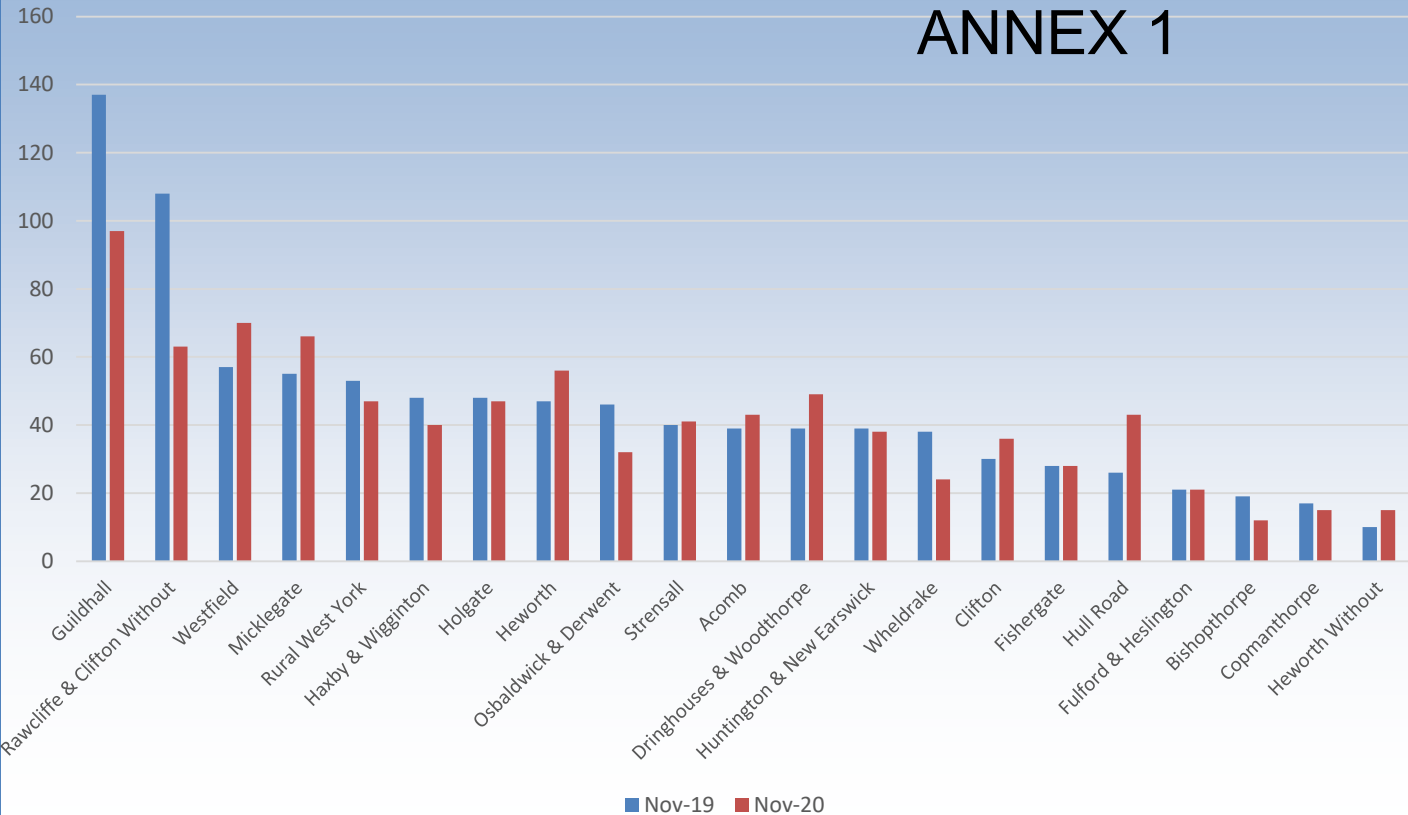
And GVA will grow too ANNEX 1



Making history, building communities

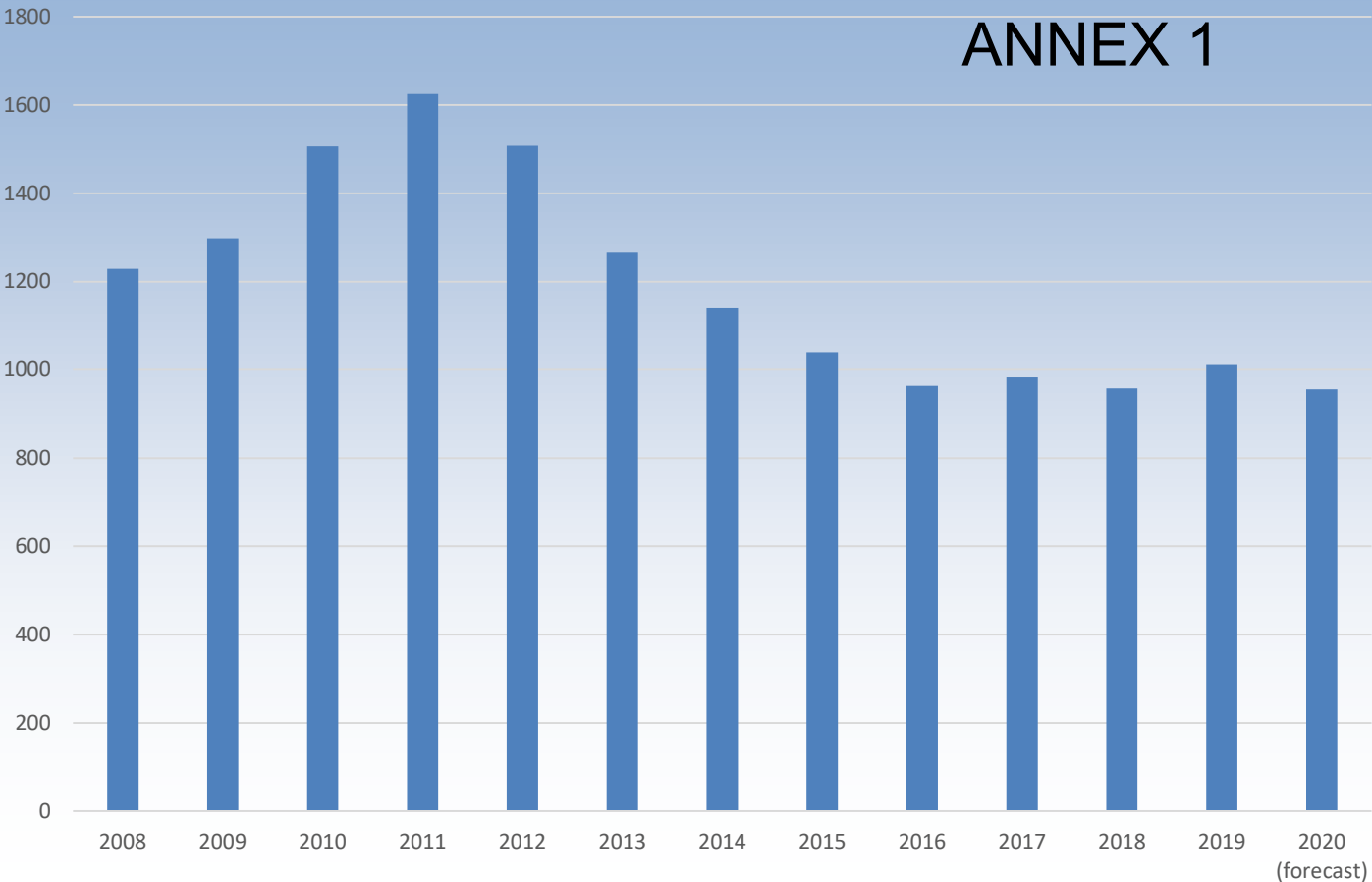
Start-ups in 2020 remain at similar levels to pre-pandemic, but are higher in more deprived wards

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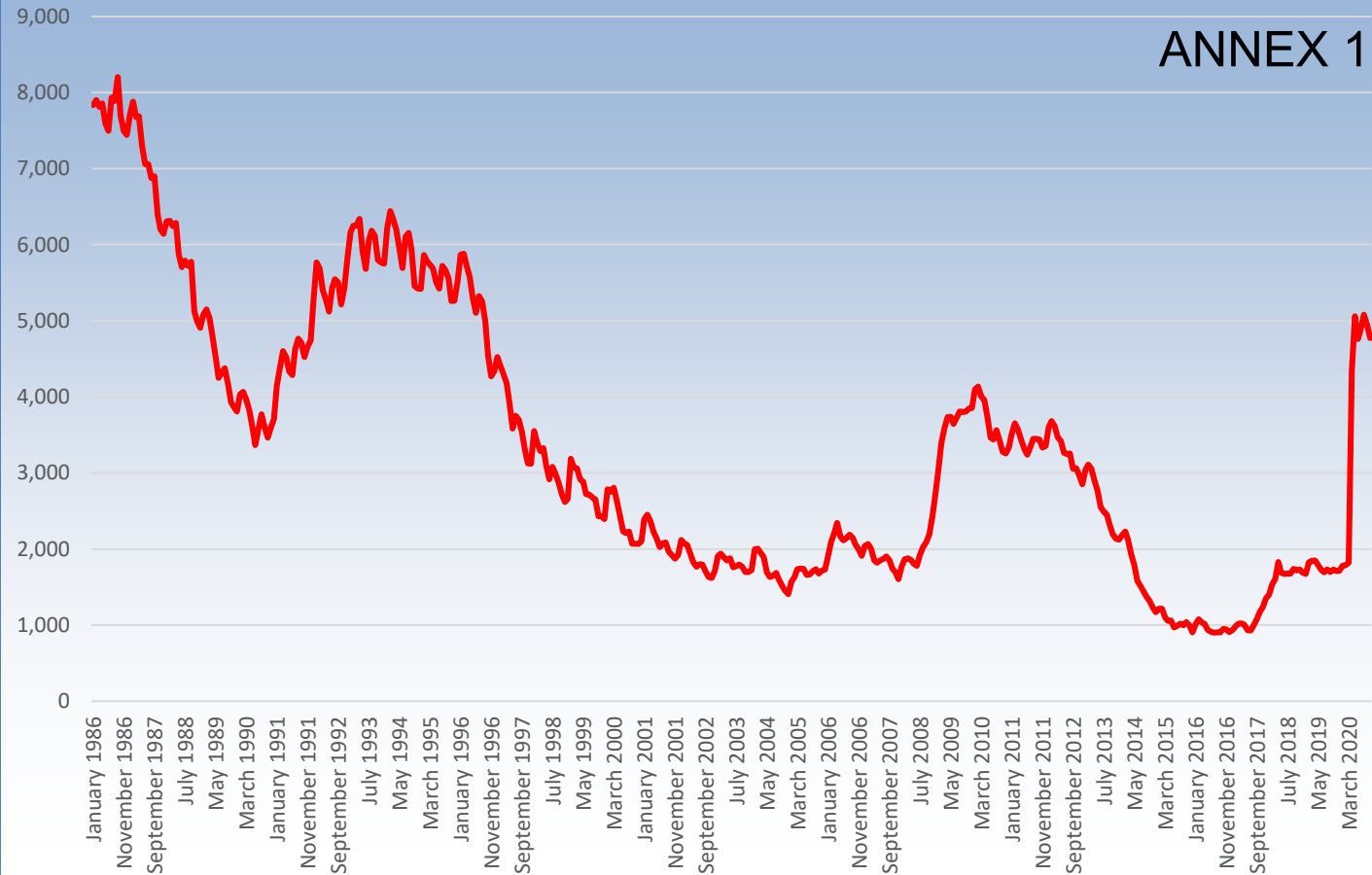
Around 1,000 businesses start in York each year

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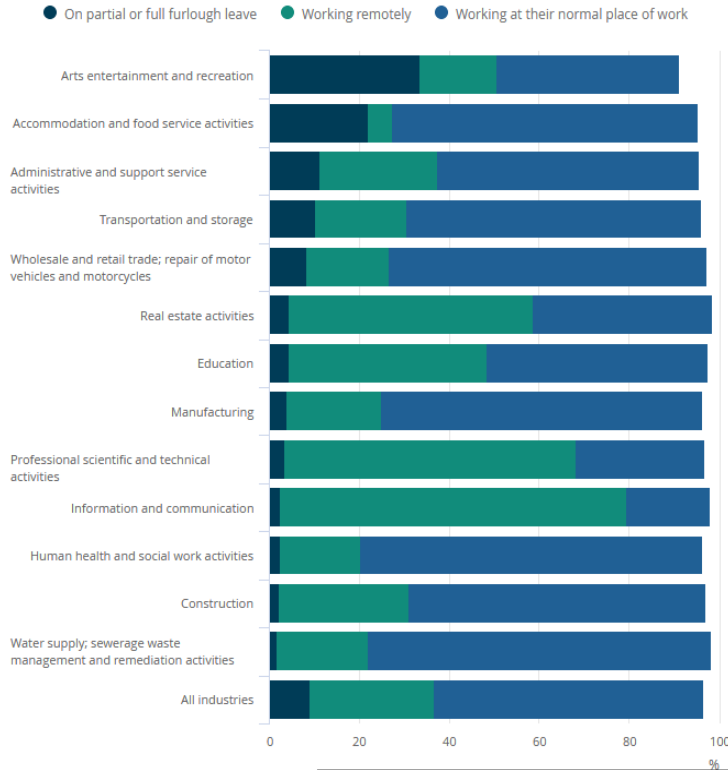
York's claimant count is at its highest level for 25 years

ANNEX 1



Working arrangements, businesses that have not permanently stopped trading, broken down by industry, weighted, UK, 19 October to 1 November 2020

November 2020



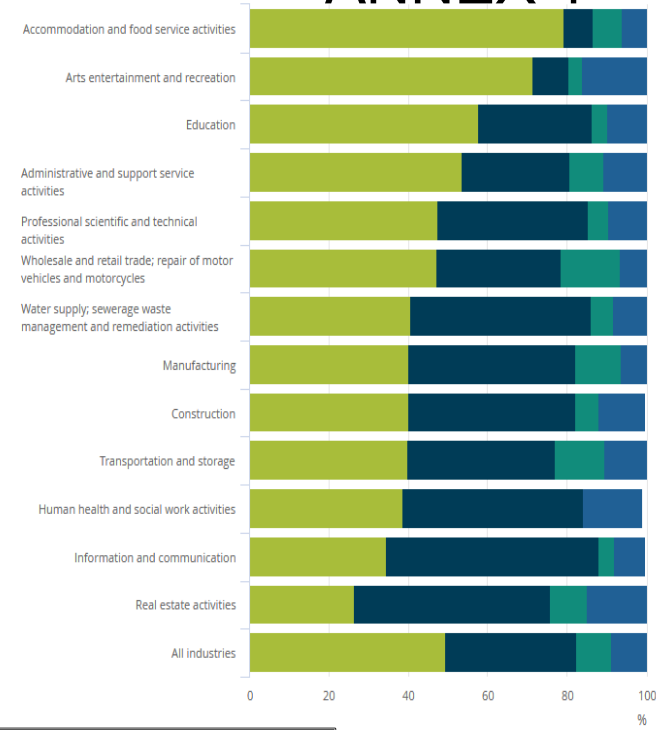
30th Sept 2020: York 6,800 Furloughed : 3,700 female, 3,100 male

Source: Office for National Statistics – Business Impact of Coronavirus

Impact on turnover, businesses that are currently trading, broken down by industry, weighted, UK, 19 October to 1 November 2020

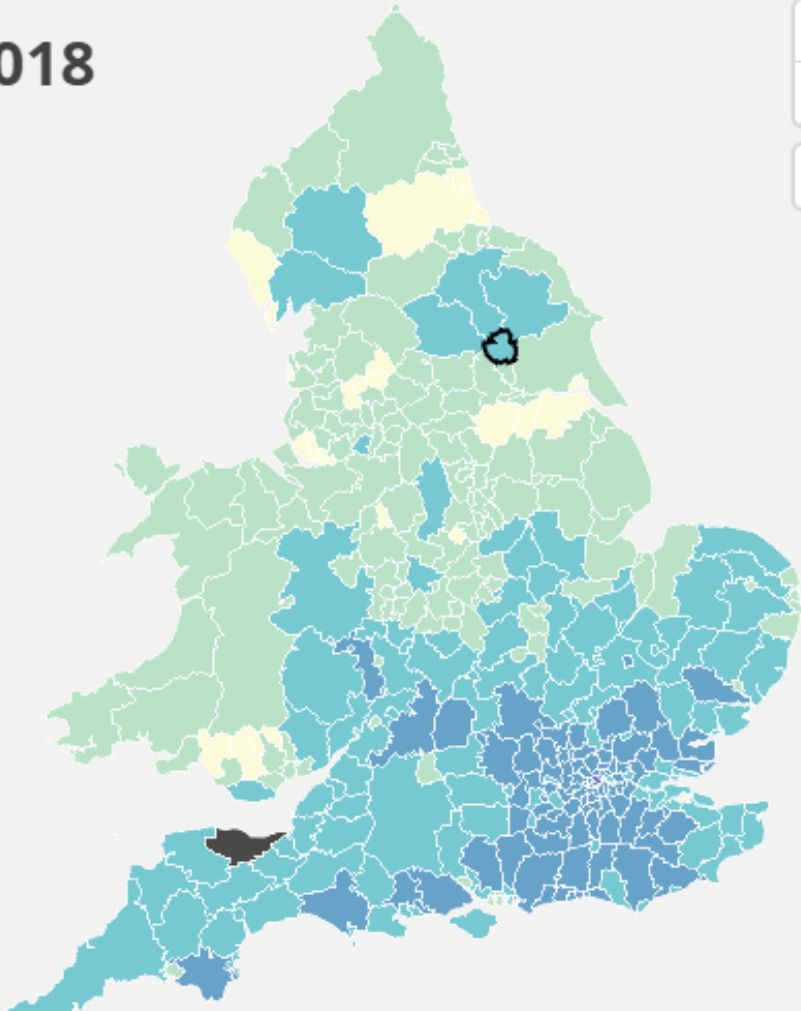
● Turnover has decreased ● Turnover has not been affected ● Turnover has increased ● Not sure

ANNEX 1



Source: Office for National Statistics – Business Impact of Coronavirus

2018

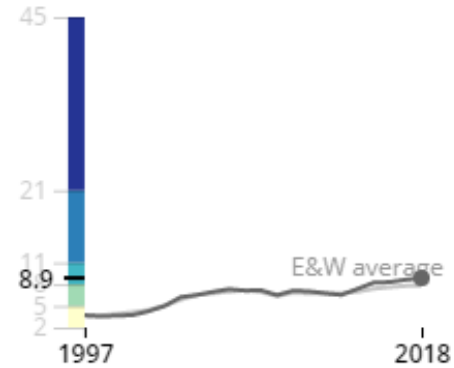


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York ✕

Property price to earnings ratio

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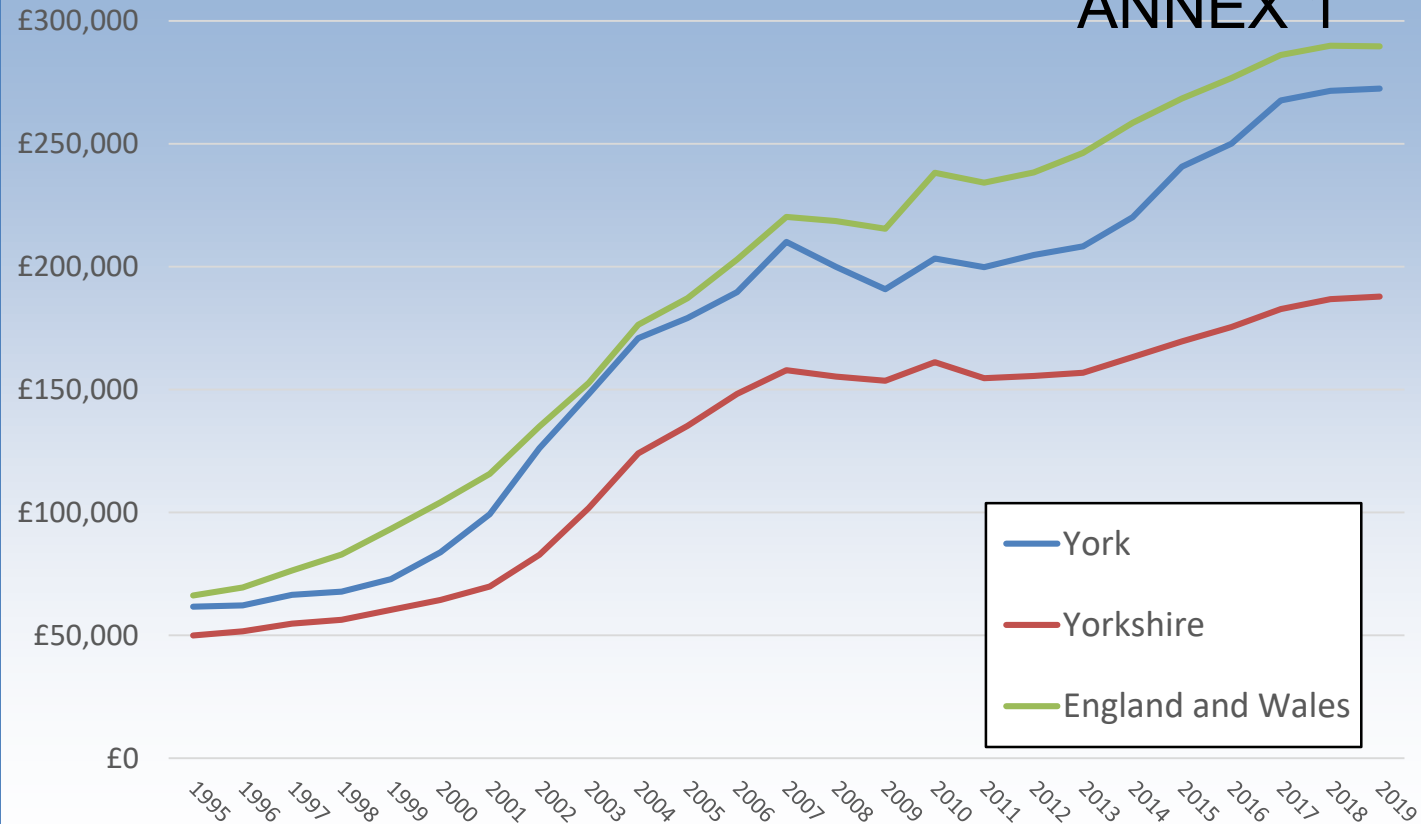


York's housing affordability is at UK average levels, but compares poorly to much of the north



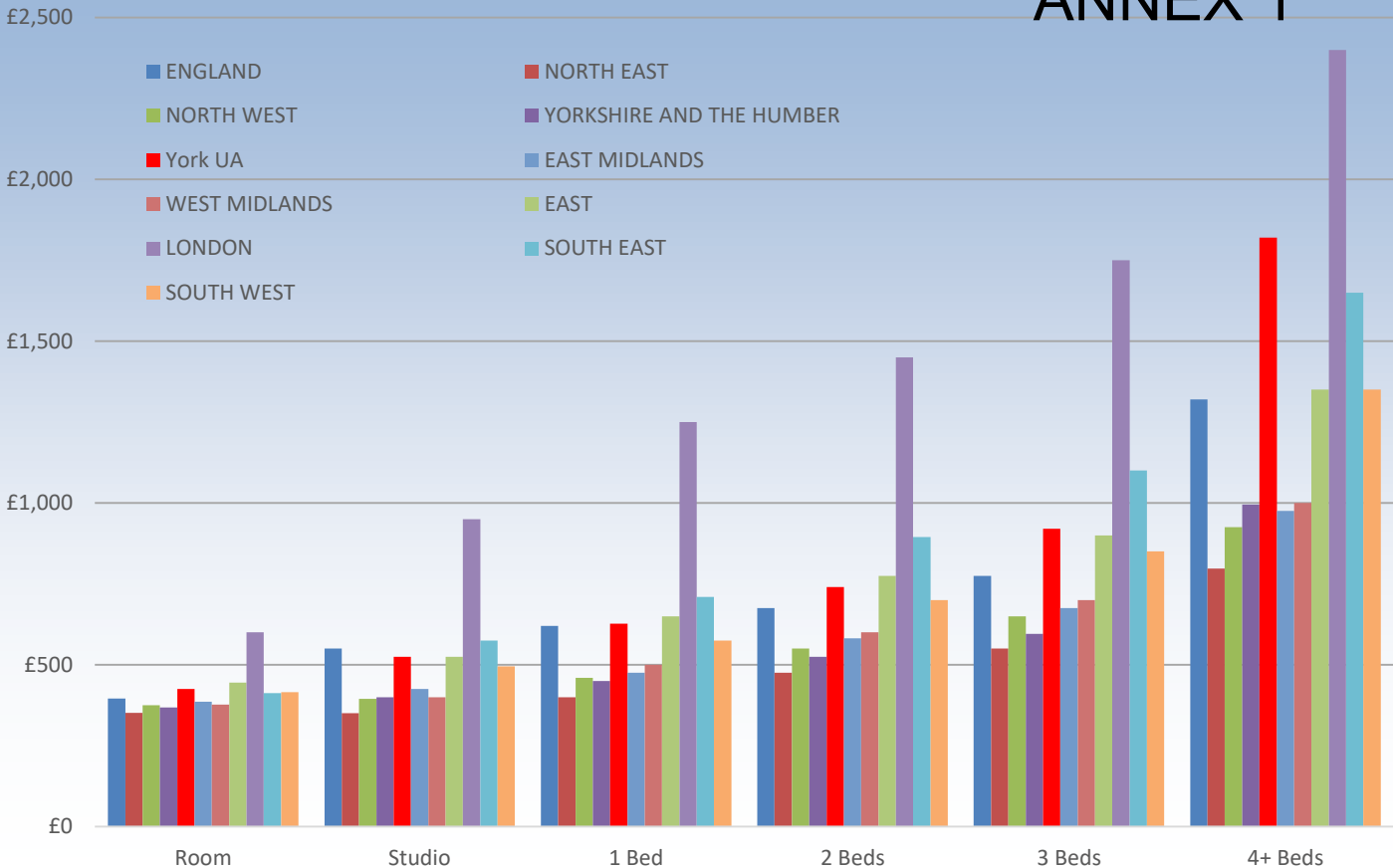
York house prices remain close to the UK average

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York's rental costs are like the south of England

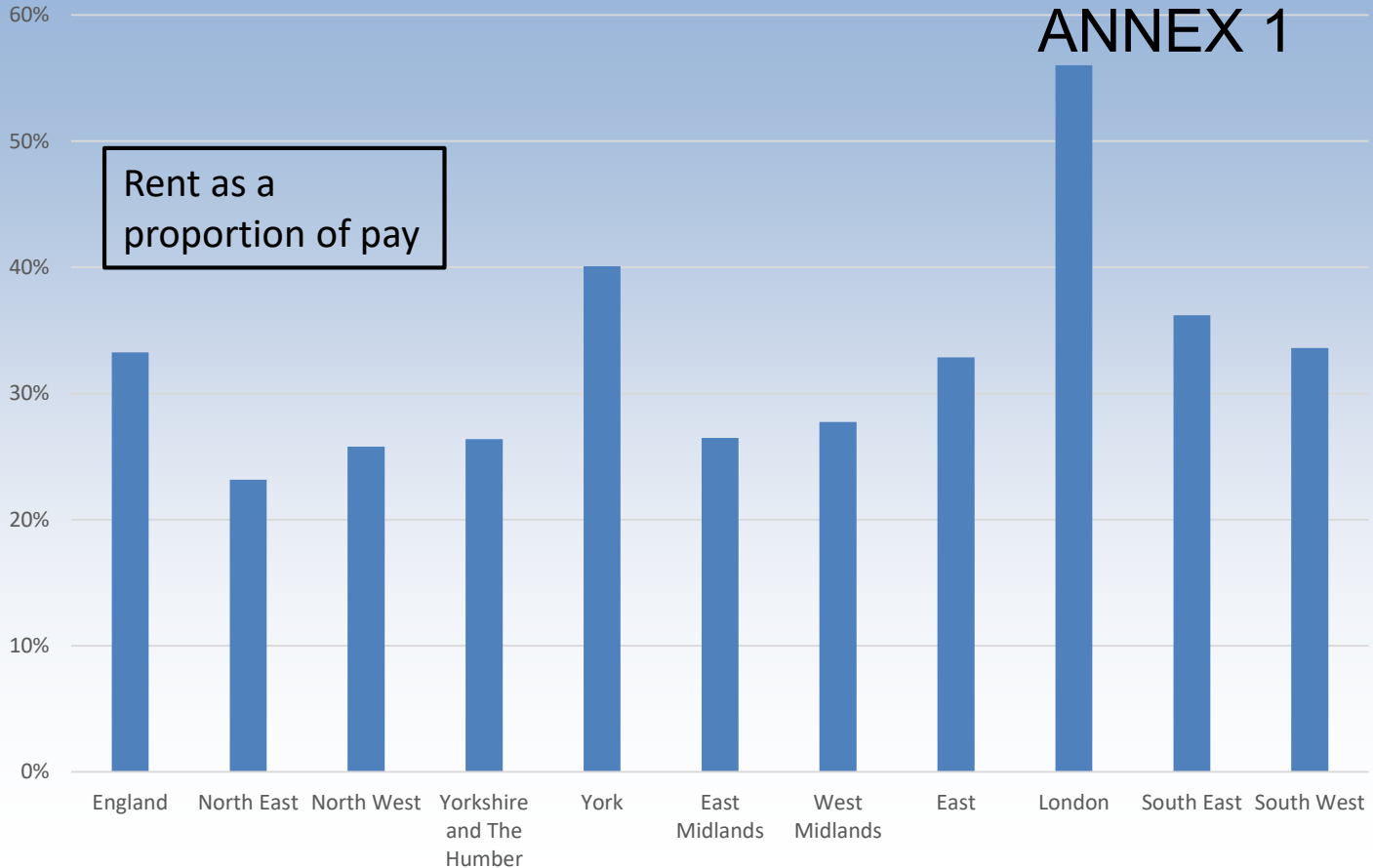
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York rents are among the least affordable in England

ANNEX 1

Rent as a proportion of pay



So what do we know?

- Wages are not the whole story
- High employment but limited options for many
- High skills but limited opportunities for many
- In work poverty, insecure employment are issues
- Part time work options are limited
- Housing affordability can be challenging
- Many people do not feel well-off!

What do we need to know more about?

ANNEX 1

- Experiences of our residents
- Future skills needs of businesses
- A view from businesses on the advantages & disadvantages of being located in York
- Covid impacts
- Self employment & micro-businesses

